
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 your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kerry Logistics Network Limited, you should at once hand this circular and the 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.

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This circular appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.



Kerry Logistics
Network Limited

嘉里物流聯網有限公司

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

Stock Code 636

CONNECTED TRANSACTION

PROPOSED ISSUE OF HK\$780,000,000 3.30 PER CENT. PERPETUAL CONVERTIBLE SECURITIES UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

Sole Placing Agent



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



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

A letter from the Board is set out on pages 7 to 29 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 30 to 31 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 65 of this circular.

A notice convening the SGM via the e-Meeting System on Thursday, 11 May 2023 at 2:30 p.m. is set out on pages 73 to 75 of this circular.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.kln.com).

Whether or not you are able to attend the meeting via the e-Meeting System, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or submit it via the designated URL (<https://spot-emeeting.tricor.hk/#/431>) by using the log-in username and password provided on the notification letter sent by the Company, not less than 48 hours before the time appointed for holding the SGM, i.e. by no later than 2:30 p.m. on Tuesday, 9 May 2023. Completion and return of the form of proxy shall not preclude you from attending and voting via the e-Meeting System at the SGM or any adjourned meeting thereof should you so desire.

24 April 2023

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DEFINITIONS

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

“Actual Redemption Amount”	an amount equal to (i) the principal amount of the Convertible Securities proposed to be redeemed pursuant to any Optional Redemption Notice minus (ii) the principal amount of the Convertible Securities in respect of which conversion rights are exercised during the period following delivery of the relevant Optional Redemption Notice and the last day on which the conversion rights may be exercised by a holder of Convertible Securities as specified in such Optional Redemption Notice
“Announcements”	the First Announcement and the Second Announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Closing Date”	the date falling 5 business days from the date on which all conditions precedent are satisfied (save for those conditions precedent which are only capable of being satisfied on the Closing Date itself) or such other date that the Company and the Subscriber may agree
“Company”	Kerry Logistics Network Limited, a company incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 636)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price at which Conversion Shares will be allotted and issued upon conversion of the Convertible Securities which will initially be HK\$18.80 per Conversion Share, and will be subject to adjustment in the manner provided in the terms and conditions of the Convertible Securities
“Conversion Share(s)”	Share(s) to be allotted and issued by the Company upon conversion of the Convertible Securities
“Convertible Securities”	the 3.30% perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 issued by the Company

DEFINITIONS

“Current Market Price”	in respect of a Share on a particular date and subject to certain adjustments, the average of the daily closing prices of one Share on each of the 10 consecutive trading days ending on and including (i) the trading day immediately preceding such date or (ii) if the relevant announcement was made after the close of trading on such date (being a trading date), such date of announcement, subject to certain conditions as stipulated in the terms and conditions of the Convertible Securities
“Director(s)”	the director(s) of the Company
“e-Meeting System”	electronic platform for the registered Shareholders, proxies and corporate representatives attending the SGM via internet
“Early Redemption Amount”	an amount equal to the greater of: (i) the principal amount of the Convertible Securities, together with any distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amount) and (ii) an amount, as determined by an independent bank of international repute acting as calculation agent, equal to the sum of: (x) the present value of the principal amount of the Convertible Securities to be redeemed discounted from the Fifth Anniversary, and (y) the present value of all distributions payable (or but for any deferral, would be payable) after such redemption date (exclusive of distributions accrued to the redemption date) to, and including, the Fifth Anniversary, discounted to the redemption date on a semi-annual basis (using the actual number of days for the relevant period divided by 365) at the Swap Rate (as defined in the terms and conditions of the Convertible Securities) plus 1.00% per annum
“Fair Market Value”	with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an independent investment bank, provided that (i) the Fair Market Value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend (in which case no determination by an independent investment bank would be required); (ii) the Fair Market Value of any other cash amount shall be equal to such cash amount (in which case no determination by an independent investment bank would be required); and (iii) where Convertible Securities are publicly traded in a market of adequate liquidity (as determined by such independent investment bank) the Fair Market Value of such Convertible Securities shall equal the arithmetic mean of the daily closing prices of such Convertible Securities during the period of ten Trading Days commencing on the first such Trading Day (or, if later, the first such Trading Day such Convertible Securities are publicly traded) or such shorter period as such Securities are publicly traded

DEFINITIONS

“Fifth Anniversary”	5 years after the Closing Date
“First Announcement”	the announcement of the Company dated 28 March 2023 in relation to the proposed issue of Convertible Securities under the Specific Mandate
“Flourish Harmony”	Flourish Harmony Holdings Company Limited, a wholly-owned subsidiary of SF Holding
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors (namely, Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina), established for the purpose of advising the Independent Shareholders in relation to the terms of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and Placing Agency Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting on the resolutions at the SGM approving the Subscription and Placing Agency Agreement and the transactions contemplated thereunder
“Issue Price”	100.0%
“Kerry TJ”	Kerry TJ Logistics Company Limited, incorporated under the laws of Taiwan and listed on Taiwan Stock Exchange (stock code: 2608)
“KEX Thailand”	Kerry Express (Thailand) Public Company Limited, a public company with limited liability registered in Thailand and listed on The Stock Exchange of Thailand (stock code: KEX), is a subsidiary of the Company
“KGL”	Kerry Group Limited, one of the controlling shareholders of the Company
“KHL”	Kerry Holdings Limited, a wholly-owned subsidiary of KGL

DEFINITIONS

“KPL”	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), and a substantial shareholder of the Company
“Latest Practicable Date”	20 April 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Mainland”	the PRC, excluding, for the purpose of this circular only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Placing Agent”	Natixis, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
“PRC”	the People’s Republic of China
“Regulation S”	Regulation S under the Securities Act
“RMB”	Renminbi, the lawful currency of the PRC
“Second Announcement”	the announcement of the Company dated 29 March 2023 in relation to the entering into of the Subscription and Placing Agency Agreement in respect of the proposed issue of the Convertible Securities under the Specific Mandate
“Securities Act”	The US Securities Act of 1933, as amended
“SF Holding”	S.F. Holding Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ), is a subsidiary of Shenzhen Mingde
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be held via the e-Meeting System on Thursday, 11 May 2023 at 2:30 p.m., or where the context so admits, any adjournment thereof for considering and, if thought fit, approving the Subscription and Placing Agency Agreement and the transactions contemplated thereunder (including the issue of the Convertible Securities, the allotment and issue of the Conversion Shares under the Specific Mandate and the grant of the Specific Mandate);
“Share(s)”	share(s) of nominal value of HK\$0.50 each of the Company, or, if there has been a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company
“Share Award Scheme”	share award scheme of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen Mingde”	Shenzhen Mingde Holding Development Co., Ltd., one of the controlling shareholders of the Company
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to authorise the Board to issue the Convertible Securities, and to allot, issue and deal with the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	SF Holding Limited, a company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of SF Holding
“Subscription and Placing Agency Agreement”	the subscription and placing agency agreement dated 29 March 2023 between the Company, the Placing Agent and the Subscriber relating to the issue of Convertible Securities
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Trading Day”	a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“United States” or “US”	The United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“%”	per cent

SPECIAL ARRANGEMENTS FOR THE SGM

All registered Shareholders will be able to join the SGM via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer.

Through the e-Meeting System, registered Shareholders will be able to view the live video broadcast and participate in voting and submit questions online. Login details and information will be included in our letters to registered Shareholders regarding the e-Meeting System which will be despatched on 24 April 2023.

HOW TO ATTEND AND VOTE

Shareholders who wish to attend the SGM and exercise their voting rights can do one of the following:

- (1) attend the SGM via the e-Meeting System which enables live streaming and interactive platform for submitting questions and voting online; or
- (2) appoint the chairman of the SGM or other person(s) as your proxy(ies) by providing their email address(es) for receiving the designated log-in username and password to attend and vote on your behalf via the e-Meeting System.

Your proxy's authority and instruction will be revoked if you attend and vote via the e-Meeting System at the SGM.

If you are a non-registered Shareholder, you may consult directly with your banks, brokers, custodians or Hong Kong Securities Clearing Company Limited (as the case may be) for necessary arrangement to attend and vote via the e-Meeting System at the SGM if you wish.

If you have any questions relating to the SGM, please contact the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, as follows:

Address: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

Email: is-enquiries@hk.tricorglobal.com

Telephone: (852) 2980 1333 during business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong public holidays

LETTER FROM THE BOARD



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

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

Stock Code 636

Chairman, Non-executive Director:

Mr WANG Wei

Vice Chairman, Non-executive Director:

Mr KUOK Khoon Hua

Executive Directors:

Mr MA Wing Kai William (*Group Managing Director*)

Mr CHEUNG Ping Chuen Vicky (*Managing Director*)

Non-executive Directors:

Mr CHAN Fei

Mr HO Chit

Ms CHEN Keren

Registered Office:

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

*Corporate Headquarters and
Principal Place of Business in
Hong Kong:*

16/F, Kerry Cargo Centre

55 Wing Kei Road

Kwai Chung

New Territories

Hong Kong

Independent Non-executive Directors:

Dr CHEUNG Wai Man

Mr LAI Sau Cheong Simon

Mr TAN Chuen Yan Paul

Ms WONG Yu Pok Marina

24 April 2023

To the Shareholders

Dear Sir or Madam

CONNECTED TRANSACTION

PROPOSED ISSUE OF HK\$780,000,000 3.30 PER CENT. PERPETUAL CONVERTIBLE SECURITIES UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

1 INTRODUCTION

Reference is made to the Announcements. On 29 March 2023, the Company, the Placing Agent and the Subscriber entered into the Subscription and Placing Agency Agreement pursuant to which: (i) the Company agreed to issue the Convertible Securities through the Placing Agent to the Subscriber; (ii) the Placing Agent conditionally agreed to use all reasonable efforts to procure the Subscriber to subscribe for the Convertible Securities; and (iii) the Subscriber conditionally agreed to subscribe and pay for the Convertible Securities, in the aggregate principal amount of HK\$780,000,000 at the Issue Price subject to, and in accordance with, the terms of the Subscription and Placing Agency Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, inter alia, (i) further details of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder (including the issue of the Convertible Securities, the allotment and issue of the Conversion Shares under the Specific Mandate and the grant of the Specific Mandate); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders advising on the terms of the Subscription and Placing Agency Agreements and the transactions contemplated thereunder; and (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders advising on the terms of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder, and to give you the notice of the SGM.

2 SUBSCRIPTION AND PLACING AGENCY AGREEMENT

On 29 March 2023, the Company, the Placing Agent and the Subscriber entered into the Subscription and Placing Agency Agreement, pursuant to which: (i) the Company agreed to issue the Convertible Securities through the Placing Agent to the Subscriber; (ii) the Placing Agent conditionally agreed to use all reasonable efforts to procure the Subscriber to subscribe for the Convertible Securities; and (iii) the Subscriber conditionally agreed to subscribe and pay for the Convertible Securities, in the aggregate principal amount of HK\$780,000,000 at the Issue Price subject to, and in accordance with, the terms of the Subscription and Placing Agency Agreement.

The principal terms of the Subscription and Placing Agency Agreement are set out below:

The Subscription and Placing Agency Agreement

Date

29 March 2023

Parties

- (i) The Company, as issuer
- (ii) The Placing Agent, as placing agent
- (iii) The Subscriber, as subscriber

As at the Latest Practicable Date, the Subscriber is an indirect wholly-owned subsidiary of the controlling Shareholder, SF Holding, which indirectly holds 931,209,117 Shares, representing approximately 51.52% of the total number of issued Shares. As such, the Subscriber is a connected person of the Company under the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Subject matter

Pursuant to the Subscription and Placing Agency Agreement: (i) the Company agreed to issue the Convertible Securities through the Placing Agent to the Subscriber; (ii) the Placing Agent conditionally agreed to use all reasonable efforts to procure the Subscriber to subscribe for the Convertible Securities; and (iii) the Subscriber conditionally agreed to subscribe for the Convertible Securities, in the aggregate principal amount of HK\$780,000,000 at the Issue Price and subject to, and in accordance with, the terms of the Subscription and Placing Agency Agreement.

LETTER FROM THE BOARD

The Convertible Securities are being offered and sold in an institutional offering outside the United States in reliance on Regulation S under the Securities Act.

Conditions Precedent

The obligations of the Placing Agent to place the Convertible Securities, and the Subscriber to subscribe and pay for the Convertible Securities, are conditional on:

- (i) the execution and delivery (on or before the Closing Date) of the fiscal agency agreement and the deed of covenant relating to the Convertible Securities, each in a form reasonably satisfactory to the Placing Agent and the Subscriber, by the respective parties;
- (ii) at the Closing Date there having been delivered to the Placing Agent and the Subscriber a certificate confirming no material adverse change, dated as of such date, of a duly authorised officer of the Company;
- (iii) on or prior to the Closing Date there shall have been delivered to the Placing Agent and the Subscriber copies of all consents and approvals including (i) the Company's board resolutions held on 28 March 2023, and (ii) the Shareholders' resolutions passed in the SGM required in relation to the issue of Convertible Securities and the performance of the Company's obligations under the fiscal agency agreement, the deed of covenant and the Convertible Securities;
- (iv) the Stock Exchange having agreed to list the Conversion Shares (or, the Placing Agent and the Subscriber being reasonably satisfied that such listing will be granted);
- (v) at the Closing Date in respect of the Convertible Securities there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial or trading position, earnings or business affairs of the Group as a whole, which, in the opinion of the Placing Agent and the Subscriber (following consultation with the Company to the extent practicable in the circumstances), is material and adverse and which is likely to prejudice materially the success of the offering and distribution of the Convertible Securities or dealings in the Convertible Securities in the secondary market; and
- (vi) on or before the Closing Date, there having been delivered to the Company Linklaters' English law opinions, in form and substance reasonably satisfactory to the Company, dated the Closing Date, in accordance with the Subscription and Placing Agency Agreement.

The Placing Agent and the Subscriber may, at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of the conditions precedent (other than the condition set out under paragraph (i) above).

As at the date the Latest Practicable Date, none of the above conditions precedent have been fulfilled and/or waived (as the case may be).

Closing

Subject to the fulfilment and/or waiver of the conditions precedent as disclosed in the paragraph headed "Conditions Precedent" above, closing shall take place on the Closing Date, and the Subscriber agrees to subscribe and pay for the Convertible Securities at the Issue Price on the Closing Date. The Company expects that the Closing Date will take place on the date falling 5 business days from the date of the SGM, and in any event no later than 31 May 2023.

LETTER FROM THE BOARD

Termination

The Subscriber may, by notice to the Company given at any time prior to payment of the subscription monies for the Convertible Securities to the Company, terminate the Subscription and Placing Agency Agreement in any of the following circumstances:

- (i) if there shall have come to the notice of the Subscriber any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in the Subscription and Placing Agency Agreement or any failure to perform any of the Company's undertakings or agreements in the Subscription and Placing Agency Agreement, except any non-performance of undertakings or agreements which would not be material in the context of the offering of the Convertible Securities;
- (ii) if there shall have occurred, since the date of the Subscription and Placing Agency Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls which would in the Subscriber's view be likely to prejudice materially the success of the offering and distribution of the Convertible Securities or dealings in the Convertible Securities in the secondary market;
- (iii) if there shall have occurred a general moratorium on commercial banking activities in the United Kingdom or United States or Hong Kong by any United Kingdom, New York State, United States Federal or Hong Kong authorities which would in the Subscriber's view be likely to prejudice materially the success of the offering and distribution of the Convertible Securities or dealings in the Convertible Securities in the secondary market;
- (iv) if on or after the date of the Subscription and Placing Agency Agreement, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc and/or the Stock Exchange; or (ii) a suspension in trading in the Company's securities on the Stock Exchange (save in circumstances in which suspension is temporary or routine in nature), which would in the Subscriber's view be likely to prejudice materially the success of the offering and distribution of the Convertible Securities or dealings in the Convertible Securities in the secondary market; or
- (v) if there shall have occurred an outbreak or escalation of hostilities or terrorism which would in the Subscriber's view be likely to prejudice materially the success of the offering and distribution of the Convertible Securities or dealings in the Convertible Securities in the secondary market.

LETTER FROM THE BOARD

Principal Terms of the Convertible Securities

The principal terms of the Convertible Securities are summarised as follows:

Issuer:	The Company.
Principal amount:	HK\$780,000,000.
Distribution rate:	3.30% per annum payable semi-annually.
Step-up distribution rate	Upon the occurrence of a Triggering Event (as defined below), unless (x) an irrevocable notice to redeem the Convertible Securities has been given to the holders by the Company by the 30th day following the occurrence of the relevant Triggering Event or (y) in the case the relevant Triggering Event is remedied by the 30th day following the occurrence of such Triggering Event, the distribution rate will increase by 3% per annum, with effect from (a) the next distribution payment date or (b) if the date on which the Triggering Event occurs is prior to the most recent preceding distribution payment date, such distribution payment date, provided that the maximum aggregate increase in the distribution rate shall be 3% per annum.
Maturity:	The Convertible Securities are perpetual securities in respect of which there is no fixed redemption date.
Status:	The Convertible Securities constitute direct, unconditional, unsubordinated and (subject to the terms and conditions of the Convertible Securities) unsecured obligations of the Company, which shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.
Conversion right:	Subject to and upon compliance with the terms and conditions of the Convertible Securities, the Convertible Securities are convertible by holders into Conversion Shares credited as fully paid. No holder of the Convertible Securities shall be entitled to exercise the Conversion Right and the Company is not obliged to issue any Conversion Shares in satisfaction of the conversion right if it will (in its reasonable opinion) be in breach of its obligations under the Listing Rules, including Rule 8.08 of the Listing Rules (as it applies to the Company).

LETTER FROM THE BOARD

Conversion period: Conversion rights may be exercised at any time on or after the 14 days after the Closing Date up to the close of business on the date falling seven days prior to the date fixed for redemption of the relevant Convertible Securities (both days inclusive), except as described in the terms and conditions of the Convertible Securities, or if notice requiring redemption has been given by the holders of such Convertible Securities pursuant to the terms and conditions of the Convertible Securities, then up to the close of business on the day prior to the giving of such notice.

Conversion Shares: The number of Shares to be issued on exercise of conversion rights shall be determined by dividing the principal amount of the Convertible Securities to be converted by the Conversion Price in effect on the relevant conversion date.

Conversion Price: The initial Conversion Price is HK\$18.80 per Conversion Share.

The Conversion Price will be subject to adjustment in each of the following cases, subject to the terms and conditions of the Convertible Securities:

- (i) *consolidation, subdivision or reclassification* – an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share in issue immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

LETTER FROM THE BOARD

- (ii) *capitalisation of profits or reserves* – an issue of Shares by the Company by way of capitalisation of profits or reserves (including Shares paid up out of distributable profits or reserves and/or share premium accounts, and which would not have constituted a capital distribution), and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed, immediately after such record date.

An issue of Shares by the Company by way of a scrip dividend (where the Current Market Price on the date of announcement of the terms of the issue of such Shares multiplied by the number of such Shares issued exceeds the amount of relevant cash dividend and which would not have constituted a capital distribution), and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such scrip dividend;

LETTER FROM THE BOARD

B is the aggregate nominal amount of Shares issued by way of such scrip dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the relevant cash dividend for which Shareholders have elected to receive as Shares issued by way of scrip dividend, and (ii) the denominator is the aggregate value of such Shares issued by way of scrip dividend as determined by reference to the Current Market Price per Share; and

C is the aggregate number of Shares issued pursuant to such scrip dividend;

or by making such other adjustment to the Conversion Price to give effect to the foregoing as an independent investment bank shall certify to the holder of the Convertible Securities is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed, immediately after such record date.

- (iii) *capital distribution* – capital distributions paid or made by the Company to Shareholders, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the capital distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the capital distribution in Hong Kong dollars attributable to one Share.

Such adjustment shall become effective on the first date that such capital distribution is actually made or if a record date is fixed, immediately after such record date.

LETTER FROM THE BOARD

When the capital distribution is by means of cash dividend or distribution, such cash dividend or distribution shall constitute a capital distribution only to the extent that such cash dividend or distribution does, when taken together with any other cash dividend or distribution previously made or paid in respect of the same financial year, exceed 35% of the Company's most recently published audited core net profit for the year;

- (iv) *rights issues of Shares or options over Shares* – an issue of Shares by the Company by way of rights, or issue or grant by the Company by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95% of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or when a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

LETTER FROM THE BOARD

- (v) *rights issues of other securities* – an issue of securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) by the Company by way of rights, or issue or grant by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or when a record date if set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

LETTER FROM THE BOARD

- (vi) *issues at less than Current Market Price* – an issue of Shares by the Company, or issue or grant by the Company of any options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, in each case at a price per Share which is less than 95% of the Current Market Price per Share on the date of the first public announcement of the terms of such issue, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

LETTER FROM THE BOARD

- (vii) *other issues at less than Current Market Price* – an issue of securities by the Company or any of its subsidiaries or any other person, which carries rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the Current Market Price per Share on the date of first public announcement of the terms of issue of such securities, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

- (viii) *modification of rights of conversion, etc.* – any modification of the rights of conversion, exchange or subscription attaching to any such securities mentioned in paragraph (vii) above so that the consideration per Share is less than 95% of the Current Market Price per Share on the date of announcement of the proposals for such modification, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

LETTER FROM THE BOARD

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an independent investment bank, consider appropriate (if at all) for any previous adjustment under this condition or condition (vii) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (ix) *other offers to Shareholders* – any issue, sell or distribution of securities by the Company or any of its subsidiaries or any other person in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements to acquire securities, and (except where the Conversion Price falls to be adjusted under condition (ii), (iii), (iv), (v), (vi), or (vii) above, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

LETTER FROM THE BOARD

- (x) *other events* – the Company determines that an adjustment should be made as a result of one or more events or circumstances not referred to above. If such event arises, the Company shall consult an independent investment bank (as defined in the terms and conditions of the Convertible Securities) to determine in good faith what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the independent investment bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events giving rise to any adjustment pursuant to this condition have already resulted or will result in an adjustment to the Conversion Price or where the events giving rise to any adjustment arise by virtue of events which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the conversion provisions as may be advised by the independent investment bank to be in its opinion appropriate to give the intended result.

The Company will make further announcement(s) in relation to any adjustments to the Conversion Price as and when required under the Listing Rules.

Redemption for taxation reasons:

The Company may redeem all and not some only of the Convertible Securities, at its option, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the holders of the Convertible Securities (which notice shall be irrevocable) and to the fiscal agent and the paying agent, on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**"), if the Company satisfies the holders of the Convertible Securities immediately prior to the giving of such notice that (a) it has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of Bermuda or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date, and (b) such obligation cannot be avoided by the Company taking commercially reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax amounts were a payment in respect of the Convertible Securities then due.

On the Tax Redemption Date, the Company shall redeem the Convertible Securities at their principal amount together with distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amount).

If the Company gives a Tax Redemption Notice pursuant to the above condition, each holder of the Convertible Securities will have the right to elect that his or her Convertible Securities shall not be redeemed.

LETTER FROM THE BOARD

Redemption for accounting reasons: The Convertible Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the holders of the Convertible Securities (which notice shall be irrevocable) and to the fiscal agent and the paying agent, (a) at the Early Redemption Amount, at any time before the Fifth Anniversary, or (b) their principal amount, together with distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amount), at any time on or after the Fifth Anniversary, if, as a result of any changes or amendments to International Financial Reporting Standards as issued by the International Accounting Standards Board or any other accounting standards that may replace International Financial Reporting Standards for the purposes of the consolidated financial statements of the Company (the "**Relevant Accounting Standard**"), the Convertible Securities must not or must no longer be recorded as "equity" of the Company pursuant to the Relevant Accounting Standard.

No notice of redemption may be given earlier than 90 days prior to the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect in relation to the Company.

Upon the expiry of any such notice, the Company shall be bound to redeem the Convertible Securities provided that such date for redemption shall be no earlier than the last day before the date on which the Convertible Securities must not or must no longer be so recorded as "equity" of the Company pursuant to the Relevant Accounting Standard.

Redemption at the option of the Company on the Fifth Anniversary or on any distribution payment date thereafter: The Convertible Securities may be redeemed at the option of the Company in whole or in part, on the Fifth Anniversary or on any distribution payment date after the Fifth Anniversary on the Company's giving not less than 30 nor more than 60 days' irrevocable notice to the holders of the Convertible Securities and to the fiscal agent and the paying agent at their principal amount (together with any distribution accrued to such date fixed for redemption, including any arrears of distribution and any additional distribution amount).

Redemption at the option of the Company on a step-up: The Convertible Securities may be redeemed at the option of the Company in whole or in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the holders of the Convertible Securities and to the fiscal agent and the paying agent at their principal amount (together with any distribution accrued to the date fixed for redemption, including any arrears of distribution and any additional distribution amount) at any time following the occurrence of a Triggering Event (as defined below).

LETTER FROM THE BOARD

“Triggering Event” means (i) a Delisting or (ii) a Suspension (as defined below) which does not arise or result from (A) a voluntary application to the relevant stock exchange initiated or made by the Company or (B) having been effected or imposed through means within the control of the Company or (C) any action of the Company or any default or non-compliance by the Company of any of its obligations that are within its control.

On expiry of such notice, the Company shall be bound to redeem the Convertible Securities on the date fixed for redemption at their principal amount (together with any distribution accrued to the date fixed for redemption, including any arrears of distribution and any additional distribution amount).

Redemption at the option of the Company on increased Share price:

On or at any time after the date falling 14 days after the third anniversary of the Closing Date, and provided that the Company is able to meet the public float requirement under the Listing Rules, on giving not less than 30 nor more than 60 days’ notice to the holders of the Convertible Securities, the Company may redeem the Convertible Securities in a principal amount equal to the Actual Redemption Amount (as defined in the terms and conditions of the Convertible Securities), at their principal amount (together with any distribution accrued to the date fixed for redemption, including any arrears of distribution and any additional distribution amount), if the closing price of the Shares for any 20 trading days out of 30 consecutive trading days immediately prior to the date upon which notice of such redemption is given was at least 120% of the applicable Conversion Price then in effect.

If there shall occur an event giving rise to a change in the Conversion Price during any such 30 trading day period as mentioned above, appropriate adjustments for the relevant days shall be made, as determined by an independent investment bank appointed in accordance with the terms and conditions of the Convertible Securities, for the purpose of calculating the closing price for such days.

LETTER FROM THE BOARD

Redemption at the option of the Company on minimum outstanding amounts:

On giving not less than 45 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the holders of the Convertible Securities and to the fiscal agent and the paying agent, the Company shall redeem all and not some only of the Convertible Securities on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at (i) the Early Redemption Amount, at any time before the Fifth Anniversary, or (ii) their principal amount, together with distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amount), at any time on or after the Fifth Anniversary if, prior to the date the relevant Optional Redemption Notice is given, conversion rights shall have been exercised and/or purchases and cancellations and/or redemptions effected in respect of 90% or more in principal amount of the Convertible Securities originally issued.

Redemption for Relevant Event:

Following the occurrence of a Relevant Event (as defined below), each holder of the Convertible Securities will have the right, at such holder's option, to require the Company to redeem all or some only of such holder's Convertible Securities on the Relevant Event Put Date (as defined in the terms and conditions of the Convertible Securities) at their principal amount, together with distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amount).

"**Relevant Event**" means the occurrence of any delisting or suspension arising from or as a result of a voluntary application to the relevant stock exchange having been initiated or made by the Company or such delisting or suspension having been effected or imposed through any other means controlled by the Company or otherwise resulting from any action of the Company or any default or non-compliance by the Company of any of its obligations that are within its control; where "**Delisting**" occurs when the Shares cease to be listed or admitted to trading on the Stock Exchange (or if applicable, the alternative stock exchange) and "**Suspension**" occurs if there is a suspension or material limitation in trading of the Shares on the Stock Exchange (or if applicable, the alternative stock exchange) and such suspension or material limitation continues for a period of 45 consecutive trading days.

Transferability:

Subject to the terms and conditions of the Convertible Securities, the Convertible Securities may be transferred in whole or in part in integral multiples of HK\$2,000,000 by the holder(s) of the Convertible Securities to any party.

LETTER FROM THE BOARD

3 CONVERSION SHARES

Subject always to the Company determining in its reasonable opinion that the allotment and issue of the Conversion Shares will not result in it breaching its obligations under the Listing Rules (including Rule 8.08 of the Listing Rules as it applies to the Company), the Conversion Shares to be allotted and issued by the Company upon conversion of the Convertible Securities will rank *pari passu* with the other Shares then outstanding on the relevant conversion date.

Based on the initial Conversion Price of HK\$18.80 per Conversion Share (subject to adjustments) and assuming full conversion of the Convertible Securities, the Convertible Securities will be convertible into 41,489,361 Conversion Shares, representing: (i) approximately 2.30% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 2.24% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares, assuming that there is no other change to the total number of Shares from the Latest Practicable Date to the date when the Convertible Securities are converted in full.

The Conversion Shares have a maximum aggregate nominal value of HK\$20,744,681, and based on the estimated net proceeds of approximately HK\$774,000,000 and 41,489,361 Conversion Shares resulting from the conversion of the Convertible Securities at the initial Conversion Price, the net price per Conversion Share to the Company is approximately HK\$18.66.

4 CONVERSION PRICE

The initial Conversion Price of HK\$18.80 per Conversion Share represents:

- (i) a premium of approximately 44.17% over the closing price of HK\$13.04 per Share as quoted on the Stock Exchange on 28 March 2023, being the Trading Date immediately prior to the date of the Subscription and Placing Agency Agreement (the "Last Trading Date");
- (ii) a premium of approximately 46.55% over the average closing price of HK\$12.83 per Share for the last five consecutive trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 44.66% over the average closing price of HK\$13.00 per Share for the last 10 consecutive trading days up to and including the Last Trading Date; and
- (iv) a premium of approximately 67.56% over the closing price of HK\$11.22 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

5 SPECIFIC MANDATE

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

6 CAPITAL RAISING ACTIVITIES IN THE LAST 12 MONTHS

The Company has not raised any funds on issue of equity securities in the past 12 months immediately preceding the Latest Practicable Date.

No application will be made by the Company for the listing of the Convertible Securities on the Stock Exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal, in the Conversion Shares.

LETTER FROM THE BOARD

7 EFFECTS OF THE CONVERSION OF CONVERTIBLE SECURITIES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Based on the initial Conversion Price of HK\$18.80 per Conversion Share (subject to adjustments) and assuming full conversion of the Convertible Securities at the initial Conversion Price, the Convertible Securities will be convertible into 41,489,361 Conversion Shares, representing: (i) approximately 2.30% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 2.24% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares, assuming that there is no other change to the total number of Shares from the Latest Practicable Date to the date when the Convertible Securities are converted in full.

The following table illustrates the shareholding structure of the Company: (i) as at the Latest Practicable Date; (ii) immediately after the issue of Convertible Securities assuming no conversion of the Convertible Securities; and (iii) immediately after the allotment and issue of the Conversion Shares assuming full conversion of the Convertible Securities at the initial Conversion Price:

Shareholders	As at the Latest Practicable Date		Immediately after the issue of the Convertible Securities			
			Assuming no conversion of the Convertible Securities		Assuming full conversion of the Convertible Securities at the initial Conversion Price	
	Number of Shares	Approximate % (Notes 1 and 2)	Number of Shares	Approximate % (Notes 1 and 2)	Number of Shares	Approximate % (Notes 1 and 2)
SF Holding (Note 3)						
<i>Flourish Harmony Holdings Company Limited</i>	931,209,117	51.52	931,209,117	51.52	931,209,117	50.37
<i>Subscriber</i>	-	-	-	-	41,489,361	2.24
Kerry Group Limited and its subsidiaries (Note 4)	580,291,383	32.11	580,291,383	32.11	580,291,383	31.39
Close associates of Kerry Group Limited (Note 5)	2,393,006	0.13	2,393,006	0.13	2,393,006	0.13
Sub-total for Shareholders	1,513,893,506	83.76	1,513,893,506	83.76	1,555,382,867	84.12
Directors						
KUOK Khoon Hua	600,428	0.03	600,428	0.03	600,428	0.03
MA Wing Kai William	1,970,800	0.11	1,970,800	0.11	1,970,800	0.11
CHEUNG Ping Chuen Vicky	3,449,443	0.19	3,449,443	0.19	3,449,443	0.19
WONG Yu Pok Marina	20,796	0.00	20,796	0.00	20,796	0.00
Close associates of Directors (Note 6)	981,198	0.05	981,198	0.05	981,198	0.05
Other subsidiary directors and their close associates	3,034,650	0.17	3,034,650	0.17	3,034,650	0.16
Unvested Share awards for the relevant Directors and other subsidiary directors	1,354,739	0.07	1,354,739	0.07	1,354,739	0.07
Sub-total for Directors	11,412,054	0.63	11,412,054	0.63	11,412,054	0.62
Public Shareholders	282,119,282	15.61	282,119,282	15.61	282,119,282	15.26
Total	1,807,424,842	100.00	1,807,424,842	100.00	1,848,914,203	100.00

LETTER FROM THE BOARD

Notes:

1. Based on 1,807,424,842 Shares in issue as at the Latest Practicable Date.
2. Certain percentage figures included in the above tables have been subject to rounding adjustments.
3. The Shares are held by SF Holding through (i) Flourish Harmony, which is a beneficial owner of 931,209,117 Shares; and (ii) the Subscriber, both of which are indirect wholly-owned subsidiaries of SF Holding, which is a subsidiary of Shenzhen Mingde, and which is in turn controlled by Mr WANG Wei. Therefore, each of SF Holding, Shenzhen Mingde and Mr WANG Wei is deemed to be interested in the shareholding interests of Flourish Harmony and the Subscriber pursuant to the disclosure requirements under the SFO.
4. The Shares are held by KGL's subsidiaries, being KPL, Alpha Model Limited, Crystal White Limited, Macromind Investments Limited, Noblespirit Corporation, Caninco Investments Limited, Darmex Holdings Limited, Glory Voice International Limited, Moslane Limited, Paruni Limited, Ban Thong Company Limited and Desert Grove Limited. Accordingly, KGL is deemed to be interested in the shareholding interest of each of its subsidiaries pursuant to the disclosure requirements under the SFO.
5. Close associates of KGL comprise (i) Shang Holdings Limited, a company which is indirectly owned as to more than 30% by KGL; and (ii) Pristine Holdings Limited and Rosy Frontier Limited, each of which is an investment company of a discretionary trust of which KGL and Mr KUOK Khoon Hua are discretionary beneficiaries.
6. Close associates of Directors comprise (i) Peacebright Assets Limited, an investment company of a discretionary trust of which Mr KUOK Khoon Hua is a discretionary beneficiary; and (ii) Lochtenny Investments Limited, an investment company of a discretionary trust of which Mr KUOK Khoon Hua and Mr MA Wing Kai William are discretionary beneficiaries. Each of Mr KUOK Khoon Hua and Mr MA Wing Kai William are Directors.

8 REASONS FOR THE ISSUE OF CONVERTIBLE SECURITIES AND USE OF PROCEEDS

The Directors are of the view that the issue of Convertible Securities can provide the Company with additional funds at lower funding cost for the expansion of its international express delivery business in Southeast Asia, particularly to support KEX Thailand, replenishment of general working capital and repayment of existing debt. The subscription for the Convertible Securities by the Subscriber also in turn enables the Subscriber to support the Company in expanding its international express delivery business in Southeast Asia, particularly to support KEX Thailand.

The initial Conversion Price and the Issue Price were determined after arm's length negotiations between the Company, the Placing Agent and the Subscriber with reference to the closing price of the Shares quoted on the Stock Exchange on the date of the Subscription and Placing Agency Agreement.

Mr WANG Wei, the chairman of the Board and non-executive Director, is the controlling shareholder, chairman of the board of directors and general manager of SF Holding (which, in turn, wholly indirectly owns the Subscriber). Mr CHAN Fei, a non-executive Director, is the assistant chief executive officer of SF Holding and he is interested in options to subscribe for shares in SF Holding (representing approximately 0.01% in the issued share capital of SF Holding). Mr HO Chit, a non-executive Director, is a director, deputy general manager and chief financial officer of SF Holding and he is interested in options to subscribe for shares in SF Holding (representing approximately 0.01% in the issued share capital of SF Holding). Each of Mr WANG Wei, Mr CHAN Fei and Mr HO Chit therefore abstained from voting on the relevant resolutions of the Board approving the Subscription and Placing Agency Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors (other than Mr WANG Wei, Mr CHAN Fei and Mr HO Chit) has a material interest in the Subscription and Placing Agency Agreement and the transactions contemplated thereunder nor is required to abstain from voting on the resolutions passed by the Board to approve the Subscription and Placing Agency Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

In view of the above, the Board (excluding (i) the independent non-executive Directors whose views will be included in the circular after reviewing the letter from the Independent Financial Adviser, and (ii) each of Mr WANG Wei, Mr CHAN Fei and Mr HO Chit who has abstained from voting on the relevant resolutions of the Board approving the Subscription and Placing Agency Agreement and the transactions contemplated thereunder) considers that the terms of the Subscription and Placing Agency Agreement are on normal commercial terms and are fair and reasonable, and the transactions contemplated thereunder are in the interests of the Group and its shareholders as a whole.

The gross proceeds and the net proceeds from the issue of Convertible Securities will be HK\$780,000,000 and approximately HK\$774,000,000, respectively. The Company intends to utilise the net proceeds as follows: (i) no less than approximately 80% for supporting the future growth and expansion of its international express delivery business in Southeast Asia, particularly to support KEX Thailand; (ii) up to approximately 10% for repayment of existing debt; and (iii) the remaining up to approximately 10% for replenishment of working capital for general corporate purposes.

9 INFORMATION OF THE GROUP

The Group is a leading Asia-based logistics service provider with a highly diversified business portfolio and global presence in 58 countries and territories. Headquartered in Hong Kong, the Group offers a broad range of supply chain solutions from integrated logistics, international freight forwarding (air, ocean, road, rail and multimodal), industrial project logistics, to cross-border e-commerce, last-mile fulfilment and infrastructure investment.

10 INFORMATION OF THE SUBSCRIBER

The Subscriber is a company incorporated in Hong Kong and is an indirect wholly owned subsidiary of SF Holding, which is a leading integrated express logistic services provider in the Mainland. The Subscriber is an investment holding company which is principally engaged in investment holding and its investment portfolio includes (among others) interests in express logistics services businesses. As at the Latest Practicable Date, SF Holding is indirectly owned by Mr Wang Wei as to approximately 55%.

11 LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is an indirect wholly-owned subsidiary of the controlling Shareholder, SF Holding, which indirectly holds 931,209,117 Shares, representing approximately 51.52% of the total number of issued Shares. As such, the Subscriber is a connected person of the Company and the subscription of the Convertible Securities constitutes a connected transaction of the Company and is subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

LETTER FROM THE BOARD

12 VOTING BY POLL

All the resolutions set out in the notice of the SGM would be decided by poll in accordance with the Listing Rules and the Company's bye-laws. The chairman of the SGM would explain the detailed procedures for conducting a poll at the commencement of the SGM.

The poll results will be published on the Company's website at www.kln.com and the Stock Exchange's website at www.hkexnews.hk after the conclusion of the SGM.

13 SGM

The SGM will be held via the e-Meeting System on Thursday, 11 May 2023 at 2:30 p.m., or where the context so admits, any adjournment thereof for considering and, if thought fit, approving the Subscription and Placing Agency Agreement and the transactions contemplated thereunder (including the issue of the Convertible Securities, the allotment and issue of the Conversion Shares under the Specific Mandate and the grant of the Specific Mandate).

Notice of the SGM is set out on pages 73 to 75 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting via the e-Meeting System, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or submit it via the designated URL (<https://spot-emeeting.tricor.hk/#/431>) by using the log-in username and password provided on the notification letter sent by the Company, not less than 48 hours before the time appointed for holding the SGM, i.e. by no later than 2:30 p.m. on Tuesday, 9 May 2023. Completion and return of the form of proxy will not prevent you from attending and voting via the e-Meeting System at the SGM if you so wish.

The Subscriber and its associate(s) will abstain from voting on the resolutions in respect of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder to be proposed at the SGM. Save for SF Holding and its associate(s), to the best knowledge of the Company having made all reasonable enquiries, no Shareholder is materially interested in the Subscription and Placing Agency Agreement and the transactions contemplated thereunder and was required to abstain from voting at the SGM.

As at the Latest Practicable Date, the Subscriber and its associate(s) are interested in 931,209,117 Shares, representing approximately 51.52% of the total number of issued Shares.

14 INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors (namely, Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina) has been established to advise the Independent Shareholders in respect of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in that regard.

LETTER FROM THE BOARD

15 RECOMMENDATION

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders advising on the terms of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder, and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders advising on the terms of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder.

The Board (including the independent non-executive Directors whose views are set forth in the "Letter from the Independent Board Committee" in this circular, after considering the advice of the Independent Financial Adviser, and excluding Mr WANG Wei, Mr CHAN Fei and Mr HO Chit) is of the view that the entering into of the Subscription and Placing Agency Agreement is in the ordinary and usual course of business of the Group, and the terms of the Subscription and Placing Agency Agreement are on normal commercial terms and are fair and reasonable, and the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all resolutions to be proposed at the SGM.

16 ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Kerry Logistics Network Limited
WANG Wei
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee to the Independent Shareholders in respect of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder for inclusion in this circular.



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

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

Stock Code 636

24 April 2023

To the Independent Shareholders

Dear Sir or Madam

CONNECTED TRANSACTION

PROPOSED ISSUE OF HK\$780,000,000 3.30 PER CENT. PERPETUAL CONVERTIBLE SECURITIES UNDER SPECIFIC MANDATE

We refer to the circular issued by the Company to its Shareholders dated 24 April 2023 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to form an independent board committee to consider and advise you as to whether (i) the terms of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder are fair and reasonable, and on normal commercial terms, and (ii) the entering into of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and as to voting. Opus Capital has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board as set out on pages 7 to 29 of the Circular, and a letter of advice from the Independent Financial Adviser as set out on pages 32 to 65 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder, the advice and recommendation from the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that although the entering into of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder are fair and reasonable, and on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of all the resolutions to be proposed at the SGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

CHEUNG Wai Man

LAI Sau Cheong Simon

TAN Chuen Yan Paul

WONG Yu Pok Marina

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter from Opus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

24 April 2023

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

Dear Sirs or Madams,

CONNECTED TRANSACTION
PROPOSED ISSUE OF HK\$780,000,000 3.30 PER CENT.
PERPETUAL CONVERTIBLE SECURITIES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription and Placing Agency Agreement and the transactions contemplated thereunder (including the issue of the Convertible Securities, the allotment and issue of the Conversion Shares under the Specific Mandate and the grant of the Specific Mandate), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 24 April 2023 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

On 29 March 2023, the Company, the Placing Agent and the Subscriber entered into the Subscription and Placing Agency Agreement pursuant to which: (i) the Company agreed to issue the Convertible Securities through the Placing Agent to the Subscriber; (ii) the Placing Agent conditionally agreed to use all reasonable efforts to procure the Subscriber to subscribe for the Convertible Securities; and (iii) the Subscriber conditionally agreed to subscribe and pay for the Convertible Securities, in the aggregate principal amount of HK\$780,000,000 at the Issue Price subject to, and in accordance with, the terms of the Subscription and Placing Agency Agreement.

As at the Latest Practicable Date, the Subscriber is an indirect wholly-owned subsidiary of the controlling Shareholder, SF Holding, which indirectly holds 931,209,117 Shares, representing approximately 51.52% of the total number of issued Shares. As such, the Subscriber is a connected person of the Company and the subscription of the Convertible Securities constitutes a connected transaction of the Company and is subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The SGM will be convened and held to consider and, if thought fit, approve the Subscription and Placing Agency Agreement and the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares under the Specific Mandate and the grant of the Specific Mandate). The Subscriber and its associates will abstain from voting on the resolutions in respect of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder to be proposed at the SGM.

Save for SF Holding and its associate(s), to the best knowledge of the Company having made all reasonable enquiries, no Shareholder is materially interested in the Subscription and Placing Agency Agreement and the transactions contemplated thereunder and was required to abstain from voting at the SGM.

Mr. WANG Wei, the chairman of the Board and non-executive Director, is the controlling shareholder, chairman of the board of directors and general manager of SF Holding (which, in turn, wholly indirectly owns the Subscriber). Mr. CHAN Fei, a non-executive Director, is the assistant chief executive officer of SF Holding and he is interested in options to subscribe for shares in SF Holding (representing approximately 0.01% in the issued share capital of SF Holding). Mr. HO Chit, a non-executive Director, is a director, deputy general manager and chief financial officer of SF Holding and he is interested in options to subscribe for shares in SF Holding (representing approximately 0.01% in the issued share capital of SF Holding). Each of Mr. WANG Wei, Mr. CHAN Fei and Mr. HO Chit therefore abstained from voting on the relevant resolutions of the Board approving the Subscription and Placing Agency Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors (other than Mr. WANG Wei, Mr. CHAN Fei and Mr. HO Chit) has a material interest in the Subscription and Placing Agency Agreement and the transactions contemplated thereunder nor is required to abstain from voting on the resolutions passed by the Board to approve the Subscription and Placing Agency Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee of the Company comprising all independent non-executive Directors (namely, Dr. CHEUNG Wai Man, Mr. LAI Sau Cheong Simon, Mr. TAN Chuen Yan Paul and Ms. WONG Yu Pok Marina), has been established to consider and make a recommendation to the Independent Shareholders on: (i) whether the terms of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; (ii) whether the entering into the Subscription and Placing Agency Agreement is in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote on the resolutions in relation to the Subscription and Placing Agency Agreement and the transactions contemplated thereunder. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

During the past two years immediately prior to the Latest Practicable Date, we were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of the continuing connected transactions in connection with the framework agreements (as amended by the supplemental agreements) and the transactions contemplated thereunder (including the annual caps), details of which are set out in the circular of the Company dated 18 November 2022 (the “**Previous Appointment**”). The Previous Appointment was completed and independent to our current appointment.

We do not have any relationship with, or interest in, the Group, SF Holding, Mr. WANG Wei, the Subscriber or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to the date of this appointment, save for the Previous Appointment, we have not (i) acted in the capacity as financial adviser or as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fees paid or payable to us in connection with the Previous Appointment and the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, SF Holding, Mr. WANG Wei, the Subscriber or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company’s annual results announcement for the year ended 31 December (“FY”) 2022 (the “**2022 Annual Results**”);
- (ii) the Company’s interim report for the six months ended 30 June (“HY”) 2022 (the “**2022 Interim Report**”);
- (iii) the Company’s annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”);
- (iv) the Subscription and Placing Agency Agreement; and
- (v) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Group is a leading Asia-based logistics service provider with a highly diversified business portfolio and global presence in 58 countries and territories. Headquartered in Hong Kong, the Group offers a broad range of supply chain solutions from integrated logistics, international freight forwarding (air, ocean, road, rail and multimodal), industrial project logistics, to cross-border e-commerce, last-mile fulfilment and infrastructure investment.

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The following is a summary of the financial results of the Group for FY2021 and FY2022 as extracted from the 2022 Annual Results:

Table 1: Highlights of the financial results of the Group

	FY2022 (Audited) (HK\$'000)	FY2021 (Audited) (HK\$'000)
Continuing operations		
Revenue	86,649,463	78,954,724
– Integrated logistics	13,155,880	12,875,164
– E-commerce & express (Note 1)	6,090,091	6,927,411
– International freight forwarding	67,403,492	59,152,149
Gross profit	8,351,651	9,003,943
Profit attributable to the Shareholders	3,579,191	7,938,653
– Continuing operations	3,579,191	3,308,813
– Discontinued operations (Note 2)	–	4,629,840

Source: 2022 Annual Results

Notes:

- During FY2022, the Group has re-determined a new operating segment namely e-commerce & express, which was originally included in the integrated logistics segment in FY2021. After the disposal of the Hong Kong warehouse segment, with the combination of the continuing business expansion of e-commerce & express segment, for segment presentation purpose, e-commerce & express segment is presented as an operating segment for the current segmental analysis of operations. Prior period corresponding segment information that is presented for comparative purpose has been restated.
- During FY2021, the Group had sold the entire interest of warehouse companies in Hong Kong and the business companies in Taiwan.

FY2022 vs FY2021

During FY2022, the Group recorded revenue of approximately HK\$86,649 million, representing an increase of approximately 9.7% from approximately HK\$78,955 million for FY2021. Such increase in revenue was primarily due to the significant growth in international freight forwarding services from approximately HK\$59,152 million for FY2021 to HK\$67,403 million for FY2022, representing an increase by approximately 13.9%, which is mainly riding on the Company's unparalleled network in Asia, diversified global service offerings and cross-selling synergies with SF Holding in various arenas. Gross profit decreased moderately by approximately 7.2% to approximately HK\$8,352 million for FY2022 from approximately HK\$9,004 million for FY2021.

The Group recorded profit attributable to the Shareholders from continuing operation of approximately HK\$3,579 million for FY2022, representing an increase of approximately 8.2% from approximately HK\$3,309 million for FY2021. Such increase in profit attributable to the Shareholders was mainly attributable to the combined effect of, among others, (i) the segment profit of the integrated logistics recorded approximately 28.0% growth supported by the increase in demand for COVID-19 pandemic (the "Pandemic") related services

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in Hong Kong as well as the rebound of production activities in Asia; (ii) the e-commerce and express division registered a drastic decline in its segment profit due to the intense competition KEX Thailand faced in 2022; and (iii) the international freight forwarding division recorded a slight decrease of approximately 3.0% in segment profit in 2022 despite an extremely volatile market.

The following is a summary of the financial positions of the Group as at 31 December 2021 and 2022, as extracted from the 2022 Annual Results:

Table 2: Highlights of the financial positions of the Group

	As at 31 December	
	2022 (Audited) (HK\$'000)	2021 (Audited) (HK\$'000)
Non-current assets	21,432,599	21,147,602
Current assets	23,901,474	27,014,774
– Cash and bank balances	9,240,365	9,084,105
Non-current liabilities	8,939,240	5,484,960
– Long-term bank loans	6,586,447	2,261,839
Current liabilities	15,145,128	17,840,700
– Short-term bank loans and current portion of long-term bank loans	2,226,402	3,648,671
Net asset value (“NAV”) attributable to the Shareholders	18,429,094	21,048,480

Source: 2022 Annual Results

As at 31 December 2022, the total assets of the Group amounted to approximately HK\$45,334 million, registering a decrease of approximately 5.9% from approximately HK\$48,162 million as at 31 December 2021. Such decrease was mainly attributable to the decrease in accounts receivable, prepayments and deposits from approximately HK\$16,663 million as at 31 December 2021 to approximately HK\$13,407 million as at 31 December 2022. On the other hand, the total liabilities of the Group recorded a slight increase from approximately HK\$23,326 million as at 31 December 2021, by approximately 3.3% as compared to approximately HK\$24,084 million as at 31 December 2022. Such movement was mainly attributable to a combined effect of, among others (i) the decrease in accounts payable, deposits received and accrued charges; and (ii) the increase in long-term bank loans.

Given the movements of the total assets and total liabilities of the Group highlighted above, the NAV attributable to owners of the Company’s shareholders decreased from approximately HK\$21,048 million as at 31 December 2021 to approximately HK\$18,429 million as at 31 December 2022, representing a decrease of approximately 12.4%.

2. Background information of the Subscriber

The Subscriber is a company incorporated in Hong Kong and is an indirect wholly owned subsidiary of SF Holding, which is a leading integrated express logistic services provider in the Mainland. The Subscriber is an investment holding company which is principally engaged in investment holding and its investment portfolio includes (among others) interests in express logistics services businesses. As at the Latest Practicable Date, SF Holding is indirectly owned by Mr. Wang Wei as to approximately 55%.

3. Industry outlook and prospects of the Group

In 2022, the global fight against inflation, the warfare between Russia and Ukraine, and a resurgence of Pandemic in PRC weighted on global economic activity, and the first two factors are expected to continue to do so in 2023. According to the report titled "World Economic Outlook" ("**World Economic Outlook**") published by the International Monetary Fund ("**IMF**") in January 2023, the annual percentage growth of the world's total gross domestic product ("**GDP**") in 2022 was estimated to be approximately 3.4%, is projected to fall to approximately 2.9% in 2023 before rising to approximately 3.1% in 2024. The forecast of low growth in 2023 reflects the rise in central banks rates to fight inflation, especially in advanced economies as well as the war in Ukraine. The decline in growth in 2023 from 2022 is driven by advanced economies whereas for emerging market and developing economies, growth is estimated to have bottomed out in 2022. Growth is expected to pick up in PRC with the full reopening in 2023. The expected pickup in 2024 in both groups of economies reflects gradual recovery from the effects of the war in Ukraine and subsiding inflation. Following the path of global demand, world trade growth is expected to decline in 2023 to 2.4%, despite an easing of supply bottlenecks, before rising to 3.4% in 2024. Furthermore, in connection with the Southeast Asia (i.e. the targeted geographical area which the Company intends to expand its international express delivery business into), the IMF stated in the World Economic Outlook that the growth in Indonesia, Malaysia, Philippines, Singapore and Thailand is projected to slow down to 4.3% percent in 2023 and then pick up to 4.7% in 2024.

According to the report titled "Global Trade Update" published by United Nations Conference on Trade and Development ("**UNCTAD**") in March 2023 (the "**UNCTAD Report**"). As stated in the UNCTAD Report, despite rising geopolitical tensions, global trade has proven to be remarkably resilient during 2022. However, deteriorating economic conditions, the lifting of zero Pandemic policies, and renewed concerns about inflationary pressures have resulted in a significant trade slowdown during the fourth quarter of 2022. While the economic outlook has improved, global trade growth is expected to remain subdued in 2023, with the possibility of a pickup in the second half of the year. In general, although the outlook for global trade remains uncertain, the positive factors are expected to compensate for the negative trends, the positive factors include: (i) improved economic outlook in major economies; (ii) decreasing shipping costs; (iii) weakening of the United States dollar (i.e. the United States dollar index fell approximately 7.0% between November 2022 and February 2023), as most trade is denominated in dollars, a weaker dollar would result in increased demand for traded goods; and (iv) increase global demand for services. UNCTAD further pointed out in the UNCTAD Report that trade policies for the green transition would also affect the international trade patterns, as the patterns of international trade are anticipated to become more closely tied to the transition towards a greener global economy. Countries increasingly integrate climate commitments into trade and industrial policies, concerns regarding possibly restrictive trade practices may lead to changes in the global trade landscape. In this connection, with reference to the 2022 Interim Report, the Group commits to taking strides toward achieving net zero by 2050. The Group has extended its focus on scope 3 emissions according to Greenhouse Gas Protocol's Corporate Value Chain Standard to enrich its sustainability disclosure and plan for carbon reduction. The Group will continue to evaluate climate risks, explore science-based targets and increase the use of renewable energy to meet its sustainability goals.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the 2021 Annual Report, the Company stated that the ongoing Pandemic and recurrent outbreaks are presenting more uncertainties and fresh challenges for the logistics industry, the supply and demand mismatch, freight capacity chokeholds, port congestions, labour shortages as well as shutdown of borders and lockdowns, which all contribute to the ongoing global supply chain disruptions and impact businesses and trades across the globe. While the chaos in the markets and unforeseeable events have severely disrupted the freight and aviation sectors, unprecedented opportunities for the industry have also arisen. Under such circumstance, the flexible and innovative supply chain solutions were in high demand, which played exactly to the Group's strengths. The Group's overall competitiveness will be further enhanced through the integration of the businesses of Shenzhen S.F. Taisen Holding (Group) Co., Ltd.* (深圳順豐泰森控股(集團)有限公司) ("SFTS", together with its subsidiaries, the "SFTS Group") and the Group following the establishment of the strategic cooperation between the two parties in 2021. The Company will be positioned as SF Holding's platform for international business, while acting as SF Holding's international freight forwarding agent to jointly propel the development of SF Holding's international express service. It is expected that the Group's strategic partnership with SF Holding will give it an unparalleled advantage to be Asia's largest third party logistics provider to tackle the uncertain market challenges ahead. The two parties are already collaborating in the PRC to serve SF Holding's clients' overseas business needs. Starting from the second quarter of 2022, the Group began serving as the exclusive cargo General Sales Agent (GSA) for S.F. Airlines, and has been gradually taking up the businesses acting as the principal service provider outside the PRC for SF Holding's international express business, firmly establishing the Group's position as SF Holding's international arm. The Management expected that this partnership will further strengthen the Group's unique position in Asia, which will not only allow it to support its business and operation, but also to be agile and adaptive to sudden and severe disruptions and uncertainties, and deliver efficient and effective services to its customers and shareholders.

4. Reasons for and benefits of the issue of Convertible Securities

As stated in the Letter from the Board, the Directors are of the view that the issue of Convertible Securities can provide the Company with additional funds at lower funding cost for the expansion of its international express delivery business in Southeast Asia, particularly to support KEX Thailand, replenishment of general working capital and repayment of existing debt.

As disclosed in the 2021 Annual Report, following the strategic alliance made between the Company and SF Holding in 2021, the Group's overall competitiveness was further enhanced through the integration of the businesses of SF Holding and the Company following the establishment of the strategic cooperation between two corporate groups in 2021. The Group has then positioned as the primary international business vehicle of SF Holding, while acting as the international freight forwarding agent of SF Holding to jointly propel the development of SF Holding's international express service. As a result, according to the 2021 Annual Report, the segment profit of the international freight forwarding business expanded significantly from approximately HK\$1.0 billion for FY2020 to approximately HK\$4.8 billion for FY2021, representing a significant increase of approximately 389.4%. In this regard, the disruption and imbalance in the supply chain, especially for exports from Asia to North America and Europe, have seen the Group's customers increasingly leveraging on the Group's in-depth industry know-how, its extensive connections to ground operations and its global network. The Group has recorded an increase in urgent fulfilment orders together with ever more complex demands from customers to overcome the multifaceted hurdles in the supply chain.

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Based on the above, it indicates that SF Holding, being the long-term strategic investor of the Company who can share its business vision and demonstrates strong confidence in the Company, will help further improve the Company's strategy implementation, as well as investor relations efforts and capital market initiatives. SF Holding will bring its experiences and resources to the Group and assist with the Group's continuing growth and expansion in the integrated, international freight forwarding and supply chain solutions industries. Therefore, the issuance of the Convertible Securities to the Subscriber will strengthen the cooperation between the Company and SF Holding, whereby benefiting the Company in a long-term perspective. In addition, we consider it is justifiable for the Company to raise additional fund for the development and operations of in expanding its international express delivery business in Southeast Asia which is in the ordinary and usual course of business of the Group.

As stated in the Letter from the Board, the gross proceeds and the net proceeds from the issue of Convertible Securities will be HK\$780,000,000 and approximately HK\$774,000,000 respectively. The Company intends to utilise the net proceeds as follows: (i) no less than approximately 80% for supporting the future growth and expansion of its international express delivery business in Southeast Asia, particularly to support KEX Thailand; (ii) up to approximately 10% for repayment of existing debt; and (iii) the remaining up to approximately 10% for replenishment of working capital for general corporate purposes.

As discussed with the Management, before entering into the Subscription and Placing Agency Agreement, the Company has considered various alternatives means for the Group to raise funds apart from the issue of Convertible Securities, including but not limited to debt financing and other ways of equity financing, such as rights issue, open offer, placement of new Shares to independent investors or issuance of straight bond.

In terms of obtaining debt financing or bank borrowings from commercial banks, the Management considered the lengthy due diligence, bank's internal risk assessment and negotiations with commercial banks (i.e. agreement on the loan-to-value ratio) that usually require pledge of assets by the borrower. In addition, the Management does not consider debt financing to be desirable given the requirement of interest payments and the additional borrowings would increase the gearing ratio of the Company and potentially place its finance cost on an upward trend in the long run. As the assessment of commercial banks often includes, among others, evaluating the gearing ratio, the composition of and changes in liabilities of the borrowing entity, obtaining additional interest bearing bank borrowings would potentially increase the cost of borrowings of the Company. In addition, a significant rise in benchmark interest rates, including Hong Kong Interbank Offered Rate or equivalent rates, would lead to higher financing costs for additional debt or refinancing existing debt. For example, central banks across the world, led by the United States Federal Reserve, have been raising interest rates in response to inflation, which possess a great challenge for the Asia Pacific economy, potentially leading to rising capital outflows and therefore currency depreciation. In February 2023, the United States Federal Reserve announced a 25-basis-points increase in its benchmark rate and indicated that further increases are likely to happen in 2023. Since part of the proceeds from the issue of Convertible Securities will be allocated on the repayment of existing debt, so as to bring down the gearing ratio of the Company, it would be lacking any commercial rationale if the Company was to obtain additional bank borrowings to settle other existing debt of the Company. For our due diligence purpose, we have obtained a list of indebtedness as at 31 December 2022 (the "Indebtedness") from the Company and noted that the interest rate of the Group's unsecured short-term and long-term bank loans obtained from the authorised institutions in Hong Kong ranged from approximately 3.90% to 5.77% per annum, which is higher than the interest rate of 3.30% per annum as stipulated under the Convertible Securities. As stated in the 2022 Annual Results, the Group is aware of the increasing trend of the interest rates and it is expected that the interest rates will rise continuously, the Group is

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reviewing the loan portfolio and replacing the existing facilities by fixed rate loans where appropriate, and will continue to monitor the market development and minimise the Group's interest risk exposure, which is in line with the intention of issuing the Convertible Securities for partial settlement of existing debt of the Company. In addition, as one of the key objectives of the Convertible Securities is to strengthen the Company's capital base (i.e. the Convertible Securities will be recorded as equity of the Company pursuant to its accounting treatment), by utilising its existing cash balance or obtaining additional bank borrowings to facilitate the expansion of its international express delivery business in Southeast Asia will not allow the Company to achieve such desired objective.

Apart from the repayment of existing debt, a portion of the net proceeds will be allocated to the support of KEX Thailand, with the purpose of expanding the international express delivery business of the Company in Southeast Asia. Based on our discussion of the Management, we noted that based on a prudent approach in managing the liquidity level, the cash and bank balances of the Group are required to facilitate including but not limited to the following operating activities and corporate exercises:

- (i) with reference to the announcement of the Company dated 18 February 2022 in connection with the acquisition of Topocean Consolidation Service (Los Angeles), Inc. (the "**Target Company**", together with its subsidiaries, the "**Target Group Companies**"), the total consideration for the tranche 3 target shares calculated as: (X) 10% of the normalised earnings before interest and tax under the audited financial statements of the Target Group Companies for FY2022, multiplied by (Y) 10, subject to adjustment as provided in the agreement dated 17 February 2022 (U.S. time) in relation to the acquisition of the target shares of the Target Company ("**Tranche 3 Consideration**"), as the payment date of the Tranche 3 Consideration is approaching, which will be paid to the sellers in cash on the relevant closing date;
- (ii) the bank loans of the Group that were repayable within one (1) year, amounted to approximately HK\$2.2 billion as at 31 December 2022; and
- (iii) with reference to the circular of the Previous Appointment, the Management considered that it is beneficial for the Company to revise the then existing annual caps on the continuing connected transactions, as such transactions have facilitated and will continue to facilitate the expansion of the Group's operations. The Management foresees a significant increment in transaction value for the two years ending FY2024, and expects that the actual transaction amounts with respect to the logistics services provided by the Group will be substantially higher due to (a) a rapid acceleration in the integration of the Shenzhen SFTS Group's last-mile and local handling services with those of the Group; (b) the expanded scope of the relevant logistics services provided by the Group and, in particular, the addition of ground handling management services at overseas airports; and (c) as the Group and SFTS Group continue to navigate the process of integrating their logistics operations, reconfigure resources and streamline services, a significant increase in freight volume is expected over time. All of which demonstrated that it is necessary for the Company to maintain sufficient internal financial resources in order to accommodate the future business development and expansion of the Company.

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The Management has also considered that if the Company was to raise the necessary funds by rights issue or open offer to finance the similar size as to the Convertible Securities (i.e. HK\$780.0 million), the subscription price would have to be set at a discount to the prevailing market price of the Shares so as to attract subscription by potential investors or existing Shareholders. In addition, rights issue or open offer of new Shares may also subject to underwriting uncertainty and market risks whilst any arm's length underwriting arrangement is normally subject to standard force majeure clause in favour of the underwriter and may potentially incur a higher transaction cost (i.e. underwriting and other related fees as the case may be). Although the existing Shareholders would be able to maintain their pro-rata shareholding in the Company, rights issue or open offer would need a relatively longer timeframe to complete in comparison to the issuance of Convertible Securities, we have also conducted independent desktop research on the recent completed rights issue and open offer during the past three months announced by companies listed on the Main Board of the Stock Exchange, we noted that, without taking into account of the relevant pre-deal negotiation process, the timeframe would normally took an average of approximately 2.6 months, 6.0 months for the completion of the rights issue and open offer respectively, as there would be relatively lengthy documentation work for preparing and issuing a more detailed listing document. In addition, we also noted from the research that the underwriting fees are generally ranging from approximately 1.0% to 2.5% payable to underwriters, the Company would incur expenses and lower the net proceeds receivable if the Company chose to go down this path. In regards to placement of new Shares to independent investors, the Management consider that it is difficult for a placing agent to seek independent third-party investors to subscribe new Shares without imposing a discount to the market price.

Furthermore, placing of new Shares or rights issue or open offer will incur immediate dilution effect on the shareholding interests of the non-participating Shareholders while the dilution effect on the Convertible Securities will only occur when the Subscriber exercise the conversion rights attaching to the Convertible Securities. The Management considered that the issuance of Convertible Securities represents an opportunity to raise additional capital to support the Group's continuing growth and strategic development, without an immediate dilutive effect on the shareholdings of the existing Shareholders.

Having considered the fact that the Convertible Securities is perpetual in nature in the event that if the Convertible Securities are fully converted by the Subscriber, the Company will not be subjected to any repayment obligation at maturity, thus the issue of Convertible Securities possess no instant material cash outflow pressure on the Group as a result of the repayment of the principal amount of the Convertible Securities, the Management is of the view that the issue of Convertible Securities is more preferable than the issue of straight bond.

In light of the above and having considered in particular: (i) the issuance of Convertible Securities can raise immediate funding for the Group without imposing immediate dilution on the shareholding of the existing Shareholders; (ii) the Convertible Securities bear the interest rate of 3.30 per cent. per annum is an effective financing solution as compared to the current interest rates of the Group's short-term and long-term bank loans obtained from the authorised institutions in Hong Kong; (iii) the issue of the Convertible Securities is an appropriate financing option for the Group as compared with other financing alternatives; and (iv) the Convertible Securities will be fully subscribed by SF Holding, demonstrating the confidence as the Subscriber and a controlling Shareholder, towards the long-term and sustainable development of the Company, and that the continuing support of the controlling Shareholder of the Company is crucial to ensure the business stability and long-term development of the Group, we concur with the view of the Management that the issue of the Convertible Securities is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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5. Principal terms of the Subscription and Placing Agency Agreement

Set out below is a summary of the principal terms of the Subscription and Placing Agency Agreement. Further details are set out in the Letter from the Board under the subsection headed "The Subscription and Placing Agency Agreement".

Date

29 March 2023

Parties

- (i) The Company, as issuer
- (ii) The Placing Agent, as placing agent
- (iii) The Subscriber, as subscriber

As at the Latest Practicable Date, the Subscriber is an indirect wholly-owned subsidiary of the controlling Shareholder, SF Holding, which indirectly holds 931,209,117 Shares, representing approximately 51.52% of the total number of issued Shares. As such, the Subscriber is a connected person of the Company under the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Subject matter

Pursuant to the Subscription and Placing Agency Agreement: (i) the Company agreed to issue the Convertible Securities through the Placing Agent to the Subscriber; (ii) the Placing Agent conditionally agreed to use all reasonable efforts to procure the Subscriber to subscribe for the Convertible Securities; and (iii) the Subscriber conditionally agreed to subscribe for the Convertible Securities, in the aggregate principal amount of HK\$780,000,000 at the Issue Price and subject to, and in accordance with, the terms of the Subscription and Placing Agency Agreement.

The Convertible Securities are being offered and sold in an institutional offering outside the United States in reliance on Regulation S under the Securities Act.

Conditions Precedent

The obligations of the Placing Agent to place the Convertible Securities, and the Subscriber to subscribe and pay for the Convertible Securities, are conditional on:

- (i) the execution and delivery (on or before the Closing Date) of the fiscal agency agreement and the deed of covenant relating to the Convertible Securities, each in a form reasonably satisfactory to the Placing Agent and the Subscriber, by the respective parties;

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- (ii) at the Closing Date there having been delivered to the Placing Agent and the Subscriber a certificate confirming no material adverse change, dated as of such date, of a duly authorised officer of the Company;
- (iii) on or prior to the Closing Date there shall have been delivered to the Placing Agent and the Subscriber copies of all consents and approvals including (i) the Company's board resolutions held on 28 March 2023, and (ii) the Shareholders' resolutions passed in the SGM required in relation to the issue of Convertible Securities and the performance of the Company's obligations under the fiscal agency agreement, the deed of covenant and the Convertible Securities;
- (iv) the Stock Exchange having agreed to list the Conversion Shares (or, the Placing Agent and the Subscriber being reasonably satisfied that such listing will be granted);
- (v) at the Closing Date in respect of the Convertible Securities there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial or trading position, earnings or business affairs of the Group as a whole, which, in the opinion of the Placing Agent and the Subscriber (following consultation with the Company to the extent practicable in the circumstances), is material and adverse and which is likely to prejudice materially the success of the offering and distribution of the Convertible Securities or dealings in the Convertible Securities in the secondary market; and
- (vi) on or before the Closing Date, there having been delivered to the Company Linklaters' English law opinions, in form and substance reasonably satisfactory to the Company, dated the Closing Date, in accordance with the Subscription and Placing Agency Agreement.

The Placing Agent and the Subscriber may, at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of the conditions precedent (other than the condition set out under paragraph (i) above).

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled and/or waived (as the case may be).

For further details of the principal terms of the Subscription and Placing Agency Agreement, please refer to subsection headed "The Subscription and Placing Agency Agreement" in the Letter form the Board.

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6. Principal terms of the Convertible Securities

We outlined below the principal terms and conditions of the Convertible Securities. Further details are set out in the Letter from the Board under the subsection headed "Principal Terms of the Convertible Securities".

Issuer:	The Company.
Principal amount:	HK\$780,000,000.
Distribution rate:	3.30% per annum payable semi-annually.
Step-up distribution rate:	Upon the occurrence of a Triggering Event (as defined below), unless (x) an irrevocable notice to redeem the Convertible Securities has been given to the holders by the Company by the 30th day following the occurrence of the relevant Triggering Event or (y) in the case the relevant Triggering Event is remedied by the 30th day following the occurrence of such Triggering Event, the distribution rate will increase by 3% per annum, with effect from (a) the next distribution payment date or (b) if the date on which the Triggering Event occurs is prior to the most recent preceding distribution payment date, such distribution payment date, provided that the maximum aggregate increase in the distribution rate shall be 3% per annum.
Maturity:	The Convertible Securities are perpetual securities in respect of which there is no fixed redemption date.
Status:	The Convertible Securities constitute direct, unconditional, unsubordinated and (subject to the terms and conditions of the Convertible Securities) unsecured obligations of the Company, which shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.
Conversion right:	Subject to and upon compliance with the terms and conditions of the Convertible Securities, the Convertible Securities are convertible by holders into Conversion Shares credited as fully paid. No holder of the Convertible Securities shall be entitled to exercise the Conversion Right and the Company is not obliged to issue any Conversion Shares in satisfaction of the conversion right if it will (in its reasonable opinion) be in breach of its obligations under the Listing Rules, including Rule 8.08 of the Listing Rules (as it applies to the Company).

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Conversion period: Conversion rights may be exercised at any time on or after the 14 days after the Closing Date up to the close of business on the date falling seven days prior to the date fixed for redemption of the relevant Convertible Securities (both days inclusive), except as described in the terms and conditions of the Convertible Securities, or if notice requiring redemption has been given by the holders of such Convertible Securities pursuant to the terms and conditions of the Convertible Securities, then up to the close of business on the day prior to the giving of such notice.

Conversion Shares: The number of Shares to be issued on exercise of conversion rights shall be determined by dividing the principal amount of the Convertible Securities to be converted by the Conversion Price in effect on the relevant conversion date.

Conversion Price: The initial Conversion Price is HK\$18.80 per Conversion Share.

The Conversion Price will be subject to adjustment in each of the following cases, subject to the terms and conditions of the Convertible Securities:

- (i) *consolidation, subdivision or reclassification* – an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share in issue immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

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- (ii) *capitalisation of profits or reserves* – an issue of Shares by the Company by way of capitalisation of profits or reserves (including Shares paid up out of distributable profits or reserves and/or share premium accounts, and which would not have constituted a capital distribution), and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed, immediately after such record date.

An issue of Shares by the Company by way of a scrip dividend (where the Current Market Price on the date of announcement of the terms of the issue of such Shares multiplied by the number of such Shares issued exceeds the amount of relevant cash dividend and which would not have constituted a capital distribution), and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such scrip dividend;

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B is the aggregate nominal amount of Shares issued by way of such scrip dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the relevant cash dividend for which Shareholders have elected to receive as Shares issued by way of scrip dividend, and (ii) the denominator is the aggregate value of such Shares issued by way of scrip dividend as determined by reference to the Current Market Price per Share; and

C is the aggregate number of Shares issued pursuant to such scrip dividend;

or by making such other adjustment to the Conversion Price to give effect to the foregoing as an independent investment bank shall certify to the holder of the Convertible Securities is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed, immediately after such record date.

- (iii) *capital distribution* – capital distributions paid or made by the Company to Shareholders, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the capital distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the capital distribution in Hong Kong dollars attributable to one Share.

Such adjustment shall become effective on the first date that such capital distribution is actually made or if a record date is fixed, immediately after such record date.

When the capital distribution is by means of cash dividend or distribution, such cash dividend or distribution shall constitute a capital distribution only to the extent that such cash dividend or distribution does, when taken together with any other cash dividend or distribution previously made or paid in respect of the same financial year, exceed 35% of the Company's most recently published audited core net profit for the year;

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- (iv) *rights issues of Shares or options over Shares* – an issue of Shares by the Company by way of rights, or issue or grant by the Company by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95% of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or when a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

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- (v) *rights issues of other securities* – an issue of securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) by the Company by way of rights, or issue or grant by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or when a record date if set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

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- (vi) *issues at less than Current Market Price* – an issue of Shares by the Company, or issue or grant by the Company of any options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, in each case at a price per Share which is less than 95% of the Current Market Price per Share on the date of the first public announcement of the terms of such issue, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

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- (vii) *other issues at less than Current Market Price* – an issue of securities by the Company or any of its subsidiaries or any other person, which carries rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the Current Market Price per Share on the date of first public announcement of the terms of issue of such securities, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

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(viii) *modification of rights of conversion, etc.* – any modification of the rights of conversion, exchange or subscription attaching to any such securities mentioned in paragraph (vii) above so that the consideration per Share is less than 95% of the Current Market Price per Share on the date of announcement of the proposals for such modification, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an independent investment bank, consider appropriate (if at all) for any previous adjustment under this condition or condition (vii) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

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- (ix) *other offers to Shareholders* – any issue, sell or distribution of securities by the Company or any of its subsidiaries or any other person in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements to acquire securities, and (except where the Conversion Price falls to be adjusted under condition (ii), (iii), (iv), (v), (vi), or (vii) above, and the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

- (x) *other events* – the Company determines that an adjustment should be made as a result of one or more events or circumstances not referred to above. If such event arises, the Company shall consult an independent investment bank (as defined in the terms and conditions of the Convertible Securities) to determine in good faith what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the independent investment bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events giving rise to any adjustment pursuant to this condition have already resulted or will result in an adjustment to the Conversion Price or where the events giving rise to any adjustment arise by virtue of events which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the conversion provisions as may be advised by the independent investment bank to be in its opinion appropriate to give the intended result.

The Company will make further announcement(s) in relation to any adjustments to the Conversion Price as and when required under the Listing Rules.

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For further details of the principal terms of the Convertible Securities, please refer to subsection headed "Principal Terms of the Convertible Securities" in the Letter form the Board.

In connection with the step-up distribution rate, we have discussed and understand from the Management that during the arm's length negotiation between the Company, the Placing Agent and the Subscriber in determining the terms and structure of the Convertible Securities including the step-up distribution rate, reference was made, among other things, on the terms of perpetual convertible bonds and perpetual securities issued by companies listed on the Main Board of the Stock Exchange (collectively, the "Perpetual Instruments") since 1 January 2019, based on our best knowledge and as far as we are aware, we noted that there are a total of eight (8) Perpetual Instruments, we consider, to the best of our knowledge and ability, that the list of Perpetual Instruments are exhaustive, fair and indicative. Based on our review of the terms of the Perpetual Instruments, we noted that the majority of the Perpetual Instruments have a step-up feature whereby the issuer is obligated to pay a higher rate of interest after a certain number of years if the Perpetual Instruments have not been redeemed. The step-up distribution rate of the respective Perpetual Instruments ranged from nil to 5% (with only one (1) perpetual instrument does not have a step-up clause), with an average of 3%, the step-up distribution rate of 3% under the Convertible Securities therefore not only falls within the range and is also in line with the lowest and average of the step-up distribution rate of the Perpetual Instruments. In addition, as stipulated under the terms of the Convertible Securities, unless any of the Triggering Event occurs, namely a Delisting or a Suspension which does not arise or result from a voluntary application to the relevant stock exchange initiated or made by the Company or having been affected or imposed through means within the control of the Company or any action of the Company or any default or non-compliance by the Company of any of its obligations that are within its control, therefore unlike the Perpetual Instruments, whereby the issuer is obligated to pay the step-up distribution rate after a certain period of time, the Company would not be subject to the payment of the step-up distribution rate without the occurrence of the Triggering Event. In light of the above, we are of the view that the terms of the step-up distribution rate are fair and reasonable and in line with the market practise.

7. Evaluation of the terms of the Convertible Bonds

The initial Conversion Price and the Issue Price were determined after arm's length negotiations between the Company, the Placing Agent and the Subscriber with reference to the closing price of the Shares quoted on the Stock Exchange on the date of the Subscription and Placing Agency Agreement. The initial Conversion Price of HK\$18.80 per Conversion Share, which shall be subject to price adjustment, represents:

- (i) a premium of approximately 44.17% over the closing price of HK\$13.04 per Share as quoted on the Stock Exchange on 28 March 2023, being the Trading Date immediately prior to the date of the Subscription and Placing Agency Agreement (the "Last Trading Date");
- (ii) a premium of approximately 46.55% over the average closing price of HK\$12.83 per Share for the last five consecutive trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 44.66% over the average closing price of HK\$13.00 per Share for the last 10 consecutive trading days up to and including the Last Trading Date; and
- (iv) a premium of approximately 67.56% over the closing price of HK\$11.22 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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Historical Share price performance

In order to assess the fairness and reasonableness of setting the Conversion Price at HK\$18.80 per Conversion Share, we have reviewed the daily closing prices of the Shares from 28 March 2022, being one year prior to the Last Trading Date (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Last Trading Date and such comparison is relevant for the assessment of the fairness and reasonableness of the Conversion Price. The following diagram sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Chart 1: Movement of the Share closing price during the Review Period



Source: the Stock Exchange

As illustrated by the chart above, during the Review Period, the closing prices of the Shares traded between a range of HK\$11.66 per Share as recorded on 13 October 2022 (the “**Lowest Closing Price**”) and HK\$18.56 per Share as recorded on 30 March 2022 (the “**Highest Closing Price**”) with an average closing price of approximately HK\$15.25 per Share (the “**Average Closing Price**”). The Conversion Price (i.e. HK\$18.80) is therefore representing a premium to the Lowest Closing Price, Highest Closing Price and Average Closing Price of approximately 61.23%, 1.29% and 23.33% respectively during the Review Period. There are some notable events below during the Review Period:

- (i) the Share closing price reached its peak at HK\$18.56, being the Highest Closing Price on 30 March 2022 after the publication of the annual results announcement for FY2021, a final dividend of HK\$0.50 per Share was also proposed on the same date;
- (ii) the Share closing price rebounded to HK\$17.28 on 31 August 2022 from HK\$16.54 on 30 August 2022 subsequent to the publication of the interim results announcement for HY2022 on 30 August 2022, an interim dividend of HK\$0.28 per Share was announced to be payable on or around 30 September 2022;

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- (iii) following the publication of 2022 Interim Report for HY2022 on 16 September 2022, the Share closing price further increased from HK\$15.30 on 19 September 2022 to HK\$15.76 on 20 September 2022;
- (iv) the Company published the continuing connected transactions announcement in relation to the Previous Appointment on 28 October 2022, subsequently, the Share closing price increased from HK\$12.46 on 31 October 2022 to HK\$12.90 on 1 November 2022 and registered a further growth to HK\$13.12 on 2 November 2022; and
- (v) the Share closing price increased to HK\$13.04 on 28 March 2023 following the publication of the 2022 Annual Results, a final dividend of HK\$0.38 per Share was proposed to be payable on or around 8 June 2023.

As advised by the Management, other than the events mentioned above, the Management were not aware of any events that led to the fluctuating trend in the Share price for the Review Period. In light of the above analysis, we are of the view that the Conversion Price (i.e. HK\$18.80) represents (i) a premium over the range of the closing price under the Review Period and (ii) premiums of approximately 44.17%, 46.55% and 44.66% over the closing price per Share as quoted on the Stock Exchange on the Last Trading Date, average closing price per Share for the last five consecutive trading days up to and including the Last Trading Date and average closing price per Share for the last 10 consecutive trading days up to and including the Last Trading Date, respectively, which in our view is consistent with one of the fundamental reasons of the issuance of Convertible Securities, that is to further engage SF Holding as a significant long-term strategic investor of the Company and also demonstrates the confidence of SF Holding towards the Company and the continuous support for the Company's business development with an aim to boost the prevailing Share price to a level above the Conversion Price of the Convertible Securities. We consider that the issuance of Convertible Securities with a Conversion Price set at a price higher than the prevailing market price of the Shares is beneficial to the Company and therefore the Conversion Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Comparable transaction analysis

To assess the fairness and reasonableness of the key terms of the Convertible Securities, including the interest rate, conversion price and term to maturity, we have conducted an independent research, using our best endeavours, of recent proposed issue of convertible bonds/notes to both connected persons and independent third parties initially announced by companies listed on the Main Board of the Stock Exchange. We have considered the issuance of convertible bonds/notes to both connected persons and independent third parties in our research since the terms of such issuance are arrived at based on prevailing market conditions regardless of whether the subscribers are connected persons or not and represent an unbiased reference on market terms, therefore providing a decent reference in our evaluation of the terms of the Convertible Securities. Based on our best endeavour and as far as we are aware, we have identified a total of 31 comparable issues of convertible bonds/notes (the "**Comparable Issues**"), which was announced from 28 July 2022, being approximately nine (9) months prior to the date of the Subscription and Placing Agency Agreement (the "**Comparison Period**"), to provide a general reference for the recent market practice in relation to the key terms of the convertible bonds/notes under similar market condition. We consider that the Comparison Period is appropriate since it provided, in our opinion, a reasonable and meaningful number of samples for our analysis purpose and the Comparable Issues as a whole provides a fair and representative sample.

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Shareholders should note that the principal businesses, market capitalisations, profitability and financial positions of the companies in relation to the Comparable Issues may not be similar to those of the Company, and we have not conducted any in-depth investigation into respective businesses and operations of such companies. As the Comparable Issues can provide a general reference of the key terms for similar transaction in Hong Kong under the current market conditions, we consider, to the best of our knowledge and ability, that the list of Comparable Issues are exhaustive, fair and indicative during the Comparison Period in assessing the fairness and reasonableness of the key terms of the Convertible Securities.

Table 3: Analysis of the Comparable Issues

Date of announcement	Stock code	Name of company	Issue to connected person	Principal amount	Term to maturity (year(s))	Interest rate (%)	Premium/(discount) of conversion price over/to	
							The closing price as at the last trading day prior to/on the date of announcement (%)	The average closing price of the last five (5) trading days prior to the last trading day prior to/on the date of announcement (%)
15-Mar-2023	1566	CA Cultural Technology Group Limited	No	HK\$160,940,000	3.00	Nil	(78.39)	(77.63)
10-Mar-23	381	Kiu Hung International Holdings Limited	No	HK\$30,500,000	3.00	Nil	17.31	14.66
9-Mar-23	7	Wisdom Wealth Resources Investment Holding Group Limited	Yes	HK\$100,000,000	1.00	5.62	160.40	166.50
3-Mar-23	1580	Da Sen Holdings Group Limited	Yes	HK\$9,000,000	2.00	10.00	56.25	89.39
3-Mar-23	1128	Wynn Macau, Limited	No	US\$600,000,000	6.00	4.50	26.80	24.00
15-Feb-23	515	China Silver Technology Holdings Limited	No	HK\$15,262,320	3.00	8.00	3.64	0.35
10-Jan-23	1703	Welfare Technology Limited	No	HK\$44,000,000	3.00	3.00	6.67	4.99
28-Dec-22	6616	Global New Material International Holdings Limited	No	CNH500,000,000	4.00	3.50	90.00	92.89
23-Dec-22	842	Leoch International Technology Limited	No	HK\$91,800,000	3.00	5.50	30.80	23.00
22-Dec-22	660	Wai Chun Bio-Technology Limited	Yes	HK\$14,000,000	3.00	Nil	25.00	32.00
20-Dec-22	527	China Ruifeng Renewable Energy Holdings Limited	No	HK\$19,540,000	3.00	7.00	17.65	15.38
16-Dec-22	209	Winshine Science Company Limited (Note 1)	No	HK\$14,000,000	1.00	16.00	2.81	2.81
14-Dec-22	616	Eminence Enterprise Limited	Yes	HK\$209,000,000	5.00	5.00	43.24	45.21

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Name of company	Issue to connected person	Principal amount	Term to maturity (year(s))	Interest rate (%)	Premium/(discount) of conversion price over/to	
							The closing price as at the last trading day prior to/on the date of announcement (%)	The average closing price of the last five (5) trading days prior to the last trading day prior to/on the date of announcement (%)
23-Nov-22	823	Link Real Estate Investment Trust	No	HK\$3,300,000,000	5.00	4.50	16.50	13.20
16-Nov-22	138	CCT Fortis Holdings Limited	Yes	HK\$220,000,000	2.95	4.50	10.35	5.82
30-Oct-22	6978	Immunotech Biopharm Ltd	No	RMB300,000,000	3.00	6.00	(17.20)	(90.00)
14-Oct-22	209	Winshine Science Company Limited (Note 2)	No	HK\$22,500,000	2.00	16.00	13.64	11.61
28-Sep-22	872	Titan Invo Technology Limited	No	HK\$26,500,000	3.00	5.00	10.42	9.69
26-Sep-22	6828	Beijing Gas Blue Sky Holdings Limited (Note 3)	Yes	HK\$300,000,000	3.00	5.02	12.38	5.92
19-Sep-22	704	Huscoke Holdings Limited	Yes	HK\$154,000,000	2.00	8.00	(30.50)	(31.40)
13-Sep-22	619	South China Financial Holdings Limited	Yes	HK\$89,840,000	3.00	1.00	Nil	0.63
7-Sep-22	2324	Capital VC Limited	No	HK\$21,000,000	2.00	1.50	19.00	16.10
5-Sep-22	115	Grand Field Group Holdings Limited	Yes	HK\$96,500,000	1.50	6.00	15.20	15.20
2-Sep-22	2186	Luye Pharma Group Ltd (Note 4)	No	RMB300,000,000	0.86	6.50	54.20	53.60
19-Aug-22	475	Central Development Holdings Limited	Yes	HK\$52,000,000	3.00	Nil	Nil	0.82
17-Aug-22	992	Lenovo Group Limited (Note 5)	No	US\$675,000,000	7.00	2.50	44.27	41.80
5-Aug-22	2888	Standard Chartered PLC (Note 6)	No	US\$1,250,000,000	Perpetual	7.75	(0.18)	2.19
4-Aug-22	1831	ShiFang Holding Limited	No	HK\$92,407,500	NA	Nil	Nil	78.12
1-Aug-22	3738	Vobile Group Limited	No	HK\$117,000,000	3.00	4.00	32.67	30.65
1-Aug-22	164	China Baoli Technologies Holdings Limited	No	HK\$12,000,000	3.00	4.00	50.00	49.25
28-Jul-22	2186	Luye Pharma Group Ltd (Note 7)	No	RMB1,500,000,000	0.99	6.50	40.00	41.00
		Maximum			Perpetual	16.00	160.40	166.50
		Minimum			0.86	Nil	(78.39)	(90.00)
		Average			2.94	6.03	24.03	22.19
		The Company	Yes	HK\$780,000,000	Perpetual	3.30	44.17	46.55

Source: the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. As stated in the announcement of Winshine Science Company Limited (stock code: 209) ("**Winshine Science**"), the maturity date of the relevant convertible bonds is 31 December 2023.
2. As stated in the announcement of Winshine Science, the maturity date of the relevant convertible bonds is 31 December 2024.
3. As stated in the announcement of Beijing Gas Blue Sky Holdings Limited (stock code: 6828), the interest rate of the convertible bond is based on Hong Kong Interbank Offered Rate plus 1.8% per annum, it was further disclosed on the circular dated 31 October 2022 that the effective interest rate under the convertible bond subscription agreement as at the last trading day is approximately 5.02% per annum.
4. As stated in the announcement of Luye Pharma Group Ltd. (stock code: 2186) ("**Luye Pharma**"), the maturity date of the relevant convertible bonds is 24 July 2023.
5. The relevant announcement published by Lenovo Group Limited (stock code: 992) ("**Lenovo Group**") did not disclose neither (i) the closing price as at the last trading day prior to/on the date of announcement; nor (ii) the premium/discount of the subscription price over/to the average closing price for the last five (5) consecutive trading days up to and including the last trading day. The premium of the subscription price is calculated based on the initial conversion price (i.e. HK\$9.94 per share) as disclosed in the announcement of Lenovo Group dated 18 August 2022 and on market data published on the website of the Stock Exchange.
6. The relevant announcement published by Standard Chartered PLC (stock code: 2888) ("**Standard Chartered**") did not disclose neither (i) the closing price as at the last trading day prior to/on the date of announcement; nor (ii) the premium/discount of the subscription price over/to the average closing price for the last five (5) consecutive trading days up to and including the last trading day. The premium of the subscription price is calculated based on the conversion price (i.e. US\$7.333 per share) as disclosed in the announcement of Standard Chartered dated 5 August 2022 the market data published on the website of the Stock Exchange.
7. As disclosed in the announcement of Luye Pharma, the maturity date of the relevant convertible bonds is 360 days after the first payment date.

Interest rate

The interest rate of the Convertible Securities is 3.30%. As shown in the table above, we note that the interest rates of the Comparable Issues ranged from nil to 16.00% per annum, with an average interest rate of approximately 6.03%. Accordingly, the interest rate of the Convertible Securities falls within the range and is significantly lower than the average interest rate of the Comparable Issues. Therefore, we consider that the interest rate of the Convertible Securities is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Term to maturity

The terms to maturity of the Comparable Issues ranged from approximately 0.86 year to perpetual with no maturity date, with an average term of approximately 2.94 years. The Convertible Securities are perpetual securities in respect of which there is no fixed redemption date, which falls within such range, but above the average term and stood at the higher end of the range of the Comparable Issues. As discussed with the Management, as the Convertible Securities is perpetual in nature and this term could provide the Group with adequate time to consolidate and develop its current business and there is no instant material cash outflow pressure on the Group. In light of this, we consider that despite the duration of the Convertible Securities being perpetual, which seemingly not a common feature included among the Comparable Issues during the Comparison Period, we are of the view that such term provides the Company with flexibility on its cash flow management and therefore we consider that it is favourable to the Company and its Shareholders as a whole.

Conversion Price

As set out in the table above, we note that the conversion price to: (i) the closing price on the last trading day prior to/on the announcements in relation to the respective Comparable Issues ranged from a premium of approximately 160.40% to a discount of approximately 78.39%, with an average premium of approximately 24.03%; and (ii) the average closing price of the last five (5) trading days prior to/on the announcements in relation to the respective Comparable Issues ranged from a premium of approximately 166.50% to a discount of approximately 90.00%, with an average premium of approximately 22.19%. As the Conversion Price is: (a) at a premium of approximately 44.17% over the closing price per Share on the Last Trading Date; and (b) at a premium of approximately 46.55% over the average closing price per Share for the last five (5) consecutive trading days up to and including the Last Trading Date, the premiums as represented by the Conversion Price is within the range and is above the average of the premium of the conversion prices of the Comparable Issues.

With reference to our analysis above regarding the Comparable Issues, we concur with the view of the Management that the Conversion Price is fair and reasonable.

8. Financial effects of the issuance for the Convertible Securities

Earnings

Based on the 2022 Annual Results, the Group recorded profit attributable to the Shareholders from continuing operation of approximately HK\$3,579 million for FY2022. The Convertible Securities bear an interest of 3.30% per annum and is perpetual in nature with no maturity date. As abovementioned under the section headed "4. Reasons for and benefits of the issue of Convertible Securities" in respect of the Indebtedness, the interest rate of the Group's unsecured short-term and long-term bank loans obtained from the authorised institutions in Hong Kong ranged from approximately 3.90% to 5.77% per annum, which is higher than the interest rate of 3.30% per annum as stipulated under the Convertible Securities. Upon the completion of the Subscription and Placing Agency Agreement, the net proceeds from the Convertible Securities will be utilised for working capital and general corporate purposes, whereby enable the Group to enhance its capital structure, which will in turn provide the Group with a higher flexibility to participate in other favourable business opportunities should they arise. The Company expects there will not be any material adverse impact to the earnings of the Group in this respect.

NAV

According to the 2022 Annual Results, the NAV attributable to the Shareholders was approximately HK\$18,429 million as at 31 December 2022. The net proceeds from the issue of Convertible Securities are estimated to be approximately HK\$774,000,000. Upon completion of the subscription for the Convertible Securities would lead to an increase in cash and bank balances of the Company by the same amount. As advised by the Management and based on the accounting policies of the Group, the Convertible Securities will be accounted for as equity instruments under the prevailing accounting policy of the Company and hence no financial liabilities will be recorded, it is expected that the NAV of the Company will improve upon completion of the Subscription and Placing Agency Agreement, attributable to the increase in cash and bank balances coupled with the increase in equity component of the Convertible Securities. The exact amount of the respective fair value of the equity components of the Convertible Securities and their financial impacts to the Company will be subject to the valuation from a professional valuer to be appointed by the Company and the review of the independent auditors of the Company.

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Gearing ratio

According to the 2022 Annual Results, the gearing ratio for the Group, calculated as total bank loans and overdrafts, divided by equity attributable to the Shareholders excluding put options written on non-controlling interests, was approximately 48.3% as at 31 December 2022. As the Group's NAV is expected to increase as mentioned above and the Company intends to utilise part of the net proceeds for the repayment of existing debt, it is therefore expected that the gearing level and capital structure of the Group will improve as a result of the issue of Convertible Securities, subject to the valuation to be prepared by an independent valuer.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the subscription.

9. Effect on the shareholding structure of the Company

As at the Latest Practicable Date, based on the initial Conversion Price of HK\$18.80 per Conversion Share (subject to adjustments) and assuming full conversion of the Convertible Securities at the initial Conversion Price, the Convertible Securities will be convertible into 41,489,361 Conversion Shares, representing: (i) approximately 2.30% of the total number of issued Shares as at the Latest Practicable Date; (ii) approximately 2.24% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares, assuming that there is no other change to the total number of Shares from the Latest Practicable Date to the date when the Convertible Securities are converted in full.

The following table illustrates the shareholding structure of the Company: (i) as at the Latest Practicable Date; (ii) immediately after the issue of Convertible Securities assuming no conversion of the Convertible Securities; and (iii) immediately after the allotment and issue of the Conversion Shares assuming full conversion of the Convertible Securities at the initial Conversion Price.

Shareholders	As at the Latest Practicable Date		Immediately after the issue of the Convertible Securities			
			Assuming no conversion of the Convertible Securities		Assuming full conversion of the Convertible Securities at the initial Conversion Price	
	Number of Shares	Approximate % (Notes 1, 2)	Number of Shares	Approximate % (Notes 1, 2)	Number of Shares	Approximate % (Notes 1, 2)
SF Holding (Note 3)						
<i>Flourish Harmony Holdings Company Limited</i>	931,209,117	51.52	931,209,117	51.52	931,209,117	50.37
Subscriber	-	-	-	-	41,489,361	2.24
Kerry Group Limited and its subsidiaries (Note 4)	580,291,383	32.11	580,291,383	32.11	580,291,383	31.39
Close associates of Kerry Group Limited (Note 5)	2,393,006	0.13	2,393,006	0.13	2,393,006	0.13
Sub-total for Shareholders	1,513,893,506	83.76	1,513,893,506	83.76	1,555,382,867	84.12

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	Immediately after the issue of the Convertible Securities					
	As at the Latest Practicable Date		Assuming no conversion of the Convertible Securities		Assuming full conversion of the Convertible Securities at the initial Conversion Price	
	Number of Shares	Approximate % (Notes 1, 2)	Number of Shares	Approximate % (Notes 1, 2)	Number of Shares	Approximate % (Notes 1, 2)
Shareholders						
Directors:						
KUOK Khoon Hua	600,428	0.03	600,428	0.03	600,428	0.03
MA Wing Kai William	1,970,800	0.11	1,970,800	0.11	1,970,800	0.11
CHEUNG Ping Chuen Vicky	3,449,443	0.19	3,449,443	0.19	3,449,443	0.19
WONG Yu Pok Marina	20,796	0.00	20,796	0.00	20,796	0.00
Close associates of Directors (Note 6)	981,198	0.05	981,198	0.05	981,198	0.05
Other subsidiary directors and their close associates	3,034,650	0.17	3,034,650	0.17	3,034,650	0.16
Unvested Share awards for the relevant Directors and other subsidiary directors	1,354,739	0.07	1,354,739	0.07	1,354,739	0.07
Sub-total for Directors	<u>11,412,054</u>	<u>0.63</u>	<u>11,412,054</u>	<u>0.63</u>	<u>11,412,054</u>	<u>0.62</u>
Public Shareholders	<u>282,119,282</u>	<u>15.61</u>	<u>282,119,282</u>	<u>15.61</u>	<u>282,119,282</u>	<u>15.26</u>
Total	<u>1,807,424,842</u>	<u>100.00</u>	<u>1,807,424,842</u>	<u>100.00</u>	<u>1,848,914,203</u>	<u>100.00</u>

Notes:

- Based on 1,807,424,842 Shares in issue as at the Latest Practicable Date.
- Certain percentage figures included in the above tables have been subject to rounding adjustments.
- The Shares are held by SF Holding through (i) Flourish Harmony Holdings Company Limited, which is a beneficial owner of 931,209,117 Shares; and (ii) the Subscriber, both of which are indirect wholly-owned subsidiaries of SF Holding, which is a subsidiary of Shenzhen Mingde Holding Development Co., Ltd., and which is in turn controlled by Mr. WANG Wei. Therefore, each of SF Holding, Shenzhen Mingde Holding Development Co., Ltd. and Mr. WANG Wei is deemed to be interested in the shareholding interests of Flourish Harmony Holdings Company Limited and the Subscriber pursuant to the disclosure requirements under the SFO.
- The Shares are held by KGL's subsidiaries, being KPL, Alpha Model Limited, Crystal White Limited, Macromind Investments Limited, Noblespirit Corporation, Caninco Investments Limited, Darmex Holdings Limited, Glory Voice International Limited, Moslane Limited, Paruni Limited, Ban Thong Company Limited and Desert Grove Limited. Accordingly, KGL is deemed to be interested in the shareholding interest of each of its subsidiaries pursuant to the disclosure requirements under the SFO.
- Close associates of KGL comprise (i) Shang Holdings Limited, a company which is indirectly owned as to more than 30% by KGL; and (ii) Pristine Holdings Limited and Rosy Frontier Limited, each of which is an investment company of a discretionary trust of which KGL and Mr. KUOK Khoon Hua are discretionary beneficiaries.
- Close associates of Directors comprise (i) Peacebright Assets Limited, an investment company of a discretionary trust of which Mr. KUOK Khoon Hua is a discretionary beneficiary; and (ii) Lochtenny Investments Limited, an investment company of a discretionary trust of which Mr. KUOK Khoon Hua and Mr. MA Wing Kai William are discretionary beneficiaries. Each of Mr. KUOK Khoon Hua and Mr. MA Wing Kai William are Directors.

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As shown in the above table, assuming that there are no other changes to the total number of Shares from the Latest Practicable Date to the completion of the Subscription and Placing Agency Agreement, upon the full conversion of the Convertible Securities at the initial Conversion Price, the shareholding of the Public Shareholders will be diluted from approximately 15.63% before the full conversion of the Convertible Securities to approximately 15.28% immediately after the full conversion of the Convertible Securities at the initial Conversion Price. Accordingly, the shareholding dilution effect to the existing Public Shareholders would be reduced by merely approximately 0.35%, which in our view is immaterial.

In addition, having considered that (i) the reasons for and benefits of the issue of Convertible Securities as mentioned above, in particular new funding will be available to support the Group's continuing growth and strategic development; (ii) the Convertible Securities is the preferred option over other equity and debt financing alternatives; (iii) the Convertible Securities, will be accounted for as equity instruments under the prevailing accounting policy of the Company as abovementioned, or in the event that when converted into Conversion Shares, it will be recognised as equity of the Company and both scenarios of which would also enlarge the capital base and potentially improve the net asset position of the Company; and (iv) the Conversion Price is set at premiums of approximately 44.17%, 46.55% and 44.66% over the closing price per Share as quoted on the Stock Exchange on the Last Trading Date, the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Date and the average closing price per Share for the last 10 consecutive trading days up to and including the Last Trading Date, respectively, we consider that such potential dilution effect on the shareholding interests of the existing Public Shareholders resulting from entering into the Subscription and Placing Agency Agreement is immaterial and we concur with the Management that the issuance of Convertible Securities is in the interests of the Company and its Shareholders as a whole.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons described above, in particular that:

- (i) the reasons for the issuance of Convertible Securities as discussed in the section headed "4. Reasons for and benefits of the issue of Convertible Securities";
- (ii) the issue of the Convertible Securities is an appropriate fund raising method currently available to the Group due to the reasons set forth under the section headed "4. Reasons for and benefits of the issue of Convertible Securities";
- (iii) the interest rate, Conversion Price and term to maturity of the Convertible Securities fall within the range of the Comparable Issues;
- (iv) the other material terms of the Convertible Securities are generally in line with market practice; and
- (v) the potential dilution effect to the shareholding interest of the public Shareholders arising from the issue of Convertible Securities is immaterial,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we are of the view that although the entering into of the Subscription and Placing Agency Agreement are not in the ordinary and usual course of business of the Group, the terms of the Subscription and Placing Agency Agreement and the transactions contemplated thereunder, including the issue of Convertible Securities and the grant of the Specific Mandate, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Subscription and Placing Agency Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions approving the Subscription and Placing Agency Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Li Lan
Executive Director

Mr. Li Lan is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Li has over 16 years of corporate finance experience in Hong Kong and has participated in and completed various financial advisory and independent financial advisory transactions.

* *For identification purpose only*

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

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) The Company

	Shares in the Company					Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	
Directors						
WANG Wei ⁽²⁾	–	–	972,698,478	–	972,698,478	53.82%
KUOK Khoon Hua ⁽³⁾	600,428	–	–	1,132,479	1,732,907	0.10%
MA Wing Kai William ⁽⁴⁾	2,403,372	–	–	717,588	3,120,960	0.17%
CHEUNG Ping Chuen Vicky ⁽⁵⁾	3,585,178	–	–	–	3,585,178	0.20%
WONG Yu Pok Marina ⁽⁶⁾	20,796	–	–	–	20,796	<0.01%

Notes:

- (1) Based on 1,807,424,842 Shares in issue as at the Latest Practicable Date.
- (2) Mr Wang is interested in 972,698,478 Shares held through his controlled corporations, which includes the 41,489,361 Convertible Securities Mr Wang is deemed to be interested in pursuant to the disclosure requirements under the SFO.
- (3) Mr Kuok is interested in (i) 600,428 Shares as beneficial owner; and (ii) 1,132,479 Shares held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.

- (4) Mr Ma is interested in (i) 1,970,800 Shares as beneficial owner; (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 432,572 Shares; and (iii) 717,588 Shares held through a discretionary trust of which Mr Ma is a discretionary beneficiary.
- (5) Mr Cheung is interested in (i) 3,449,443 Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 135,735 Shares.
- (6) Ms Wong is interested in 20,796 Shares as beneficial owner.

(II) Associated Corporations

Shenzhen Mingde Holding Development Co., Ltd.

Director	Registered capital of Shenzhen Mingde					Approximate percentage of registered capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	
WANG Wei ⁽²⁾	RMB113,286,600	–	–	–	RMB113,286,600	99.90%

Notes:

- (1) Based on a total registered capital of Shenzhen Mingde of RMB113,400,000 as at the Latest Practicable Date.
- (2) Mr Wang is interested in registered capital of Shenzhen Mingde in the amount of RMB113,286,600 as beneficial owner.

S.F. Holding Co., Ltd.

Directors	Ordinary shares in SF Holding					Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	
CHAN Fei ⁽²⁾	488,000	–	–	–	488,000	0.01%
HO Chit ⁽³⁾	488,000	–	–	–	488,000	0.01%

Notes:

- (1) Based on 4,895,202,373 ordinary shares in SF Holding in issue as at the Latest Practicable Date.
- (2) Mr Chan is interested in options granted under the 2022 stock option incentive plan of SF Holding to subscribe for 488,000 ordinary shares in SF Holding.
- (3) Mr Ho is interested in options granted under the 2022 stock option incentive plan of SF Holding to subscribe for 488,000 ordinary shares in SF Holding.

Kerry Express (Thailand) Public Company Limited

Director	Ordinary shares in KEX Thailand					Total interests	Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
MA Wing Kai William ⁽²⁾	14,211,700	–	–	–	–	14,211,700	0.82%

Notes:

(1) Based on 1,742,577,000 ordinary shares in KEX Thailand in issue as at the Latest Practicable Date.

(2) Mr Ma is interested in 14,211,700 ordinary shares in KEX Thailand as beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had registered an interest or a short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which were required (a) 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

Name of Shareholders	Capacity/ nature of interest	Number of Shares held	Approximate percentage of shareholding in the total issued share capital ⁽¹⁾
WANG Wei	Interest of controlled corporations	972,698,478 ⁽⁷⁾	53.82%
Shenzhen Mingde Holding Development Co., Ltd. ⁽²⁾	Interest of controlled corporations	972,698,478 ⁽⁷⁾	53.82%

Name of Shareholders	Capacity/ nature of interest	Number of Shares held	Approximate percentage of shareholding in the total issued share capital ⁽¹⁾
S.F. Holding Co., Ltd. ⁽³⁾	Interest of controlled corporations	972,698,478 ⁽⁷⁾	53.82%
Kerry Group Limited ⁽⁴⁾	Interest of controlled corporations	595,928,608 ⁽⁸⁾	32.97%
Kerry Holdings Limited ⁽⁵⁾	Interest of controlled corporations	572,100,979 ⁽⁸⁾	31.65%
Kerry Properties Limited ⁽⁶⁾	Beneficial owner	376,702,721 ⁽⁸⁾	20.84%

Notes:

- (1) Based on 1,807,424,842 Shares in issue as at the Latest Practicable Date.
- (2) Mr WANG Wei is the executive director of Shenzhen Mingde.
- (3) Mr WANG Wei is the chairman of the board of directors and the general manager of SF Holding. Mr CHAN Fei is an assistant chief executive officer of SF Holding. Mr HO Chit is a director, a deputy general manager and the chief financial officer of SF Holding.
- (4) Mr KUOK Khoon Hua is a director of KGL. Ms CHEN Keren is the group co-general counsel, the company secretary, the head of company secretarial and compliance and the director of corporate services of KGL.
- (5) Mr KUOK Khoon Hua is the chairman and a director of KHL.
- (6) Mr KUOK Khoon Hua is the chairman, the chief executive officer and an executive director of KPL. Ms WONG Yu Pok Marina is an independent non-executive director of KPL.
- (7) Flourish Harmony is interested in 931,209,117 Shares as beneficial owner. The Subscriber is interested in 41,489,361 Convertible Securities as beneficial owner. Each of Flourish Harmony and the Subscriber is wholly owned by SF Holding. SF Holding is a subsidiary of Shenzhen Mingde which is, in turn, controlled by Mr WANG Wei. Accordingly, SF Holding, Shenzhen Mingde and Mr Wang are deemed to be interested in the interest held by Flourish Harmony and the Subscriber in the Company pursuant to the disclosure requirements under the SFO.
- (8) KPL is a subsidiary of KHL. KHL is a wholly-owned subsidiary of KGL. Accordingly, KHL is deemed to be interested in the interest held by KPL in the Company, and KGL is deemed to be interested in the interest held by each of KHL and KPL in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

3 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4 COMPETING INTERESTS

Mr WANG Wei, the chairman of the Board and non-executive Director, is the controlling shareholder, chairman of the board of directors and general manager of SF Holding. Mr CHAN Fei, non-executive Director, is the assistant chief executive officer of SF Holding (who was also a director and deputy general manager of SF Holding prior to December 2022). Mr HO Chit, non-executive Director, is director, deputy general manager and chief financial officer of SF Holding. Mr CHAN Fei and Mr HO Chit each hold interest in options to subscribe for shares in SF Holding (representing approximately 0.01% in the issued share capital of SF Holding). SF Holding is primarily engaged in the provision of integrated express logistic services in the Mainland.

Mr KUOK Khoon Hua, the vice chairman of the Board and non-executive Director, is the chairman and a director of KHL as well as a director of KGL. Ms CHEN Keren, non-executive Director, is the group co-general counsel, the company secretary, the head of company secretarial and compliance and the director of corporate services of KGL. KGL wholly owns KHL which, in turn, is the controlling shareholder of Kerry TJ. Kerry TJ is primarily engaged in the provision of less-than-truck-load transport and supply chain integration logistics services in Taiwan.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business, apart from the Group's business, that competes or is likely to compete, either directly or indirectly, with the Group's business.

5 DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save as disclosed in the sections headed "Significant Acquisition/Disposal and Discloseable and Connected Transactions" and "Continuing Connected Transactions" in the Company's annual report for the year ended 31 December 2021 on pages 74 to 80, the Company's announcements dated 28 June 2022, 29 July 2022 and 28 October 2022, the Company's circular dated 18 November 2022, the Announcements and this circular, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the Group's business.

As at the Latest Practicable Date, save as disclosed in the Company's announcement dated 29 July 2022 and the Company's announcement dated 25 March 2021 in relation to, among other things, the framework services agreement dated the same date between the Company and KHL, none of the Directors had any interest, directly or indirectly, in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6 LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

7 EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions contained in and referred to in this circular:

Name	Qualification
Opus Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Independent Financial Adviser had no 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.

As at the Latest Practicable Date, the Independent Financial Adviser had no interest, directly or indirectly, in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The letter from the Independent Financial Adviser is set out on pages 32 to 65 of this circular and is given for incorporation in this circular.

8 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9 MISCELLANEOUS

- (a) The Company's registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The Company's principal place of business in Hong Kong is at 16/F, Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong.
- (b) The Company's company secretary is Ms LEE Pui Nee. Ms Lee is a Chartered Secretary, a Chartered Governance Professional, an Associate of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries & Administrators) and an Associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries).
- (c) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited, whose business address is at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

10 DOCUMENT ON DISPLAY

Copies of the following documents will be published on the Company's website at www.kln.com and the Stock Exchange's website at www.hkexnews.hk from the date of this circular and up to and including the date which is 14 days from the date of this circular.

- (a) the Subscription and Placing Agency Agreement;
- (b) the letter from the Independent Financial Adviser dated 24 April 2023, the text of which is set out in pages 32 to 65 of this circular; and
- (c) the written consent from the Independent Financial Adviser dated 24 April 2023 referred to in the paragraph headed "7. Expert and Consent" in this appendix.

NOTICE OF SGM



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

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

Stock Code 636

NOTICE IS HEREBY GIVEN THAT the special general meeting (the “**SGM**”) of Kerry Logistics Network Limited (the “**Company**”) will be held via the e-Meeting System on Thursday, 11 May 2023 at 2:30 pm. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution with or without amendments. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 24 April 2023 of which this notice forms part.

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the subscription and placing agency agreement dated 29 March 2023 (the “**Subscription and Placing Agency Agreement**”) entered into between the Company as issuer, SF Holding Limited as subscriber (the “**Subscriber**”) and Natixis as placing agent, in relation to the issue of the perpetual convertible securities (the “**Convertible Securities**”) in the aggregate principal amount of HK\$780,000,000 (a copy of the Subscription and Placing Agency Agreement has been produced to the SGM marked “A” and initialled by the chairman of the SGM for identification purpose), and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Securities, the allotment and issue of the conversion Shares (the “**Conversion Shares**”) upon exercise of conversion rights attaching to the Convertible Securities under the Specific Mandate) be and are hereby confirmed, approved and ratified;
- (b) the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Conversion Shares to the relevant holder(s) of the Convertible Securities upon exercise of the conversion rights attached to the Convertible Securities in accordance with the terms and conditions of the Convertible Securities. The aforementioned specific mandate is in addition to, and shall not prejudice nor revoke any general or special mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

NOTICE OF SGM

- (c) subject to and conditional upon the fulfilment of the conditions in the Subscription and Placing Agency Agreement, any one Director, the company secretary, the chief financial officer or the group treasurer of the Company, each acting singly, (or one Director and the Company's company secretary or any two Directors, in the case of execution of documents under seal) be and is/are hereby authorised for and on behalf of the Company to execute (and to affix the common seal of the Company thereon) all such documents, instruments and agreements and to do all such acts or things which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to, the Subscription and Placing Agency Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

By Order of the Board
LEE Pui Nee
Company Secretary

Hong Kong, 24 April 2023

*Corporate Headquarters and
Principal Place of Business in Hong Kong:*
16/F, Kerry Cargo Centre
55 Wing Kei Road
Kwai Chung
New Territories
Hong Kong

NOTICE OF SGM

Notes:

- (1) Registered Shareholders are requested to provide a valid email address of himself/herself or his/her proxy (except for the appointment of the chairman of the SGM) for the proxy to receive the log-in username and password to participate online in the e-Meeting System.
- (2) All registered Shareholders will be able to join the SGM via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer. All non-registered Shareholders may consult directly with their banks, brokers, custodians or Hong Kong Securities Clearing Company Limited (as the case may be) for necessary arrangement to attend and vote via the e-Meeting System at the SGM if they wish.
- (3) Every member entitled to attend and vote via the e-Meeting System at the SGM (or at any adjournment thereof) 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.
- (4) Where there are joint holders of any share, only ONE PAIR of log-in username and password for the e-Meeting System will be provided to the joint holders. Any one of such joint holders may attend or vote in respect of such share(s) as if he/she was solely entitled thereto.
- (5) 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 Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, or submitted via the designated URL (<https://spot-emeeting.tricor.hk/#/431>) by using the log-in username and password provided on the notification letter sent by the Company, not less than 48 hours before the time appointed for the holding of the SGM, i.e. by no later than 2:30 p.m. on Tuesday, 9 May 2023. Completion and return of the form of proxy will not preclude a member from attending the SGM and voting via the e-Meeting System if he so wishes.
- (6) In order to be entitled to attend and vote via the e-Meeting System at the SGM, all transfers accompanied by the relevant share certificates must be lodged for registration with Tricor Investor Services Limited at the above address before 4:30 p.m. on Wednesday, 10 May 2023.
- (7) All the resolutions set out in this notice shall be decided by poll.
- (8) If Typhoon Signal No. 8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time after 6:00 a.m. on the date of the SGM, then the SGM will be postponed and the Shareholders will be informed of the date, time and venue of the rescheduled meeting by a supplementary notice posted on the Company's website at www.kln.com and the Stock Exchange's website at www.hkexnews.hk.
- (9) The SGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force.