

6th Floor, Harcourt House  
39 Gloucester Road  
Hong Kong

7 January 2025

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

Dear Sirs or Madams,

**CONNECTED TRANSACTION  
PROPOSED REPURCHASE OF PERPETUAL  
CONVERTIBLE SECURITIES**

**INTRODUCTION**

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company on the terms of the Purchase Contract and the transactions contemplated thereunder and whether they are in the interests of the Company and the Shareholders as a whole, 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 7 January 2025 (the “**Circular**”), of which this letter forms a part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

As stated in the Letter from the Board, the issue of the Convertible Securities in the aggregate principal amount of HK\$780,000,000 by the Company was principally intended to provide additional funds for the expansion of its international express delivery business in Southeast Asia, particularly to support KEX Thailand, a former indirect subsidiary of the Company. Following the completion of the issue of the Convertible Securities, the net proceeds of approximately HK\$774,101,000 were fully on-lent by the Company to KEX Thailand by way of the Loans, to support the growth and expansion of KEX Thailand. Pursuant to the Loan Agreements governing the Loans, each Loan, with an interest rate of 1.65% per annum, shall be repaid on the date falling 12 months from the date of drawdown, unless prepaid earlier by KEX Thailand. As at the Latest Practicable Date, the outstanding amounts due under the Loans are approximately THB1,900,000,000, which are expected to be fully repaid by the first quarter of 2025 at the latest. Subsequently, in March 2024, the Company completed the distribution in specie of all its shares held in KEX Thailand, and KEX Thailand ceased to be a subsidiary of the Group. As such, on 10 December 2024, the Company and the Seller agreed, following arm’s length commercial negotiations, that the Seller (as the indirect holding company of KEX Thailand) will procure KEX Thailand to prepay all outstanding amounts due under the Loans ahead of the final repayment date pursuant to the Loan Agreements in order to facilitate and fund the repurchase of the Convertible Securities at the consideration of HK\$744,500,000 in cash.

As also stated in the Letter from the Board, as at 30 September 2024 (the “**Valuation Date**”), the appraised fair value of the Convertible Securities, according to Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company, was approximately HK\$744,500,000. As set out in the valuation report in Appendix I to

the Circular (the “**Valuation Report**”), the valuation of the Convertible Securities on the basis of fair value was determined using the binomial option pricing model, which derives the fair value by discounting the future cashflows expected to be received under the Convertible Securities with a fixed coupon rate of 3.30% per annum payable semi-annually based on the principal amount of HK\$780,000,000 to the Valuation Date. The valuation model incorporates various parameters including (i) the closing share price of the Company as at the Valuation Date of HK\$8.66; (ii) time to maturity of 3.63 years, being the number of years between the Valuation Date and the assumed maturity date as at 18 May 2028 (that is, 5 years from the issue date of the Convertible Securities); (iii) expected volatility of 34.83%, determined based on the changes of share prices of the Company over a historical period of 3.63 years; (iv) expected dividend yield of the Company of 2.54%, derived from the historical dividend yield of the Shares; (v) market risk-free rate of 2.58%; (vi) credit spread of 2.03%; and (vii) liquidity risk spread of 1.50%. When assessing the fair value of the Convertible Securities, the independent valuer also evaluates various future share price scenarios to determine the probability of converting or retaining the Convertible Securities for interest payments, based on future market conditions and maximisation of bondholder's payoff.

In light of the depreciation in value of the Convertible Securities, the Company considers that it represents an opportunity to repurchase the Convertible Securities at a discount to the principal amount which is in the interests of the Company and the Shareholders as a whole. The proposed consideration for the repurchase of Convertible Securities from the Seller was determined following arm's length commercial negotiations between the Company and the Seller, with reference to the aforementioned valuation of the Convertible Securities on the basis of fair value as at the Valuation Date conducted by Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company. The Company will pay such consideration at completion in cash out of funds which were already repaid and to be repaid by KEX Thailand under the Loans. As soon as reasonably practicable after the completion, the Company will cancel the Convertible Securities, and any rights attaching thereto shall cease with effect from such cancellation.

As stated in the Letter from the Board, as at the Latest Practicable Date, the Seller is an indirect wholly-owned subsidiary of SF Holding, which is a controlling shareholder of the Company. As such, the Seller is a connected person of the Company and the entering into of the Purchase Contract and the transactions contemplated thereunder with the Seller for the proposed repurchase of the Convertible Securities constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Purchase Contract exceeds 5%, the Purchase Contract and the transactions contemplated thereunder are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the SGM will be held for the purpose of considering and, if thought fit, approving the Purchase Contract (pursuant to which the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell the Convertible Securities) and the transactions contemplated thereunder.

We have been appointed by the Company to advise the Independent Board Committee, comprising all the independent non-executive Directors, and the Independent Shareholders as to whether the terms of the Purchase Contract and the transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with or any interest in the Company or the Seller that could be reasonably regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we had received or will receive any other fees or benefits from the Company in connection with this appointment. We consider ourselves qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Purchase Contract and the transactions contemplated thereunder pursuant to Rule 13.84 of the Listing Rules.

## BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained or referred in the Circular and information and facts supplied to us and representation and opinions expressed, by the Directors and/or management of the Company and its advisers. We have assumed that all statements, information and facts, and representations provided whether or not in the Circular and opinion expressed to us are true, accurate and complete in all material aspects at the time they were made and remain true, accurate and complete as at the date thereof and have been properly extracted from the relevant underlying accounting records (in case of financial information) and made after due and careful enquiry by the Directors and/or the management of the Company.

We have no reason to doubt on the truth, accuracy and completeness of the information and facts as well as representations and opinions provided to us by the Directors and management of the Company and its advisers, and have been confirmed by the Directors and/or management of the Company that no material facts and representations the omission of which would make any statement in the Circular, including this letter, untrue, inaccurate or misleading.

We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. Our review and analyses were based upon, among others, the information provided by the Group and/or publicly available information including (i) the Company's interim report for the six months ended 30 June 2024 (the **"2024 Interim Report"**); (ii) the Company's annual report for the year ended 31 December 2023 (the **"2023 Annual Report"**); (iii) the Purchase Contract; (iv) the Valuation Report; (v) the valuation model of the Convertible Securities as at the Valuation Date prepared by Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company (the **"Valuation Model"**); (vi) publications and research reports; and (vii) the Circular. We have also discussed with the Directors and/or the management of the Company and its advisers with respect to the terms of and reasons for the entering into of the Purchase Contract and the transactions contemplated thereunder.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other fact the omission of which would make any statement in the Circular untrue, inaccurate or misleading. We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business, affairs and prospects of the Group and the related parties to the Purchase Contract, nor have we carried out any independent verification of the information provided to us by the

Group, its Directors, management and advisers.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Purchase Contract 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 formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into consideration, inter alia, the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

### 1. Background information of the Group and the Seller

#### (a) The Group

As set out in the Letter from the Board, the Group operates as a leading logistics service provider in Asia with a highly diversified business portfolio and global presence in 60 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 and infrastructure investment.

The following table summarizes the selected financial information of Group as at 31 December 2022 and 2023 (“FY2022” and “FY2023”, respectively) as extracted from the 2023 Annual Report, along with that as at 30 June 2024 (“1H2024”) as extracted from the 2024 Interim Report:

	As at 30 June 2024 (HK\$'000)	As at 31 December 2023 (HK\$'000)	2022 (HK\$'000)
Non-current assets	20,089,431	20,699,473	21,432,599
Current assets	20,479,798	19,350,757	23,901,474
– Cash at bank and in hand	5,819,024	6,521,438	9,240,365
Non-current liabilities	8,006,780	7,358,856	8,939,240
– Long-term bank loans	5,930,363	5,235,456	6,586,447
Current liabilities	13,973,372	13,183,182	15,145,128
– Short-term bank loans and current portion of long-term bank loans	2,869,646	3,262,675	2,226,402

Sources: 2023 Annual Report and 2024 Interim Report

**(b) The Seller**

The Seller is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Seller is an indirect wholly-owned subsidiary of SF Holding, which is a leading global integrated logistics services provider. As at the Latest Practicable Date, SF Holding is indirectly owned by Mr WANG Wei as to approximately 53.39%.

**2. Principal terms of the Purchase Contract**

Set out below is a summary of the principal terms of the Purchase Contract:

**Date**

10 December 2024

**Parties**

(1) the Company, as issuer; and

(2) the Seller, as seller.

**Subject matter and consideration**

Pursuant to the Purchase Contract, the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Convertible Securities in accordance with the terms and conditions of the Purchase Contract at the consideration of HK\$744,500,000 in cash.

The consideration for the Convertible Securities was determined following arm's length commercial negotiations between the Company and the Seller, with reference to the valuation of the Convertible Securities on the basis of fair value as at the Valuation Date conducted by Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company.

The appraised fair value of the Convertible Securities as at the Valuation Date was approximately HK\$744,500,000. As set out in the Valuation Report, the valuation of the Convertible Securities on the basis of fair value was determined using the binomial option pricing model, which derives the fair value by discounting the future cash flows expected to be received under the Convertible Securities with a fixed coupon rate of 3.30% per annum payable semi-annually based on the principal amount of HK\$780,000,000 to the Valuation Date. The valuation model incorporates various parameters including (i) the closing share price of the Company as at the Valuation Date of HK\$8.66; (ii) time to maturity of 3.63 years, being the number of years between the Valuation Date and the assumed maturity date as at 18 May 2028 (that is, 5 years from the issue date of the Convertible Securities); (iii) expected volatility of 34.83%, determined based on the changes of share prices of the Company over a historical period of 3.63 years; (iv) expected dividend yield of the Company of 2.54%, derived from the historical dividend yield of the Shares; (v) market risk-free rate of 2.58%; (vi) credit spread of 2.03%; and (vii) liquidity risk spread of 1.50%. When assessing the fair value of the Convertible Securities, the independent valuer also evaluates various future share price scenarios to determine the probability of converting or retaining the Convertible Securities for interest payments, based on future market

conditions and maximisation of bondholder's payoff.

The valuation of the Convertible Securities was also subject to the following major assumptions:

- (a) there will be no major changes in the existing political, legal, fiscal and economic conditions in which the Company carries on its business;
- (b) there will be no major changes in the current taxation law in the countries that the Company operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (c) the exchange rates and interest rates will not differ materially from those presently prevailing;
- (d) the Company will retain and have competent management, key personnel and technical staff to support its ongoing operations; and
- (e) industry trends and market conditions for related industries will not deviate materially from economic forecasts.

The Company will pay such consideration at completion in cash out of funds which were already repaid and to be repaid by KEX Thailand under the Loans.

In respect of the fairness and reasonableness of the above principal terms of the Purchase Contract and the appraised fair value of the Convertible Securities as at the Valuation Date, we have:

- (i) obtained and reviewed the credentials of Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company which include the profile and qualifications of the transaction team lead members to assess their capabilities in performing the independent valuation of the Convertible Securities. In this regard, we noted that the transaction team lead members have extensive experience in performing valuation of equity interests, financial instruments and intangible assets for various purposes and served a wide variety of clients, including logistics companies;
- (ii) obtained and reviewed the engagement letter of the independent valuer for provision of the valuation consulting services in respect of the Convertible Securities to assess whether the scope of work is appropriate to the opinion required to be given and in line with the market practice;
- (iii) obtained, reviewed and commented on the assumptions and bases applied by the independent valuer in the Valuation Report and the Valuation Model. In this regard, we have:
  - a. conducted an interview with the management of the Company, including the Deputy Chief Financial Officer, in December 2024 to enquire, among others, whether they are aware of any factor or circumstance contrary to the assumptions made by the independent valuer. During the interview with the management of the Company, they have confirmed that they agree to the assumptions and bases applied by the independent valuer and did not foresee any

material deviation in the industry trends and market conditions from the economic forecasts underlying the valuation performed by the independent valuer; and

- b. conducted research on the relevant market and other conditions from other publications and research reports, including public information from International Monetary Fund, publication from renowned consultancy organisations such as KPMG, Deloitte and Business for Social Responsibility, to assess whether the assumptions adopted in the Valuation Report and the Valuation Model are fair and reasonable;
- (iv) conducted an interview with the transaction team lead members of the independent valuer in December 2024 to enquire and gain further understanding on, among others, their expertise, the methodologies, bases and assumptions adopted in the Valuation Report and the Valuation Model, as well as to confirm their independence with the Company, the Seller and their core connected persons to assess whether the formal and/or informal representations made to the independent valuer by the Company and the Seller are in line with our knowledge. During the interview, the independent valuer has confirmed that (i) they are independent to the Company, and (ii) the Valuation Model and parameters adopted are considered as the most common methodology for similar engagements in the industry; and
- (v) assessed whether there is any material discrepancy in the variables or parameters used in the Valuation Report and the Valuation Model with other independent public sources. In this regard, we have (i) cross-checked the key parameters used by the independent valuer, including the spot price per share, time to maturity, expected volatility, expected dividend yield, discount rate, risk free rate, credit spread and liquidity risk spread with other public sources, such as Bloomberg and where applicable, obtained the detailed underlying calculation schedules to review the basis for deriving the parameters used in the Valuation Model; and (ii) re-performed the valuation with an alternative valuation model from public source based on the key parameters used by the independent valuer.

Based on the above independent works performed, nothing has come to our attention which suggests the principal terms of the Purchase Contract and the appraised fair value of the Convertible Securities as at the Valuation Date are not fair and reasonable.

### 3. **Background, Reasons and Benefits for Entering into the Purchase Contract and the transactions contemplated thereunder**

As stated in the Letter from the Board, the issue of the Convertible Securities in the aggregate principal amount of HK\$780,000,000 by the Company was principally intended to provide additional funds for the expansion of its international express delivery business in Southeast Asia, particularly to support KEX Thailand, a former indirect subsidiary of the Company. Following the completion of the issue of the Convertible Securities, the net proceeds of approximately HK\$774,101,000 were fully on-lent by the Company to KEX Thailand by way of the Loans, to support the growth and expansion of KEX Thailand. Subsequently, in March 2024, the Company completed the distribution in specie of all its shares held in KEX Thailand, and KEX Thailand ceased to be a subsidiary of the Group.



As also stated in the Letter from the Board, as at the Valuation Date, the appraised fair value of the Convertible Securities, according to Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company, was approximately HK\$744,500,000. In light of the depreciation in value of the Convertible Securities, the Company considers that it represents an opportunity to repurchase the Convertible Securities at a discount to the principal amount which is in the interests of the Company and the Shareholders as a whole. As such, on 10 December 2024, the Company and the Seller entered into the Purchase Contract pursuant to which the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Convertible Securities in accordance with the terms and conditions of the Purchase Contract at the consideration of HK\$744,500,000 in cash.

In order to assess the fairness and reasonableness of the repurchase of the Convertible Securities from the Seller, we have considered the following factors:

**A. KEX Thailand is no longer a subsidiary of the Group**

As mentioned above, the issue of the Convertible Securities in 2023 was originally and primarily intended to provide additional funds to support the expansion of KEX Thailand, the then indirect subsidiary of the Company and the net proceeds of approximately HK\$774,101,000 were fully on-lent by the Company to KEX Thailand by way of the Loans. As stated in the 2023 Annual Report and 2024 Interim Report, the Group has recently undergone various restructuring plans to reinforce the Group's strategy of focusing on its core business of integrated logistics and international freight forwarding, with an aim to enhancing its overall performance and prospects. Therefore, the Group has taken out the e-commerce and express business from its segmental reporting following the transfer of companies engaging in express delivery services in the Asia Pacific and Europe to SF Holding in the third quarter of 2023 and to divest its express business (such as KEX Thailand) to concentrate on its strategic plans and to consolidate resources on its core businesses. As the express business is no longer the core strategic focus of the Group and hence KEX Thailand is no longer a subsidiary of the Group following the completion of distribution in specie of all its shares held in KEX Thailand, the original and primary intention of issuing the Convertible Securities to provide additional funds to support the expansion of its subsidiary (i.e. KEX Thailand) is no longer valid. As a result, it is sensible for the Seller (as the indirect holding company of KEX Thailand) to procure KEX Thailand to prepay all outstanding amounts due under the Loans ahead of the final repayment date pursuant to the Loans Agreements in order to facilitate and fund the repurchase of the Convertible Securities.

**B. Financial Impacts of Repurchasing the Convertible Securities**

*(a) Statement of Cash Flow*

Principal amount

Following the completion of distribution in specie of all its shares held in KEX Thailand, KEX Thailand ceased to be a subsidiary of the Group since March 2024. As KEX Thailand is no longer a subsidiary of the Group and its financial performance will no longer be consolidated to the Group's consolidated financial statements, the Company and the Seller agreed, following arm's length



commercial negotiations, that the Seller (as the indirect holding company of KEX Thailand) will procure KEX Thailand to prepay all outstanding amounts due under the Loans ahead of the final repayment date pursuant to the Loan Agreements in order to facilitate and fund the repurchase of the Convertible Securities. As stated in the Letter from the Board, as at the Latest Practicable Date, the outstanding amounts due from KEX Thailand to the Company under the Loans are approximately THB1,900,000,000 (equivalent to approximately HK\$437,000,000), with accrued interest, which are expected to be fully repaid by the first quarter of 2025 at the latest. Provided that the Company will only pay such consideration for the repurchase of the Convertible Securities at completion in cash out of funds which were already repaid and to be repaid by KEX Thailand under the Loans, the proposed repurchase of Convertible Securities from the Seller is not expected to cause a material adverse impact on the cash flows of the Group as a whole.

#### Interests

In addition, the Convertible Securities in the aggregate principal amount of HK\$780,000,000 carry a fixed coupon rate of 3.3% per annum and payable semi-annually in cash. By maintaining the Convertible Securities, the Company is required to incur financing cash outflow in form of coupon interest of approximately HK\$25,740,000 annually. On the other hand, the outstanding amounts due from KEX Thailand to the Company under the Loans of approximately HK\$437,000,000 as at the Latest Practicable Date currently carry an interest rate of 1.65% per annum. Pursuant to the Loan Agreements governing the Loans, any outstanding principal amount with the accrued and unpaid interest of the Loans shall be repaid on the date following 12 months from the date of drawdown, unless prepaid earlier by KEX Thailand. Therefore, the Loans will currently provide the Company a financing cash inflow in form of interest income of approximately HK\$7,210,500 (based on the outstanding Loans amount of approximately HK\$437,000,000) on an annualized basis. As such, assuming there is no change in the coupon rate and/or interest rate for both the Convertible Securities and the Loans and there is no early prepayment of the Loans by KEX Thailand, hypothetically, the proposed repurchase of Convertible Securities is expected to improve the financing cash flow of the Company in long term by reducing net interest expenses of approximately HK\$18,529,500 on an annualized basis.

#### (b) *Statement of Profit or Loss*

As mentioned above, the proposed repurchase of Convertible Securities is expected to reduce the interest expenses of the Company by approximately HK\$25,740,000 on an annualized basis and reduce the interest income to be received from KEX Thailand by approximately HK\$12,773,000 on an annualized basis, therefore the Company is expected to save net interest expenses by approximately HK\$12,967,000 on an annualized basis in the consolidated statement of profit or loss and thus improve the financial performance of the Group in long term. The net interest expenses saved could be utilised for other working capital and general corporate purposes, which will in turn provide the Group with a higher flexibility to participate in other favourable business opportunities should they arise.

#### (c) *Statement of Financial Position*

As stated in the 2024 Interim report, the Group recorded cash at bank and in hand of approximately

HK\$5,819 million as at 30 June 2024. Also, as stated in the Letter from the Board, as at the Latest Practicable Date, the outstanding amounts due from KEX Thailand to the Company under the Loans were approximately HK\$437,000,000, with accrued interest. Provided that the Company will only pay such consideration for the repurchase of the Convertible Securities at completion in cash out of funds which were already repaid and to be repaid by KEX Thailand under the Loans, assuming there is no material change in the amount of cash at bank and in hand since 30 June 2024, the net cash settlement of approximately HK\$307.5 million for the proposed repurchase of Convertible Securities is not expected to cause a material adverse impact on the cash and bank balances and financial position of the Company as a whole.

### **C. Reduction of Federal Funds Rate**

On 18 December 2024, the Federal Open Market Committee of Federal Reserve System of the United States (“FOMC”) announced its decision to further lower the target range for the federal funds rate by 0.25 percentage points to 4.25% to 4.5% in a bid to achieve maximum employment and to curb inflation at the rate of 2 percent over the longer run. This was the third federal funds rate cut during 2024 followed the first and second cut announced in September and November 2024, when the FOMC had lowered the target range for the federal funds rate by 0.5 percentage points to 4.75% to 5.0% and further 0.25 percentage points to 4.5% to 4.75% respectively.

The various cuts of the federal funds rate led to the adjustment of base rate by the Hong Kong Monetary Authority according to the pre-set formula in September, November and December 2024, respectively under the Linked Exchange Rate System. Accordingly, major Hong Kong commercial banks also lowered their prime lending rates after the Hong Kong Monetary Authority lowered its base rate.

According to the economic projections made by FOMC and released in December 2024, it is forecasted that the median federal funds rate shall be 3.9%, 3.4% and 3.1% by the end of 2025, 2026 and 2027 respectively which implied that there would be further room for interest rate cut during 2025 to 2027. The forecast federal funds rate cut indicates that the Hong Kong Monetary Authority and commercial banks may further adjust downward the base rate and prime lending rates respectively in the coming years.

As stated in the 2024 Interim Report, a majority of the Group’s bank loans were borrowed at floating rates. Therefore, the potential further cut in prime lending rates by the major Hong Kong commercial banks may allow the Company flexibility to seek additional financial resources, when the need arises, through bank borrowings on potentially more favorable terms in the forthcoming years, if the future federal funds rate will follow the downward projections made by FOMC in December 2024.

### **D. Flexibility for the Group to raise funds to finance its own business pursuits**

As stated in the 2024 Interim Report, as at 30 June 2024, apart from the cash at bank and in hand of approximately HK\$5,819 million, the Group had total undrawn bank loan and overdraft facilities of approximately HK\$7,980 million which may be used to fund material capital expenditure. Therefore, the

Company currently has no immediate need to maintain the Convertible Securities in the aggregate principal amount of HK\$780 million.

During the first half of 2024, the Group was able to achieve approximately 10% period-to-period growth in revenue and approximately 5% period-to-period growth in core net profit for its continuing operations which demonstrated that the Group was able to ride on the waves in the global economy recovery after the COVID-19 pandemic in the past years. According to the 2024 Interim Report, the Company will keep investing in digitalization while leveraging automation and artificial intelligence to drive innovation, efficiency and growth across its network. Given the Group's business is gradually recovering in 2024 and the expected investment in digitalization going forward, notwithstanding the availability of currently abundant cash resources and borrowing facilities, in the event that the Group may require more financial resources for both working capital and capital expenditure in order to continue to capture more business opportunities and to grow its business in the future, the expected net interest expenses saving as mentioned above following the completion of the proposed repurchase of Convertible Securities would provide more flexibility for the Group to obtain the needed financial resources through other external bank borrowings.

## OPINION AND RECOMMENDATION

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

- (i) the review performed on the methodologies, assumptions and bases of the Valuation Report and Valuation Model prepared by Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company; and
- (ii) the reasons and benefits for the repurchase of Convertible Securities as discussed in the section headed "3. Background, Reasons and Benefits for Entering into the Purchase Contract and the transactions contemplated thereunder",

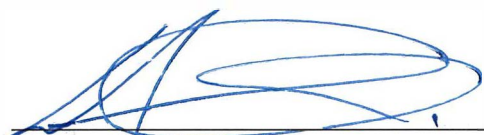
we are of the view that although the entering into of the Purchase Contract and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Purchase Contract and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Therefore, the entering into of the Purchase Contract and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions approving the Purchase Contract and the transactions contemplated thereunder at the SGM.

UOB KAY HIAN (HONG KONG) LIMITED  
大華繼顯(香港)有限公司

**UOB**KayHian  
大華繼顯

Yours faithfully,

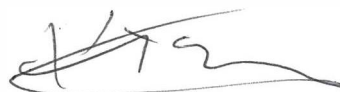
For and on behalf of  
**UOB Kay Hian (Hong Kong) Limited**



Name: Michael Chen  
Title: Managing Director

Yours faithfully,

For and on behalf of  
**UOB Kay Hian (Hong Kong) Limited**



Name: Kison Lai  
Title: Director