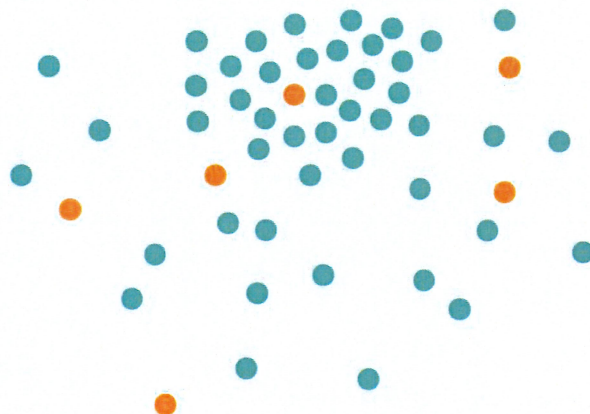


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VALUATION REPORT

Valuation of
the 3.30% perpetual convertible securities

in the aggregate principal amount of HK\$780,000,000 issued by

Kerry Logistics Network Limited

Valuation Date: 30 September 2024

STRICTLY PRIVATE AND CONFIDENTIAL

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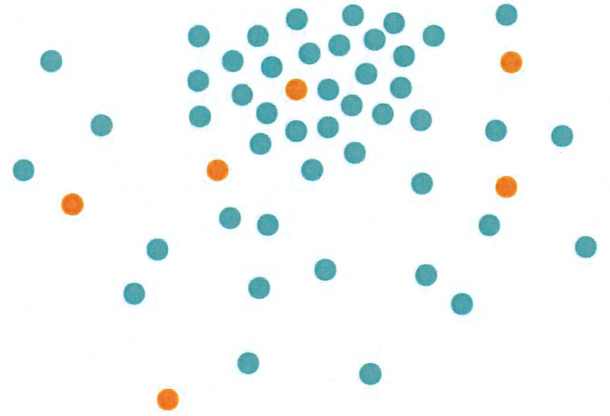
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Our Ref: EL: YAN: K0241: TS07050

10 December 2024

The Board of Directors
Kerry Logistics Network Limited
16/F Kerry Cargo Centre
55 Wing Kei Road, Kwai Chung
New Territories, Hong Kong

Valuation of the HK\$780,000,000, 3.30% Perpetual Convertible Securities

Dear Sir,

In accordance with the instruction of Kerry Logistics Network Limited ("KLNL" or the "Company"), we have performed a valuation of the 3.30% perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 issued by the Company (the "CB") as at 30 September 2024 (the "Valuation Date").

This letter identifies the asset considered, describes the basis of estimation and assumptions, explains the methodology utilized, and presents our conclusion of value.

We assume no responsibility whatsoever to any person other than you in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely on their own risk.

Acclime Consulting (Hong Kong) Limited (hereinafter referred to as "Acclime Consulting (Hong Kong)") is an independent consulting firm providing a full range of financial and valuation advisory services. This report has been prepared independently. Neither Acclime Consulting (Hong Kong) nor any authors of this report hold any interest in the Company, the CB, or its related parties. The fee for providing this report is based on Acclime Consulting (Hong Kong)'s normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusion drawn in this report.

I. SCOPE OF WORK

In conducting this valuation exercise, we have

- Obtained, read and understood the terms and conditions of the CB;
- Determined the key parameters and carried out research on relevant market data, information and other statistics to form the key bases of our valuation for the CB;
- Discussed with management of the Company (the “Management”) to determine the reasonable assumptions to be applied in the valuation; and
- Applied an appropriate valuation model to value the CB.

II. INTRODUCTION

This report has been prepared in accordance with the instructions from the Company to determine the fair value of the CB as at the Valuation Date. This report outlines our latest findings and valuation conclusion.

BACKGROUND INFORMATION

Kerry Logistics Network Limited provides logistics services. The Company offers supply chain solutions from integrated logistics, freight forwarding by air, ocean, road, rail, and multimodal, industrial projects, to cross-border e-commerce, last-mile fulfilment, and infrastructure investment services.

The Company issued the CB in accordance with the subscription and placing agency agreement dated 29 March 2023. The completion of the issuance of the CB took place on 18 May 2023.

THE TERMS AND CONDITIONS OF THE CB

Issuer	Kerry Logistic Network Limited
Subscriber	SF Holding (HK) Limited (formerly SF Holding Limited)
Issue Date	18 May 2023
Maturity Date	Perpetual
Principal Amount	HK\$780,000,000
Coupon	3.30% per annum, payable semi-annually
Conversion Period	Any time on or after the 14 days after the closing date (18 May 2023) up to the close of business on the date falling seven days prior to the date fixed for redemption of the relevant CB (both days inclusive)
Conversion Price	HK\$18.80 per conversion share
Issuer’s Call Option	The CB 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 CB 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).

III. BASIS OF VALUATION AND ASSUMPTIONS

We have valued the CB on the basis of fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions according to the HKFRS 13.

Due to the changing environment in which the Company is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the CB. The major assumptions adopted in this valuation are:

1. There will be no major changes in the existing political, legal, fiscal and economic conditions in which the Company carries on its business;
2. 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;
3. The exchange rates and interest rates will not differ materially from those presently prevailing;
4. The Company will retain and have competent management, key personnel and technical staff to support its ongoing operations; and
5. Industry trends and market conditions for the related industries will not deviate materially from economic forecasts.

We reviewed the information provided by the Management and had no reason to doubt its truth and accuracy. We also consulted public sources of financial and business information to supplement the information provided by the Management. In arriving at our opinion of value, we have relied to a very considerable extent on the above-mentioned information.

IV. SOURCES OF INFORMATION

In conducting our valuation of the CB, we have considered, reviewed and relied upon the following key information provided by the Management and the public:

1. The announcement of the Company dated 28 March 2023 in relation to the proposed issuance of the CB under the specific mandate;
2. The circular of the Company dated 24 April 2023;
3. The announcement of the Company dated 18 May 2023 in relation to the completion of issuance of the CB;
4. The audited financial statements of the Company for the year ended 31 December 2023;
5. Discussions with the Management;
6. Publications and research reports; and
7. Bloomberg Database and other reliable sources of market data.

V. VALUATION METHODOLOGY

In carrying out the valuation exercise, we have considered the following valuation approaches:

Market Approach - The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

Cost Approach - The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Income Approach - The income approach provides an indication of value by converting future cash flows to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flows or cost savings generated by the asset. Binomial Option Pricing Model is adopted in this assessment.

Binomial Option Pricing Model - It provides a time discrete based numerical method for the valuation of options. The binomial model was first proposed by Cox, Ross and Rubinstein in 1979 based on risk neutral assumption and arbitrage free assumption. The binomial model firstly generates a share price tree (on diluted basis) based on a given number of steps between the Valuation Date and the Maturity Date. Each node in the lattice represents a possible price of the underlying (on diluted basis), at a particular point in time. Then, fair value of the CB is calculated by iteration process, starting from the final node and then working backwards through the share price tree to the Valuation Date. The fair value of the whole CB was estimated by using the binomial model.

The fair value of the liability component of the CB is derived by discounting the future cash flows of the CB to the Valuation Date by applying an appropriate discount rate, assuming no conversion right exists.

Finally the fair value of the conversion component of the CB is then derived by subtracting the fair value of the liability component of the CB from the fair value of the whole CB.

VI. KEY PARAMETERS AND INPUTS

Adopted parameters and sources of reference are listed as below:

Valuation Date	30 September 2024	
Spot price per share: HK\$8.660	The last price of the Company as at the Valuation Date as sourced from Bloomberg.	
Time to maturity: 3.633 years	<p>The number of year(s) between the Valuation Date and the assumed maturity date.</p> <p>It was assumed that the maturity date is 5 years from the issue date (18 May 2028).</p>	
Expected volatility: 34.832%	The annual historical volatility based on the change of the stock prices of the Company over a period of 3.633 years as at the Valuation Date, sourced from Bloomberg.	
Expected dividend yield: 2.540%	The historical dividend yield of the shares of the Company as at the Valuation Date.	
Discount rate: 6.109%	Risk-free rate: 2.581%	3.633-year Hong Kong government bond yield as at the Valuation Date, interpolated from the 3-Year and 5-year Hong Kong Sovereign Yields as sourced from Bloomberg.
	Credit Spread: 2.028%	<p>The issuer-weighted option-adjusted spread ("OAS") of the comparable bonds as sourced from Bloomberg.</p> <p>In the selection of comparable bonds, the following criteria have been considered:</p> <ol style="list-style-type: none"> Similar time to maturity of 3.633 years Similar credit rating with the Company (i.e. the Issuer) of Ba1, the credit rating was determined with the below steps: <ul style="list-style-type: none"> Collected the financial statements of the Company for the year ended 2023; Calculated financial ratios based on Moody's Credit Metrics; Assigned the individual credit scores to each of the above ratios; Estimated the Company's overall credit score and credit rating based on the above individual credit scores. Senior unsecured in nature
	Liquidity Risk Spread: 1.500%	Liquidity risk spread for speculative grade bonds as sourced from the research "Liquidity Risk Premia in Corporate Bond Markets" written by Frank de Jong and Joost Driessen.

VII. CONCLUSION OF VALUES

Based upon the investigation and analysis outlined above and on the valuation method employed, it is our opinion that the fair value of the CB as at 30 September 2024 is reasonably stated as follows:

Fair Value of Straight Bond	HK\$721,119,095
Fair Value of Conversion Option	HK\$23,359,323
Fair Value of the CB	HK\$744,478,418

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the Company, the CB appraised, or the value reported.

VIII. ASSUMPTIONS AND LIMITING CONDITIONS

No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property valued. In this valuation, it is presumed that, unless otherwise noted, the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances which cannot be cleared through normal processes.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis.

The value or values presented in this report are based upon the premises outlined herein and are valid only for the purpose or purposes stated. The date of value to which the conclusions and opinions expressed apply is set forth in this report. The value opinion herein rendered is based on the status of the national business economy as of that date.

IX. NORMAL SERVICE CONDITIONS

The services provided by Acclime Consulting (Hong Kong) will be performed in accordance with professional standards. We assume, without independent verification, the accuracy of all data provided to us. Our report is to be used for your transaction purpose and any other use is invalid. No one should rely on our report as a substitute for their own due diligence. All files, workpapers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least five years.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. In the event we are subject to any liability in connection with this engagement, such liability will be limited to the amount of fees we received for this engagement.

Yours faithfully,
For and on behalf of
Acclime Consulting (Hong Kong) Limited


Eugene Liu
Partner

Exhibit A. Summary of Valuation

Valuation of CB issued by Kerry Logistic Network Limited as at 30 September 2024
Summary of Valuation

Spot price per share (HK\$)	8.660
Volatility	34.832%
Principal amounts (HK\$)	780,000,000
Coupon	3.300%
Rf Rate (Hong Kong)	2.581%
Rf Rate (Hong Kong) Conti.	2.548%
Credit Spread & Bond Specific Risk	3.528%
No. of steps	500
dT	0.007
Dividend yield	2.540%
Maturity	18 May 2028
TTM(days)	1.326
TTM(years)	3.633
Days per step on average	2.652
Convertible Date	30 September 2024
No. of conversion shares	41,489,362
No. of O/S shares	1,807,429,342
Initial conversion price per share (HK\$)	18.800

CB Value (HK\$)	744,478,418
FV of Straight Bond (HK\$)	721,119,095
FV of Conversion Option (HK\$)	23,359,323

Up	1.030
Down	0.971
Pu	0.493
Pd	0.507

Exhibit B. Discount Rate

Valuation of CB issued by Kerry Logistic Network Limited as at 30 September 2024
Discount Rate

Valuation Date	30 September 2024
Risk-free Rate	2.581% HK Sovereign Yield
Credit Spread	2.028% OAS of comparable bonds
Illiquidity Premium	1.500% Sourced from study of "Liquidity Risk Premia in Corporate Bond Markets"
Discount Rate	<u>6.109%</u>

< END OF REPORT >