The Board wishes to announce that on 23 April 2018, a deemed subsidiary of the Company which owns 80% of the Target Company, together with the remaining shareholders of the Target Company, entered into the Term Sheet with the Purchaser. Pursuant to the Term Sheet, the parties have agreed in principle to proceed with a transaction whereby the Vendors would sell and the Purchaser would purchase the Sale Shares, representing 23% of the total issued share capital of the Target Company, for a consideration of THB 5,900,611,083 (approximately HKD 1,475 million).

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and the Company is therefore subject to the reporting and announcement requirements under the Listing Rules. Further announcement will be made by the Company in relation to the Disposal when Definitive Agreements are entered into by the parties.
INTRODUCTION

The Board wishes to announce that on 23 April 2018, a deemed subsidiary of the Company which owns 80% of the Target Company, together with the remaining shareholders of the Target Company, entered into the Term Sheet with the Purchaser. Pursuant to the Term Sheet, the parties have agreed in principle to proceed with a transaction whereby the Vendors would sell and the Purchaser would purchase the Sale Shares, representing 23% of the total issued share capital of the Target Company, for a consideration of THB 5,900,611,083 (approximately HKD 1,475 million).

The terms of the Term Sheet were negotiated by the parties on an arm’s length basis. The Directors (including the independent non-executive Directors) are of the view that the terms of the Term Sheet, including the consideration, are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PRINCIPAL TERMS OF THE TERM SHEET

The principal terms of the Term Sheet are set out below:

1. Date

23 April 2018

2. Parties

Vendors : KLN Logistics (Thailand) Limited (a deemed subsidiary of the Company) which owns 80% of the Target Company
Gather Excellence Limited and Siam Chao Phraya Express Limited (the remaining shareholders which collectively own 20% of the Target Company)

Purchaser : VGI Global Media Public Company Limited (a subsidiary of Bangkok Mass Transit System Public Company Limited)

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and are not connected persons of the Company.

3. The Disposal

Pursuant to the Term Sheet, the parties have agreed in principle to proceed with a transaction whereby the Vendors would sell and the Purchaser would purchase the Sale Shares. The Sale Shares represent 23% of the entire issued share capital of the Target Company, comprising 17% from KLN Logistics (Thailand) Limited and the other 6% from Gather Excellence Limited and Siam Chao Phraya Express Limited.

4. Consideration

The total consideration payable by the Purchaser for the Disposal shall be THB 5,900,611,083 (approximately HKD 1,475 million), upon which approximately THB 4,361,321,235 (approximately HKD 1,090 million) will be received by KLN Logistics (Thailand) Limited. The Purchase Price shall be subject to adjustment, if any, to be made after verification by the
Purchaser through due diligence review of the Target Company’s financial statement for the year ended 31 December 2017. At Completion, payment of the Purchase Price shall be made in cash.

Subject to Completion, the Vendors or any one or two of them shall agree to subscribe for the Purchaser’s newly issued ordinary shares (“New Shares”) at the subscription price per share (the Subscription Price) equal to 95% of the volume weighted average price of the Purchaser’s ordinary shares traded on the Stock Exchange of Thailand (“SET”) during 7 consecutive business days prior to the date on which the Purchaser’s board of directors’ meeting resolves to propose the offering of the New Shares to the shareholders’ meeting of the Purchaser for approval (the “Base Price”). The number of New Shares to be subscribed shall be equivalent to 15% of the Purchase Price divided by the Subscription Price.

Notwithstanding the foregoing, the Vendors are not obligated to subscribe and the Purchaser is not obligated to issue the New Shares in case the volume weighted average price of the Purchaser’s ordinary shares traded on the SET during 7 consecutive business days prior to the date of Completion (the “Closing Price”) is down more than 10% of the Base Price or the Closing Price is up more than 5.5% of the Base Price.

5. Basis of the determination of consideration

The consideration was negotiated on an arm’s length basis with reference to, inter alia, (i) the financial performance of the Target Company; (ii) the market position of the Target Company; (iii) the future business prospects of the Target Company; and (iv) the benefits and synergy to be derived and created from the transaction as described in this announcement.

6. Completion and conditions precedent

Completion is conditional upon, inter alia, the following conditions being satisfied or waived:

(a) the Purchaser is satisfied with the results of due diligence review on the Target Company;
(b) approval from the Purchaser’s board of directors’ meeting and shareholders’ meeting have been obtained;
(c) the Office of Securities and Exchange Commission approve the issuance of the New Shares;
(d) the Purchaser and the Vendors have agreed on the terms and conditions of the Definitive Agreements in respect of the Disposal and the subscription of the New Shares;
(e) all necessary consent, permissions, approvals and filings have been obtained;
(f) absence of any material adverse event in respect of the Target Company, its business, or the market for the Target Company’s products or services at any time between the date of the Term Sheet and the date of Completion;
(g) the representations and warranties in the share sale and purchase agreement in respect of the Sale Shares and the subscription agreement in respect of the subscription of the New Shares are true and correct in all material respects;
(h) each of the Purchaser and the Vendors have performed and complied with all agreements, conditions and obligations under the Definitive Agreements;
(i) the Target Company is repaid in full from loan to related parties; and
(j) the Target Company has sufficient working capital to finance its existing business operations without reliance on any outside borrowing.

7. Strategic Contribution

The Purchaser is a subsidiary of Bangkok Mass Transit System Public Company Limited (“BTS PLC”) which has been operating The Bangkok Mass Transit System (“BTS Skytrain”) since 1990s. Currently BTS Skytrain is running 2 lines with 35 stations across Bangkok and is still expanding. By 2023, BTS Skytrain will be operating at least 8 lines with 179 stations covering an extensive
part of the city. After the Disposal and with equity participation of the Purchaser in the Target Company, it is expected that there will be closer business cooperation among the Target Company, the Purchaser and BTS Skytrain. Among others, the Target Company shall become the only express logistics partner of the Purchaser and BTS Skytrain and shall be granted the right to officially use BTS Skytrain to carry out its express delivery services subject to such conditions agreed by the parties. In addition, the Target Company shall have the first refusal right to set up shops, kiosks, counters and/or other points of any nature in all BTS Skytrain stations for parcels and/or goods collection and pick-up. The transaction essentially allows the Group to maintain its competitiveness in Thailand in particular Bangkok, whilst also promoting synergy amongst the Target Company, the Purchaser and BTS Skytrain.

8. Non-competition/Representations and Warranties

The Term Sheet also contains non-competition undertaking by the Vendors and the Purchaser and representations and warranties of the Vendors which are usual and customary for a transaction of this nature and scale.

INFORMATION RELATING TO THE GROUP, THE TARGET COMPANY AND THE PURCHASER

The Group’s core business encompasses integrated logistics, international freight forwarding and supply chain solutions. With headquarters in Hong Kong, the Group has a far-reaching global network that stretches across six continents, and includes one of the largest distribution network and hub operations in Greater China and the ASEAN region.

The Target Company is a limited liability company duly established and validly existing under the laws of Thailand. It is principally engaged in the business of domestic express delivery services in Thailand.

The Purchaser is a public limited liability company duly established and validly existing under the laws of Thailand where its shares are publicly traded on the Stock Exchange of Thailand. It is the largest out-of-home media company and has an exclusive distribution network across Bangkok’s mass transit network, premier office buildings and condominiums.

The summary of the financial information of the Target Company for the financial years ended 31 December 2016 and 2017 is as follows:-

<table>
<thead>
<tr>
<th></th>
<th>For the year ended 31 December 2016 (Audited)</th>
<th>For the year ended 31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profits before taxation</td>
<td>THB’000</td>
<td>THB’000</td>
</tr>
<tr>
<td>(approximately)</td>
<td>HKD 95 million</td>
<td>HKD 226 million</td>
</tr>
<tr>
<td>Net profits after taxation</td>
<td>307,935 (approximately HKD 77 million)</td>
<td>732,995 (approximately HKD 183 million)</td>
</tr>
</tbody>
</table>

The net book value of the Target Company was THB 557,507,000 (approximately HKD 139 million) as at 31 December 2017.
REASONS FOR AND BENEFITS OF THE DISPOSAL

The terms of the Term Sheet were negotiated by the parties on an arm’s length basis. In view of the increasingly challenging business environment in the logistics industry and express business, the Directors (including the independent non-executive Directors) consider the transaction a strategic move to bring in strong strategic partners to enhance the competitiveness of the Target Company by transforming it into a unique express model in Thailand.

As the Disposal does not result in change in control of the Target Company, no gain or loss will therefore arise on the Disposal. However, the proceeds from the Disposal is expected to improve the financial position of the Group and will be used as additional working capital of the Group. After Completion, the Target Company will remain as an indirect non-wholly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under the Listing Rules. Further announcement in relation to the Disposal will be made by the Company when the Definitive Agreements are entered into by the parties.

None of the Directors has a material interest in the Disposal, nor were any of the Directors required to abstain from voting on the board resolution approving the Disposal under the Bye-laws.
DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“ASEAN” the Association of Southeast Asian Nations

“Board” the board of Directors

“BTS Skytrain” The Bangkok Mass Transit System

“BTS PLC” Bangkok Mass Transit System Public Company Limited, a company incorporated in Thailand with limited liability

“Bye-laws” the bye-laws of the Company, as amended from time to time

“Company” Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 636)

“Completion” completion of the Disposal

“connected person” has the meaning ascribed thereto under the Listing Rules

“Definitive Agreements” the definitive agreements in respect of the Disposal, including without limitation, a shareholders’ agreement in respect of the management of the Target Company, a sale and purchase agreement in respect of the Sale Shares and the subscription agreement in respect of the subscription of the New Shares

“Directors” directors of the Company

“Disposal” the proposed disposal of certain shares in the Target Company by the Vendors to the Purchaser pursuant to the Term Sheet

“Gather Excellence Limited” a company incorporated in the British Virgin Islands with limited liability that owns 14.38% of the total issued share capital of the Target Company as at the date of this announcement

“Greater China” China, Hong Kong, the Macau Special Administrative Region and Taiwan

“Group” the Company and its subsidiaries

“HKD” Hong Kong dollar, the lawful currency of Hong Kong

“Hong Kong” Hong Kong Special Administrative Region of the PRC
“KLN Logistics (Thailand) Limited” a company incorporated in Thailand with limited liability and a deemed subsidiary of the Company. It owns 80% of the total issued share capital of the Target Company as of the date of this announcement

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

“PRC” the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Purchase Price” the aggregate consideration in an amount equal to THB 5,900,611,083 (approximately HKD 1,475 million) payable by the Purchaser to the Vendors pursuant to the Term Sheet

“Purchaser” VGI Global Media Public Company Limited, a company incorporated in Thailand whereby its shares are listed on the Stock Exchange of Thailand

“Sale Shares” the total number of shares which represent 23% of the total issued share capital of the Target Company

“Shareholders” shareholders of the Company

“Siam Chao Phraya Express Limited” a company incorporated in Thailand with limited liability that owns 5.62% of the total issued share capital of the Target Company as at the date of this announcement

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“subsidiary” has the meaning ascribed thereto under the Listing Rules

“Target Company” Kerry Express (Thailand) Limited, a company incorporated in Thailand with limited liability and an indirect non wholly-owned subsidiary of the Company as of the date of this announcement

“Term Sheet” a binding term sheet dated 23 April 2018 entered into between the Vendors and the Purchaser in relation to the Disposal

“Thailand” the Kingdom of Thailand

“THB” Thai Bhat, the lawful currency of Thailand
“Vendors” the entities that collectively hold 100% of the total issued share capital of the Target Company, namely KLN Logistics (Thailand) Limited as to 80% (a deemed subsidiary of the Company), Gather Excellence Limited and Siam Chao Phraya Express Limited as to 20% (the remaining shareholders of the Target Company)

“%” percent

In this announcement, the amounts denominated in THB had been translated into HKD at the exchange rate of THB1.00 to HKD0.25 for illustration purposes only.

By Order of the Board
Kerry Logistics Network Limited
LEE Pui Nee
Company Secretary

Hong Kong, 24 April 2018

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr YEO George Yong-boon, Mr MA Wing Kai William, Mr ERNI Edwardo and Mr KUOK Khoon Hua

Non-executive Director:
Mr CHIN Siu Wa Alfred

Independent Non-executive Directors:
Ms KHOO Shulamite N K, Mr WAN Kam To, Ms WONG Yu Pok Marina, Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin

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