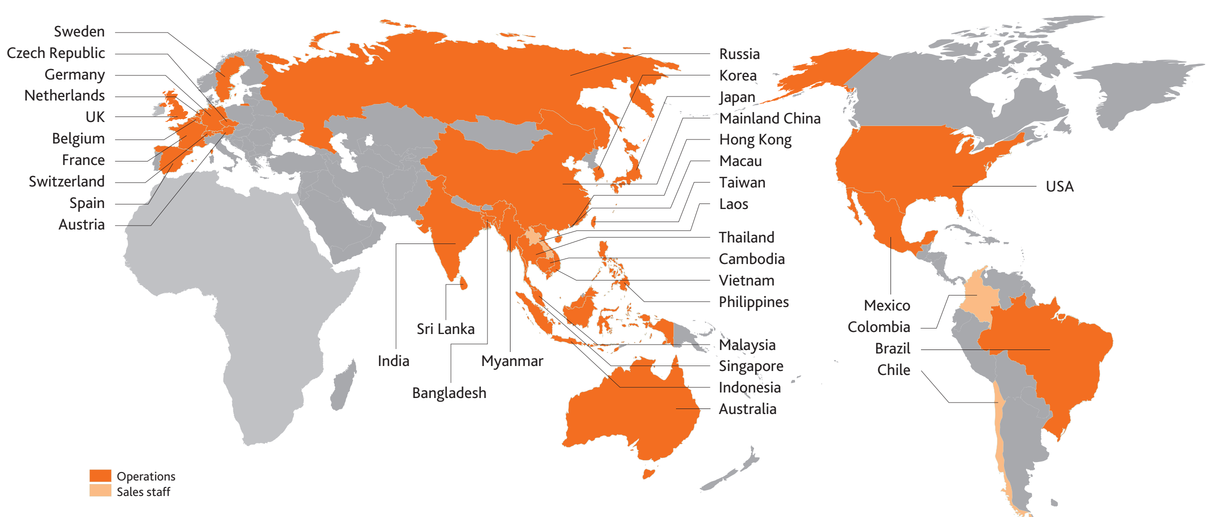
OVERVIEW

We are a leading logistics service provider in Asia, in terms of revenue and GFA of warehouse managed, with extensive operations across Greater China and other countries in the region, as well as the largest Hong Kong-based international third-party logistics service provider. In 2012, we were one of the largest third-party logistics service providers in Greater China and ASEAN, in terms of revenue, according to the Armstrong Report. In 2012, we derived approximately 82% of our revenue from Asia. We have the largest distribution network, in terms of GFA of warehouses managed, among third-party logistics service providers in Greater China and ASEAN, according to the Armstrong Report. As at the Latest Practicable Date, we managed approximately 39 million sq.ft. of logistics facilities, of which approximately 22 million sq.ft., or 55%, was owned by us, representing an attributable GFA of approximately 18 million sq.ft. In 2012, we managed the largest portfolio of logistics facilities among third-party logistics service providers in Hong Kong, according to the Armstrong Report. Leveraging our distribution network, we offer supply chain solutions comprising a wide range of logistics services.

Headquartered in Hong Kong, we focus on Greater China as our primary market. We have a prominent presence in the integrated logistics services market in Greater China, in which our logistics facilities are strategically located throughout China, Hong Kong and Taiwan. Beyond Greater China, we have established operations across Asia and have extensive operations particularly in various ASEAN countries. We have established a large and growing global network to better serve our global customer base. We currently have a presence in 35 countries and territories, including three through our sales staff, with more than 400 service locations in major cities in these countries and territories. In addition, we complement our service network by maintaining a large agency network across six continents to further extend the coverage of our international freight forwarding capabilities.

The following map shows the countries and territories in which we currently have a presence:



We are principally engaged in the integrated logistics and international freight forwarding businesses:

- *Integrated logistics*. We provide integrated logistics services, as a third-party logistics service provider, for manufacturers, retailers and other customers worldwide. Our integrated logistics business comprises (i) logistics operations, which involve the provision of a wide range of logistics services, such as storage and value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia, and (ii) Hong Kong warehouse, which involves the leasing of warehousing space in Hong Kong to our customers.

- *International freight forwarding*. We provide the vast majority of our international freight forwarding services intra-Asia and between Asia and Europe. Our international freight forwarding business involves the provision of air freight, ocean freight and cross-border road freight forwarding services to transport cargo internationally.

We have been able to leverage the "Kerry" brand, as well as our Asia-based assets and local background and market knowledge, to establish ourselves as a premier logistics service provider in Asia for many multinational corporations. We have a wide and diversified global customer base. We currently serve more than 40 of the Top 100 Brands ranked by Interbrand, a well-recognised global brand consultancy, across a spectrum of industries.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our revenue was HK$10,879.9 million, HK$16,034.3 million, HK$19,294.8 million and HK$9,521.8 million, respectively. Our revenue grew at a CAGR of 33.2% between 2010 and 2012 and at 6.3% year-on-year between the six months ended 30 June 2012 and 2013. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our core net profit was HK$665.2 million, HK$740.7 million, HK$815.7 million and HK$455.1 million, respectively. Our core net profit grew at a CAGR of 10.7% between 2010 and 2012 and at 5.9% year-on-year between the six months ended 30 June 2012 and 2013. See the section headed "Financial Information — Core Net Profit".

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that will continue to drive our future success:

Market leader in Greater China and Asia, the fastest growing logistics markets globally, supported by a global network and a premium brand

We are a leading logistics service provider in Greater China and Asia. According to the Armstrong Report, we were one of the largest third-party logistics service providers in Greater China and ASEAN in terms of revenue, in 2012 and we have the largest distribution network, in terms of total GFA of warehouses managed, among third-party logistics service providers in Greater China and ASEAN. Our competitive market position in Greater China and Asia is supported by a large global network of more than 400 service locations in 35 countries and territories, which has enabled us to better serve our global customer base and meet their logistics needs. In addition, we have been able to leverage the "Kerry" brand, which is widely recognised for premier quality products and services, and have become a trusted logistics service provider in Asia for multinational corporations. By leveraging our premier corporate brand, we believe we are able to differentiate ourselves as a provider of quality and reliable supply chain solutions, which further enhances our brand loyalty and market position. We have received many industry awards and accreditations in recognition of our leading market position and achievements in Greater China and Asia, including the "Asian 3PL of the Year" in the Supply Chain Asia Awards, organised by *Supply Chain Asia Magazine*, for two consecutive years in 2011 and 2012, the "Best Logistics Service Provider — Sea Freight" in the Asian Freight & Supply Chain Awards, organised by *Cargonews Asia*, in 2013, the "Regional Freight Forwarder of the Year" in the Payload Asia Awards, organised by *Payload Asia Magazine*, in 2013, and the "Supply Chain Partner of the Year" in the Supply Chain Asia Awards, organised by *Supply Chain Asia*, in 2013.

Asia, notably Greater China, is the largest logistics market globally. According to the Armstrong Report, in 2012, the Asia Pacific region accounted for 34% of total global logistics spend and Greater China was the largest market globally with a market size of approximately US$1.6 trillion. Greater China and Asia are also the fastest growing logistics markets globally. During the period from 2007 to 2012, Greater China and Asia Pacific (excluding Greater China and Japan) grew at a CAGR of 16.3% and 7.6% respectively, outpacing North America and Europe, which grew at CAGRs of 0.2% and -2.6%, respectively. We believe demand for quality logistics services in Asia, in particular Greater China, has significant growth potential as driven by the domestic consumption demand of the growing middle to high income population and increasing urbanisation. According to the Armstrong Report, the logistics markets in Greater China and Asia Pacific (excluding Greater China and Japan) are expected to continue to outpace the global average by growing at a CAGR of 8.0% and 5.0%, respectively, compared to 2.3% in North America and 1.0% in Europe, during the period from 2012 to 2015. In addition, Asia Pacific has a low penetration of third-party logistics services, which was estimated at

16% of the total market potential, compared to 21% in the United States and 22% in Europe, according to the Armstrong Report. This indicates significant market growth potential for third-party logistics service providers in Asia. With our leading market position and local expertise, we believe we are well positioned to capitalise on the market growth in Greater China and Asia.

Customised supply chain solutions comprising a wide range of integrated logistics and international freight forwarding services

We provide customised solutions to meet our customers' supply chain needs. Our supply chain solutions cover a wide range of integrated logistics services and international freight forwarding services. These include traditional inventory storage, trucking and distribution services, as well as diverse value-added services designed for different types of manufacturers, retailers and other customers, as well as a combination of air, ocean and cross-border road freight forwarding services. In particular, we are able to provide cost-effective value-added services at our regional and local logistics centres to accommodate the needs of our customers for one or multiple markets in Asia. We have a significant competitive advantage in Asia as most of our major competitors, according to the Armstrong Report, have lesser regional distribution capabilities and are often limited to distributing goods within a country or are required to subcontract significant volumes of trucking capacity, which decreases the amount of control over end-to-end transportation performance. Furthermore, we have established KART, a cross-border road transportation network connecting ASEAN and China, by leveraging our core competency in the customs brokerage and clearance areas. In recognition of our KART service, we were awarded the "Best Road Haulier — Asia" in the Asian Freight & Supply Chain Awards, organised by *Cargonews Asia*, in 2013. We believe the substantial scale of logistics facilities managed by us, coupled with our strong regional and local presence in Asia and our comprehensive freight forwarding service offerings, has enabled us to deliver customised end-to-end supply chain solutions to our customers and provide them global access to and within the Asian markets. We cross-sell our integrated logistics and international freight forwarding services to many of our customers located worldwide.

Long-standing relationships with a wide and diversified customer base

We have a wide and diversified customer base. We currently serve more than 40 of the Top 100 Brands ranked by Interbrand, a well-recognised global brand consultancy. For the year ended 31 December 2012 and the six months ended 30 June 2013, our five largest customers accounted for 9.2% and 7.8% of our revenue, respectively. By leveraging our experience in serving the supply chains in various industries, we have developed significant industry expertise and applied innovative processes across industries to better serve our customers. We have been successful in offering industry-specific solutions for certain industries, including the fashion and lifestyle, electronics and technology, food and beverage, fast-moving consumer goods, industrial and material sciences, automotive, and pharmaceutical and healthcare industries. Within most of these industries, we manage outsourced supply chains that are sophisticated, regional in scale and critical to our customers' core business. This creates opportunities for us to become an integral part of our customers' operations. Many leading manufacturers and retailers in these industries have engaged us to be their logistics service provider in Asia. We believe we are well positioned to capitalise on the trend of growing domestic consumption within emerging Asian economies and their preference towards international brands. In addition, we have established long-standing relationships with many of our key customers, which are due in part to our ability to continually meet or exceed their requirements for quality and reliability of service. For example, approximately 52% of our key logistics operations customers in Hong Kong as at 30 June 2013 had been with us for more than five years. Leveraging our in-depth understanding of our customers' supply chain operations, we are well positioned to expand our service level for each customer and offer customised supply chain solutions. We believe our supply chain solutions have offered our customers compelling value propositions, making us their preferred logistics service providers.

Asset ownership model offering increased flexibility and reliability

We believe our success in establishing and maintaining a wide and diversified customer base is partly attributable to our flexible asset ownership model. As at the Latest Practicable Date, we managed approximately 22 million sq.ft. of completed self-owned facilities (representing an attributable GFA of approximately 18 million sq.ft.). Asset ownership provides greater flexibility to modify and optimise the utilisation of facilities for different services and allows higher operating leverage as we are not exposed to rental cost escalation. Unlike other logistics service providers which typically are less willing to invest in equipment installation or other enhancements to their leased facilities, we make significant investments in upgrading or maintaining our self-owned logistics facilities to better serve our customers and enhance their ability to manage supply chain challenges. As customers in Asia tend to trust and prefer third-party logistics service providers with their own assets, we believe that asset ownership has allowed us to offer greater reliability and product security to our customers, thereby enhancing our ability to secure long-term service agreements and differentiating us from many other logistics service providers in Asia. Asset ownership also creates a relatively high barrier to entry for potential competitors because of the substantial capital requirement to secure suitable facilities in certain strategic locations. In addition, our self-owned warehouses are generally made available for the dual uses as shared warehouses or as logistics centres for our logistics operations. This allows us to reallocate space use promptly to enhance profitability and to offer our customers flexibility in catering to their changing needs. In addition to self-owned facilities, we also lease logistics facilities with a view to scaling up our capacity or entering new locations with lower capital investments to ensure an acceptable level of risk exposure. Furthermore, our property interests present us with potential redevelopment opportunities.

Proprietary IT systems contributing to increased operational efficiency

We have developed proprietary IT systems to enable efficient operational management and to better serve our customers' supply chain needs. Our proprietary IT systems include the Warehouse Management System ("WMS"), which is an internally designed, developed and supported IT solution that we deploy globally to manage our logistics operations. WMS allows a high degree of customisation and can be integrated with our customers' enterprise resource planning ("ERP") systems to provide end-to-end supply chain visibility. In addition, we have also developed KerrierVISION, which is an online platform designed to enhance visibility, accessibility and connectivity by enabling prompt information flow between our customers and their supply chains. KerrierVISION provides an online portal for customers using our integrated logistics or international freight forwarding services to track their inventory, freight, purchase order and delivery status. Customers can track such information by shipment, product or item. We believe KerrierVISION allows customers to better monitor their supply chain performance and thereby be more effective in managing the costs associated with their supply chains. Our successful development and implementation of KerrierVISION has earned us the Service and Technology Innovation Award at the Logistics Awards Hong Kong, organised by the Hong Kong Trade Development Council, in 2007.

Experienced management team with a proven track record and focus on human capital

We have an experienced senior management team with an average of 20 years of experience in the logistics industry. Our senior management team has in-depth knowledge of the integrated logistics and international freight forwarding businesses, as well as a solid understanding of the Greater China and Asian markets. We believe their industry expertise, coupled with their vision and entrepreneurial spirit, enables us to compete successfully in the market by timely adjusting our business strategies and operations based on customer's needs and market conditions.

Our senior management executives have been with us for an average of 10 years. Under the leadership of our senior management team, supported by local management teams comprising many local managers with substantial local market knowledge, we have been successful in growing our operations as well as integrating acquired businesses in many new geographic markets and strategic service segments. In particular, during the Track Record Period, our revenue grew at a CAGR of 33.2% between 2010 and 2012 and at 6.3% year-on-year between the six months ended 30 June 2012 and 2013. Our core net profit also grew at a CAGR of 10.7% between 2010 and 2012 and at 5.9% year-on-year between the six months ended 30 June 2012 and 2013. See the section headed "Financial Information — Core Net Profit".

We are committed to cultivating our employees' capabilities and qualifications internally and recruiting talent externally. We develop our employees through regular in-house and external trainings and foster a strong sense of belonging among employees by providing a rewarding work environment. We have built a team of high-quality management and workforce. As at 30 June 2013, approximately 42% of our full-time employees had obtained tertiary education.

STRATEGIES

We aim to maintain our leading market position in Greater China and Asia. We will continue to seek market share gain and above-market growth and intend to deliver higher value solutions to our customers by pursuing the following strategies:

Continue to strengthen our regional presence in integrated logistics across Asia and further expand our global network to pursue growth in our international freight forwarding coverage, as well as growth in our integrated logistics customer base

According to the Armstrong Report, the logistics markets in Greater China and Asia Pacific (excluding Greater China and Japan) are expected to continue to outpace the global average by growing at a CAGR of 8.0% and 5.0%, respectively, during the period from 2012 to 2015. To capitalise on the market growth of Asia, we intend to continue to strengthen our regional presence in integrated logistics across Asia. We will continue to seek to expand our logistics operations into new countries or cities in Asia with high growth potential. In particular, we intend to further penetrate the integrated logistics markets in China, Hong Kong, Taiwan, Thailand and Vietnam and increase our market share in India, Indonesia, Malaysia, the Philippines and Singapore through further expansion efforts. In addition, we intend to further expand our global network to expand our presence in international freight forwarding to new geographic markets, with a focus on growing markets such as the Americas, as well as other markets in Europe and Asia. We believe such international expansion in our international freight forwarding business will also allow us to better serve our existing or new customers, focusing on those which require integrated logistics or international freight forwarding services that connect them to Asia and to which we can offer full solutions to meet their supply chain needs in Asia. By pursuing these expansion efforts in integrated logistics and international freight forwarding, we intend to achieve a larger network scale, create synergies to generate higher revenue and enhance operational efficiency, and benefit from knowledge transfer across businesses.

Offer sophisticated integrated logistics solutions underpinned by local capabilities

We intend to broaden our service scope in integrated logistics and strengthen our capabilities across this business. This will allow us to enhance revenue and profitability by offering a wide range of sophisticated integrated logistics solutions to better meet our existing customers' changing needs and to address a larger potential customer pool. As we seek to expand our service scope, we will focus on new ancillary service segments and other strategic businesses which present us an opportunity to leverage our experience and financial strength to become a market leader within those service segments or businesses. The addition of new ancillary services and other strategic businesses will allow us to provide more extensive services to meet our customers' supply chain needs, thereby increasing their demand for, and reliance on, our services and enhancing our position as their key logistics service provider.

Leveraging our existing capabilities and international presence, we will seek to continue to be the chosen logistics partner for our customers in each new market in Asia as they expand by delivering solutions underpinned by our local capabilities. We intend to create real value for customers by adapting our integrated logistics solutions to local practices and environment, as well as offering differentiated services to meet their supply chain needs.

Further invest in IT systems and human capital

We believe IT systems are integral to our businesses as they enable us to offer enhanced supply chain management services to customers and create value for customers' supply chains. While we will continue to leverage our proprietary IT systems to provide customers with better supply chain visibility and higher efficiency in supply chain management, we plan to continue to invest in enhancing our IT capabilities to enable us to respond quickly to, or introduce new IT systems or processes to address, customers' changing needs, thereby continually improving the competitiveness of our supply chain solutions.

We are fully committed to cultivating the development of our employees' skills and knowledge. We intend to continue to invest in our human capital by providing a continuous learning environment and offering more opportunities for our employees to pursue professional growth. As we enter new markets, we will continue to seek to develop expertise in the local markets through recruiting local talent. Furthermore, we will strive to maintain our dynamic corporate culture and structure, as well as our core values, as we expand our network and service offerings.

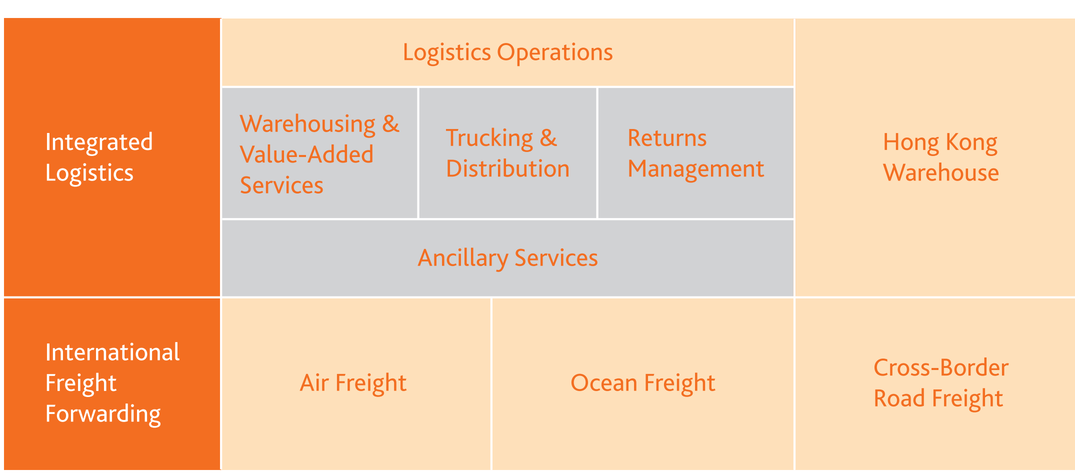
Continue to grow our existing businesses supported by additional investment and acquisition activities

As at the Latest Practicable Date, we held approximately 2 million sq.ft. of logistics facilities under development (representing an attributable GFA of approximately 2 million sq.ft.) in China, Thailand and Vietnam. We intend to continue to pursue commercially sustainable opportunities to invest in strategically located logistics facilities that complement our business expansion goals and to meet customers' increasing demand and requirements.

In conjunction with making further investments in assets, we will continue to pursue opportunities to acquire strategic businesses globally, thereby enhancing our scale, network coverage and capabilities. These include acquisitions: (i) that allow us to enhance our scale and market position in integrated logistics or through establishing stronger network capabilities in international freight forwarding; (ii) that provide us with a platform to extend our reach to new geographic markets which we intend to enter, such as our recent acquisition of a Brazil-based logistics service provider through which we seek to extend our network coverage to the fast-growing Latin American market; and (iii) that add new services complementary to our service offerings or that allow us to enter strategic businesses to capture additional revenue opportunities from our existing customer base. We will continue to consider and pursue potential investments or acquisitions in a prudent manner to seize suitable growth opportunities.

PRINCIPAL BUSINESSES

We are engaged in integrated logistics and international freight forwarding as our two principal businesses. The following diagram illustrates the types of services we typically offer in these businesses:



Integrated logistics comprises (i) logistics operations, which involve the provision of a wide range of logistics services, such as storage and value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia, and (ii) Hong Kong warehouse, which involves the leasing of warehousing space in Hong Kong to our customers. Integrated logistics is one of our principal businesses and contributes a predominant portion of our segment results. For the year ended 31 December 2012 and the six months ended 30 June 2013, segment results for integrated logistics, including logistics operations and Hong Kong warehouse, were HK$1,140.7 million and HK$608.7 million, respectively, which accounted for 79.2% and 79.5%, respectively, of our total segment results.

In addition to integrated logistics, we are principally engaged in international freight forwarding, which involves the provision of air freight, ocean freight and cross-border road freight forwarding services to transport cargo internationally, primarily intra-Asia and between Asia and Europe. For the year ended 31 December 2012 and the six months ended 30 June 2013, segment results for international freight forwarding were HK$300.2 million and HK$157.3 million, respectively, which accounted for 20.8% and 20.5%, respectively, of our total segment results. While international freight forwarding contributed only a small portion of our segment results as compared to integrated logistics, we derived 59.1% and 56.0% of our revenue from international freight forwarding for the year ended 31 December 2012 and the six months ended 30 June 2013, respectively.

The following tables show the segment revenue, after inter-segment eliminations, and segment results for our principal businesses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Revenue	Percentage of total	Revenue	Percentage of total	Revenue	Percentage of total	Revenue	Percentage of total	Revenue	Percentage of total
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000	%
Integrated logistics:										
Logistics operations	4,332,968	39.8	6,392,868	39.9	7,423,720	38.5	3,418,287	38.2	3,958,921	41.6
Hong Kong warehouse	477,605	4.4	496,966	3.1	474,242	2.4	233,686	2.6	234,067	2.4
	4,810,573	44.2	6,889,834	43.0	7,897,962	40.9	3,651,973	40.8	4,192,988	44.0
International freight forwarding	6,069,336	55.8	9,144,477	57.0	11,396,813	59.1	5,302,264	59.2	5,328,801	56.0
Total	10,879,909	100.0	16,034,311	100.0	19,294,775	100.0	8,954,237	100.0	9,521,789	100.0

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Segment results	Percentage of total	Segment results	Percentage of total	Segment results	Percentage of total	Segment results	Percentage of total	Segment results	Percentage of total
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000	%
Integrated logistics:										
Logistics operations	434,120	49.4	588,525	48.4	729,619	50.7	338,730	48.3	401,163	52.4
Hong Kong warehouse	349,157	39.7	370,852	30.5	411,055	28.5	201,672	28.8	207,487	27.1
	783,277	89.1	959,377	78.9	1,140,674	79.2	540,402	77.1	608,650	79.5
International freight forwarding	95,571	10.9	255,913	21.1	300,228	20.8	160,282	22.9	157,292	20.5
Total	878,848	100.0	1,215,290	100.0	1,440,902	100.0	700,684	100.0	765,942	100.0

Integrated Logistics

We provide integrated logistics services primarily in Asia. We operate various services in this business under the two segments of logistics operations and Hong Kong warehouse.

As an important part of our integrated logistics business, we manage a variety of self-owned and leased logistics facilities, including logistics centres, warehouses, a port terminal, a rail terminal and other types of facilities. We manage logistics facilities in 12 countries and territories in Asia, including China, Hong Kong, Macau, Taiwan, Thailand, Vietnam, Singapore, Malaysia, the Philippines, Korea, India and Bangladesh. As at the Latest Practicable Date, approximately 64% of the facilities managed by us, in terms of total GFA, was located in Greater China (including approximately 29% in China, 16% in Hong Kong and Macau, and 19% in Taiwan) and approximately 28% was located in ASEAN countries. The remaining 8% was located primarily in South Asia, Australia and Europe.

As at the Latest Practicable Date, the total GFA of the logistics facilities managed by us was approximately 39 million sq.ft., including approximately 22 million sq.ft. of completed self-owned facilities (representing an attributable GFA of approximately 18 million sq.ft.) and approximately 17 million sq.ft. of leased facilities. We believe that owning logistics facilities in key markets provides us with a competitive advantage, as many customers in Asia seek the security and flexibility of asset ownership from their logistics providers. Specifically, we are able to match our customers' desire for long-term service agreements with certainty of space availability and also offer better customisation of the space to meet their specific needs. We intend to continue to follow a flexible strategy of owning and leasing warehouses.

As at the Latest Practicable Date, we held approximately 2 million sq.ft. of logistics facilities under development (representing an attributable GFA of approximately 2 million sq.ft.) in China, Thailand and Vietnam. We estimate that these logistics facilities under development require approximately HK$877 million of capital expenditures, which have been or are expected to be funded by a combination of internal cash resources and bank loans.

Our completed self-owned logistics facilities include: (i) investment properties, which are measured at fair value and set out in DTZ Debenham Tie Leung Limited's valuation report included in "Appendix V — Property Valuation", and (ii) logistics facilities accounted for as property, plant and equipment, which are stated at historical cost, net of depreciation and any impairment losses, and not included in such valuation report. For more information on our investment properties, see the sections headed "Financial Information — Critical Accounting Policies — Fair Value of Investment Properties" and "Appendix V — Property Valuation".

The following table shows certain information relating to our portfolio of self-owned and leased logistics facilities as at the Latest Practicable Date:

Country/ Territory	Usage type	Approx. GFA owned Total (A)	Approx. GFA owned Attributable		Approx. GFA leased (B)	Approx. GFA managed (A+B)
		(sq.ft.)	(sq.ft.)	(%)		
Completed logistics facilities						
China	Logistics centre, ISO tank depot	4,941,000	4,369,000	55.00-100.00	6,298,000	11,239,000
Hong Kong	Warehouse, logistics centre	5,537,000(1)	5,537,000(1)	100.00	764,000	6,301,000
Macau	Logistics centre	–	–	–	15,000	15,000
Taiwan	Logistics centre	2,312,000	843,000	36.46(2)	4,887,000	7,199,000
Thailand	Logistics centre, port terminal	5,538,000(3)	4,397,000	75.90-79.52	3,240,000	8,778,000
Vietnam	Logistics centre, ISO tank depot	893,000	893,000	100.00	171,000	1,064,000
Singapore	Logistics centre, ISO tank depot	481,000	437,000	60.00-100.00	16,000	497,000
Malaysia	Logistics centre	221,000	119,000	46.60-55.00(4)	299,000	520,000
Philippines	Logistics centre	–	–	–	12,000	12,000
India	Logistics centre, ISO tank depot	773,000	268,000	30.00-60.00(5)	458,000	1,231,000
Bangladesh	Logistics centre	–	–	–	13,000	13,000
South Korea	Logistics centre	–	–	–	11,000	11,000
Others(6)	Logistics centre, rail terminal	806,000	806,000	100.00	1,268,000	2,074,000
		21,502,000	17,669,000		17,452,000	38,954,000
Logistics facilities under development						
China(7)	Logistics centre	1,326,000	1,326,000	100.00	–	–
Thailand(8)	Logistics centre	878,000	792,000	75.90-100.00	–	–
Vietnam(9)	Logistics centre	119,000	119,000	100.00	–	–
		2,323,000	2,237,000			

Notes:

(1) Our self-owned facilities in Hong Kong as at the Latest Practicable Date consisted of (i) 10 warehouses with a total GFA of approximately 5,261,000 sq.ft. and (ii) a logistics centre, Tai Po Product Customization and Consolidation Centre, with a total GFA of approximately 276,000 sq.ft.

(2) We own certain logistics facilities in Taiwan through Kerry TJ Logistics, a subsidiary in which we hold an equity interest of approximately 36.46% and over which we have management control.

(3) Our self-owned facilities in Thailand as at the Latest Practicable Date consisted of (i) port terminal facilities with a total GFA of approximately 5,325,000 sq.ft. and (ii) a logistics centre with a total GFA of approximately 213,000 sq.ft.

(4) We own certain logistics facilities in Malaysia through a subsidiary in which we hold an equity interest of approximately 46.60% and over which we have management control.

(5) We own certain logistics facilities in India through a subsidiary in which we hold an equity interest of 30.00% and over which we have management control.

(6) Others mainly include logistics facilities in Australia and Sweden.

(7) Construction is expected to be completed between 2014 and 2015.

(8) Construction is expected to be completed between 2014 and 2015.

(9) Construction is expected to be completed in the fourth quarter of 2013.

In addition to logistics facilities, we also own a fleet of vehicles, including various types of trucks and vans, among others, for our integrated logistics business. As at the Latest Practicable Date, we owned a total of more than 6,500 vehicles in connection with the delivery of integrated logistics services.

Logistics Operations

We provide a wide range of integrated logistics services along our customers' supply chains to enhance the performance of their supply chain management. We offer a wide choice of value-added services in addition to inventory storage, trucking and distribution services to provide customers with cost-effective supply chain solutions. By offering customised supply chain solutions to meet the outsourcing needs of manufacturers, retailers and other customers, we seek to be our customers' preferred third-party logistics service provider, providing our customers global access to and within the Asian markets.

The scope of integrated logistics services that we provide to each customer varies and may depend on, among other things, the individual customer's supply chain process, its outsourcing needs, industry practice, home and local market practice, and the size and coverage of its distribution network across Asia. Our integrated logistics services are generally categorised as follows:

- *Storage and value-added services.* As a third-party logistics provider, we offer inventory storage and diverse value-added logistics services to manufacturers, retailers and other customers along their supply chains, including, for example, garment-on-hanger, tagging, sorting, kitting, ironing, labelling, gift packing, stamping and various other services. We offer these services at our regional and local logistics centres to accommodate the needs of our customers in one or multiple markets in Asia.

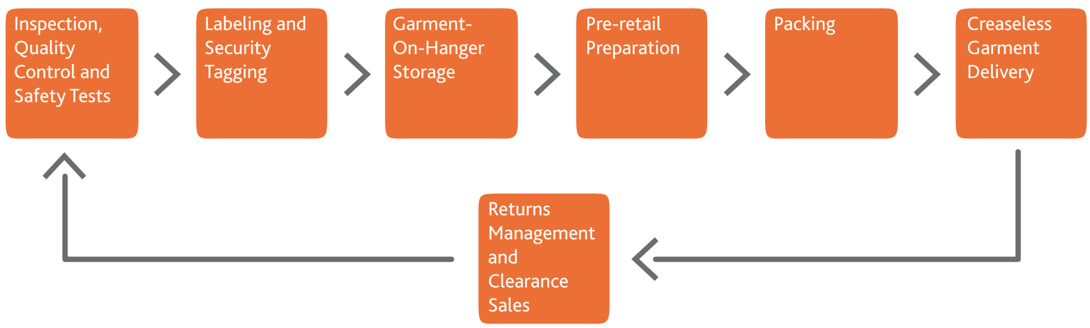
- *Trucking and distribution.* We operate domestic trucking service to distribute our customers' goods to their local or national distribution centres and retail outlets, as well as to transport cargo from airports or sea terminals to our logistics centres and vice versa. We have an extensive trucking network in each of our major markets in Asia to provide door-to-door distribution. In China, Taiwan, Thailand and Vietnam, we also offer standardised express next-day delivery service for less-than-truck-load cargo. We deploy both self-owned and third-party vehicles in connection with our trucking and distribution services.

- *Returns management.* We provide return logistics services to our customers, such as handling returned products from retail stores. We collect returned products or out-of-season products from points of sale, transport them back to our warehouses and conduct quality checks. For re-sale products, we will re-tag, re-pack and re-distribute the products to sales outlets and dispose of the other returned products in accordance with our customers' instructions.

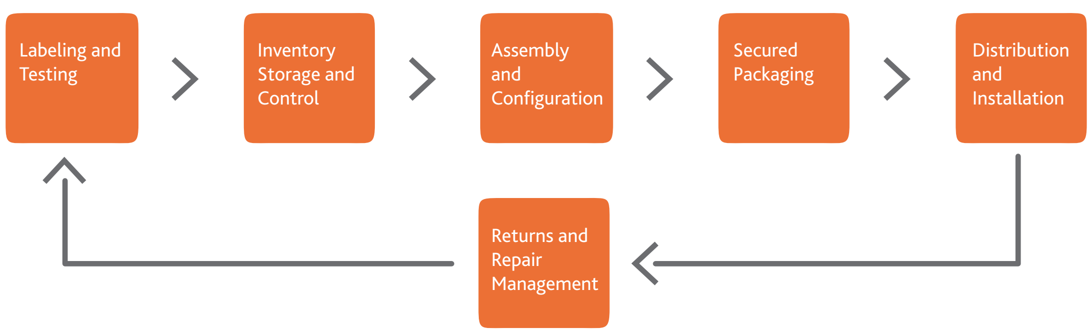
We conduct a substantial part of our logistics operations at the logistics centres, where we assign dedicated space to each customer in accordance with the terms of the logistics service agreement between us and the customer. We typically install equipment tailored to each customer's supply chain in order to meet the different needs of our customers. Furthermore, we have developed several customised logistics facilities for certain customers and may develop more in the future. These customised logistics facilities are specifically designed in accordance with the needs and requirements of the relevant customers. We enter into long-term service agreements with these customers in respect of any development plans to set up any significant customised logistics facilities.

Through servicing a large number of customers from different countries and industries, we have developed substantial experience and expertise in many supply chains, logistics and IT models. As different industries often require different services and expertise, we have leveraged our industry experience to specialise in offering industry-specific solutions to better serve our customers. We currently focus on, and seek to offer full supply chain solutions to, the fashion and lifestyle, electronics and technology, food and beverage, fast-moving consumer goods, industrial and material sciences, automotive, and pharmaceutical and healthcare industries.

As an example, we offer certain general integrated logistics services for customers in the fashion and lifestyle industry, including inspection, quality control, safety testing, labelling, assembling, packing, distribution, business-to-business and business-to-consumer delivery, and after-sales customer services, as well as returns management services, including return and repair management and product recall. We may also offer customised value-added services, such as garment-on-hanger storage and creaseless garment delivery services. In addition, we may also assist in clearance sales activities, for which we collect out-of-season goods from retail stores, re-pack them for re-sales, re-tag price tags and deliver the goods to sales outlets. The following diagram illustrates the services we typically offer to customers in the fashion and lifestyle industry:



As another example, for customers in the electronics and technology industry, we offer product labelling, product testing, inventory storage and control, assembly and configuration, secured packaging, GPS-enabled trucking for electronics transportation and installation services. We also recover defective products from customers, return them to the manufacturer for repair or delivery to disposal. The following diagram illustrates the services we typically offer to customers in the electronics and technology industry:



Our logistics service agreements with customers typically have a term of one to three years, with a renewal option subject to further negotiation. In general, we charge our customers a monthly service fee based on a unit rate and the quantity of services we render in that particular month. A monthly fee variable depending on actual quantity of services rendered offers flexibility to our customers in high and low seasons. The service agreements typically provide for a minimum monthly charge for the contract term which the customers are obliged to pay us regardless of the quantity of services rendered. The unit rate for a particular contract is determined by factors including the type of storage space, cargo handling services and value-added services required. Customers who require customised storage space or complex handling services or value-added services are subject to a higher unit rate. Our multi-year contracts generally provide for price adjustment mechanism to allow for inflation. We generally grant a credit period ranging from 30 to 90 days.

Ancillary services

In addition to providing integrated logistics services, we have built upon our experience and expertise in certain industries to extend our business scope to various ancillary services. For example, we have entered the port terminal and trading businesses by leveraging our respective experience and expertise in ocean freight forwarding and integrated logistics services for the food and beverage as well as pharmaceutical and healthcare industries.

Port terminal

We are engaged in the port terminal business in Thailand. Through Kerry Siam Seaport Limited, our 79.52%-owned subsidiary in Thailand, we own and operate Kerry Siam Seaport, a multi-purpose container terminal in Thailand. Kerry Siam Seaport is located at the Eastern Seaboard Area of Thailand, near the Laem Chabang Commercial Port. Kerry Siam Seaport has 10 ship berths with a total berth length of approximately 1,500 metres. We manage a variety of logistics facilities within the Kerry Siam Seaport complex, including an onshore inland container depot area of approximately 860,000 sq.ft., warehouses and container freight station facilities.

Rail terminal

We are engaged in the rail terminal business in Australia. Through our wholly-owned subsidiary in Australia, we lease and operate a rail terminal in Adelaide, which is linked to the main railway line to Melbourne.

Trading

We are engaged in the trading business in Hong Kong primarily in respect of food and beverage and pharmaceutical products. This business mainly comprises: (i) distribution, marketing and sale of fast-moving consumer goods and pharmaceutical products, as distributor, to supermarkets, pharmacies and other retail channels, as well as hospitals, through KerryFlex Supply Chain Solutions Limited, our wholly-owned subsidiary in Hong Kong; (ii) supply and servicing of food and beverage products to hotels, restaurants, fast food chains and other food outlets through Wah Cheong Company, Limited, our wholly-owned subsidiary in Hong Kong; and (iii) food catering for special events and functions, as well as delivery of pre-prepared meals to schools and companies, through Nine to Five Limited, our wholly-owned subsidiary in Hong Kong. We have expanded our food and beverage trading operations to China and may continue to expand to other countries, such as Taiwan and Thailand.

Hong Kong Warehouse

We have a long history of leasing out warehouses owned by us in Hong Kong following completion of our first warehouse in 1981. Hong Kong warehouse is an important part of our business because it is a significant source of profit, accounting for 28.5% and 27.1% of our total segment results for the year ended 31 December 2012 and the six months ended 30 June 2013, respectively. Hong Kong warehouse also generates relatively steady profit growth as we are generally able to raise rental fees periodically. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, segment results for Hong Kong warehouse were HK$349.2 million, HK$370.9 million, HK$411.1 million and HK$207.5 million, respectively.

Our self-owned warehouses in Hong Kong are primarily designed and managed for two types of shared warehousing uses:

- *General cargo warehouses.* We provide long-term or short-term leases of certain warehouse units in Hong Kong as shared warehouses for general cargo use. With respect to long-term leases, which typically have a term of two to three years, customers may lease specified areas in our general cargo warehouses for their own storage use. In such case, customers are generally solely responsible for the maintenance, handling and transportation of their goods and we typically charge a monthly rental fee depending on the type and size of the leased space. With respect to short-term leases, customers may store goods at our general cargo warehouses on a monthly rental basis, for which storage fees are charged by reference to the volume of goods stored and handling fees are charged for the types and amount of cargo handling services delivered.

- *Specialty warehouses*. We operate certain warehouse units in Hong Kong as specialty shared warehouses. These include mainly cold storage warehouses for the storage of temperature-controlled food items and, to a lesser extent, warehouses for bonded goods and dangerous goods. Customers typically store goods in these warehouses on a monthly basis and are required to use our cargo handling services to place goods in and retrieve goods from the warehouses. Our fees typically consist of a monthly warehousing fee, which is charged by reference to the volume of goods stored, and certain handling fees relating to various cargo handling services such as loading and unloading of goods into and from containers.

Apart from the above uses, we also use certain warehouse units in Hong Kong as logistics centres for our customers in logistics operations. As at the Latest Practicable Date, most of the warehouses that we owned in Hong Kong in connection with our Hong Kong warehouse segment were used partly as shared warehouses and partly as logistics centres for our logistics operations.

We currently manage 10 warehouses in Hong Kong with a total GFA of approximately 5 million sq.ft. (representing an attributable GFA of approximately 5 million sq.ft.) in connection with our Hong Kong warehouse segment. We currently own all of these warehouses but will transfer one of these warehouses, Kerry D.G. Warehouse (Kowloon Bay), to the KPL Group upon the Listing for a consideration of HK$400.0 million pursuant to a sale and purchase agreement dated 29 November 2013. See the section headed "History and Corporate Structure — No Reorganisation". The following table shows certain information relating to these warehouses as at the Latest Practicable Date:

Name	Location	Approx. total GFA	Attributable interest	
			Approx. GFA	%
		(sq.ft.)	(sq.ft.)	
Kerry Cargo Centre	Kwai Chung	1,443,356	1,443,356	100.00
Kerry TC Warehouse 1	Kwai Chung	659,783	659,783	100.00
Kerry TC Warehouse 2	Kwai Chung	490,942	490,942	100.00
Kerry Warehouse (Tsuen Wan)	Kwai Chung	591,973	591,973	100.00
Kerry Warehouse (Chai Wan)	Chai Wan	535,037	535,037	100.00
Kerry Warehouse (Shatin)	Shatin	431,530	431,530	100.00
Kerry Warehouse (Sheung Shui)	Sheung Shui	356,253	356,253	100.00
Kerry Warehouse (Kwai Chung)	Kwai Chung	286,628	286,628	100.00
Kerry Warehouse (Fanling 1)	Fanling	283,580	283,580	100.00
Subtotal		5,079,082	5,079,082	
Kerry D.G. Warehouse (Kowloon Bay)	Kowloon Bay	181,902	181,902	100.00
Total		5,260,984	5,260,984	

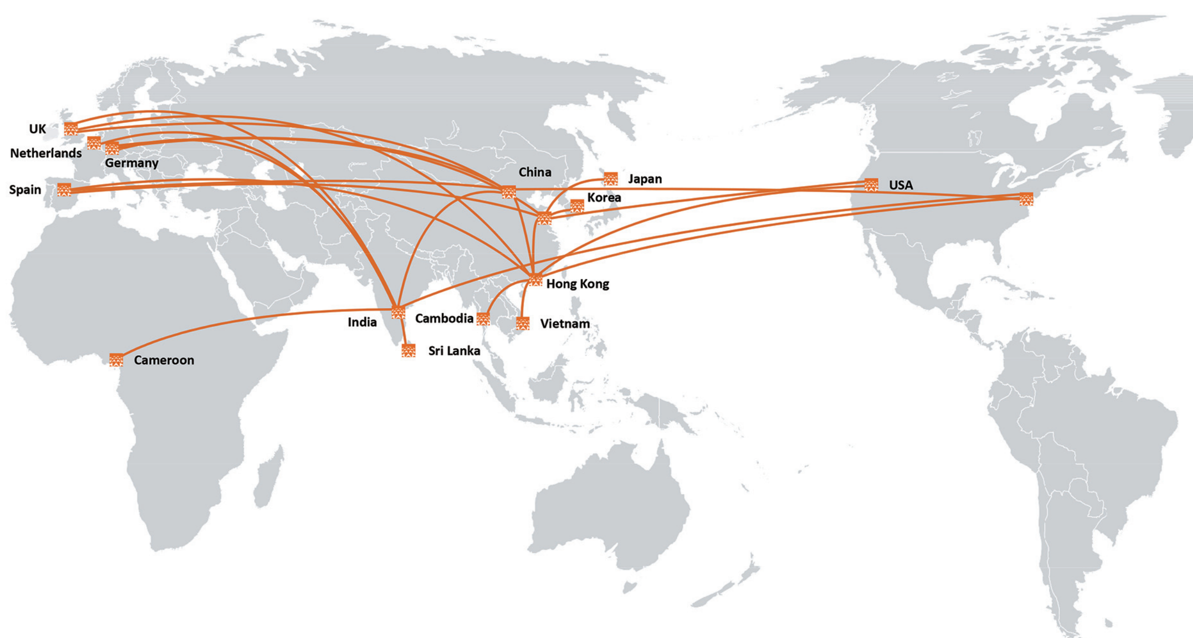
All of our self-owned warehouses in Hong Kong are well equipped to provide high-quality warehousing space. All of our self-owned warehouses in Hong Kong are classified by the Fire Insurance Association as Class I constructions and are equipped with a closed-circuit television surveillance system supported by regular guard patrols.

Customers may rent our general cargo warehouses or use our specialty warehouses on a stand-alone basis or in conjunction with our other integrated logistics services or international freight forwarding services. We believe we can build on our strong service capabilities in Hong Kong to realise cross-selling opportunities to our warehouse customers. We adopt a flexible asset ownership model, under which our warehouses may be leased to third-party customers or used by us as logistics centers for our logistics operations customers.

International Freight Forwarding

Through our large global network and cooperation with major air, ocean and road carriers, we are engaged in the international freight forwarding business to transport cargo internationally. We principally offer a combination of air freight, ocean freight, and cross-border road freight forwarding services to serve customers' different needs in terms of cost, transit time and routing. See the section headed "Financial Information – Description of Selected Components of Consolidated Income Statement – Revenue" for more information on our segment revenue from international freight forwarding attributable to air freight, ocean freight and other freight forwarding services. We handle a wide range of products from industrial, commercial to consumer products. We do not own or operate any aircraft or vessels but maintain a fleet of more than 150 self-owned trucks in Asia for our international freight forwarding business.

We provide the vast majority of our international freight forwarding services intra-Asia and between Asia and Europe. The following route map shows the major routes in which we deliver our international freight forwarding services:



We currently have a presence in 35 countries and territories, including three through our sales staff, to serve customers worldwide. In addition, we maintain a large agency network across six continents to extend the coverage of our international freight forwarding services to many more locations worldwide. We retain agents on exclusive and non-exclusive bases primarily for the handling and execution of customer orders involving locations which we do not frequently serve as established routes. We maintain a list of approved agents, which are mostly local freight forwarders, for numerous locations worldwide. This list is reviewed by management whenever required to ensure reliability of service quality to our customers. The agents are remunerated on a profit-sharing basis.

We typically enter into exclusive or non-exclusive agency agreements with the agents pursuant to which we and the agents agree to represent each other in each other's operating countries for the provision of air and sea freight services. In accordance with the terms of the agency agreements, the agents at the origin or destination of the shipment (as the case may be) are responsible for handling the shipments in the manner we instruct, including consolidation, attending to the taking of delivery and loading of the shipment at the origin port or taking delivery of the shipment on its arrival at the airport or seaport of destination or other places of delivery, liaising with the shippers on taking delivery at the origin port or promptly notifying the consignee of the shipment and delivering the shipment to the final destination. The agents at the destination handle all the related documentation, liaise with the carrier and insurer within their territories and notify us of any loss or damage of cargo and take measures to prevent further loss or damage. For cash on delivery shipments, the agents collect payments on our behalf from the consignee upon delivery of the cargo or in the manner as agreed. In case the agents appoint any third-party freight forwarder or handling agent to perform any of the agents' duties under the agency agreement, the agents will remain primarily and fully responsible for ensuring the agency agreement is fully complied with.

Our international freight forwarding services primarily cover the pickup of cargo at origin, consolidation of cargo shipments for the same carrier and route, customs clearance, through to door-to-door delivery to end customers at destinations. Our services typically commence when we receive shipment instructions from a customer specifying the quantity and nature of cargo to be delivered and the expected date of arrival. Based on the specific needs of the customer, we compare freight rate quotations, carriage conditions and shipment schedules and work with our customers to select the mode of transportation, the specific carrier and the routing and shipment schedules. We then arrange the cargo to be collected for shipment and delivered to its destinations. We may perform pickup and delivery services by deploying our trucking service or engaging local agents, depending on the locations and the customer's needs.

As an important part of our international freight forwarding business, we provide customs brokerage, clearance and compliance services to facilitate the transportation process across borders. We have significant expertise in handling customs and quarantine procedures. We have employed customs brokers based in various locations to conduct customs brokerage. We employ dedicated professionals in various offices who are knowledgeable in trade regulation. This allows us to provide guidance and expert advice on matters relating to customs.

Our fees on international freight forwarding services typically consist of freight charges and charges for cargo handling. We charge these fees on a transactional basis. The prices we charge our customers are generally determined by reference to the weight and type of cargo, mode of shipment, freight rate of the carrier and customers' delivery time requirement. Our invoice is typically payable within 30 to 60 days of issue.

In addition, we offer intermodal solutions consisting of at least two means of transportation, including air, ocean and road transportation. By using a mix of means of transportation, we provide customers with more flexible options that can result in lower costs for transporting cargo while meeting our customers' routing and timing requirements. For example, we offer customised sea-air and air-sea freight solutions by combining the economies of ocean freight with the speed of air freight.

Air Freight

Our air freight forwarding service principally involves air transportation of high-value goods and perishable goods. We provide air freight forwarding services to a large number of cities worldwide. We currently handle the majority of air cargo originating from and/or delivered to Asia. Our major air cargo routes include intra-Asia routes, such as between China and Hong Kong, and routes between Greater China and the United Kingdom. During the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, we handled an aggregate of approximately 0.4 million, 0.4 million, 0.5 million and 0.3 million air shipments, respectively.

We currently do not own or operate any aircraft. We are an International Air Transportation Association ("IATA") agent with access to space procurement for air cargo routes worldwide. We procure air cargo space from major commercial airlines on selected flights and dates, based on our actual shipment needs. To better meet our customers' cargo space needs, we check with our major customers on a monthly or quarterly basis, depending on the nature of the business of the customers, for their projected shipment volume. Based on such information, we notify the airlines that we have regular business relationships with of our anticipated air cargo space needs, and the airlines will reserve the air cargo space for us on a non-committed basis. Upon our customers' confirmation for shipments, the airlines will issue us the airway bills pursuant to which the airlines will provide air cargo space in accordance with the terms of the bill. From time to time, we also offer air charter services to meet the needs of customers for urgent shipments or planned project cargo. We are typically granted a credit term of 15 to 30 days for procurement of air cargo space.

We enter into short-term supply contracts with several airlines, pursuant to which we may procure air cargo space on specified routes at predetermined rates subject to adjustment. The term of these contracts is typically not more than 12 months. Our supplier contracts provide for an agreed freight carriage capacity that the suppliers agree to provide and we agree to obtain during the term of the contract. Both the carrier capacity to be sold and the price are subject to adjustment to fluctuations in market rates. We typically renegotiate contracts prior to or upon the expiry of existing contracts.

Ocean Freight

Our ocean freight forwarding service principally involves transportation of FCL and LCL cargo by sea. Our service includes LCL consolidation to merge cargoes from a single or multiple countries to increase utilisation of containers. We also provide project logistics services in connection with the shipping of outsized cargo and heavy lifts. We provide ocean freight forwarding services to many ports worldwide, and our major trade lanes include those among ASEAN countries. During the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, we handled an aggregate of approximately 0.3 million, 0.8 million, 0.7 million and 0.3 million ocean shipments, respectively.

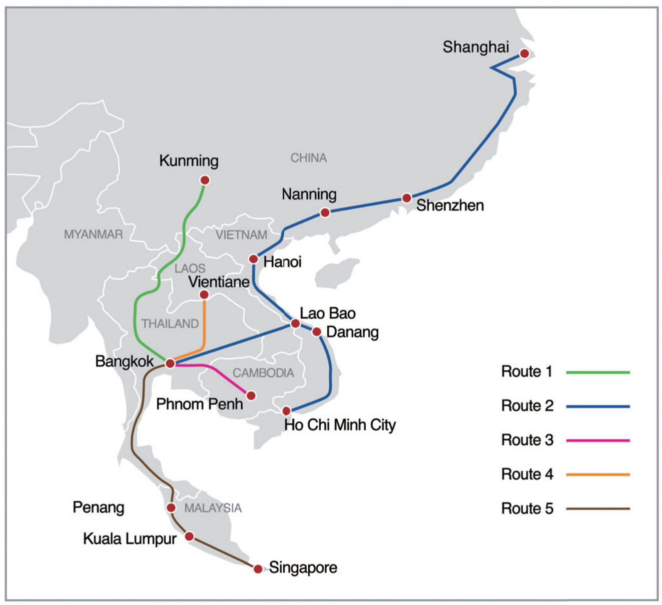
We currently do not own or operate any vessel. We serve as booking agent for a number of well-established shipping lines and therefore have direct access to space allocation on their shipping services. We procure ocean cargo space based on our actual shipment needs and do not enter into any firm commitments with any shipping lines to purchase ocean cargo space for freight forwarding purposes. To better meet our customers' cargo space needs, we check with our major customers on a monthly or quarterly basis, depending on the nature of the business of the customers, for their projected shipment volumes. Based on such information, we notify the shipping lines that we have regular business relationships with of our anticipated ocean cargo space needs, and the shipping lines will reserve the ocean cargo space for us on a non-committed basis. Upon our customers' confirmation of shipments, the shipping lines will issue bills of lading to us pursuant to which the shipping lines will provide ocean cargo space in accordance with the terms of the bills. We are typically granted a credit term of not more than 15 days for procurement of ocean cargo space.

Cross-border Road Freight

Our cross-border road freight forwarding service principally comprises a cross-border trucking solution which we offer in China and ASEAN countries under the KART service, which stands for Kerry Asia Road Transport.

In 2007, we launched the KART service to provide long-haul trucking in Thailand to connect selected countries across the ASEAN region. We expanded our KART operations to connect the ASEAN region and China in 2011. KART provides a common platform for freight forwarders to transport cargo by container trucks at competitive prices. We currently offer five key routes, including two between ASEAN and China and three between ASEAN countries, covering Singapore, Thailand, Vietnam, Cambodia and Laos, as well as Kunming, Shenzhen and Shanghai in China.

The following route map shows the five key routes run by KART:



We maintain a fleet of more than 150 self-owned trucks for the KART service. We believe that KART illustrates our capabilities and efficiency in dealing with cross-border cargo transportation within Asia. We believe we are the only operator of a cross-border road transportation network covering six ASEAN countries and China using self-owned trucks. We intend to capitalise on our first mover advantage when the tariff-free policy is achieved for all product trades among ASEAN countries in 2015, as contemplated by the Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area.

INFRASTRUCTURE INVESTMENTS

Our infrastructure investments mainly include a 25% interest in CCT and another 15% interest in AAT. We acquired these investments in order to create synergies and realise business opportunities arising from enhanced cooperation with the KPL Group.

CCT operates Chiwan Container Terminal at Shekou Port. This terminal is located in Chiwan on the eastern side of the Pearl River Delta in Shenzhen, and CCT operates it as a franchisee pursuant to franchise agreements that will expire in 2043, subject to the extension of the joint venture of CCT upon its expiry in 2020. Chiwan Container Terminal has a container handling capacity of approximately 6.2 million TEUs per year. It has five berths with a quay length of approximately 3,100 metres. CCT is a Sino-foreign joint venture set up on 7 December 1990 and its other shareholders are 深圳赤灣港航股份有限公司 (Shenzhen Chiwan Wharf Holdings Limited) (a PRC company listed on the Shenzhen Stock Exchange), Hidoney Developments Limited and Chiwan Wharf Holdings (Hong Kong) Limited, which hold the remaining 51%, 20% and 4% interests in CCT, respectively. Each of these shareholders of CCT is an Independent Third Party.

AAT operates Asia Airfreight Terminal in Hong Kong. This terminal is located at the Hong Kong International Airport and operates on a franchise awarded by the Airport Authority Hong Kong, which will expire in 2028. Its tonnage throughput for the year ended 31 December 2012 and the six months ended 30 June 2013 was approximately 720,000 tons and 367,000 tons, respectively. Asia Airfreight Terminal has served more than 30 airlines. AAT's other shareholders are SATS Ltd., Eastern Option Limited, Keppel Telecommunications & Transportation Ltd. and Federal Express Corporation, which hold the remaining 49%, 20%, 10% and 6% interests in AAT, respectively. Each of these shareholders of AAT is an Independent Third Party.

For the year ended 31 December 2012 and the six months ended 30 June 2013, our share of results of associates, which was principally attributable to our infrastructure investments in CCT and AAT, was HK$136.4 million and HK$71.6 million, respectively, which accounted for 16.7% and 15.7% of our core net profit for the respective periods.

INDUSTRY AWARDS AND ACCREDITATIONS

We have received a large number of industry awards and accreditations in recognition of our leading position and achievements in the logistics services industry in Asia. The following table shows a list of selected industry awards and accreditations we have received in recent years:

Year	Award/Accreditation	Organiser/Accreditor
2013	• Supply Chain Partner of the Year (Supply Chain Asia Awards 2013)	• *Supply Chain Asia*
	• Regional Freight Forwarder of the Year (Payload Asia Awards 2013)	• *Payload Asia Magazine*
	• Best Logistics Service Provider — Sea Freight (Asian Freight & Supply Chain Awards 2013)	• *Cargonews Asia*
	• Best Road Haulier — Asia (Asian Freight & Supply Chain Awards 2013)	• *Cargonews Asia*
	• Best Logistics Company (13th CAPITAL Outstanding Enterprise Awards 2013)	• *Capital Magazine*
	• Outstanding Brand Awards 2013 — Logistics Company	• *Economic Digest Magazine*
	• Green Logistics Service Provider (7th Prime Awards for Eco-Business 2013)	• *MetroBox Magazine*
2012.	• Asian 3PL of the Year (Supply Chain Asia Awards 2012)	• *Supply Chain Asia*
	• Freight Forwarder of the Year (Payload Asia Awards 2012)	• *Payload Asia Magazine*
	• Best Logistics Company (12th CAPITAL Outstanding Enterprise Awards 2012)	• *Capital Magazine*
	• Outstanding Brand Awards 2012 — Logistics Company	• *Economic Digest Magazine*
2011.	• Ranked 9th in Top 100 China IFF & Logistics Enterprises 2011	• China International Freight Forwarders Association & Office of International Business Daily
	• Asian 3PL of the Year (Supply Chain Asia Awards 2011)	• *Supply Chain Asia*
	• Best Logistics Company (11th CAPITAL Outstanding Enterprise Awards 2011)	• *Capital Magazine*
2010	• Ranked 9th in Top 100 China IFF & Logistics Enterprises 2010	• China International Freight Forwarders Association & Office of International Business Daily
	• Best Logistics Company (10th CAPITAL Outstanding Enterprise Awards 2010)	• *Capital Magazine*
	• Industry Leadership Award	• China International Freight Forwarders Association
	• Silver Award (Hong Kong Smart City+ Awards 2010)	• GS1 Hong Kong & Hong Kong Public Key Infrastructure Forum Ltd
	• Best EPC/RFID Implementation — Silver Award (HK RFID Awards 2010)	• GS1 Hong Kong
	• Most Innovative Use of EPC/RFID — Bronze Award (HK RFID Awards 2010)	• GS1 Hong Kong

SALES AND MARKETING

As at 30 June 2013, our sales and marketing team consisted of more than 1,200 employees located in 27 countries and territories covering our global operations. We conduct our sales and marketing activities principally through the following channels:

- *Global sales teams.* We have centralised our sales efforts with respect to many of our key accounts in integrated logistics and international freight forwarding, which are managed by our global sales teams based in Hong Kong and China. We also organise some of our sales by industry group to focus on customers sharing similar supply chain needs.

- *Local offices.* Our local offices are primarily responsible for sales efforts with respect to other customers within the same country or territory, as well as marketing activities at the local level. We have sales and marketing personnel in most of our overseas offices.

- *Overseas agents.* We maintain a large network of overseas agents in international freight forwarding. In those countries and territories in which we do not maintain local offices, we typically appoint such agents to handle sales to local customers for both our integrated logistics and international freight forwarding services.

We believe these channels provide us with an effective sales and marketing platform to address our customers' regional or industry-specific needs and to build strong relationships with our customers. We seek to cross-sell our wide range of integrated logistics and international freight forwarding services to our existing customers to further reinforce the customer relationships.

CUSTOMERS

We serve a wide and diversified customer base comprising mainly manufacturers, retailers and other types of businesses across the world. We position ourselves as Asia's premier logistics service provider and seek to serve large multinational corporations as our target customers. We currently serve more than 40 of the Top 100 Brands ranked by Interbrand, a well-recognised global brand consultancy, across a spectrum of industries.

We are not dependent on a single customer. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our five largest customers accounted for 15.3%, 10.5%, 9.2% and 7.8% of our revenue, respectively. For the year ended 31 December 2012 and the six months ended 30 June 2013, our five largest customers are primarily in the electronics and technology, fashion and life style and industrial and material science industries. None of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital had any interest in any of our five largest customers in 2010, 2011, 2012 and the six months ended 30 June 2013.

SUPPLIERS

Our main suppliers include airlines and shipping lines from which we procure air or ocean cargo space in connection with our freight forwarding business. We use more than 20 airlines and more than 30 shipping lines to serve our major air routes and trade lanes. We do not enter into any long-term supply contracts or any firm commitment to purchase air or ocean cargo space for freight forwarding purposes.

Our suppliers also include landlords of leased logistics facilities that we manage in connection with our integrated logistics business, as well as suppliers of goods in connection with our trading business. We manage a large portfolio of leased logistics facilities located primarily in Asia and we lease facilities from more than 800 landlords.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, purchases from our five largest suppliers accounted for 8.9%, 6.2%, 6.0% and 5.8% of our total freight and transportation costs and cost of sales, respectively. None of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital had any interest in any of our five largest suppliers in 2010, 2011, 2012 and the six months ended 30 June 2013.

COMPETITION

The logistics service market in which we operate is fragmented and characterised by a large number of small to medium-sized companies, as well as a number of large local companies and international companies. We are one of the largest logistics service providers in Greater China and Asia with an extensive regional and global presence. However, we face competition at both regional and local levels. Our major competitors include international logistics companies competing with us at the regional level and in specific countries and territories, as well as large local logistics companies many of which specialise in serving customers in specific industries. We believe that the most important competitive factors are quality of service (including reliability, responsiveness, expertise and convenience), scope of operations, geographic coverage, information technology and price.

INFORMATION TECHNOLOGY

IT is integral to our operations and to the quality and competitiveness of our supply chain solutions. We believe our IT capabilities lie in our global IT organisation and our integrated deployment of advanced IT systems. We have a global IT team consisting of more than 250 IT personnel. These employees are based mainly in China and Hong Kong, as well as in other countries and territories in Asia, Australia, Europe and the Americas. Our IT team provides technical support to our operations and maintains our IT infrastructure, as well as develops proprietary IT applications designed to enhance our competitive advantage. Our key IT systems, including both in-house developed applications and third-party developed platforms, are as follows:

- *Warehouse Management System ("WMS").* WMS is an internally designed, developed and supported solution for our integrated logistics business. It is globally deployed across our logistics facilities to enable us to conduct efficient logistics operations, such as inventory management and a wide range of value-added service activities, and to track operational information for our customers and our own management. WMS allows a high degree of customisation and can be integrated with our customers' enterprise resource planning ("ERP") systems to provide end-to-end supply chain visibility. We believe such customisation and integration contribute significantly to our ability to build customers' trust and reliance on our services, thereby effectively increasing their switching costs for outsourcing their logistics operations to other service providers.

- *KerrierVISION.* KerrierVISION is a proprietary online platform designed to enhance visibility, accessibility and connectivity by enabling prompt information flow between our customers and their supply chains. KerrierVISION provides a customer portal to our integrated logistics customers and international freight forwarding customers to track their inventory, freight, purchase order and delivery status. Customers can track such information by shipment, product or item. We believe KerrierVISION allows customers to better monitor their supply chain performance and thereby be more effective in managing the costs associated with their supply chains.

- *Freight Management System.* We use a third-party freight management system to maintain prompt access to shipment information for our international freight forwarding business. This system is developed by a specialised logistics software solutions provider which also supplies logistics software solutions to numerous well-established multinational corporations. We have been implementing in stages this single freight management system in the vast majority of our business locations to replace the other systems used by different acquired businesses. We seek to consolidate our diverse international freight forwarding operations worldwide into one uniform IT platform to facilitate our management and better serve our global customer base. We expect to complete this unification initiative in 2014.

We have received various IT awards for our outstanding achievements in IT areas. For example, in 2007, we received the Service and Technology Innovation Award at the Logistics Awards Hong Kong, organised by the Hong Kong Trade Development Council, in recognition of our development and implementation of our KerrierVISION online platform. For more information on the other IT awards we have received in the recent years, see "— Industry Awards and Accreditations" above.

PROPERTY

We occupy or manage various types of properties, including logistics facilities, offices, business centres and staff quarters, in each of the countries and territories in which we operate. The properties occupied or managed by us as at the Latest Practicable Date had a total GFA of approximately 41 million sq.ft. and included self-owned and leased properties. For a geographical breakdown on properties, see the section headed "— Integrated Logistics".

No single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

Self-owned Properties

As at the Latest Practicable Date, we owned approximately 22 million sq.ft. of completed properties (representing an attributable GFA of approximately 18 million sq.ft.). These self-owned properties accounted for approximately 54% of the total GFA of properties occupied or managed by us. Our self-owned properties are typically held under government grant or lease.

Among these self-owned properties, the following properties are considered material by us. For more information, see the section headed "Appendix V — Property Valuation".

Material properties	Usage type	Approx. GFA Total	Approx. GFA Attributable		Registered owner
		(sq.ft.)	(sq.ft.)	(%)	
China					
1. EAS Building *21 Xiao Yun Road, Chaoyang District, Beijing*	Office building	149,610	104,727	70.00	Beijing Jia Jia Investment Consultancy Co., Ltd. (北京佳嘉創展投資顧問有限公司)
2. Shenzhen Kerry Futian Logistics Centre *15 Tao Hua Road, Futian Free Trade Zone, Shenzhen, Guangdong Province*	Warehouse	268,656	268,656	100.00	Kerry FFTZ Warehouse (Shenzhen) Ltd. (嘉里福保倉儲(深圳)有限公司)
3. Kerry Fuzhou Logistics Centre *Fuzhou Free Trade Zone, No. 24-1 Mawei District Boned Zone, Fuzhou Economic & Technological Development Zone, Mawei District, Fuzhou, Fujian Province*	Warehouse	108,946	108,946	100.00	Kerry Logistics (Fuzhou) Co., Ltd. (嘉里物流(福州)有限公司)
4. Kerry Hefei Logistics Centre *2346 Shixin Road, Taohua Industrial Park, Hefei, Anhui Province*	Warehouse	204,383	204,383	100.00	Kerry Logistics Anhui Co., Ltd. (嘉里物流安徽有限公司)
5. Kerry Chongqing Logistics Centre *Phase 1, 69 Baohuan Road, Huixing Jiedao, Yubei District, Chongqing*	Warehouse	224,976	224,976	100.00	Chongqing Lingxian Industry Development Limited (重慶領先實業發展有限公司)
6. Kerry Kunshan Logistics Centre[(1)] *North of Yufeng Main Road, Qiandeng Town, Kunshan*	Warehouse	203,990	203,990	100.00	Kerry Logistics (Kunshan) Ltd. (嘉里物流(昆山)有限公司)
7. Kerry Chengdu Logistics Centre[(2)] *No. 1239, Xi Hanggang Street, Wuliuda Road, Chengdu, Sichuan*	Warehouse	264,182	264,182	100.00	Kerry Logistics (Chengdu) Ltd. (嘉里物流(成都)有限公司)
Hong Kong					
8. Kerry Cargo Centre *55 Wing Kei Road, Kwai Chung, New Territories*	Warehouse	1,443,356	1,443,356	100.00	Kerry Cargo Centre Limited
9. Kerry TC Warehouse 1 *3 Kin Chuen Street, Kwai Chung, New Territories*	Warehouse	659,783	659,783	100.00	Kerry TC Warehouse 1 (Block A) Limited, Kerry TC Warehouse 1 (Block B) Limited and Wah Ming Properties Limited
10. Kerry TC Warehouse 2 *35 Wing Kei Road, Kwai Chung, New Territories*	Warehouse	490,942	490,942	100.00	Kerry TC Warehouse 2 Limited
11. Kerry Warehouse (Tsuen Wan) *3 Shing Yiu Street, Kwai Chung, New Territories*	Warehouse	591,973	591,973	100.00	Kerry Warehouse (Tsuen Wan) Limited
12. Kerry Warehouse (Chai Wan) *50 Ka Yip Street, Chai Wan, Hong Kong*	Warehouse	535,037	535,037	100.00	Kerry Warehouse (Chai Wan) Limited

Material properties		Usage type	Approx. GFA Total (sq.ft.)	Attributable (sq.ft.)	(%)	Registered owner
13.	Kerry Warehouse (Shatin) *36-42 Shan Mei Street, Shatin, New Territories*	Warehouse	431,530	431,530	100.00	Kerry Warehouse (Shatin) Limited
14.	Kerry Warehouse (Sheung Shui) *2 San Po Street, Sheung Shui, New Territories*	Warehouse	356,253	356,253	100.00	Kerry Warehouse (Sheung Shui) Limited
15.	Kerry Warehouse (Kwai Chung) *4-6 Kwai Tai Road, Kwai Chung, New Territories*	Warehouse	286,628	286,628	100.00	Kerry Warehouse (Kwai Chung) Limited
16.	Kerry Warehouse (Fanling 1) *39 On Lok Mun Street, On Lok Tsuen, Fanling, New Territories*	Warehouse	283,580	283,580	100.00	Kerry Warehouse (Fanling 1) Limited
17.	Tai Po Product Customization and Consolidation Centre(3) *12 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories*	Logistics centre	275,593	275,593	100.00	Kerry PC3 Limited
Thailand						
18.	Kerry Siam Seaport *113/1 Moo, 1 Silo Road, Tungsukha sub-district, Sriracha District, Chonburi Province, Thailand(4)*	Port terminal	5,325,554	4,234,880	79.52	Kerry Siam Seaport Limited (except for one plot of land of approximately 8,310 sq.ft., which was registered to Suwai Boontham and Somwong Sangthongas)
Singapore						
19.	Kerry Tampines Logistics Centre *19 Greenwich Drive, Tampines Logistics Park, Singapore 534021*	Logistics centre	371,466	371,466	100.00	Kerry Logistics Centre (Tampines) Pte. Ltd.
Vietnam						
20.	Song Than Logistics Centre *20 Thong Nhat Boulevard, Song Than Industrial Zone 2, Di An District, Binh Duong Province, Vietnam*	Logistics centre	670,576	670,576	100.00	Kerry Integrated Logistics (Viet Nam) Co., Ltd.
21.	Vietnam Danang Logistics Centre *Street No. 3, Hoa Khanh Industrial Zone, Lien Chieu District, Da Nang City, Vietnam*	Logistics centre	114,529	114,529	100.00	Da Nang Branch of Kerry Integrated Logistics (Viet Nam) Co., Ltd.
22.	Kerry Hung Yen Logistics Centre *Minh Duc Ward, My Hao District, Hung Yen Province, Vietnam*	Logistics centre	107,586	107,586	100.00	Kerry Integrated Logistics (Hung Yen) Joint Stock Company

Notes:

(1) The property comprises one floor and a mezzanine floor with 38 carparks. The locality of the property is characterised by industrial buildings. The property is occupied mainly for warehousing use. There are no environmental issues, litigation disputes nor plans to renovate, dispose of or change the use of the property. The land use rights of the property have been granted for a term due to expire on 18 May 2059 for logistics warehousing use. According to our PRC legal adviser, Kerry Logistics (Kunshan) Ltd. (嘉里物流(昆山)有限公司) has legally obtained the land use rights and building ownership of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property.

(2) The property comprises one floor and a mezzanine floor with 57 carparks. The locality of the property is characterised by industrial buildings. The property is occupied mainly for warehousing use. There are no environmental issues, litigation disputes nor plans to renovate, dispose of or change the use of the property. The land use rights of the property have been granted for a term due to expire on 5 March 2059 for warehousing use. According to our PRC legal adviser, Kerry Logistics (Chengdu) Ltd. (嘉里物流(成都)有限公司) has legally obtained the land use rights and building ownership of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property.

(3) The property comprises an eight-storey building with 44 carparks. The locality of the property is characterised by industrial buildings. The property is held by Hong Kong Science and Technology Parks Corporation from the government of Hong Kong under Agreement and Conditions of Grant No.11250 dated 12 May 1977 for a term of 99 years less the last three days commencing from 1 July 1898 which said term has been extended to 30 June 2047 by virtue of the Conditions of Extension of Lease No. TP321045. The government rent of the property is the due proportion of the annual government rent reserved by the Land Grant and from 1 July 1997, the government rent payable is equivalent to 3% of the rateable value for the time being of the property per annum. There are no environmental issues, litigation disputes nor plans to renovate, dispose of or change the use of the property. We possess the property pursuant to an agreement for lease dated 7 May 2008 made with Hong Kong Science and Technology Parks Corporation. Kerry PC3 Limited is not entitled to assign, mortgage, under let, part with possession or otherwise dispose of the property unless it has complied with the procedures and conditions as stipulated in the lease. The property may only be used for the purpose of a Product Customization and Consolidation Centre as described in the agreement for lease, provided that (i) the ancillary offices and canteen and other welfare facilities constructed on the property in accordance with the provisions of the agreement for lease or the lease must be used as such of and incidental to our operation at the property only, (ii) the ancillary storage space(s) constructed on the property pursuant to the agreement for lease or the lease must be used for the storage of products that we produced in or at the property and/or raw materials required for such production only, (iii) the quarters for watchmen or caretakers constructed on the property pursuant to the agreement for lease or the lease must be used for the residential accommodation of the watchmen or caretakers for the property only, and (iv) the space for occupation by machinery or equipment must be used for such purpose(s) as specified in the building plans approved by Hong Kong Science and Technology Parks Corporation and the Director of Lands only. Upon fulfilment of certain conditions under the agreement for lease, Hong Kong Science and Technology Parks Corporation will grant us a lease for a term from the date of our possession of the property to 27 June 2047.

(4) The property comprises 50 plots of land, 24 warehouses, port and other facilities. The property is situated in a port area. The property is subject to a mortgage in favour of Bangkok Bank plc. to secure loans of an aggregate amount of THB2,398 million entered into between Kerry Siam Seaport Limited and Bangkok Bank plc. There are no environmental issues, litigation disputes nor plans to renovate, dispose of or change the use of the property. Kerry Siam Seaport Limited owns and is entitled to transfer, lease, mortgage or otherwise dispose of the property.

With respect to the above material properties, only the following properties in Hong Kong are identified to be subject to title defects or potential title defects as at the Latest Practicable Date:

- Nine properties which are occupied by us either as warehouses or logistics centres and with an aggregate GFA of approximately 5 million sq.ft., representing approximately 13% of the total GFA of properties we occupied or managed as at the Latest Practicable Date, are held under land grants with the condition that where the properties are used for godown purposes, the method of storage of goods and the nature and the volume or quantity of the goods stored on such properties shall be subject to the approval of the Director of Fire Services. While no such approval issued by the Director of Fire Services is provided, we received advice that the Director of Fire Services does not usually grant any approval or consent to storage of general goods (other than dangerous goods) and will not raise any issues so long as the relevant ordinances, rules and regulations are complied with. Our Directors are of the view that it is not practically feasible to rectify the defects. Our properties may be subject to re-entry by the Hong Kong government and we may be liable for paying a land premium to the Hong Kong government for the breach of condition in the land grants. The amount of land premium which we may be required to pay is entirely subject to the discretion of the Hong Kong government. We confirm that we have passed the annual inspection of these properties by the Department of Fire Services and that, to the best of our knowledge, these properties comply with all relevant statutory requirements. We received legal advice that the risk of re-entry is low even if no approval has been issued by the Director of Fire Services.

- One property, which is occupied by us as a warehouse and with a GFA of approximately 0.5 million sq.ft., representing approximately 1% of the total GFA of properties we occupied or managed as at the Latest Practicable Date, is subject to a building order issued by the Building Authority requiring the removal of certain unauthorised building works at the property. We confirm that the relevant unauthorised building works have been removed and a letter of withdrawal was issued on 16 March 2012. Our Directors are of the view that further remedial measures are not practically available. The letter of withdrawal provides that the Building Authority was prepared to withhold further enforcement action for the time being and withdraw the relevant building order. While a new order for the removal of the unauthorised building works may be issued in the future pursuant to the letter of withdrawal, as at the Latest Practicable Date, we had not received any new building order after the issue of the letter of withdrawal.

- Three properties are subject to licence agreements whereby various parts of the properties are permitted by us to be used for installation of antennae. However, no waiver letter was issued by the Lands Department to confirm the permission of such use despite the user restriction in the relevant land grants. Nevertheless, under each relevant licence agreement, we have the right to terminate the licence by seven days' written notice to the licensee if an objection over the licence has been raised by any relevant competent government authority. Our properties may be subject to re-entry by the Hong Kong government and we may be liable for paying a land premium to the Hong Kong government for the breach of condition in the land grants. The amount of the land premium which we may be required to pay is entirely subject to the discretion of the Hong Kong government. We are in the process of applying for waivers from the Lands Department.

"Re-entry" refers to the Hong Kong government exercising its right to re-enter the property or forfeit the land grant of the property due to any existing or future breach of any covenant or condition in the land grant. Upon re-entry by the Hong Kong government, the property will be confiscated without any compensation to the owner. The Directors are of the view that the risk of re-entry due to the above title defects is low. As at the Latest Practicable Date, we have not been subject to any fine, penalty or court order by the relevant authorities or any claims from third parties in relation to the defects.

In relation to the above Hong Kong properties, we have been advised that, subject to either the relevant counterparty accepting the relevant defects or such defects having been properly rectified, it is possible for such property to be bought, sold or accepted by banks as security for mortgage.

Our Directors are of the view that these defects would not have any material and adverse impact on our business and operations because (i) these properties with defective titles are not individually crucial to our operations; (ii) we can find comparable properties to relocate the relevant logistics facilities or relocate to our other self-owned properties, if necessary; and (iii) we do not anticipate any material practical difficulties in relocating any of these facilities. As such, we believe that the existing defects of these properties would not constitute a material adverse effect on our operations and financial condition.

In addition to the above, the following title defects or potential title defects have also been identified with respect to the properties in China below, none of which are part of our material properties:

- We have two properties which were constructed on two pieces of collective land for warehouse, office and staff quarters purposes. These two properties have an aggregate GFA of approximately 0.4 million sq.ft., representing approximately 1% of the total GFA of properties we occupied or managed as at the Latest Practicable Date. The properties were acquired by their holding companies prior to our acquisition of the equity interest in the holding companies, and the title defects arose before we acquired the holding companies. The holding companies of the properties have not obtained the building ownership certificate and land use right certificate prior to the construction of the two properties as required under the relevant law. As advised by our PRC legal adviser, we may be subject to receiving a demolition order and a fine of 10% of the construction cost incurred, which penalty is estimated to equal an aggregate amount of approximately RMB2.5 million for these two properties. We are further advised that we may not transfer, mortgage or otherwise dispose of such property until we obtain the relevant building ownership certificate. We are of the view that any demolition and relocation costs involved should we receive such demolition order are immaterial and will not have any material or adverse impact on our business or operations.

- We have historically acquired three properties in Wuhan, Kunming and Qingdao respectively, which are situated on allocation land for office purposes. These three properties have an aggregate GFA of approximately 25,000 sq.ft., representing approximately 0.06% of the total GFA of properties we occupied or managed as at the Latest Practicable Date. We did not comply with the land use right transfer procedures or pay the allocation land use right transfer fee at the time of such acquisitions. As advised by our PRC legal adviser, we may be subject to an order by the relevant authority to pay the allocation land use right transfer fee and fine and any gains from the breach may be confiscated by the relevant authority. The amount of fine is determined in accordance with the relevant PRC rules and regulations. We may be subject to a fine of 10% of the land transfer fee, of 50% of the gains arising from the breach and of an amount entirely subject to the discretion of the relevant authorities for the Wuhan, Kunming and Qingdao properties, respectively. Our PRC legal adviser advised that the exact amounts of fine that we may be subject to for these three properties are not ascertainable under the relevant PRC rules and regulations. Our Directors are of the view that the maximum amount of fine we may be subject to is immaterial. Further, among these three properties, the current usage of one of them being an office is inconsistent with the permitted usage for residential purposes. As advised by our PRC legal adviser, we may be required to pay a premium to the relevant authority for a change in the usage. We are further advised that we may not transfer, mortgage or otherwise dispose of such properties until we complete the allocation land use right transfer procedures and pay the relevant allocation land use transfer fee.

- We have two properties that are leased by us to our tenants, with an aggregate GFA of approximately 5,000 sq.ft., representing approximately 0.01% of the total GFA of properties we occupied or managed as at the Latest Practicable Date. One of these properties is co-owned by KEAS and an Independent Third Party, each holding a 50% interest in the property. However, only KEAS is shown as the registered sole owner of the property. As advised by our PRC legal adviser, the only consequence of such co-ownership arrangement is that we may not transfer, mortgage or otherwise dispose of such property without the consent of our co-owner. The remaining property was purchased by us from our former employee in 1995. We entered into a sale and purchase agreement with the former employee for the purchase of the property and paid the full consideration accordingly. The agreement was recognised as valid under the relevant PRC laws and regulations. However, since our former employee has been put into a vegetative state by an accident prior to the completion of the change of the registered owner's name, his name is still shown as the registered owner in the registry record instead of ours. Our PRC legal adviser advised that the purchase agreement remains valid and enforceable and therefore we shall not be subject to any penalty. Further, according to PRC laws, there shall be no legal impediment in completing the change of the registered owner's name, if we are able to obtain the cooperation of our former employee's legal heir.

As at the Latest Practicable Date, we have not been subject to any fine, penalty or administrative order by the relevant authorities or any claims from third parties in relation to the defects.

Our PRC legal adviser confirms that, except as disclosed, the existence of title defects in our properties in China will not prevent the properties from being bought, sold or being accepted by banks as security for mortgage.

Our Directors are of the view that these defects would not have any material and adverse impact on our business and operations because (i) these properties with defective titles are not individually or collectively crucial to our operations; (ii) we can find comparable properties to relocate the relevant logistics facilities or relocate to our other self-owned properties, if necessary; and (iii) we do not anticipate any material practical difficulties in relocating these facilities and the estimated time and cost for relocation are minimal. As such, we believe that the existing defects of these properties and any potential relocation would not constitute a material adverse effect on our operations and financial condition.

Leased Properties

As at the Latest Practicable Date, we leased approximately 19 million sq.ft. of properties. Our leased properties accounted for approximately 46% of the total GFA of properties occupied or managed by us as at the Latest Practicable Date. The lease term typically ranges from one to three years. Our future aggregate minimum lease payments under non-cancellable operating leases as at 30 June 2013 amounted to HK$1,043.7 million. See the section headed "Financial Information — Contractual Obligations and Commitments". None of our leased properties are considered material by us.

China

As at the Latest Practicable Date, we leased a total of 360 properties with an aggregate GFA of approximately 7 million sq.ft. in China. Properties leased by us in China are primarily used for warehousing and office purposes. Except as disclosed below, none of our leased properties in China are subject to any material issues:

- We are not able to produce evidence of registration of the lease agreements for 332 properties, with an aggregate GFA of approximately 7 million sq.ft., representing approximately 16% of the total GFA of properties we occupied or managed as at the Latest Practicable Date. These properties are leased by us as offices and warehouses. Registration of leases is a joint obligation of the lessors and lessees and, in most cases, it requires presentation to the registries of the lessors' building ownership certificates. Some of these lease agreements are not registered primarily because the lessors did not cooperate with us for completing the registration procedures while some other leases might have been registered but the lessors have failed or refused to provide evidence of registration upon request. We need cooperation from the landlords to complete the registration. Going forward, when renewing our tenancies or entering into new tenancies in the PRC, we will take into account the willingness of the relevant landlord to provide assistance in registering our tenancy agreements.

  According to relevant PRC laws and regulations, the absence of lease registration will not affect the validity or legality of the lease agreements or impede our use of the relevant properties but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the non-compliance within the timeframe prescribed by the relevant authorities. We therefore may be liable for an aggregate amount of fines of up to RMB3.3 million for the possible non-registration of the lease agreements for 332 properties. As at the Latest Practicable Date, we had not been fined by any regulatory authorities for non-registration of our lease agreements. Our Directors confirm that our business, financial condition and results of operations will not be materially and adversely affected by any possible fines or penalties imposed on us by the regulatory authorities as a result of non-registration of our lease agreements.

  Our Directors are of the view that the absence of registrations of lease agreements in our leased properties would not have any material and adverse impact on our business and operations because (i) these properties are not individually or collectively crucial to our operations; (ii) we can either find comparable properties to relocate our operations or move our operations to our self-owned properties if necessary; and (iii) we do not anticipate any material practical difficulties in relocating these operations. As such, we believe that the non-registration of these 332 properties would not constitute a material adverse effect on our operations and financial condition.

- Our landlords did not provide certificates showing official ownership of or the right to lease with respect to 127 buildings, with an aggregate GFA of approximately 2 million sq.ft., representing approximately 4% of the total GFA of properties we occupied or managed as at the Latest Practicable Date. This is primarily because the relevant landlord did not cooperate with us.

Our PRC legal adviser has confirmed that, in the event that the validity of our lease is subject to dispute, our continuous lease of such properties may be affected but we can still make claims against the lessor based on the lease agreements. In addition, we can be deemed as the legitimate tenant based on relevant judicial interpretations in the event that the lessor enters into two or more leased agreements on the same leasehold. As at the Latest Practicable Date, we had not been subject to any third-party claims or regulatory order in connection with these leased properties.

Our Directors are of the view that, if the defective legal titles to such properties or the non-registration of the lease agreements prevents us from continuing the lease of any properties so that we are required to move to another location, we can relocate to other comparable and duly leased alternative premises in the relevant regions or to our self-owned properties without any material adverse effect on our business and financial condition.

Hong Kong

As at the Latest Practicable Date, we leased a total of 15 properties with an aggregate GFA of approximately 0.8 million sq.ft. in Hong Kong. These properties leased by us in Hong Kong are primarily used for warehousing, logistics operations, food factory and office purposes. All of them are leased either under a tenancy agreement or a letter of offer which does not contain any covenants, easements, exceptions or reservations of an unusual or unduly onerous nature for an agreement or letter of this nature. Except as disclosed below, none of our leased properties in Hong Kong is subject to any material issues:

- the landlord of one warehouse, with an aggregate GFA of approximately 0.1 million sq.ft., representing approximately 0.3% of the total GFA of properties we occupied or managed as at the Latest Practicable Date, is not the registered owner of the property and no authorisation is provided. This property is managed by us where our customer's goods are stored. We have leased this property for a term of three years commencing on 16 July 2013. We may be required to relocate to another property. However, the landlord has agreed to indemnify us for any loss in connection with such issue.

Our Directors are of the view that the issue with this leased property would not have any material and adverse impact on our business and operations because (i) this property is not crucial to our operations; (ii) we can either find a comparable property to relocate our operations or move our operations to our self-owned property if necessary; and (iii) we do not anticipate any material practical difficulties in relocating these operations and the estimated time and cost for relocation are minimal.

EMPLOYEES

We place great importance on attracting and retaining qualified employees. We offer competitive remuneration and are committed to investing in our employees' training and development.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, we had a total of 12,276, 15,871, 19,311 and 19,331 full-time employees, respectively. We also hire part-time employees and temporary contract staff to meet our seasonal or specific project needs. The following tables show a breakdown of our full-time employees by function and by geographic location as at 30 June 2013:

	30 June 2013	
	Number of employees	% of total
Function:		
Operations	14,148	73.2
Sales and marketing	1,238	6.4
Finance and accounts	1,159	6.0
Human resources and administration	584	3.0
Information technology	269	1.4
Others	1,933	10.0
Total	19,331	100.0
Geographic location:		
China	6,995	36.2
Taiwan	4,479	23.2
Vietnam	2,003	10.3
Hong Kong and Macau	1,662	8.6
India	1,441	7.4
Thailand	1,312	6.8
Europe	518	2.7
Others	921	4.8
Total	19,331	100.0

To streamline our operations and reduce our administrative burden in China, we have worked, and expect to continue working, with several independent third-party employment agencies to engage certain of the workers on an as-needed basis in our truck fleets, warehouses, container depots and distribution centres in China. We enter into labour supply contracts with these agencies. The agencies are responsible for setting up the relevant social security and housing funds arrangements and we pay the wages, social security and housing fund contributions of the worker into accounts designated by the agencies. In addition, we are primarily responsible for supervising and managing the workers, as well as providing the training required by the workers to perform their work.

Except for certain employees in China and Australia, none of our employees is represented by collective bargaining arrangements or is a member of a labour union. We did not experience any labour strikes during the Track Record Period.

We have conditionally adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme for eligible employees and other participants. For more information, see the sections headed "Appendix VII — Statutory and General Information — F. Pre-IPO Share Option Scheme", "Appendix VII — Statutory and General Information — G. Post-IPO Share Option Scheme" and "Appendix VII — Statutory and General Information — H. RSU Scheme".

INTELLECTUAL PROPERTY RIGHTS

We market our services primarily under the "Kerry" brand name (as set out in the section headed "Appendix VII – Statutory and General Information — C. Further Information about the Business of our Company — 2. Our material intellectual property rights") and related trademarks, which are owned by Kuok Registrations Limited, a subsidiary of KGL. We have entered into a licensing agreement with Kuok Registrations Limited, pursuant to which we have been granted a non-exclusive licence to use the trademarks for an indefinite term and we have agreed to pay the registration and maintenance costs for the trademarks. The licensing agreement will remain in force until terminated by Kuok Registrations Limited upon the occurrence of certain specified termination events. These termination events include, among others, KGL ceasing to hold or control, directly and/or indirectly, 30% or more of the voting rights in our Company, any material breach of the licensing agreement on our part that is not cured in a timely manner, and our Company is unable to pay its debts, becomes insolvent or is wound up. Pursuant to the licensing agreement, our Company has a right to sub-license the trademarks to our subsidiaries. In addition, Kuok Registrations Limited agrees to transfer the domain names currently used by our Group containing the word "Kerry" to our Company on condition that we agree not to apply to register or use any mark or name (including but not limited to an internet domain name) containing references to or using the word "Kerry" without the prior written consent of Kuok Registrations Limited and that we will cease using, and will transfer to Kuok Registrations Limited, such domain names upon termination of the licensing agreement. We consider the "Kerry" brand name and the related trademarks to be important to our business because we believe they can enhance the awareness and recognition of our businesses among many existing or potential customers.

We have also registered in China, Hong Kong, Thailand, Singapore and Taiwan several trademarks in connection with our businesses. For more information on the trademarks used by us, see "Appendix VII — Statutory and General Information — C. Further Information about the Business of our Company — 2. Our material intellectual property rights".

Certain of our IT systems were internally designed and developed by our IT team. We own the source codes relating to all of these proprietary IT systems and are entitled to the related intellectual property rights. In order to safeguard our intellectual property rights, each employee has given an undertaking that he or she will not exploit or divulge to any other persons any source codes, trade secrets, technical data, among other information, during or following the cessation of employment.

QUALITY AND RISK MANAGEMENT

We have established and maintained a group-wide integrated management system to implement a coherent quality and risk management policy for our subsidiaries and to attain continual improvement. This integrated management system forms an integral part of our planning and controls within the Group. It is designed to allow us to identify and address, in a timely and systematic manner, those risks that may significantly affect our quality and performance or otherwise expose us to significant losses, liability or non-compliance with relevant laws and regulations.

Our integrated management system comprises the formulation and implementation of a set of policies and procedures relating to relevant risk areas, such as security, health and safety, and environmental matters. For example, we have established standard operating procedures to handle emergency situations relating to the handling and warehousing of dangerous goods and to deal with dangerous goods spillage and leakage in traffic accidents. We also require our customers to enter into logistics service agreements or other relevant agreements or shipping orders with us before our provision of services, which contain clauses to require our customers to report any hazardous goods or otherwise accurately describe the nature of their goods and refrain from any acts that may cause a hazard to our facilities. Our customers are required to state in an advance shipping notice or other relevant shipping documents the nature of the goods to be handled by us. Our operations team then scrutinises the list provided by the customers to identify if any goods listed are dangerous or hazardous or require any special care. Special attention is paid to customers in industries which customarily deal with dangerous goods, such as those in the material science or pharmaceutical industries, as well as new customers. If the customers declare that the goods contain chemicals that are non-hazardous in nature, we will require the customers to provide proof in the form of a material safety data sheet for our checking and record. If we are of the view that we do not have the necessary capacity to handle the goods due to their dangerous or hazardous nature, we will decline the customer's order. Further, upon receipt of the customer's goods, our operations team will verify the shipping labels against the advance shipping notice and other relevant shipping documents to confirm the nature of the goods. If a discrepancy is found between the label and the shipping document, our operations team will suspend the order and report to the operations manager who will investigate the discrepancy. In the event that a customer misrepresents or makes a false declaration that their dangerous goods are non-hazardous, we can bring a civil action against the customer for misrepresentation or breach of contract and make a claim for damages for any consequential loss we suffer. The customers may also be liable under the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong).

Our integrated management system incorporates international standards, including various International Organisation for Standardisation ("ISO") quality, information security, food safety and environmental standards, as the basis of the system, as well as best practices in the relevant industries to provide further assurance of the effectiveness of the system. We engage an external auditor, Det Norske Veritas ("DNV"), which is a well-established global provider of risk management services, to audit our integrated management system and report their findings on an annual basis. During the Track Record Period, we received compliance certificates in all major areas from DNV for successful implementation of our integrated management system.

Our Quality and Risk Management Department, located in Hong Kong and China, is primarily responsible for monitoring the overall implementation of this quality and risk management system within the Group. This department coordinates and regularly communicates with selected employees at each country or territory level or business unit level to ensure the effective implementation of the quality and risk management framework within the Group. This department comprises a head and 16 other staff members. The head of this department has a total of 16 years of experience in the field of quality and risk management and received a master of business administration degree specialised in total quality management. He is based in Hong Kong and has been with us since 2001. Most of our staff members hold at least a tertiary education qualification.

We have implemented incident reporting procedures which require our staff to report to their supervisors any incidents that may cause property damage, personal injuries or an impact on workplace safety. For major incidents, the supervisors will report to the relevant department head, human resource manager and the head of the Quality and Risk Management Department. The relevant heads will determine the appropriate measures to take, including advising the relevant staff on how to handle the incidents and reporting to the insurance company. Incident review reports will also be prepared such that the responsible staff can keep track of the progress of handling the incidents. The reports will also include appropriate corrective and preventive measures for ongoing compliance.

INSURANCE

As a logistics service provider, we face a number of inherent risks in our ordinary course of business, such as vehicle collision, cargo loss or damage, property loss and business interruptions due to natural disasters, political unrest, hostilities or otherwise. We maintain various insurance policies at both global and local operational levels to provide insurance coverage relating to third-party liability, transportation risks, property loss and damage, workers' compensation for injury and death, and various other areas. We believe that the insurance coverage we currently have is in line with relevant industry standards and is adequate for us to conduct normal business operations.

LEGAL AND REGULATORY MATTERS

Regulatory Compliance

Integrated logistics and international freight forwarding are not heavily regulated industries in any of the countries and territories in which we operate.

Unlike our suppliers (such as airlines and shipping lines) or customers (such as manufacturers and retailers in various industries), we do not own or operate any aircraft or vessels, nor are we principally engaged in the manufacture or sale of any industrial or consumer products. We are therefore not subject to any material legal or regulatory requirements which apply to the air transportation or shipping industry or any of our customers' industries.

Other than applicable licensing requirements in the relevant jurisdictions as described below, we are not subject to any material legal or regulatory requirements specific to our principal business activities and operations.

During the Track Record Period, there were no findings notified to us by any regulatory authority in the jurisdictions in which we operate of any material non-compliance with any law or regulation to which our businesses are subject.

Licensing Requirements

We are required to comply with the regulatory requirements to obtain and maintain certain licences and permits in the jurisdictions in which we operate. Many of these licences and permits are subject to regular review, replacement or renewal. In particular, the PRC Government imposes stringent requirements for the issuance, replacement and renewal of these licences and permits. Some examples of the PRC licensing requirements are as follows:

- With respect to our integrated logistics business, we are required to: (i) obtain the Permit on the Operation of Road Transportation Business from local provincial transportation authorities for operating goods transport, goods loading and unloading, goods storage, and other supplementary services utilising road transportation, pursuant to the Administrative Provisions for Foreign Investment in Road Transportation Industry; (ii) obtain the Bonded Warehouse Registration Certificate from the General Administration of Customs or its local offices for operating specialised warehouses for storage of bonded goods or goods that have not undergone full customs procedures, pursuant to the Administrative Rules of the Customs of the PRC Concerning Bonded Warehouse and Goods; and (iii) obtain the Permit on Express Delivery Operations from the Postal Administrative Bureau for engaging in the express delivery business, pursuant to PRC Postal Law and the Administrative Measures for Express Delivery Market. These licences and permits typically require renewal every two to three years.

- With respect to international freight forwarding, we are required to (i) obtain a Qualification Registration Certificate for NVOCC for engaging in the sea transportation business, pursuant to the Regulation of the PRC on International Maritime Shipping; (ii) apply for approval by the China Air Transport Association ("CATA") for engaging in the air transportation agency business in China; (iii) register with the relevant foreign trade authorities under the State Council and maintain proper filing records at the Ministry of Commerce of the PRC or its designated authorities for engaging in the international freight forwarding agency business, pursuant to the Foreign Trade Law; and (iv) register with the PRC Customs and obtain a Declaration Registration Certificate for engaging in the customs declaration and clearance agency businesses, pursuant to the Administrative Provisions regarding the Registration of Customs Clearance Agencies. These licences and permits typically require renewal every one to two years.

With respect to our KART service, we are required to obtain and maintain licences and permits for (i) cross-border transportation and (ii) transportation within each country in which we operate. We are required to register our service with the transportation authorities in the relevant ASEAN countries, including Thailand in which our KART operations are based. Many of these licences and permits are subject to regular review and renewal. For example, the licences and permits relating to our KART service in Thailand typically require renewal every five years. We also maintain permits for handling customs clearance during cross-border transportation.

Each of our local management teams performs its own function to ensure that we maintain the necessary licences and permits to operate our businesses in each jurisdiction. As at the Latest Practicable Date, we maintained all necessary licences and permits material to our operations. We have been able to renew our major licences and permits without significant difficulties during the Track Record Period.

Environmental Protection

We seek to develop and operate an environmental management system that sets high standards on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. We require all our employees and contractors to adhere to this policy. Our efforts in environmental protection have been well recognised. For example, we have received a number of significant awards, including the GOLD Tier Fuel Efficiency Improvement and GOLD Tier Fuel Consumption Saver Award granted by the Friends of the Earth in the Corporate Green Driving Award Scheme 2012 and the Leadership in Energy and Environmental Design (LEED) Gold Certification granted by the U.S. Green Building Council in 2011. We believe our high environmental standards can put us in a better position to compete with other logistics providers in light of the rising environmental initiatives of multinational corporations.

We have not been subject to any fines or legal action involving any material non-compliance with any relevant environmental regulations, nor are we aware of any threatened or pending action by any relevant environmental regulatory authority.

Non-compliance with Section 122 of the Companies Ordinance

Pursuant to Section 122 of the Companies Ordinance, the directors of a company incorporated in Hong Kong are required to cause a profit and loss account and balance sheet to be made up and laid before its shareholders at each of its annual general meetings, and such accounts must be made up to a date falling not more than nine months before the date of the relevant annual general meeting.

Thirty-five of our subsidiaries incorporated in Hong Kong failed to comply with this requirement due to unintended and inadvertent omissions. However, the requisite audited accounts for the relevant subsidiaries have been submitted to their respective shareholders for approval at subsequent general meetings. Applications have been made to obtain a court order by the Court of First Instance of the High Court of Hong Kong to extend the period for the laying of financial statements to the respective dates on which the financial accounts would be duly approved by the respective shareholders. The hearing date for the court application is currently expected to be in early 2014. We confirm that the relevant court application includes evidence to the effect that the directors of the relevant subsidiaries had delegated the duty of complying with Section 122 of the Companies Ordinance to competent and reliable persons and that none of the offences were committed wilfully and, as explained below, have been advised that it is unlikely for the relevant directors to be liable to imprisonment and/or a fine.

We have been advised that, under Section 122 of the Companies Ordinance, if any person being a director of a company fails to take all reasonable steps to comply with the provisions of the section, he shall, in respect of each offence, be liable to imprisonment and a fine provided that:

(a) in any proceedings against a person in respect of an offence under the section, it shall be a defence to prove he had reasonable grounds to believe and did believe that a competent and reliable person was charged with the duty of seeing that the provisions of the section were complied with and was in a position to discharge that duty; and

(b) a person shall not be sentenced to imprisonment for such an offence unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

For such purpose, the maximum penalty is 12 months' imprisonment and a fine of HK$300,000.

On the basis described above, our Directors believe that, based on legal advice received, it is unlikely for the relevant directors to be liable to imprisonment and/or a fine.

Administrative and Legal Proceedings

We are involved in administrative, legal and arbitration proceedings and claims from time to time arising in the ordinary course of business involving purported breaches of contractual terms and alleged violations of laws and regulations, none of which are expected to have a material adverse effect on our business, results of operations and financial condition or on our Shares, the Global Offering and the Listing.

For example, our subsidiary KEAS was previously involved in certain legal proceedings in China in which the plaintiffs brought an action against KEAS as one of the six defendants. The plaintiffs' claim amounted to US$65.6 million, allegedly being the loss suffered by the plaintiffs as a result of damage caused to an aircraft by a chemical substance carried on board by one of the plaintiffs pursuant to a carriage order placed by KEAS as a freight forwarder on the instructions of a shipper in 2000 (before we acquired a 70% equity interest in KEAS). In 2012, the Supreme People's Court of the PRC adjudged the amount of damages payable by the shipper to the plaintiffs at approximately US$65.8 million and further ruled that, in the event the plaintiffs were not able to fully recover the judgment sum from the shipper, KEAS would be held liable to the plaintiffs to the extent of 5% of the portion of judgment sum unrecoverable from the shipper and up to a maximum of approximately US$3.3 million. This amount will be fully indemnified by the 30% shareholder of KEAS who previously sold the 70% equity interest to us pursuant to the sale and purchase agreement for such 70% equity interest.

As at the Latest Practicable Date, we were not involved in any litigation, arbitration or claims (including personal injuries, employee compensation or product liability claims) of material importance and we are not aware of any litigation, arbitration or claims of material importance pending or threatened against us that would have a material adverse effect on our business, financial condition or results of operations.