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

(Incorporated in BVI and continued into Bermuda as an exempted company with limited liability)

Stock Code 636

GLOBAL OFFERING

Joint Global Coordinators and Joint Sponsors
(in alphabetical order)

BOC INTERNATIONAL | citi | HSBC | Morgan Stanley

Joint Bookrunners
(in alphabetical order)

BOC INTERNATIONAL | CIMB | citi | HSBC | Morgan Stanley

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**216,071,500 Shares (subject to reallocation and the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**21,607,500 Shares (subject to reallocation)**
Number of International Placing Shares	:	**194,464,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$10.20 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.50 per Share**
Stock code	:	**636**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered and sold within the United States, except that Offer Shares may be offered or sold to Qualified Institutional Buyers in reliance on Rule 144A or another exemption from the registration requirements of the U.S. Securities Act or outside the United States in accordance with Regulation S.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 12 December 2013, and, in any event, not later than Wednesday, 18 December 2013. The Offer Price will be no more than HK$10.20 per Offer Share and is currently expected to be no less than HK$8.80 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Wednesday, 18 December 2013, between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information contained in this prospectus, including the risk factors set forth in the section headed "Risk Factors".

The Joint Global Coordinators may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.kerrylogistics.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, see the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination".

6 December 2013

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.kerrylogistics.com.

Latest time to lodge **PINK** Application Forms at the Company's headquarters at 16/F Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong	4:00 p.m. on Tuesday, 10 December 2013
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2]	11:30 a.m. on Wednesday, 11 December 2013
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Wednesday, 11 December 2013
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 11 December 2013
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, 11 December 2013
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 11 December 2013
Application lists of the Hong Kong Public Offering close	12:00 noon on Wednesday, 11 December 2013
Expected Price Determination Date[5]	Thursday, 12 December 2013 (Hong Kong time)

(1) Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.kerrylogistics.com** on or before[6]	Wednesday, 18 December 2013
(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be made available through a variety of channels including the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.kerrylogistics.com** (see the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 11. Publication of results") from	Wednesday, 18 December 2013
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**[7] and the Company's website at **www.kerrylogistics.com**[8] from	Wednesday, 18 December 2013
Results of allocations for the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function	Wednesday, 18 December 2013
Despatch of Share certificates to Qualifying KPL Shareholders who are entitled to receive Shares under the Distribution on or before[6]	Wednesday, 18 December 2013
Despatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6]	Wednesday, 18 December 2013
Despatch of e-Auto Refund payment instructions/refund cheques on or before[9]	Wednesday, 18 December 2013
Dealings in the Shares on the Hong Kong Stock Exchange expected to commence on	Thursday, 19 December 2013
Despatch of cheques to Overseas Excluded KPL Shareholders of the net proceeds of the sale of the Shares which they would otherwise receive pursuant to the Distribution on or before[10]	Friday, 3 January 2014

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Wednesday, 11 December 2013, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 10. Effect of bad weather on the opening of application lists".

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 6. Apply by giving electronic application instructions to HKSCC via CCASS".

(5) The Price Determination Date is expected to be on or around Thursday, 12 December 2013 (Hong Kong time), and, in any event, not later than Wednesday, 18 December 2013. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Wednesday, 18 December 2013, the Global Offering will not proceed and will lapse.

(6) **Share certificates for the Hong Kong Offer Shares and Shares to be distributed pursuant to the Distribution are expected to be issued on or before Wednesday, 18 December 2013 but will only become valid provided that neither of the Underwriting Agreements has been terminated in accordance with its respective terms and the Global Offering has become unconditional in all respects, which is scheduled to be at around 8:00 a.m. on Thursday, 19 December 2013. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of share certificates and before they become valid do so entirely at their own risk**. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed and the Distribution will not be made. In such a case, our Company will make an announcement as soon as possible thereafter.

(7) The announcement will be available for viewing on the "Main Board — Allotment of Results" page on the Hong Kong Stock Exchange's website **www.hkexnews.hk** and our Company's website at **www.kerrylogistics.com**.

(8) None of the website or any of the information contained on the website forms part of this prospectus.

(9) **e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.**

(10) Overseas Excluded KPL Shareholders will be entitled to the Distribution but will not receive the Shares. Instead, the Shares which they would otherwise receive pursuant to the Distribution will be sold by KPL on their behalf as soon as reasonably practicable after commencement of dealings in the Shares on the Hong Kong Stock Exchange and they will receive a cash amount equal to the net proceeds of such sale. Further information is set out in the section headed "Structure and Conditions of the Global Offering — The Distribution" in this prospectus.

You should read carefully the sections headed "Underwriting", "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers and the Underwriters, any of our or their respective directors or advisers, or any other person or party involved in the Global Offering. Information contained in our website, located at www.kerrylogistics.com does not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in the section headed "Risk Factors". You should read that section carefully before you decide to invest in our Offer Shares.

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. We are principally engaged in the integrated logistics and international freight forwarding businesses and currently have more than 400 service locations in 35 countries and territories across Asia, Australia, Europe, and North and South America, including three countries in which we operate through our sales staff. 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. As at the Latest Practicable Date, we managed approximately 39 million sq.ft. of logistics facilities in 19 countries and territories, of which the vast majority was located in 12 countries and territories in 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. In 2012, we managed the largest portfolio of logistics facilities among third-party logistics service providers in Hong Kong, according to the Armstrong Report. 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.

We are currently a wholly-owned subsidiary of KPL, which, together with KGL, will remain our Controlling Shareholders immediately following the completion of the Spin-off. 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.

Principal Businesses

We are engaged in the following principal 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.

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

Logistics Facilities

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 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, 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, and we held another 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.

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			Approx. GFA leased (B)	Approx. GFA managed (A+B)
		Total (A)	Attributable			
		(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.

Infrastructure Investments

Our infrastructure investments mainly include: (i) a 25% equity interest in CCT, which operates Chiwan Container Terminal at Shekou Port, and (ii) a 15% equity interest in AAT, which operates Asia Airfreight Terminal located at the Hong Kong International Airport.

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. For more information, 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;
- Customised supply chain solutions comprising a wide range of integrated logistics and international freight forwarding services;
- Long-standing relationships with a wide and diversified customer base;
- Asset ownership model offering increased flexibility and reliability;
- Proprietary IT systems contributing to increased operational efficiency; and
- Experienced management team with a proven track record and focus on human capital.

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;
- Offer sophisticated integrated logistics solutions underpinned by local capabilities;
- Further invest in IT systems and human capital; and
- Continue to grow our existing businesses supported by additional investment and acquisition activities.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information as derived from our consolidated financial statements included in "Appendix I — Accountant's Report", which contains our audited consolidated financial information as at and for the years ended 31 December 2010, 2011 and 2012 and as at and for the six months ended 30 June 2013 and unaudited comparative consolidated financial information for the six months ended 30 June 2012, as well as other financial measures. The following information should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountant's Report", together with the accompanying notes, and the section headed "Financial Information". Our consolidated financial statements have been prepared in accordance with HKFRSs, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. Our historical results are not necessarily indicative of results that may be achieved in any future periods.

Summary Consolidated Income Statement Information

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	10,879,909	16,034,311	19,294,775	8,954,237	9,521,789
Direct operating expenses	(9,229,716)	(13,603,383)	(16,601,460)	(7,663,314)	(8,095,600)
Gross profit	1,650,193	2,430,928	2,693,315	1,290,923	1,426,189
Other income and net gains	21,340	7,352	28,334	5,760	30,486
Administrative expenses	(855,123)	(1,286,291)	(1,403,301)	(641,679)	(738,983)
Operating profit before fair value change of investment properties	816,410	1,151,989	1,318,348	655,004	717,692
Change in fair value of investment properties	175,990	130,312	265,155	–	458,303
Operating profit	992,400	1,282,301	1,583,503	655,004	1,175,995
Finance costs	(23,066)	(55,394)	(63,124)	(27,432)	(45,096)
Share of results of associates	208,821	148,464	136,421	69,123	71,626
Profit before taxation	1,178,155	1,375,371	1,656,800	696,695	1,202,525
Taxation	(200,074)	(253,939)	(304,928)	(150,859)	(146,511)
Profit for the years/periods	978,081	1,121,432	1,351,872	545,836	1,056,014
Profit attributable to:					
Company's shareholder	833,257	870,744	1,069,376	429,717	903,555
Non-controlling interests	144,824	250,688	282,496	116,119	152,459
	978,081	1,121,432	1,351,872	545,836	1,056,014

Other Financial Measures

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Core net profit(1)	665,182	740,748	815,720	429,717	455,084
Adjusted EBITDA(2)	1,005,486	1,440,667	1,657,366	820,293	903,003

Notes:

(1) Core net profit represents our profit attributable to the Company's shareholder before the after-tax effect of change in fair value of investment properties. Core net profit is not a standard measure under HKFRSs. For more information, see the section headed "Financial Information — Core Net Profit".

(2) Adjusted EBITDA represents profit for the year or period before taxation, share of results of associates, finance costs, other income and net gains, change in fair value of investment properties, depreciation and amortisation. Adjusted EBITDA is not a standard measure under HKFRSs. For more information, see the section headed "Financial Information — Adjusted EBITDA".

Summary Consolidated Statement of Financial Position Information

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Property, plants and equipment	4,502,572	4,989,185	5,998,517	6,409,665
Investment Properties[1]	4,998,773	5,143,118	5,767,637	6,228,866
Others	2,113,069	2,816,412	3,313,095	3,568,877
Total non-current assets	11,614,414	12,948,715	15,079,249	16,207,408
Current assets	4,871,106	6,392,003	7,388,640	7,440,507
Current liabilities				
Loans from fellow subsidiaries[2]	3,491,003	3,890,967	4,181,600	3,781,580
Others	2,960,169	4,246,456	4,735,310	4,571,040
Total current liabilities	6,451,172	8,137,423	8,916,910	8,352,620
Net current liabilities[2]	(1,580,066)	(1,745,420)	(1,528,270)	(912,113)
Total assets less current liabilities	10,034,348	11,203,295	13,550,979	15,295,295
Non-current liabilities	(1,097,178)	(1,299,523)	(2,425,244)	(3,397,032)
Net assets	8,937,170	9,903,772	11,125,735	11,898,263
Equity				
Capital and reserves attributable to the Company's shareholder	6,541,733	7,398,104	8,358,065	9,102,367
Non-controlling interests	2,395,437	2,505,668	2,767,670	2,795,896
Total equity	8,937,170	9,903,772	11,125,735	11,898,263

Notes:

(1) Valuations of our investment properties have been carried out by independent professional valuers, using mainly the investment approach by considering the capitalised rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the property interests at appropriate capitalisation rates. Wherever deemed appropriate by the independent professional valuers, the direct comparison approach is also referenced and depreciated replacement cost is also used for the valuations of certain properties. See "Appendix V — Property Valuation".

(2) Loans from fellow subsidiaries controlled by KPL are classified as current liabilities because these loans have no fixed terms of repayment. We plan to settle all outstanding loans from our fellow subsidiary through capitalisation of a portion of the loans prior to the Listing and repayment of the remaining portion promptly after the Listing. For more information, see the section headed "Financial Information — Recent Developments — Repayment and Capitalisation of Loans from Fellow Subsidiary".

Summary Consolidated Statement of Cash Flows Information

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Net cash generated from operating activities	606,948	1,019,252	870,745	465	687,438
Net cash used in investing activities	(387,631)	(1,023,776)	(1,665,029)	(872,793)	(986,156)
Net cash generated from financing activities	410,031	680,639	782,634	376,791	335,557
Increase/(decrease) in cash and cash equivalents	629,348	676,115	(11,650)	(495,537)	36,839
Effect of exchange rate changes	62,525	26,148	33,090	(5,528)	(4,206)
Cash and cash equivalents at end of the years/periods	2,189,853	2,892,116	2,913,556	2,391,051	2,946,189

FINANCIAL RATIOS

The following table shows certain financial ratios as at the dates or for the periods indicated. For more information, see the sections headed "Financial Information — Results of Operations" and "Financial Information — Key Financial Ratios".

	As at or for the year ended 31 December			As at or for the six months ended
	2010	2011	2012	30 June 2013
Gross margin(1)	15.2%	15.2%	14.0%	15.0%
Operating margin(2)	9.1%	8.0%	8.2%	12.4%
Net margin(3)	9.0%	7.0%	7.0%	11.1%
Adjusted EBITDA margin(4)	9.2%	9.0%	8.6%	9.5%
Current ratio(5)	0.76	0.79	0.83	0.89
Debt to equity ratio(6)	10.3%	15.1%	23.8%	32.3%
Return on assets(7)	5.9%	5.8%	6.0%	8.9%

Notes:

(1) Gross margin is calculated by dividing gross profit by revenue.

(2) Operating margin is calculated by dividing operating profit by revenue.

(3) Net margin is calculated by dividing profit for the year or period by revenue.

(4) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue.

(5) Current ratio is calculated by dividing total current assets by total current liabilities.

(6) Debt to equity ratio is calculated by dividing total bank loans and bank overdrafts by capital and reserves attributable to the Company's shareholder.

(7) Return on assets is calculated by dividing profit for the year or annualised period by total assets.

PROPERTY VALUATION

DTZ Debenham Tie Leung Limited has valued our investment property interests as at 30 June 2013 and 30 September 2013. The key assumptions adopted by DTZ Debenham Tie Leung Limited in valuing our properties include, among others:

- we have obtained enforceable title to the properties and we have free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired terms as granted; and

- the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

The key parameters adopted in valuing the majority of our properties include rents and capitalisation rates under the investment approach. Rental opinions are made by reference to lettings within the subject properties as well as other relevant rental evidence. Capitalisation rates are determined by analysing market yields of smaller strata-titled units of similar use types as en-bloc transactions to facilitate similar yield analysis are rare. Appropriate adjustments have been made to reflect the differences between the subject properties and the comparables including, among others, the uniqueness, marketability and size of the subject properties.

For further details regarding the assumptions and parameters adopted by DTZ Debenham Tie Leung Limited, see "Appendix V — Property Valuation".

RECENT DEVELOPMENTS

As at the Latest Practicable Date, we had outstanding loans from a fellow subsidiary controlled by KPL in the amount of HK$3,781.6 million. We plan to settle the entire outstanding amount through capitalisation of a portion of the loans prior to the Listing and repayment of the remaining portion promptly after the Listing. For more information, see the section headed "— Recent Developments — Repayment and Capitalisation of Loans from Fellow Subsidiary".

Our Directors have confirmed that, since 30 June 2013 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements included in "Appendix I — Accountant's Report".

Based on our unaudited management accounts, we continued to record (i) an increase in revenue for the nine months ended 30 September 2013 compared to the same period in 2012, which was primarily attributable to the continued growth of our logistics operations, in particular in Greater China, partially offset by a moderate decrease in segment revenue from international freight forwarding primarily due to the weak market conditions in Europe, and (ii) an increase in core net profit for the nine months ended 30 September 2013 compared to the same period in 2012, as our segment results for each of logistics operations, Hong Kong warehouse and international freight forwarding continued to grow during the period. Please also refer to the section headed "— Profit Forecast for the Year Ending 31 December 2013" below.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2013

On the bases and assumptions set out in "Appendix III — Profit Forecast" and, in the absence of unforeseen circumstances, certain profit forecast data of the Group for the year ending 31 December 2013 has been prepared by our Directors and is set out below:

Forecast profit attributable to the Company's shareholders excluding (1) the after-tax effect of change in fair value of investment properties and (2) gain on disposal of Kerry D.G. Warehouse (Kowloon Bay) (1)(2)	not less than HK$880 million
Forecast profit attributable to the Company's shareholders (1)(2)	not less than HK$1,829 million

Notes:

(1) The Directors have prepared the above forecast profit attributable to the Company's shareholders based on our audited consolidated results for the six months ended 30 June 2013, our unaudited management accounts for the three months ended 30 September 2013 and a forecast of our consolidated results for the remaining three months ending 31 December 2013. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us as set out in note 2 to our consolidated financial statements included in "Appendix I — Accountant's Report".

(2) We will transfer 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 LOGISTICS INDUSTRY

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. This is expected to be primarily driven by strong growth in private domestic consumption of general merchandise, including a range of fast-moving consumer goods for daily consumption, as well as luxury items. This growth reflects a number of factors including strong economic growth, encouraging demographics, sustained urbanisation and growth of the middle-class.

With respect to third-party logistics services, Greater China and Asia Pacific (excluding Greater China and Japan) are also the regions with the highest spend and growth rates according to the Armstrong Report, where the growth has traditionally been driven by companies outsourcing or off-shoring manufacturing to lower cost countries. While this trend still continues in Myanmar, Malaysia, Indonesia, Vietnam, Cambodia, and to a lesser extent in China, Thailand, the Philippines, and Singapore, increasing domestic consumption and demand for products are driving the need for modern distribution networks in the Asia Pacific region. According to the Armstrong Report, the emphasis is shifting away from export trade and ocean or air freight forwarding to intra-regional ground distribution, and third-party logistics service providers providing value-added warehousing and distribution services in these countries are experiencing significant growth. In addition, Asia Pacific has a low penetration rate 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.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme, KGL will control an aggregate of approximately 67.65%, including an indirect shareholding through KPL of approximately 43.34%, of the issued share capital of our Company, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options. For details, please refer to page 143 of this prospectus. Accordingly, KGL and KPL will continue to be our Controlling Shareholders. Our other Shareholders will be the remaining Qualified KPL Shareholders and participants in the Global Offering. For further information, see the section headed "Relationship with our Controlling Shareholders".

In addition, we have entered into continuing connected transactions with our Controlling Shareholders. For further information, see the section headed "Connected Transactions".

THE SPIN-OFF

The proposed Spin-off involves spinning off the Group from KPL by way of a separate listing of the Shares on the Stock Exchange to be effected by the Distribution and the Global Offering. In its announcement dated 24 September 2013, KPL stated that it considers the Spin-off (i) will enable KPL to fully focus on and deploy its funds towards development of KPL's existing principal businesses without the need to consider our Group's funding requirements; (ii) will enable investors to better understand both KPL and our Company as separate entities rather than as a conglomerate, as each of their strategic focuses of business is different; and (iii) could better reflect the value of our Group on its own merits and increase its operational and financial transparency through which investors would be able to appraise and assess the performance and potential of our Group separately and distinctly from those of the KPL Group. For further information, see the section headed "History and Corporate Structure — Spin-off by KPL".

Following the Listing, we will continue to be principally engaged in the integrated logistics and international freight forwarding businesses, while the KPL Group will continue to be principally engaged in property development, investment and management and hotel ownership and operations. For further information, see the section headed "Relationship with our Controlling Shareholders".

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$8.80	Based on an Offer Price of HK$10.20
Market capitalisation of our Shares(1)	HK$14,584.8 million	HK$16,905.1 million
Unaudited pro forma adjusted net tangible asset value per Share(2)	HK$5.39	HK$5.57

Notes:

(1) The calculation of market capitalisation is based on the 1,657,364,112 Shares expected to be in issue immediately upon completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme, assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options.

(2) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after adjustments referred to in the section headed "Appendix II — Unaudited Pro Forma Financial Information — Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" and on the basis of 1,657,364,112 Shares to be in issue at the Offer Price immediately upon the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme, assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options.

EMPLOYEE PREFERENTIAL OFFERING

Up to 2,160,500 Employee Reserved Shares, representing approximately 10% of the Offer Shares initially available under the Hong Kong Public Offering and approximately 0.1% of the enlarged issued share capital of our Company upon the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options, which are not subject to reallocation to the International Placing as described in "Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Reallocation", are available for subscription by Eligible Employees on a preferential basis. Directors and directors of any of our subsidiaries and their respective Affiliates may apply for Employee Reserved Shares under the Employee Preferential Offering if they are Eligible Employees, but they may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering. All other Eligible Employees may apply for Hong Kong Offer Shares in the Hong Kong Public Offering and the Employee Preferential Offering but may not apply for or indicate an interest in acquiring International Placing Shares under the International Placing. For further details, see "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

Further details of the Employee Preferential Offering are set out in the section headed "Structure and Conditions of the Global Offering — Employee Preferential Offering".

SHARE OPTION SCHEMES AND RSU SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme as further described in the section headed "Appendix VII — Statutory and General Information — F. Pre-IPO Share Option Scheme" The maximum number of Shares which may be issued in respect of the Pre-IPO Share Option Scheme will not exceed 42,770,000 Shares, representing approximately 2.52% of the enlarged issued share capital of our Company upon the full exercise of all outstanding Pre-IPO Share Options and the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options. This will have a dilutive effect of approximately 2.52% on the shareholding of our Shareholders and earnings per Share will be reduced by approximately 3.2% (unaudited).

If calculated based on 1,700,134,112 Shares, the assumed number of Shares to be in issue and outstanding throughout the year ending 31 December 2013 solely for purposes of this calculation, comprising 1,657,364,112 Shares to be in issue immediately after the Spin-off and issuance of Shares pursuant to the RSU Scheme, and 42,770,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options) and we believe our estimated share based expenses to be recorded for the year ending 31 December 2013 for the options granted on 2 December under the Pre-IPO Share Option Scheme is insignificant.

We have also conditionally adopted the Post-IPO Share Option Scheme. See the section headed "Appendix VII — Statutory and General Information — G. Post-IPO Share Option Scheme" for a summary of the principal terms of the Post-IPO Share Option Scheme.

In addition, we have conditionally adopted the RSU Scheme as further described in the section headed "Appendix VII — Statutory and General Information — H. RSU Scheme". The maximum aggregate number of Shares that may underlie the RSUs granted pursuant to the RSU Scheme shall be 815,000 Shares (excluding Shares underlying the Awards that have lapsed or been cancelled in accordance with the rules of the RSU Scheme), representing 0.05% of the issued share capital of our Company upon the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options. This will have a dilutive effect of approximately 0.05% on the shareholding of our Shareholders and a reduction in our earnings per Share.

DIVIDEND POLICY

Subject to the Bye-laws, the Companies Act and other applicable laws and regulations, we currently target to distribute to our Shareholders approximately 20% of our core net profit for the year ending 31 December 2013 (excluding any gain on disposal of Kerry D.G. Warehouse (Kowloon Bay)). However, we cannot assure you that we will be able to distribute dividends of this or any other amount, or at all, in any year. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK$1,907.9 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$9.50 per Share, being the mid-point of the stated Offer Price range of HK$8.80 to HK$10.20 per Share. We intend to use such net proceeds for the following purposes:

- Approximately HK$973.0 million (approximately 51% of our total estimated net proceeds) is intended to be used for funding capital expenditures in connection with future expansion and acquisition activities, including:

  (i) Approximately HK$324.3 million (approximately 17% of our total estimated net proceeds) for the development of one to two future logistics facilities in Greater China over the next two to three years;

  (ii) Approximately HK$324.3 million (approximately 17% of our total estimated net proceeds) for the development of future logistics facilities and/or potential acquisitions in ASEAN countries for our integrated logistics business; and

  (iii) Approximately HK$324.3 million (approximately 17% of our total estimated net proceeds) for potential acquisitions globally, including primarily in the Americas, as well as in Europe and Asia, for our international freight forwarding business.

- Approximately HK$763.2 million (approximately 40% of our total estimated net proceeds) is intended to be used for repaying part of our loans from a fellow subsidiary controlled by KPL, as further described in the section headed "Financial Information — Recent Developments — Repayment and Capitalisation of Loans from Fellow Subsidiary".

- Approximately HK$171.7 million (approximately 9% of our total estimated net proceeds) is intended to be used for working capital and general corporate purposes.

As at the Latest Practicable Date, we were not pursuing any proposed business acquisitions, nor had we identified any businesses that we had plans to acquire.

For more information, see the section headed "Future Plans and Use of Proceeds — Use of Proceeds".

LISTING EXPENSES

We had not incurred significant listing expenses up to 30 June 2013. The total estimated listing expenses (excluding underwriting commission) in connection with the Global Offering are approximately HK$98.6 million, of which approximately HK$16.3 million is expected to be charged to our consolidated income statement and approximately HK$82.3 million is expected to be capitalised as deferred expenses and charged against equity upon the Listing under the relevant accounting standards.

RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our businesses, risks relating to countries and territories in which we operate, and risks relating to the Global Offering. In particular, because of the nature of our integrated logistics and international freight forwarding businesses, our businesses are significantly affected by changes in global economic conditions as well as Asia's domestic consumption and trade volumes, and are dependent on our customers' business performance. Our businesses in Hong Kong are exposed to fluctuations in rental rates and our operations in China are subject to stringent licensing requirements. Our finance costs are also exposed to interest rate fluctuations and we may not be able to obtain adequate capital resources to fund future expansion plans. Furthermore, we may not be able to continue or effectively manage our expansion or successfully integrate acquired businesses, which could materially and adversely affect our financial condition and results of operations.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed "Risk Factors" carefully before you decide to invest in the Offer Shares. You should not place any reliance on any information contained in press articles, research analysts' reports or other media regarding us and the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"AAT" — Asia Airfreight Terminal Company Limited, a limited company incorporated under the laws of Hong Kong on 14 October 1993, in which we hold a 15% equity interest; the remaining equity interests in AAT are held by Independent Third Parties

"Adjusted EBITDA" — profit for the year or period before taxation, share of results of associates, finance costs, other income and net gains, change in fair value of investment properties, depreciation and amortisation

"Affiliate" — in relation to a director of any member of the Group means:

(i) an associate (as defined in Rule 1.01 of the Listing Rules) of such director;

(ii) any person whose acquisition of Shares has been financed directly or indirectly by such director or associate; or

(iii) any person who is accustomed to take instructions from such director or associate in relation to the acquisition, disposal, voting or other disposition of Shares registered in that person's name or otherwise held by that person

"Application Form" — any of the **WHITE** Application Form, **YELLOW** Application Form, **GREEN** Application Form and **PINK** Application Form used in connection with the Hong Kong Public Offering

"Armstrong" — Armstrong & Associates, Inc., an independent industry consultant commissioned by us to prepare the Armstrong Report

"Armstrong Report" — an independent research report entitled *Global Third-Party Logistics Market Information Report*, dated 6 December 2013, commissioned by us and prepared by Armstrong for the purpose of this prospectus as included in "Appendix VI — Armstrong Report"

"ASEAN" — the Association of Southeast Asia Nations, established on 8 August 1967, the member states of which comprise Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam

"associate" — has the meaning ascribed thereto under the Listing Rules

"Audit and Compliance Committee" — the audit and compliance committee of the Board

"Beijing Tengchang"	Beijing Tengchang International Transportation Service Co., Ltd. (北京騰昌國際物流有限公司), a limited company established under the laws of the PRC on 28 June 2011, in which we hold a 51% equity interest and the remaining equity interests in Beijing Tengchang are held by Beijing Teng Yu Chang He Business Consultancy Co., Ltd.
"Board of Directors" or "Board"	our board of directors
"Board Lot"	the board lot in which the Shares will be traded on the Hong Kong Stock Exchange from time to time upon the Listing
"BOCI"	BOCI Asia Limited
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open generally for normal banking business to the public
"BVI"	British Virgin Islands
"Bye-laws"	the bye-laws of our Company that were conditionally adopted on 25 November 2013, which will take effect upon the Listing, as amended from time to time, a summary of which is included in "Appendix IV — Summary of the Constitution of the Company and Companies Act"
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCT"	Chiwan Container Terminal Co., Ltd., a limited company established under the laws of the PRC on 7 December 1990, in which we hold a 25% equity interest; the remaining equity interests in CCT are held by Independent Third Parties
"China" or "PRC"	the People's Republic of China and, for the purpose of this prospectus only, excludes Hong Kong, Taiwan and Macau

"Citi"	Citigroup Global Markets Asia Limited
"Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Companies Act"	the Companies Act 1981 (as amended) of Bermuda
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Kerry Logistics Network Limited (formerly known as Ping Shek Services Limited from 9 July 1991 to 23 June 1992, Kerry Godown Holdings (BVI) Limited from 24 June 1992 to 14 July 1999, and Kerry Warehouse Holdings Limited from 15 July 1999 to 11 July 2000), incorporated in the BVI on 9 July 1991 and continued into Bermuda to become an exempted company with limited liability on 20 April 2000; the Company adopted its secondary name of 嘉里物流聯網有限公司 on 7 October 2009
"connected person"	has the meaning ascribed thereto in the Listing Rules
"connected transaction"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules and, for the purpose of this prospectus, refers to any of KGL and KPL
"core net profit"	profit attributable to the Company's shareholder before the after-tax effect of change in fair value of investment properties
"Director"	a director of our Company
"Distribution"	a conditional special interim dividend declared by KPL to be satisfied by way of a distribution in specie of an aggregate of 722,136,614 Shares to the Qualifying KPL Shareholders, subject to the satisfaction of the conditions as described in the section headed "Structure and Conditions of the Global Offering — The Distribution"
"Eligible Employee"	a full-time employee of our Group (including Directors and directors of any of our subsidiaries and their respective Affiliates who are such employees) who had joined us on or before the Latest Practicable Date and has a Hong Kong address
"Employee Preferential Offering"	the offer for subscription by Eligible Employees of up to 2,160,500 Employee Reserved Shares, as further described in the section headed "Structure and Conditions of the Global Offering — Employee Preferential Offering"

"Employee Reserved Shares"	the 2,160,500 Hong Kong Offer Shares (representing approximately 1% of the Offer Shares available under the Global Offering) available under the Employee Preferential Offering which are to be allocated out of the Hong Kong Offer Shares
"Excluded Territory"	Canada and China
"Executive Director"	an executive director of our Company
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Governmental Authority"	any public, regulatory, taxing, administrative or governmental, agency or authority (including without limitation, the Hong Kong Stock Exchange and the SFC), and any court at the national, provincial, municipal or local level
"Greater China"	the PRC, Hong Kong, Macau and Taiwan
"GREEN application form"	the application form to be completed by the **HK eIPO White Form** Service Provider
"Group", "we" or "us"	our Company and its subsidiaries
"HK eIPO White Form"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	Bank of East Asia, Limited, the HK eIPO White Form service provider designated by the Company, as specified on the designated website of HK eIPO White Form at **www.hkeipo.hk**
"HKFRSs"	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong Offer Shares"	the 21,607,500 new Shares initially being offered by our Company for subscription pursuant to the Hong Kong Public Offering at the Offer Price, subject to any reallocation as described in the section headed "Structure and Conditions of the Global Offering"
"Hong Kong Public Offering"	the offer of Hong Kong Offer Shares for subscription at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in the section headed "Structure and Conditions of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Share Register"	the branch register of members of our Shares maintained by the Hong Kong Share Registrar in Hong Kong
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Takeovers Code" or "Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters for the Hong Kong Public Offering as listed in the section headed "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 5 December 2013 relating to the Hong Kong Public Offering entered into among, amongst others, our Company, the Joint Bookrunners and the Hong Kong Underwriters, as further described in the section "Underwriting — Hong Kong Public Offering — Hong Kong Underwriting Agreement"
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"Independent Non-executive Director"	an independent non-executive Director of the Company
"Independent Third Party"	any entity or person who is not a connected person within the meaning ascribed under the Listing Rules

"International Placing"	the conditional placing of the International Placing Shares at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) (i) in the United States to Qualified Institutional Buyers in reliance on Rule 144A or another exemption from the registration requirements of the U.S. Securities Act and (ii) outside the United States in offshore transactions in reliance on Regulation S, including to professional investors in Hong Kong, as further described in the section headed "Structure and Conditions of the Global Offering"
"International Placing Shares"	the 194,464,000 new Shares initially being offered by our Company for subscription at the Offer Price under the International Placing, subject to any reallocation together with, where relevant, any additional Shares which may be issued by our Company pursuant to the Over-allotment Option, as further described in the section headed "Underwriting — The International Placing"
"International Underwriters"	the several underwriters for the International Placing who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
"International Underwriting Agreement"	the purchase agreement expected to be entered into on or around 12 December 2013 by our Company and the Joint Bookrunners on behalf of the International Underwriters in respect of the International Placing, as further described in the section headed "Underwriting — The International Placing"
"Issuing Mandate"	the general unconditional mandate given to the Directors by our sole Shareholder on 25 November 2013 relating to the issue and allotment of and dealings in Shares, as further described in the section headed "Appendix VII — Statutory and General Information"
"IT"	information technology
"Joint Bookrunners"	BOCI, CIMB Securities Limited, Citi, HSBC and Morgan Stanley *(in alphabetical order)*
"Joint Global Coordinators"	BOCI, Citi, HSBC and Morgan Stanley *(in alphabetical order)*
"Joint Lead Managers"	BOCI, CIMB Securities Limited, Citi, DBS Asia Capital Limited, HSBC, Mizuho Securities Asia Limited and Morgan Stanley *(in alphabetical order)*
"Joint Sponsors"	BOCI, Citi, HSBC Corporate Finance (Hong Kong) Limited and Morgan Stanley *(in alphabetical order)*
"KART"	Kerry Asia Road Transport, a cross-border road transportation network that provides long-haul trucking to connect ASEAN and China and selected countries across the ASEAN region

"KEAS"	Kerry EAS Logistics Limited, a limited company established under the laws of the PRC on 27 February 1985, in which we hold a 70% equity interest; the remaining equity interests in KEAS are held by an Independent Third Party (except for being a substantial shareholder of KEAS)
"Kerry Logistics (UK)"	Kerry Logistics (UK) Limited, a limited company incorporated under the laws of England and Wales on 1 July 1981, in which we hold a 100% equity interest
"Kerry TJ Logistics"	Kerry TJ Logistics Company Limited, a limited company incorporated under the laws of Taiwan on 1 June 1960 and listed on Taiwan Stock Exchange (TWSE: 2608), in which we hold a 16.72% equity interest through our wholly-owned subsidiaries and a 28.60% equity interest through our joint ventures (representing an attributable equity interest of 19.74%)
"KGL"	Kerry Group Limited, a limited liability company incorporated under the laws of the Cook Islands on 4 March 1992, which is one of our Controlling Shareholders
"KGL Group"	KGL and its subsidiaries (excluding the KPL Group and our Group)
"KHL"	Kerry Holdings Limited, a limited liability company incorporated in Hong Kong on 18 January 1974, which is a wholly-owned subsidiary of KGL
"KHL Group"	KHL and its subsidiaries and associates (excluding our Group)
"KPL"	Kerry Properties Limited, incorporated under the laws of Bermuda as an exempted company with limited liability on 2 January 1996, the shares of which are listed on the Hong Kong Stock Exchange (HKSE: 683); KPL is our sole immediate Shareholder as at the date of this prospectus and will directly hold approximately 43.34% of the issued share capital of our Company immediately following the Spin-off and issuance of Shares pursuant to the RSU Scheme, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options
"KPL Group"	KPL and its subsidiaries (excluding our Group)
"KPL Shareholder"	a holder of KPL Shares
"KPL Shares"	shares with par value of HK$1.00 each in the share capital of KPL

"Latest Practicable Date"	28 November 2013, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Laws"	all applicable laws, rules, regulations, orders, judgments, decrees or rulings of any Governmental Authority
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be 19 December 2013, on which the Shares are listed and from which dealings in the Shares are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Maximum Offer Price"	HK$10.20 (being the high end of the Offer Price range stated in this prospectus)
"Memorandum of Continuance"	the memorandum of continuance of our Company dated 13 April 2000, as amended from time to time
"Morgan Stanley"	Morgan Stanley Asia Limited
"Nomination Committee"	the nomination committee of the Board
"Non-executive Director"	a non-executive director of our Company
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for pursuant to the Global Offer, as further described in the section headed "Structure and Conditions of the Global Offering — Pricing and Allocation"

"Offer Shares"	the Hong Kong Offer Shares (including, among others, the Shares which are available for subscription by the Eligible Employees pursuant to the Employee Preferential Offering) and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators pursuant to the International Underwriters Agreement for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 32,410,500 additional new Shares (representing in aggregate 15% of the initial number of Offer Shares available under the Global Offering) to, among other things, cover over-allocations in the International Placing, if any, as further described in the section headed "Structure and Conditions of the Global Offering — Over-allotment Option"
"Overseas Excluded KPL Shareholder"	a KPL Shareholder whose address on the registers of members of KPL is in a jurisdiction outside Hong Kong on the Record Date who is excluded from the entitlement to receive Shares under the Distribution as the directors of KPL, having made relevant enquiries, have resolved such exclusion to be necessary or expedient on account that such jurisdiction or jurisdictions, in the absence of a registration statement or other special formalities, would or might, in their opinion, be unlawful or impracticable, such jurisdiction being an "Excluded Territory"
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by our sole Shareholder on 25 November 2013 for the benefit of our Directors, members of senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms of which is set forth in the section headed "Appendix VII — Statutory and General Information — G. Post-IPO Share Option Scheme"
"Post-IPO Share Options"	options to be granted under the Post-IPO Share Option Scheme
"PRC Government" or "State"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted by our sole Shareholder on 25 November 2013 for the benefit of our Directors, members of senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms of which is set forth in the section headed "Appendix VII — Statutory and General Information — F. Pre-IPO Share Option Scheme"
"Pre-IPO Share Options"	options granted under the Pre-IPO Share Option Scheme
"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Global Coordinators on behalf of the Underwriters on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about 12 December 2013 (Hong Kong time), on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than 18 December 2013
"Principal Share Registrar"	Appleby Management (Bermuda) Ltd.
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers as defined in Rule 144A
"Qualifying KPL Shareholder"	a KPL Shareholder whose name appears on the registers of members of KPL on the Record Date, excluding Overseas Excluded KPL Shareholders
"Record Date"	2 December 2013, being the record date for KPL Shareholders to ascertain entitlements to the Distribution
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Repurchase Mandate"	the general unconditional mandate given to the Directors by our sole Shareholder on 25 November 2013 relating to the repurchase of Shares, as further described in the section headed "Appendix VII — Statutory and General Information — A. Further Information about the Company – 4. Written Resolutions of the Shareholder Passed on 25 November 2013"

"RSU Scheme"	the scheme conditionally approved and adopted by our Company on 25 November 2013 for the grant of RSUs to RSU participants following the completion of the Global Offering, a summary of the principal terms of which is set forth in the section headed "Appendix VII — Statutory and General Information — H. RSU Scheme"
"RSUs"	restricted share units granted pursuant to the RSU Scheme
"Rule 144A"	Rule 144A under the U.S. Securities Act
"Securities and Futures Commission" or "SFC"	Securities and Futures Commission of Hong Kong
"Shanghai TCI"	Shanghai TCI Freight Forwarding Co., Ltd. (上海騰隆國際貨運代理有限公司), a limited company established under the laws of the PRC on 30 June 2011, in which we hold a 51% equity interest and the remaining equity interests in Shanghai TCI are held by Shanghai Tengjia Investment Consultancy Co., Ltd.; the controlling shareholder of Shanghai Tengjia Investment Consultancy Co., Ltd. is also a director of Shanghai TCI
"Share"	an ordinary share with nominal value of HK$0.50 in the share capital of our Company
"Shareholder"	holder of our Shares
"Spin-off"	the spin-off of the Company by way of the Listing to be effected by the Distribution and Global Offering
"sq.ft."	square feet
"sq.m."	square metres
"Stabilising Manager"	Citigroup Global Markets Asia Limited
"Stock Borrowing Agreement"	the stock borrowing agreement which may be entered into between the Stabilising Manager and KPL
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Taiwan Stock Exchange"	Taiwan Stock Exchange Corporation
"Track Record Period"	the three years ended 31 December 2012 and six months ended 30 June 2013

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"U.S. Securities Act"	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"US$"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Wisdom"	Kunshan Wisdom Logistics Co., Ltd. (昆山萬升物流有限公司), a limited company established under the laws of the PRC on 10 August 2010, in which we hold a 70% equity interest and the remaining equity interests in Wisdom are held by Time Wisdom Investments Limited

This glossary contains certain definitions and technical terms used in this prospectus in connection with our Company and our business. As such, some terms and definitions may not correspond to standard industry definitions or such definitions stated in the Armstrong Report or usage of such terms.

"air freight consolidator"	an air cargo intermediary that provides space consolidation through various airlines to various destinations
"bonded goods"	dutiable imports stored in warehouses licensed and authorised by customs authorities
"consolidation"	grouping together of smaller consignments of goods into a large consignment for carriage as a larger unit in order to obtain a favourable rate
"container freight station"	storage facilities located near terminals providing container stacking and cargo consolidation services
"customs brokerage"	the service of handling customs clearance and other customs-related services for importers and exporters by customs brokers
"customs clearance"	the process of clearing imports and exports through customs
"FCL"	full container load, measuring cargo in the required maximum quantity for the application of a container load rate
"freight forwarder"	one who assembles and consolidates shipments and performs or provides for break-bulk and distribution operations of shipments
"garment-on-hanger"	the transporting and handling garments throughout the logistical chain on hangers so that the garments do not need to be refurbished at destination
"general cargo"	dry cargo taking in containerised goods
"ISO tank depot"	storage facility for tank containers built according to the standards of the International Standards Organisation ("ISO")
"kitting"	light assembly of components or parts into defined units
"LCL"	less than container load, measuring cargo in a quantity less than required for the application of a container load rate
"NVOCC"	non-vessel-operating common carrier, which is a cargo intermediary that does not own any vessel but functions as a carrier by issuing its own bill of lading and assuming responsibility for the cargo

"supply chain"	the physical, financial and information networks that involve the movement of materials, funds and related information through the full logistics process, from the acquisition of raw materials to delivery of finished products to the end user
"supply chain management"	the management and control of all materials, funds and related information in the logistics process from the acquisition of raw materials to the delivery of finished products to the end user
"TEU"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of 8 feet and 6 inches, and width of 8 feet

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Future Plans and Use of Proceeds", "Industry Overview", "Business" and "Financial Information". These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk Factors", which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects, strategies, plans, objectives and goals;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- the business opportunities that we may pursue;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business; and
- certain statements in the section headed "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- changes in global general economic, market and business conditions as well as Asia's domestic consumption and trade volumes;
- changes in our customers' business performance;
- fluctuations in rental rates in Hong Kong;
- introduction and implementation of new or different licensing requirements in China;
- increases in interest rates;
- our ability to obtain adequate capital resources to fund future expansion plans;
- our ability to continue or effectively manage our expansion or successfully integrate acquired businesses;
- our ability to protect our goodwill, brand, trademarks or other intellectual property rights;
- developments of technology and our ability to successfully keep up with technological improvements;

- our ability to attract and retain qualified employees and key personnel; and
- the other risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors".

Investing in the Shares involves certain risks. You should read this prospectus in its entirety and carefully consider each of the risks described below and all of the other information contained in this prospectus before deciding to purchase the Shares. If any of the following risks materialises, our business, financial condition and results of operations could be materially and adversely affected. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESSES

Our integrated logistics and international freight forwarding businesses are significantly affected by changes in global economic conditions.

We are engaged in integrated logistics operations across Asia and we provide the vast majority of our international freight forwarding services intra-Asia as well as between Asia and Europe. Accordingly, any adverse economic developments in Asia, in particular China, as a result of a global economic slowdown or otherwise, could lead to a general decline in domestic consumption and a slowdown in international trade, which could have a significant impact on our businesses. In addition, an economic slowdown in Europe and the shifting of outsourced manufacturing activities away from China could have a significant impact on our international freight forwarding business. For example, the global financial crisis in 2008 and the more recent European sovereign debt crisis resulted in a slowdown and instability of the global economy, which in turn led to weaker imports into Europe and exports from China. There are also signs among U.S. and other multinational companies of shifting outsourced manufacturing activities from China to other regions or countries with lower production costs, such as South America. These factors could have a negative impact on the outbound activities of international freight forwarding from China and consequently on the results of our freight forwarding business and our associates. For the year ended 31 December 2012, our share of results of associates decreased by 8.1% to HK$136.4 million, which was principally due to the weaker results of CCT in 2012 primarily as a result of the slowdown in China's exports. If China continues to experience slower growth or a decline in exports, our business, financial condition and results of operations could be materially and adversely affected.

We are dependent on our customers' business performance and their continuing outsourcing of logistics operations and demand for international freight forwarding services.

As a logistics service provider, we are primarily engaged in providing services to manufacturers, retailers and other customers to serve their needs along their supply chains. We are therefore dependent on our customers' business performance and developments in their markets and industries. If our customers' sales in a geographic market served by us decline, such decline will likely lead to a corresponding decrease in demand for our integrated logistics and international freight forwarding services. In addition, as we serve as a third-party logistics provider for our customers, adverse changes in their outsourcing decisions could materially and adversely affect our business, financial condition and results of operations. If our customers change their supply chain strategy and decide to reduce their outsourcing of logistics operations and perform certain or all of the operations themselves, this will have a direct negative impact on our integrated logistics business. Furthermore, when a customer ceases to outsource its logistics operations to us, the customer may find it less compelling or attractive to engage us as a stand-alone provider of freight forwarding services as a result of which our international freight forwarding business may also be negatively affected. Adverse developments in our customers' business performance and outsourcing decisions could therefore materially and adversely affect our business, financial condition and results of operations.

Trade restrictions could materially and adversely affect our business, financial condition and results of operations.

We are engaged in the international freight forwarding business to transport cargo worldwide. Our international freight forwarding business may be affected by trade restrictions implemented by countries or territories in which our customers are located or in which our customers' products are manufactured or sold. For example, we are subject to risks relating to changes in trade policies, tariff regulations, embargoes or other trade restrictions adverse to our customers' business. Actions by governments that result in restrictions on movement of cargo or otherwise could also impede our ability to carry out our international freight forwarding operations. In addition, international trade and political issues, tensions and conflicts may cause delays and interruptions to cross-border transportation and result in limitations on our insurance coverage. If we are unable to transport cargo to and from countries with trade restrictions in a timely manner or at all, our business, financial condition and results of operations could be materially and adversely affected.

We may be unable to renew leases with our customers upon expiration or re-let space at rates equal to or above the current rates, or at all, for our warehouses in Hong Kong.

A substantial portion of our profit is derived from rental and other income from our warehouses in Hong Kong. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our Hong Kong warehouse segment accounted for 39.7%, 30.5%, 28.5% and 27.1% of our total segment results, respectively. Our results of operations could therefore be materially and adversely affected in the event of a significant decline in rental or occupancy rates due to changes in market conditions, difficulties in securing renewals or obtaining new customers, a reduction of space used by existing customers or other reasons. We cannot assure you that our customers will renew their long-term or short-term leases upon expiration or that we will be able to find replacement customers at rates equal to or higher than the current rates. Moreover, we may be unable to find replacement customers in time to minimise the vacancy periods. Any of these events could materially and adversely affect our business, financial condition and results of operations.

We face intense competition which may adversely affect our market position and business.

We face competition from a number of international, regional and domestic logistics companies, particularly in the international freight forwarding market. Many of our competitors may have significantly greater financial and marketing resources and operate larger global networks than we do. In the industry sectors and regions in which we are active, we also face competition from certain niche logistics providers, some of which have a significant market presence in their respective sectors. If we cannot maintain or gain sufficient market presence or are unable to differentiate ourselves from our competitors, we may not be able to compete effectively with our competitors. Our ability to compete effectively may be constrained by the following factors:

- We may lose key members of our management team and experienced employees (in particular those from our sales force who have established relationships with our key customers) to our competitors;

- Our competitors may deploy more advanced technology platforms;

- Our competitors may enter into alliances with international transportation or logistics services providers and have access to an extensive distribution network as well as resources and technologies that may not be available to us; and

- Certain domestic or regional competitors may have a lower cost base than ours.

As a result, we may not be able to compete effectively with our existing or potential competitors. In addition, increased competition may reduce the growth of our customer base, reduce our market share and result in higher selling and promotional expenses. If we are unable to compete effectively with our competitors, we may experience a decline in revenues and profitability and our business, financial condition and results of operations could be materially and adversely affected.

Our finance costs are affected by changes in interest rates.

As at 30 June 2013, we had total outstanding bank loans and overdrafts of HK$2,942.6 million, including a current amount of HK$658.2 million and a non-current amount of HK$2,284.4 million. Our finance costs consist principally of interest expense on bank loans and overdrafts, which amounted to HK$57.7 million and HK$42.0 million, or 4.4% and 5.8% of operating profit before fair value change of investment properties, for the year ended 31 December 2012 and the six months ended 30 June 2013, respectively. As at 30 June 2013, the effective annual interest rates of our major bank loans ranged between 1.32% (for loans denominated in New Taiwan dollars) and 5.82% (for loans denominated in Renminbi). Many of our bank loans bear floating interest rates determined by reference to an applicable benchmark interest rate, such as the Hong Kong Interbank Offer Rate or the People's Bank of China benchmark lending rate, which is subject to market movements. We cannot assure you that these benchmark interest rates will not be raised in the future. As at 30 June 2013, if interest rates had increased by 25 basis points and all other variables were held constant, our profit for the six months ended 30 June 2013 would have decreased by approximately HK$3.1 million as a result of the change in interest income on bank deposits and the borrowing costs of bank borrowings. Any significant increase in interest rates could therefore increase our finance costs and materially and adversely affect our profitability.

We require substantial capital resources to fund our business and we may not be able to obtain such resources.

We have substantial cash requirements for funding our working capital needs and our capital expenditures. For the year ended 31 December 2012 and the six months ended 30 June 2013, our total additions of property, plant and equipment, additions of investment properties and additions of leasehold land and land use rights amounted to HK$1,490.1 million and HK$669.3 million, respectively, and our capital expenditures for acquisitions of subsidiaries and associates amounted to HK$1,039.7 million and HK$518.2 million, respectively. We have historically met our substantial cash requirements by relying principally on cash flows from operations, bank loans and loans from fellow subsidiaries controlled by KPL. The outstanding loans from our fellow subsidiary will be fully settled through capitalisation of a portion of the loans prior to the Listing and repayment of the remaining portion promptly after the Listing, and we do not expect to obtain any new loans from any Controlling Shareholders or any fellow subsidiaries controlled by them. Following the Listing, we expect to continue to rely on cash flows from operations and bank loans and may also rely on other forms of debt financing. However, we cannot assure you that we will have sufficient cash flows or that we will be able to obtain additional bank loans or other third-party financing on satisfactory terms, or at all. Our ability to obtain adequate financing at reasonable costs depends on a number of factors, many of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, investors' confidence in us, our operating and financial performance, as well as any legal and regulatory restrictions. If we fail to obtain sufficient capital resources, we may be unable to complete future acquisitions or the construction of logistics facilities under development or we may be unable to undertake new acquisitions or developments. As a result, our business development, if any, will be curtailed until such time when we are able to obtain additional capital resources and our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to continue or effectively manage our expansion.

We seek to further expand our business by, among other things, pursuing commercially sustainable opportunities to invest in strategically located logistics facilities. However, our efforts to continue and effectively manage our expansion may not be successful. If we expand too rapidly resulting in an over-leveraged financial condition, we may encounter financial difficulties in a business downturn. On the other hand, if we fail to expand at a sufficiently rapid pace, we may lose market share and potential customers to our competitors. Our expansion is subject to many risks and uncertainties, including, for example: (i) the growth and development of the integrated logistics market in Asia and the international freight forwarding market; (ii) the development of our businesses in accordance with our projected costs and within our estimated time frame; and (iii) our delivery of commercially viable services based on new business processes or technologies.

In addition, in conjunction with making further investments in assets, we will continue to pursue opportunities to acquire strategic businesses globally. Acquisition activities, however, involve significant risks and uncertainties, including, for example: (i) difficulties in identifying suitable acquisition targets and competition from other potential acquirers; (ii) difficulties in determining the appropriate purchase price of acquired businesses, which may result in potential impairment of goodwill; (iii) potential increases in debt, which may increase our finance costs as a result of higher interest payments; and (iv) exposure to unanticipated contingent liabilities of acquired businesses.

We cannot assure you that we will be able to address all the risks involved in expanding our business or that we will be successful in expanding our business beyond our current services or geographic network. Furthermore, our acquired businesses may not achieve the anticipated financial results or be profitable at all. Failure to adequately address expansion or acquisition risks could materially and adversely affect our business, financial condition and results of operations.

We may not be able to successfully integrate acquired businesses.

We have expanded our integrated logistics and international freight forwarding businesses in part through acquisitions and we intend to continue to pursue suitable acquisition opportunities, in particular to expand our geographic network and further strengthen our market position. However, integration of newly acquired businesses may be costly and time-consuming and each acquisition could present us with significant risks and difficulties, for example, in:

- integrating the operations and personnel of the acquired businesses and implementing uniform IT systems, controls, procedures and policies;
- retaining relationships with key employees, customers, business partners and suppliers of the acquired businesses;
- successfully entering a business segment or geographic market in which we have limited prior experience;
- achieving the anticipated synergies and strategic or financial benefits from the acquisitions; and
- addressing the economic, political, regulatory and foreign exchange risks associated with the relevant jurisdiction in which the acquired businesses are located.

In addition, we have acquired, and may continue to acquire, non-controlling interests in companies operating as our associates. As we do not control but only have influence over their operating and financial policies, it is uncertain whether we will be able to achieve the intended objectives or benefits of those investments. As a result, we cannot assure you that our acquisitions will always be successful. Our business, financial condition and results of operations could be materially and adversely affected if we are unable to integrate or benefit from major acquisitions.

We may encounter difficulties in managing the operations of our joint ventures effectively.

We have entered into a number of joint ventures with third-party partners in various businesses and in different countries or territories. For example, we operate, in conjunction with local partners, certain joint ventures in integrated logistics in China and in international freight forwarding in Brazil. We cannot assure you that disputes will not arise between us and our joint venture partners, or that our joint venture partners will not breach their obligations to us or under the relevant joint venture agreements. In particular, our joint venture partners may:

- have economic or business interests inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our objectives or policies;
- be unable or unwilling to fulfil the obligations under the relevant joint venture agreements;
- have financial difficulties; or
- have disputes with us relating to the provisions in the joint venture agreements.

If we encounter difficulties or have any disputes with our joint venture partners, the performance of these joint ventures will be negatively affected and we may not be able to manage their operations effectively. Any of these events could have a material and adverse effect on our business, financial condition and results of operations.

Our business and growth prospects depend on our ability to continue to attract and retain qualified personnel, including our senior management.

Members of our senior management team have extensive management experience and have been with us for a significant period of time. We believe the experience and stability of our senior management team have been critical to our success and business growth and our continuing success depends on our ability to attract and retain a large group of experienced professionals. However, the turnover rate of the logistics industry is relatively high and there is a limited supply of experienced professionals in the industry. As a result, any loss of the services of any members of our senior management team and failure to recruit and retain a sufficient number of experienced personnel could materially and adversely affect our business, financial condition and results of operations.

Our business is highly dependent on information technology.

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. 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. Moreover, we have been implementing in stages a single freight management system designed to consolidate our diverse operations worldwide into one global practice. Therefore, our ability to maintain effective information management depends, in part, upon our ability to make timely and cost-effective enhancements and additions to the technology underpinning our operational platform and to introduce new technological products and services that meet customer demands. We cannot assure you that we will be able to successfully keep up with technological improvements in order to meet our customers' needs or that the technology developed by others will not render our services less competitive or attractive. In addition, hardware or software failure relating to our IT systems could significantly disrupt customer workflows and cause economic losses for which we could be held liable and which could damage our reputation. We are also subject to hacking or other attacks on our IT systems. Although we have anti-virus and anti-hacking measures in place, we cannot assure you that we can successfully block and prevent all hacking or other attacks. As a result, failure to meet our customers' IT demand or to protect against technological disruptions of our operations or operations of our customers could materially and adversely affect our business, financial condition and results of operations.

Significant increases in freight and transportation costs may materially and adversely affect our business, financial condition and results of operations.

We incur significant costs in procuring cargo space from airlines and ocean carriers, as well as providing or arranging for land transportation services. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013, freight and transportation costs were HK$7,234.2 million, HK$10,606.5 million, HK$13,102.4 million and HK$6,319.7 million, respectively, representing 66.5%, 66.1%, 67.9% and 66.4% of our total revenue, respectively. Freight and transportation costs are significantly affected by a variety of factors, including fuel prices, the imposition of, or increases in, import or export taxes, vehicle taxes and duties, the supply of cargo space and other factors, many of which are beyond our control. We generally price our services, in particular our freight forwarding contracts, by reference to freight and transportation costs. The inability to pass on to our customers any significant increases in freight and transportation costs could therefore materially and adversely affect our business, financial condition and results of operations.

We derive a significant portion of our revenue from international operations and are exposed to foreign exchange risk.

We currently have a presence in 35 countries and territories, including three through our sales staff. Our business is therefore exposed to fluctuations in foreign exchange rates as our commercial transactions and our assets and liabilities are denominated in many different currencies, but we report our consolidated financial results in Hong Kong dollars. As we currently do not hedge foreign currency exposure in general, significant volatility in foreign exchange rates may negatively affect our results of operations and other comprehensive income. While we may consider hedging any significant future foreign currency exposure by using foreign exchange forward contracts, we cannot assure you of the availability and effectiveness of those instruments, and we may not be able to adequately hedge our exposure.

Costs of compliance with existing or future environmental laws and regulations could significantly increase our costs of operations.

We maintain a fleet of more than 6,500 self-owned vehicles, including delivery trucks, cargo vans and container trucks, for our integrated logistics and international freight forwarding operations. Our motor vehicles are subject to environmental laws and regulations governing, among other things, greenhouse gas emission. As climate change initiatives become more prevalent globally, many governments have increased their focus on reducing greenhouse gas emissions and enhancing environmental sustainability in the business sector. Customers may also demand higher environmental standards with respect to our logistics facilities and motor vehicles. Any change in environmental laws and regulations, including those which require us to modify or retire our existing fleet or require us to modify our operations, could cause us to incur substantial additional costs, as a result of which we could suffer increased costs of operations and a loss of business.

Our business, financial condition and results of operations could be materially and adversely affected if we experience any severe damage to reputation or if we lose the right to use or fail to protect our brand, trademarks or other intellectual property rights.

We market our services primarily under the "Kerry" brand name and related trademarks. As we consider the use of these trademarks to be important to our business and our customers and suppliers may also associate us with KGL, KPL and their related businesses, we are vulnerable to reputational risk. Any incidents which could generate negative publicity concerning our businesses, such as any failure to deliver satisfactory services to a high-profile customer, or concerning KGL, KPL or their related businesses could cause severe damage to our reputation and our brand image.

The trademarks relating to 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") 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 until the agreement is 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 being unable to pay its debts, becoming insolvent or being wound up. Our right to use the trademarks is therefore subject to revocation if the licensing agreement is terminated in any such event. We will not be able to use the internet domain names of any level containing the word "Kerry" if the licensing agreement is terminated. In addition, our owned or licensed trademarks may be misused by third parties and we may have to incur expenses in protecting these trademarks. Any unauthorised use of the "Kerry" brand, our owned or licensed trademarks or other intellectual property rights could harm our competitive advantage. In the event that we lose the right to use or fail to protect the "Kerry" brand, our owned or licensed trademarks or other intellectual property rights, our business, financial condition and results of operations could be materially and adversely affected.

We may have to incur significant charges for impairment of goodwill.

Goodwill represents the excess of the cost of an acquisition over the fair value of our share of the net identifiable assets of the acquired subsidiary or associate as at the date of acquisition. We typically engage an independent valuer for valuation of goodwill of an acquisition target and attribute purchase price to different categories of intangible assets accordingly. As at 30 June 2013, the carrying balance of our goodwill was HK$1,792.6 million. As required by HKFRSs, we test goodwill annually for impairment. We allocate goodwill to our cash-generating units identified according to the place of operation and determine the recoverable amount of a cash-generating unit based on value-in-use calculations, except for Taiwan in which the recoverable amount is determined based on the excess of fair value less costs to sell. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, we recorded a charge for impairment of goodwill in the amounts of HK$40.4 million, HK$7.3 million, HK$7.0 million and nil, respectively. The impairment of goodwill charged for the year ended 31 December 2010 related primarily to a number of subsidiaries acquired prior to 2008. We determined that goodwill was impaired in 2010 in light of the impact of the global financial crisis on these subsidiaries. Any significant charge for impairment of goodwill in the future could materially and adversely affect our profitability.

Our results of operations include fair value adjustment on investment properties, which is unrealised and could be subject to significant fluctuations.

As at 30 June 2013, we held investment properties with an aggregate carrying amount of HK$6,228.9 million. In accordance with HKFRSs, we reassess the fair value of our investment properties at every balance sheet date based on valuations carried out by independent professional valuers. Such valuations involve the exercise of professional judgement and use certain bases and assumptions, which, by their nature, are subjective and uncertain. These assumptions include, among others, that (i) we have enforceable title to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired terms as granted; and (ii) the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values. See "Financial Information — Critical Accounting Policies — Fair Value of Investment Properties". As such, the valuations may be subject to substantial fluctuations and the actual realisable value upon disposal of our investment properties may be lower than the carrying amount of our investment properties. Unforeseeable factors such as national and local economic conditions may also affect the value of our properties. In particular, the fair value of our investment properties could remain stable or decrease if the market for comparable properties experiences a downturn as a result of economic downturn or for other reasons.

In addition, any gains or losses arising from changes in fair value of investment properties are included in our consolidated income statement in the period in which they arise. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, we recorded an increase in fair value of investment properties in the amounts of HK$176.0 million, HK$130.3 million, HK$265.2 million and HK$458.3 million, respectively, representing 14.9%, 9.5%, 16.0% and 38.1% of profit before taxation, respectively. While these increases in fair value of investment properties contributed a significant part of profit before taxation during the Track Record Period, none of these gains were cash transactions. Any increase or decrease in fair value of investment properties does not change our cash position or liquidity as long as the relevant investment properties are retained by us. Therefore, any increase in fair value of investment properties by itself does not generate a flow of funds from which dividends could be paid. The amount of fair value adjustment has been, and will continue to be, subject to market fluctuations, which could result in significant fluctuations in profit from year to year. Any significant decrease in fair value of investment properties could have a material negative impact on our profitability.

Our ability to pay dividends and utilise cash resources in our subsidiaries and associates is dependent upon the earnings of, and distributions by, our subsidiaries and associates and may be subject to governmental control and restrictions over currency conversion and remittance of currency.

We are a holding company and we conduct substantially all of our business operations through our subsidiaries. We also invest in certain logistics businesses and hold such companies as our associates. Accordingly, our ability to pay dividends is dependent upon the earnings of our subsidiaries and our associates and their distribution of funds to us. The ability of these subsidiaries and associates to make distributions to us is subject to applicable legal and other restrictions, including governmental control and restrictions over currency conversion and remittance of currency out of the countries in which the subsidiaries or associates are located, the amount of distributable earnings, cash flow conditions, restrictions contained in the articles of association of such companies and associates and shareholder arrangements. Any of these restrictions could reduce the amount of distributions that we receive from our subsidiaries and our associates, which would restrict our ability to fund our business operations, pay any debt by the Company and pay dividends to our Shareholders.

We rely on income from our associates in which we do not have a controlling interest.

We derive a significant portion of profit from our interests in our associates. During the Track Record Period, our share of results of our associates principally comprised (i) our share of results of CCT, in which we own a 25% equity interest, and (ii) our share of results of AAT, in which we own a 15% equity interest. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our share of results of our associates was HK$208.8 million, HK$148.5 million, HK$136.4 million and HK$71.6 million, which accounted for 21.4%, 13.2%, 10.1% and 6.8% of our profit for the year or period, or 31.4%, 20.0%, 16.7% and 15.7% of our core net profit for the year or period, respectively. In particular, our share of results of CCT for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 was HK$150.0 million, HK$110.4 million, HK$99.5 million and HK$55.4 million, respectively. We do not have a controlling interest in any of our associates, including CCT and AAT, and their results could be adversely affected by a variety of factors beyond our control. Our share of results of associates, in particular CCT, had declined during the period from 2010 to 2012 and we cannot assure you that our share of results of associates will continue to contribute an equal or higher amount to our profit or at all. Any significant reduction in their contribution to our profit could materially and adversely affect our business, financial condition and results of operations.

Prolonged disruptions of business operations due to work stoppages or strikes could adversely affect our business.

We employ a large workforce, with certain employees in China and Australia being part of labour unions. Industrial action or other labour unrest directed against us or our suppliers, including terminal operators or our overseas agents, could directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to delays in satisfying our client orders and decreases in our revenue. These actions are impossible for us to predict or control. Further, we cannot assure you that labour unrest will not affect general labour market conditions or result in changes to labour laws, which in turn could materially and adversely affect our business, financial condition and results of operations.

Our insurance may be insufficient to cover all losses associated with our business operations.

We procure insurance for our operations against third-party liability, transportation risks, property loss and damage, and workers' compensation for injury and death. Our existing insurance coverage may be insufficient to cover all the risks associated with our business and operations, for example the risks involved in handling pharmaceutical and healthcare products as well as food and beverages. In the case of an uninsured loss or a loss in excess of insured limits, including those caused by natural disasters and other events beyond our control, we may be required to pay for losses, damages and liabilities out of our own funds, which could materially and adversely affect our business, financial condition and results of operations. Even if our insurance coverage is adequate to cover our direct losses, we may not be able to take remedial actions or other appropriate measures. Furthermore, our claim records may affect the premiums which insurance companies may charge us in the future.

We may incur losses as a result of excess capacity of logistics facilities.

We are typically required to provide warehouse capacity for our integrated logistics customers. In order to meet such customer requirements, we maintain our own warehouses and logistics centres as well as lease additional warehousing space from third parties. We maintain or increase our logistics facilities on the basis of actual demand or projections as to future demand for our integrated logistics services. Such projections involve uncertainties, including changes in the economic conditions in the specific industry sector for which the capacity is purchased or maintained and any decision by our customers to terminate or not to renew their contracts with us. If we are not able to use or sell the excess warehouse capacity that we own or lease, we may incur losses and may also be required to record impairments on assets, which could materially and adversely affect our business, financial condition and results of operations.

Major litigation may affect our business.

We are from time to time involved in legal proceedings and are exposed to the possibility of being involved in other major legal proceedings. See the section headed "Business — Legal and Regulatory Matters — Legal Proceedings". If we are unsuccessful in defending any legal proceedings, or are unsuccessful in settling any legal proceedings on commercially reasonable terms, and the damages which we may be liable to pay in respect of such legal proceedings are not covered by our insurance policies, our business, financial condition and results of operations could be materially and adversely affected. In addition, our management's attention could be diverted from the operation of our business in order to defend the legal proceedings in which we are involved, which could also negatively affect our business.

Natural disasters, epidemics, acts of war, terrorist attacks and other events could materially and adversely affect our business.

Natural disasters (such as typhoons, flooding and earthquakes), epidemics, acts of war, terrorist attacks and other events, many of which are beyond our control, may lead to global or regional economic instability, which may in turn materially and adversely affect our business, financial condition and results of operations.

An outbreak or epidemic, such as those of the severe acute respiratory syndrome ("SARS") or the H1N1 and H5N1 viruses, could cause general consumption or the demand for specific products to decline, which could result in reduced demand for our services. Such an outbreak or epidemic may also cause significant interruption to our operations as health or governmental authorities may impose quarantine and inspection measures on our contract carriers or restrict the flow of cargo to and from areas affected by the epidemic. In addition, airplanes, shipping vessels and other transportation vehicles can be targets of terrorist attacks, which could lead to, among other things, increased insurance and security costs. Political tensions or conflicts and acts of war or the potential for war could also cause damage and disruption to our business, which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO COUNTRIES AND TERRITORIES IN WHICH WE OPERATE

The economic, political, legal and social conditions and government policies of the PRC could have a material adverse effect on our business.

We have significant operations in China. For the year ended 31 December 2012 and the six months ended 30 June 2013, our subsidiaries in China accounted for 45.3% and 44.6% of our total revenue, respectively. As at 30 June 2013, our subsidiaries in China accounted for 23.1% of our total non-current assets. Accordingly, our business, financial condition and results of operations are affected by changes in local governmental policies and political and social conditions in China. The economy of China differs from other countries in many respects such as its structure, government involvement, level of development, growth rate, capital investment, allocation of resources, rate of inflation and balance of payments position. The economy of China has been transitioning from a planned economy to a more market-oriented economy and the PRC Government has implemented measures emphasising the utilisation of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of China. We cannot assure you that the PRC Government will continue to pursue a policy of economic reform. In addition, we may be unable to capitalise on the economic reform measures adopted by the PRC Government. Any changes in the political, economic, legal and social conditions in China or the relevant policies of the PRC Government, such as changes in laws and regulations or their interpretation, in particular changes in labour laws which may result in wage increases, inflationary measures, changes in the rate or method of taxation, further foreign exchange restrictions and the imposition of additional import restrictions, could materially and adversely affect our business, financial condition and results of operations.

The introduction of VAT by the PRC Government to replace business tax may subject us to higher tax expenses.

The PRC Government has adopted changes to the tax system to gradually replace the business tax with a new VAT for various service sectors. Pursuant to the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax promulgated by the Ministry of Finance and the State Administration of Taxation of the PRC in 2012 (the "2012 VAT regime"), companies in the transportation sector in certain municipalities and provinces have ceased to be subject to business tax, which was typically charged at a rate of 5% on total sales, and instead are subject to VAT at rates ranging between 6% and 11% charged on the amount of value added during the business process. Our subsidiaries in these municipalities and provinces, including those in Shanghai, Beijing, Anhui, Tianjin, Jiangsu, Fujian (including Xiamen) and Guangdong (including Shenzhen), have been subject to the 2012 VAT regime. Since 1 August 2013, the implementation of the 2012 VAT regime has been extended to cover the whole of China for companies in the transportation sector. Since the nationwide implementation of the VAT regime on companies in the transportation industry is relatively new, it is uncertain how the introduction of VAT will influence the transportation sector, including our suppliers, our competitors, and our subsidiaries and associates in China and the extent to which it will increase our tax expenses. Any significant increase in tax expenses due to the new VAT could materially and adversely affect our results of operations.

We are subject to stringent licensing requirements in China.

We are required to comply with the regulatory requirements to obtain and maintain certain licences and permits in the jurisdictions in which we operate. 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. Licensing authorities in different provinces and cities may apply different licensing criteria and standards, and such criteria and standards may change from time to time. We cannot assure you that the licences and permits applied for or held by us in China will be issued or approved under these regulatory reviews and be replaced or renewed in a timely manner, or at all, or that we will be able to respond successfully to new legal and regulatory requirements in a timely manner, or at all. Furthermore, we may incur significant costs in complying with the conditions for the inspection, approval or renewal of licences and permits in China. In the event that we are unable to successfully complete the reviews on a timely basis or to receive or obtain replacement or renewal of the licences and permits, our business may be suspended in part or in its entirety. In the event that we are fined for non-compliance with regulatory requirements, or if we are unable to obtain necessary permits to provide certain services, or if we are unable to pass on any costs of increased regulation to our customers, our business, financial condition and results of operations could be materially and adversely affected.

We rely on independent third-party employment agencies to provide contract personnel for our operations. We have limited control over these contract personnel and we may be liable for the employment agencies' violations of the applicable PRC labour laws and regulations.

We engage a substantial number of staff through employment agencies on an as-needed basis for our operations across the PRC. We have entered into agreements with these agencies for the engagement of contract personnel. For further details, see the section headed "Business — Employees". Since these contract personnel are not directly employed by us, our control over them is limited. If any contract personnel fail to operate in accordance with our business guidelines, our market reputation, brand image and results of operations could be materially and adversely affected.

Since we depend on the employment agencies to meet our staffing requirements, we rely on them for the performance of their respective obligations under our agreements with them and in accordance with all applicable laws in the PRC. Nevertheless, under the PRC Labour Contract Law, which became effective on 1 January 2008 and was amended on 28 December 2012 (which amendment became effective on 1 July 2013), we may be jointly liable for the employment agencies' failure to comply with all applicable labour laws and regulations concerning the contract personnel provided to us. Accordingly, if the employment agencies violate any relevant requirements under the applicable PRC labour laws, regulations or otherwise, we may incur legal liability and our business, financial condition and results of operations could be materially and adversely affected.

The implementation of the PRC Social Insurance Law may increase our operating expenses and may materially and adversely affect our business, financial condition and results of operations.

The Social Insurance Law of the PRC (the "Social Insurance Law") was promulgated on 28 October 2010 and became effective on 1 July 2011. Pursuant to the Social Insurance Law, companies in the PRC are required to make social insurance contributions for the benefit of their employees. As at 30 June 2013, we had a total of 6,995 employees in China. The implementation of the Social Insurance Law could increase our staff costs and expenses associated with social insurance payable in the PRC and may materially and adversely affect our business, financial condition and results of operations.

We may be adversely affected by inflation in China.

In recent years, the PRC economy has experienced periods of rapid expansion and highly fluctuating rates of inflation. During the past ten years, the rate of inflation in China has been as high as 6.2% and as low as -0.8%, and as at June 2013, the consumer price index in China increased by 2.7% year-over-year, according to the National Bureau of Statistics of China. That has led to the adoption by the PRC Government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may in the future cause the PRC Government to impose controls on credit or prices, or to take other action, which could inhibit economic activity in China, and thereby harm our business and the businesses of our customers, which could materially and adversely affect our business, financial condition and results of operations.

Failure to comply with PRC regulations in respect of the registration of shares granted to our PRC citizen employees may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Implementation Rules of the Administrative Measures for Foreign Exchange for Individuals issued by the State Administration of Foreign Exchange ("SAFE") on 5 January 2007 and the Notice on Issues Concerning the Foreign Exchange Administration of Domestic Individuals' Participation in Equity Incentive Plans of Overseas Listed Companies issued by SAFE on 15 February 2012, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company, to collectively entrust a domestic agent to handle matters such as foreign exchange registration, account opening, funds transfers and remittance, and entrust an overseas institution to handle matters such as the exercise of options, purchases and sales of related stocks, and funds transfer. In addition, the domestic agent shall open a domestic special foreign exchange account with a designated bank. After repatriation of foreign currency income earned by PRC citizens from participation in an employee share option or share incentive plan, the domestic agent must request the bank to transfer the funds from its special foreign currency account to the respective personal foreign currency deposit accounts. We and our PRC citizen employees who were granted Pre-IPO Share Options, Post-IPO Share Options or RSUs will be subject to these requirements upon the Listing. If we or such PRC citizen employees fail to comply with these requirements, we or such PRC citizen employees may be subject to fines and legal or administrative sanctions.

Disruptions in Taiwan's political environment or a deterioration in Taiwan's economic condition could materially and adversely affect our business.

We have significant operations in Taiwan. For the year ended 31 December 2012 and the six months ended 30 June 2013, Taiwan accounted for 10.3% and 10.2% of our total revenue, respectively. As at 30 June 2013, Taiwan accounted for 16.5% of our total non-current assets. Accordingly, our business, financial condition and results of operations may be affected by changes in local governmental policies and political and social instability in Taiwan. Taiwan has a unique international political status. The PRC Government asserts sovereignty over mainland China and Taiwan, and does not recognise the legitimacy of the government of Taiwan. An increase in tensions between Taiwan and China and the possibility of instability and uncertainty could adversely affect the price of the Shares. Relations between Taiwan and the PRC and other factors affecting Taiwan's political environment could affect our business, particularly in Taiwan. Our business, financial condition and results of operations may be affected by changes made by the government of Taiwan in the policies, taxation, inflation and interest rates in Taiwan, as well as general economic conditions in Taiwan.

We face risks associated with our operations in South and Southeast Asia.

We operate in various countries in South and Southeast Asia, including several developing countries with evolving legal frameworks and government policies, such as India, Thailand, Vietnam, Laos, Cambodia and Myanmar. For the year ended 31 December 2012 and the six months ended 30 June 2013, South and Southeast Asia accounted for 12.4% and 14.7% of our total revenue, respectively. As at 30 June 2013, South and Southeast Asia accounted for 17.5% of our total non-current assets. Our business, financial condition and results of operations are subject to risks and uncertainties relating to the relevant countries in which we operate, including:

- exposure to international, regional and local economic and political conditions and regulatory policies;
- changes in legal developments and enforcement risks;
- control of foreign exchange and fluctuations in foreign exchange rate;
- inflation;
- developments in labour law and increase in labour cost;
- restrictions or requirements relating to foreign investment;
- limitations on repatriation of earnings, including withholding and other taxes on remittances and other payments by subsidiaries; and
- compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations.

For example, as a result of territorial and maritime disputes in the South China Sea, diplomatic relations between China and Vietnam as well as the Philippines have been tense from time to time and affected by events surrounding the assertion of sovereignty and territorial claims over the disputed areas, such as maritime confrontation and competing territorial claims. In April 2012, the Philippines was engaged in a standoff with China over a disputed area while, in June 2012, Vietnam criticised China's move to incorporate disputed island groups into a new administrative entity. Any deterioration in relations among any of China, Vietnam and the Philippines could result in the closing of borders, the imposition of trade barriers or a breakdown of diplomatic ties, any of which could have a negative effect on the general trading and economic conditions of these countries, which could negatively affect our business.

The South and Southeast Asian countries in which we operate may continue to undergo changes in political, economic and social conditions, as well as legal developments and government policies. We cannot assure you that any future changes will not materially and adversely affect our business, financial condition and results of operations.

Several countries in which we operate impose restrictions on foreign ownership of businesses. Changes in relevant laws and regulations or policies could materially and adversely affect our business, financial condition and results of operations.

Foreign investors are subject to restrictions on foreign ownership in certain industries in several countries in which we operate, including Thailand, Vietnam and other countries. The governments of these countries and other countries in which we operate may re-evaluate or amend the relevant laws and regulations or policies, and any adverse changes in the laws and regulations or policies, including their application or interpretation, could require us to remove or amend our existing arrangements or reduce our voting or economic interests in any existing or future subsidiaries and associates in these countries. Any such removal, amendment or reduction could affect our ability to successfully implement our business strategies and operate in the relevant countries. Furthermore, we cannot assure you that our subsidiaries or associates will be able to comply with any new restrictions on foreign ownership because compliance may be affected by whether other shareholders are considered domestic or foreign investors, as determined in accordance with the applicable laws and regulations. If foreign ownership restrictions are determined to have been violated, monetary and criminal penalties could be imposed and relevant licences or agreements could be cancelled or voided. Any of these events could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and an active trading market for the Shares may not develop or be sustained.

Prior to the Global Offering, no public market for the Shares existed. Following the completion of the Global Offering, the Hong Kong Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for the Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that the Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares will be determined by agreement among the Joint Global Coordinators (on behalf of the Hong Kong Underwriters and the International Underwriters) and us, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for the Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of the Shares could be materially and adversely affected.

The trading price of the Shares may be volatile, which could result in substantial losses to you.

The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including the general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the trading price performance of other companies offering services related to ours, such as transport, logistics, shipping, aviation or freight companies, may affect the trading price of the Shares. In addition to market and industry factors, the price and trading volume for the Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of the Shares to change substantially. Any of these factors may result in large and sudden changes in the trading volume and price of the Shares.

The interests of our Controlling Shareholders may differ from those of our other Shareholders.

Prior to the completion of the Spin-off, we were a wholly-owned subsidiary of KPL, and KPL and KGL were our Controlling Shareholders. Immediately following the Spin-off and the issuance of Shares pursuant to the RSU Scheme, the Controlling Shareholders will together own approximately 67.65% of our issued share capital, assuming the Over-allotment Option is not exercised (or approximately 66.35%, if the Over-allotment Option is exercised in full), but without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options. For details, please refer to page 143 of this prospectus. Our Controlling Shareholders may be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders' meetings on matters that are significant to us and our other Shareholders. The interests of the Controlling Shareholders may not be the same as, and may differ from, the interests of our other Shareholders. Accordingly, the Controlling Shareholders may take actions that favour their own interests over our interests or those of our other Shareholders.

Since there will be a gap of several days between pricing and trading of the Shares, holders of our Shares are subject to the risk that the price of the Shares could fall during the period before trading of the Shares begins.

The Offer Price of the Shares is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be seven days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the price of the Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Any sale of a substantial amount of the Shares in the public market, or the perception that such sale may occur in the near future, could materially and adversely affect the market price of the Shares.

We cannot assure you that, after the expiry of the restrictions in respect of their lock-up undertakings, the Controlling Shareholders will not dispose of any Shares that they may own now or in the future. See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering". It is also uncertain if KPL's shareholders who receive our Shares from the Distribution will continue to hold the Shares after the Listing and, if so, how long they will continue to do so. Any sale of a substantial amount of the Shares in the public market after the completion of the Global Offering, or the perception that these sales may occur in the near future, could negatively affect the market price of the Shares. Such sale or perception could also materially impair our ability to raise capital through offerings of additional Shares in the future.

The availability of Shares for sale in the future could reduce the market price of the Shares.

In the future, we may issue additional Shares, or securities convertible into the Shares, to raise capital. We may also acquire interests in other companies by issuing Shares, or using a combination of cash and Shares. Any of these events may dilute your ownership interest in our Company and could negatively affect the market price of the Shares.

Because the Offer Price of the Shares is higher than our net tangible book value per Share, purchasers of the Shares in the Global Offering will experience immediate dilution.

If you purchase Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, you will experience an immediate dilution of approximately HK$4.02 per Share, representing the difference between our pro forma net tangible book value per Share as at 30 June 2013, after giving effect to the Global Offering, and the assumed initial public offering price of HK$9.50 per Share (being the midpoint of the estimated Offer Price range of HK$8.80 and HK$10.20 per Offer Share).

The laws of Bermuda relating to the protection of the interests of minority shareholders may differ from the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by the Memorandum of Continuance, the Bye-laws, the Companies Act, and the common law of Bermuda, which is derived in part from relatively limited judicial precedents in Bermuda as well as from English common law which has persuasive, but not binding, authority on a court in Bermuda. The laws of Bermuda relating to the protection of the interests of minority shareholders may differ in certain respects from those established under the statutes or judicial precedents in Hong Kong or other jurisdictions. The rights of Shareholders and the fiduciary duties of our Directors under Bermuda law may not be as clearly established as they would be under the statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located. In particular, Bermuda has a relatively less developed body of securities laws. Accordingly, minority Shareholders may have different protection than they would have under the laws of Hong Kong or other jurisdictions. See "Appendix IV — Summary of the Constitution of the Company and Companies Act" for a summary of the applicable Bermuda laws.

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various public data sources and other independent third-party sources contained in this prospectus.

Certain facts, forecasts and other statistics relating to the logistics industry contained in this prospectus have been derived from various public data sources and other independent third-party sources, including the Armstrong Report, and generally are believed to be reliable. However, we cannot guarantee the accuracy or completeness of such information. These facts, forecasts, and other statistics have not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, their respective directors and advisers or any other parties involved in the Global Offering and none of them makes any representation as to the accuracy or completeness of such information. Furthermore, such facts, forecasts, and other statistics may not be prepared on a comparable basis or may not be consistent with other sources. For these reasons, you should not place undue reliance on such information as a basis for making your investment in the Shares.

You should not place any reliance on any information contained in press articles, research analysts' reports or other media regarding us and the Global Offering.

You should not place any reliance on any information contained in press articles, reports of research analysts or other media regarding us and the Global Offering. There has been prior to the date of this prospectus, and there may be, after the date of this prospectus, press, media and research analyst coverage regarding us and the Global Offering which cited certain financial information, financial projections, valuations and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage, any research report or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, you should not rely on any such information.

Issuer	Kerry Logistics Network Limited.
Global Offering	Global Offering of initially 216,071,500 Offer Shares comprising (i) the Hong Kong Public Offering of initially 21,607,500 Offer Shares (subject to reallocation and including 2,160,500 Employee Reserved Shares) and (ii) an International Placing of initially 194,464,000 Offer Shares (subject to reallocation and excluding the additional Shares to be offered pursuant to the exercise of the Over-allotment Option).
Offer Price range	HK$8.80 to HK$10.20.
Board Lot	500 Shares.
Stock borrowing arrangements	The Stabilising Manager or any person acting for it may borrow from KPL up to 32,410,500 Shares, representing 15% of the number of Offer Shares initially available under the Global Offering.
Shares outstanding upon completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme	1,657,364,112 Shares (assuming the Over-allotment Option is not exercised) or 1,689,774,612 Shares (assuming the Over-allotment Option is exercised in full) both without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options.
Lock-up undertakings by the Controlling Shareholders	See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering".
Dividend policy	See the section headed "Financial Information — Dividend Policy and Distributable Reserves".
Voting rights	Each Share entitles its holder to one vote at the Shareholders' meeting. See the section headed "Appendix IV — Summary of the Constitution of the Company and Companies Act".

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 21,607,500 Offer Shares and the International Placing of initially 194,464,000 Offer Shares (subject, in each case, to reallocation on the basis set out in the section headed "Structure and Conditions of the Global Offering").

The listing of our Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or about the Price Determination Date, subject to determination of the Offer Price. Further information regarding the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting".

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, is set out in the section headed "Structure and Conditions of the Global Offering", and the procedures for applying for our Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or around 12 December 2013, and in any event no later than 18 December 2013.

If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before 18 December 2013, or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Shares to, confirm that he is aware of the restrictions on offers and sales of the Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares may not be publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued by us pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued upon the exercise of the Pre-IPO Share Options and the Post-IPO Share Options and pursuant to the RSU Scheme.

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on 19 December 2013. Except as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Hong Kong Stock Exchange or any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Share Register of our Company in order to enable them to be traded on the Hong Kong Stock Exchange.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Hong Kong Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangement relating to the Over-allotment Option and stabilisation are set out in the section headed "Underwriting".

HONG KONG SHARE REGISTER AND HONG KONG STAMP DUTY

Our Company's principal register of members will be maintained by our Principal Share Registrar, Appleby Management (Bermuda) Ltd., in Bermuda. All of the Shares issued pursuant to the Global Offering will be registered on the Company's Hong Kong Share Register to be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong. Dealings in the Shares registered in our Company's Hong Kong Share Register will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong Share Register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" and on the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering".

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, governmental authorities, laws, regulations, licences, permits and the like are unofficial translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amount and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and an exemption from compliance with the Companies Ordinance:

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME

Under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, this prospectus is required to include, among other things, details regarding the number, description and amount of any of our Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon the Listing, as well as the impact on the earnings per Share arising from the exercise of such outstanding options under the Pre-IPO Share Option Scheme. We granted Pre-IPO Share Options to approximately 278 persons ("Grantees") to subscribe for 42,770,000 Shares on the terms set forth in the section headed "Appendix VII — Statutory and General Information — F. Pre-IPO Share Option Scheme". These include eight Grantees who are Directors, nine Grantees who are members of the senior management of our Group and 60 connected persons of our Group (collectively, the "Disclosed Grantees") and the remaining Grantees are other employees of the Group ("Other Grantees"). Except as disclosed in the section headed "Appendix VII — Statutory and General Information — F. Pre-IPO Share Option Scheme", no Grantee under the Pre-IPO Share Option Scheme is a Director or a member of the senior management or a connected person of our Group.

We have applied for (i) a waiver from strict compliance with the requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance in connection with the disclosure of certain details relating to the Pre-IPO Share Options and certain Grantees under the Pre-IPO Share Option Scheme. In light of the requirements under the relevant regulations described above, we have made the following submissions to the Hong Kong Stock Exchange and the SFC:

- The Pre-IPO Share Options are granted to a total of eight Directors, nine members of the senior management, 60 connected persons of our Group and 201 Other Grantees. Our Directors consider that it would be unduly burdensome to disclose full details of all the Pre-IPO Share Options granted by us in the prospectus, which would involve more than 20 pages of content to be inserted into the prospectus, significantly increasing the cost and timing for information compilation, prospectus preparation and printing.

- Disclosure of full details of all Pre-IPO Share Options in this prospectus would expose us to increased risks of internal conflicts and could have an adverse impact on the morale among the Grantees of the Pre-IPO Share Options.

- Disclosure of key information of the Pre-IPO Share Options granted to Directors, members of the senior management, connected persons of our Group and Other Grantees in the section headed "Appendix VII — Statutory and General Information — F. Pre-IPO Share Option Scheme" is sufficient to provide potential investors with information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the Pre-IPO Share Options in their investment decision making process.

- For the Other Grantees, there will be full disclosure on all Pre-IPO Share Options granted to them on an aggregate basis, including (a) the aggregate number of Other Grantees; (b) the number of Shares underlying the Pre-IPO Share Options; (c) the consideration paid for the Pre-IPO Share

Options; (d) the exercise period of each Pre-IPO Share Option; and (e) the exercise price of the Pre-IPO Share Options. None of the Other Grantees was granted Pre-IPO Share Options for more than 350,000 Shares under the Pre-IPO Share Option Scheme.

- A waiver and exemption from the applicable disclosure requirements under the Listing Rules and the Companies Ordinance will not hinder potential investors from making an informed assessment of our activities, assets and liabilities, financial position, management and prospects and the interest of public investors will not be prejudiced.

- The grant and exercise in full of the Pre-IPO Share Options will not cause any material adverse change in our financial position.

The Hong Kong Stock Exchange has granted the waiver to us, subject to the conditions that:

- a certificate of exemption from strict compliance with the relevant Companies Ordinance requirements be granted by the SFC and the particulars of the exemption be disclosed in this prospectus;

- on an individual basis, full details of all the Pre-IPO Share Options granted by our Company to the Directors, senior management and connected persons of our Group, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, be disclosed in this prospectus;

- in respect of the Pre-IPO Share Options granted by our Company to the Other Grantees, the following details be fully disclosed in this prospectus:

  (1) the aggregate number of the Other Grantees;

  (2) the number of Shares subject to such Pre-IPO Share Options and the percentage of our Company's total issued share capital represented by such Shares;

  (3) the consideration paid for the grant of such Pre-IPO Share Options;

  (4) the exercise period of the Pre-IPO Share Options; and

  (5) the exercise price for the Pre-IPO Share Options;

- the dilution effect and impact on earnings per Share upon full exercise of the Pre-IPO Share Options be disclosed in this prospectus;

- the aggregate number of Shares subject to the outstanding Pre-IPO Share Options and the percentage of our Company's issued share capital of which such number represents be disclosed in this prospectus;

- a summary of the Pre-IPO Share Option Scheme be disclosed in this prospectus; and

- a full list of all the Grantees (including the Other Grantees) who have been granted Pre-IPO Share Options, containing all details as required under Rule 17.02(1)(b), paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance be made available for public inspection in accordance with "Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection".

The SFC has granted a certificate of exemption under section 342A of the Companies Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, subject to the conditions that:

- on an individual basis, full details of all the Pre-IPO Share Options granted by our Company to the Disclosed Grantees be disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;

- in respect of the Pre-IPO Share Options granted by our Company to the Other Grantees, the following details be disclosed in this prospectus:

  (1) the aggregate number of Grantees and number of Shares subject to the Pre-IPO Share Options;

  (2) the consideration paid for the grant of the Pre-IPO Share Options; and

  (3) the exercise period and the exercise price for the Pre-IPO Share Options;

- a full list of all the Grantees (including the Disclosed Grantees), containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, be made available for public inspection in accordance with "Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection"; and

- the particulars of such exemption be disclosed in this prospectus.

Further details of the Pre-IPO Share Option Scheme are set forth in the section headed "Appendix VII — Statutory and General Information — F. Pre-IPO Share Option Scheme".

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules following the completion of the Global Offering. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver in respect of certain non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waiver are set forth in the section headed "Connected Transactions".

WAIVER IN RESPECT OF EMPLOYEE PREFERENTIAL OFFERING

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 10.03 of the Listing Rules in relation to the participation in the Employee Preferential Offering by Directors and their associates who are Eligible Employees (the "Eligible Directors and Associates") on the conditions that, among other things, the Hong Kong Offer Shares are being offered to such Eligible Directors and Associates on a preferential basis in their capacity as Eligible Employees (rather than in their capacity as Directors and their associates) and that no preferential treatment will be given to Eligible Directors and Associates in the allocation of Hong Kong Offer Shares under the Employee Preferential Offering.

Although the Eligible Directors and Associates who are Eligible Employees will be eligible to apply for Offer Shares pursuant to the Employee Preferential Offering, the allocation of Offer Shares to such Eligible Directors and Associates will not affect the ability of our Company to satisfy the minimum public float percentage prescribed by the Listing Rules.

DIRECTORS

Name	Address	Nationality
Executive Directors		
YEO George Yong-boon (楊榮文)	Flat 1, 6/F, Tavistock 10 Tregunter Path Hong Kong	Singaporean
MA Wing Kai William (馬榮楷)	1/F, 89 Tai Hang Road Jardine's Lookout Hong Kong	Chinese
ERNI Edwardo (陳錦賓)	Flat H, 27/F, Tower 12, Carmel Cove 1 Kin Tung Road Caribbean Coast, Tung Chung New Territories Hong Kong	Chinese
KUOK Khoon Hua (郭孔華)	35A Deep Water Bay Road Hong Kong	Malaysian
Non-executive Director		
QIAN Shaohua (錢少華)	Flat A, 17/F, Victoria Heights 43A Stubbs Road Wanchai Hong Kong	Chinese
Independent Non-executive Directors		
WONG Yu Pok Marina (黃汝璞)	Flat 3B, Tower 2 1 Po Shan Road Hong Kong	British
WAN Kam To (尹錦滔)	Flat A, 23/F, The Colonnade 152 Tai Hang Road Hong Kong	Chinese
YEO Philip Liat Kok	55 West Coast Park Singapore 0512	Singaporean

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators *(in alphabetical order)*	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Citibank Tower Citibank Plaza, 3 Garden Road Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Joint Sponsors *(in alphabetical order)*	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Citibank Tower Citibank Plaza, 3 Garden Road Hong Kong
	HSBC Corporate Finance (Hong Kong) Limited 1 Queen's Road Central Hong Kong
	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

Joint Bookrunners *(in alphabetical order)*	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong
	CIMB Securities Limited Unit 7706-08 Level 77 International Commence Centre 1 Austin Road West Kowloon Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Citibank Tower Citibank Plaza, 3 Garden Road Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Joint Lead Managers *(in alphabetical order)*	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong
	CIMB Securities Limited Unit 7706-08 Level 77 International Commence Centre 1 Austin Road West Kowloon Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Citibank Tower Citibank Plaza, 3 Garden Road Hong Kong
	DBS Asia Capital Limited 17/F, The Center 99 Queen's Road Central Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Mizuho Securities Asia Limited
12/F, Chater House
8 Connaught Road Central
Hong Kong

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Legal advisers to our Company

As to Hong Kong and U.S. laws:
Davis Polk & Wardwell
The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law:
Tian Yuan Law Firm
10/F, CPIC Plaza
28 Fengsheng Lane
Xicheng District, Beijing 100032
China

As to Bermuda law:
Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Underwriters

As to Hong Kong law:
Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

As to U.S. law:
Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
Central
Hong Kong

As to PRC law:
Jia Yuan Law Offices
F408, Ocean Plaza
No. 158 Fu Xing Men Nei Avenue
Xicheng District, Beijing 100031
China

Auditor and reporting accountant	PricewaterhouseCoopers *Certified public accountants* 22/F, Prince's Building Central Hong Kong
Independent industry consultant	Armstrong & Associates, Inc. 100 Business Park Circle, Suite 202 Stoughton, Wisconsin 53589 United States
Property valuer	DTZ Debenham Tie Leung Limited 16/F, Jardine House 1 Connaught Place Central Hong Kong
Receiving banks	Bank of China (Hong Kong) Limited 1 Garden Road, Central Hong Kong The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong Standard Chartered Bank (Hong Kong) Limited 13th Floor 4-4A Des Voeux Road Central Hong Kong
Compliance adviser	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

Registered office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Corporate headquarters and principal place of business in Hong Kong	16/F, Kerry Cargo Centre 55 Wing Kei Road Kwai Chung New Territories Hong Kong
Company's website	www.kerrylogistics.com (The contents on this website do not form part of this prospectus)
Company Secretary	LEE Pui Nee *(ACIS, ACS)* Flat H, 27/F, Block 23 Park Island, Ma Wan New Territories Hong Kong
Audit and Compliance Committee	WONG Yu Pok Marina (Chairman) WAN Kam To QIAN Shaohua
Remuneration Committee	WAN Kam To (Chairman) YEO George Yong-boon MA Wing Kai William YEO Philip Liat Kok WONG Yu Pok Marina
Nomination Committee	YEO George Yong-boon (Chairman) YEO Philip Liat Kok WONG Yu Pok Marina
Authorised Representatives	MA Wing Kai William 1/F, 89 Tai Hang Road Jardine's Lookout Hong Kong ERNI Edwardo Flat H, 27/F, Tower 12, Carmel Cove 1 Kin Tung Road Caribbean Coast, Tung Chung New Territories Hong Kong

	LEE Pui Nee (Alternate Representative) Flat H, 27/F, Block 23 Park Island, Ma Wan New Territories Hong Kong
Principal Share Registrar and transfer office	Appleby Management (Bermuda) Ltd. Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Hong Kong Share Registrar	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road, Central Hong Kong The Bank of Tokyo-Mitsubishi UFJ, Ltd. 8/F, AIA Central 1 Connaught Road Central Hong Kong Mizuho Bank Ltd. Hong Kong Branch 17/F Two Pacific Place 88 Queensway Hong Kong Standard Chartered Bank (Hong Kong) Limited 13th Floor 4-4A Des Voeux Road Central Hong Kong

Certain information contained in this section and elsewhere in this prospectus has been derived from various public sources or extracted from the Armstrong Report, which is a commissioned report prepared by Armstrong for the purposes of this prospectus. Except for the Armstrong Report, which is commissioned by us, none of us, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers or the Underwriters has commissioned any third-party sources to prepare any information for the purposes of this prospectus. We believe that the sources of the information in this section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or that any fact has been omitted that would render such information misleading. In addition, we believe there is no adverse change in market information since the date of the Armstrong Report which may qualify, contradict or have an impact on such information. However, such information has not been independently verified by us or any of our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers or the Underwriters and no representation is given as to its accuracy. Such information may not be consistent with the information compiled by other sources.

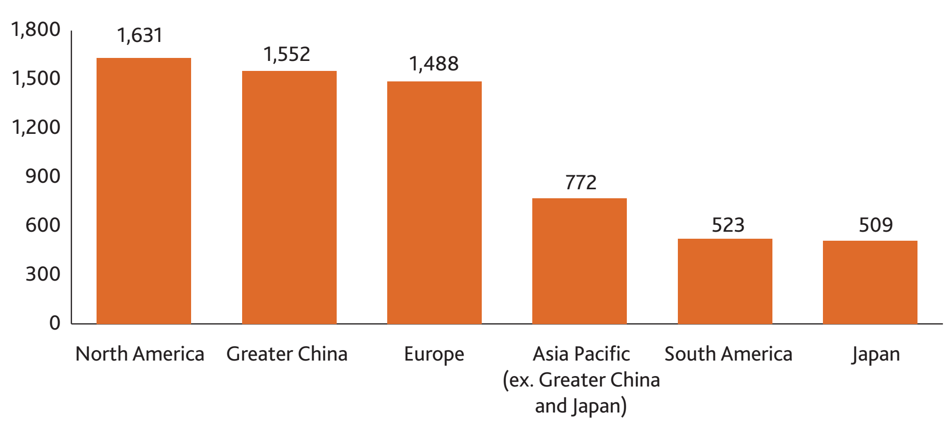
THE GLOBAL LOGISTICS MARKET

Logistics Spend by Region

Globally, Asia Pacific was the largest logistics market in 2012, accounting for 34% of total global logistics spend and 36% of third-party logistics global spend. The logistics spend in Asia (excluding Japan) was estimated at US$2.3 trillion in 2012, the largest among all regions. The majority of this spend was in Greater China which was estimated at US$1.6 trillion with Asia Pacific (excluding Greater China and Japan) at US$0.8 trillion. For a single country, China's logistics spend was the highest in the world at US$1.5 trillion in 2012, compared to US$1.3 trillion for the United States, and was equivalent to more than half of the total Asia Pacific region.

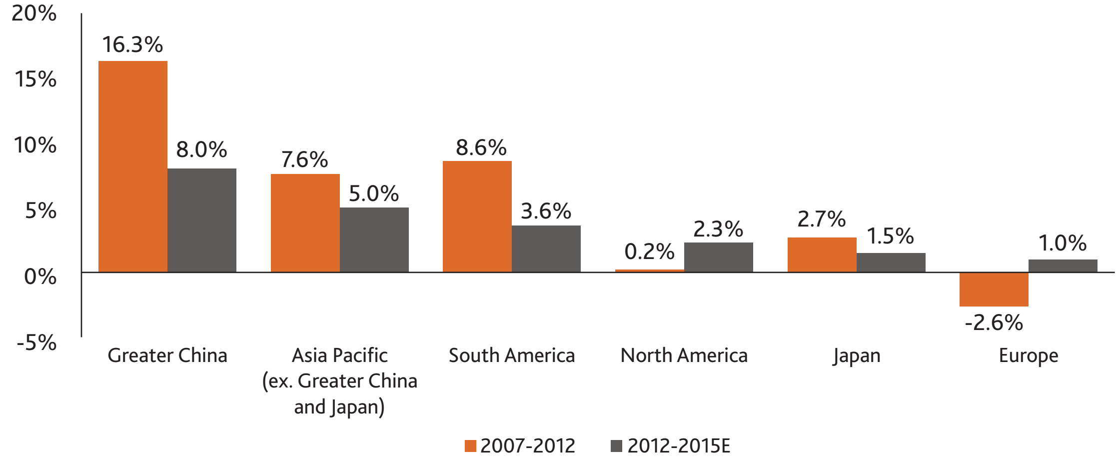
The following charts show the total logistics spend (including both third-party and in-house spend) by major region in 2012 and the historical and projected growth of logistics spend by major region:

2012 Logistics Spend by Major Region (US$ in Billions)



Source: Armstrong Report

Logistics Spend Growth (CAGR by Major Region)



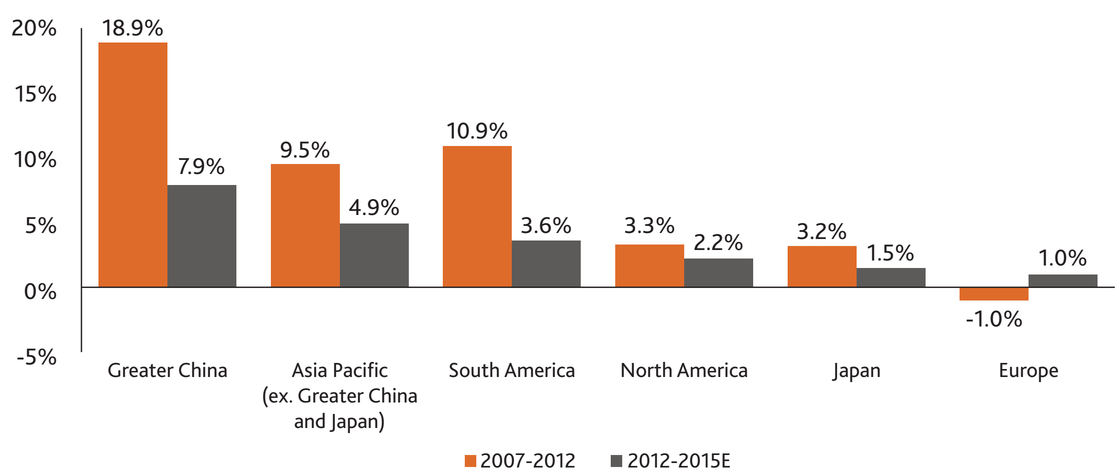
Source: Armstrong Report

Key Drivers of Greater China and Asia Pacific Growth

Greater China and Asia Pacific (excluding Greater China and Japan) are expected to be the fastest growing regions in terms of logistics spend during the period from 2012 to 2015. According to the Armstrong Report, this is expected to be primarily driven by strong growth in private domestic consumption of general merchandise, including a range of fast-moving consumer goods for daily consumption, as well as luxury items. This growth reflects a number of factors including strong economic growth, encouraging demographics, sustained urbanisation and growth of the middle-class.

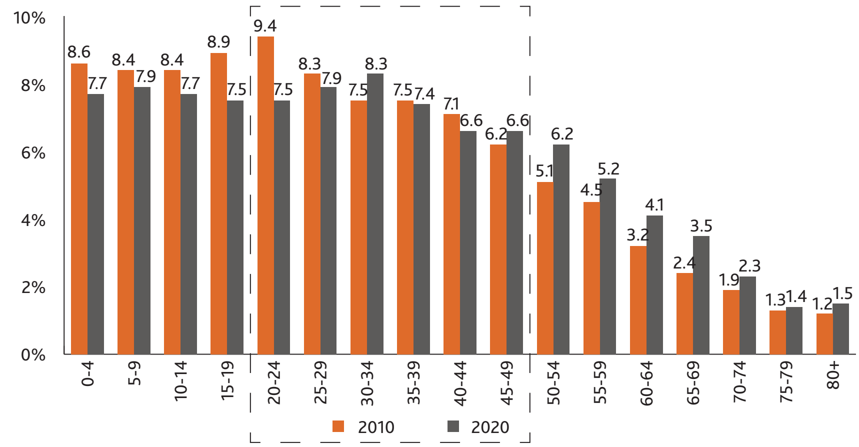
The following charts show the historical and projected GDP growth by major region and Asia's population distribution:

GDP Growth (CAGR by Major Region)



Source: Armstrong Report

2010 and 2020 Asia's Population Distribution (Age Group % of Total Population)

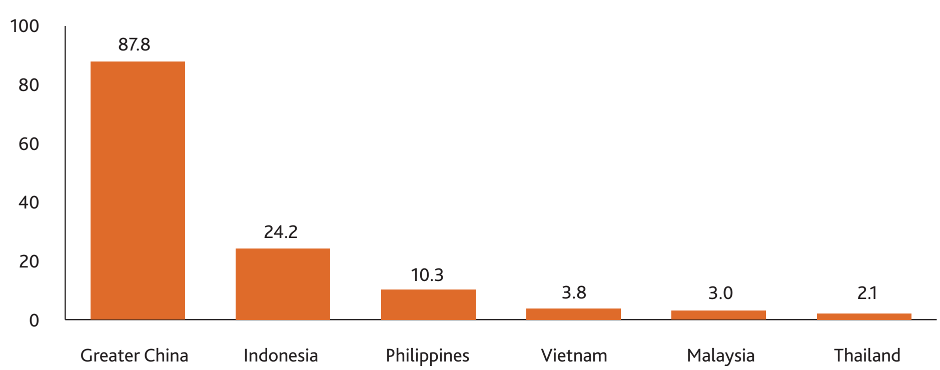


Source: United Nations, Development of Economics and Social Affairs

Growth in GDP and demand for logistics are expected to be fastest in Greater China and Asia Pacific (excluding Greater China and Japan) from 2012 to 2015 and are expected to be supported by spending momentum from Asia, which has a young population, according to the Armstrong Report. In 2010, approximately 45% of Asia's 4.2 billion people were aged 20-49, an age group that tends to have the highest disposable income and spending capacity. This percentage will remain largely unchanged between 2010 and 2020. Within Asia, China is a key market given its large population and government policies aimed at ongoing economic and infrastructure development to promote internal consumption.

The following chart shows the projected growth in urban population by selected region and country:

2012-2017 Growth in Urban Population (Number of People in Millions)

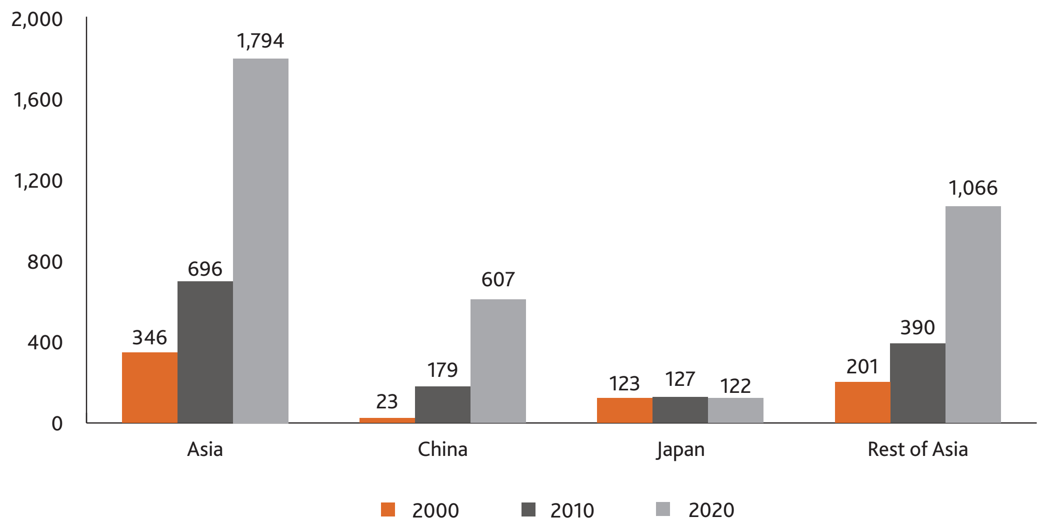


Source: EIU

Economic growth, demand for labour in cities and improvements in infrastructure are expected to drive the ongoing trend to urbanisation in Asia. According to the Armstrong Report, it is estimated that approximately 87.8 million more people will move from rural to urban centres in Greater China between 2012 and 2017. Other Asian countries are also expected to experience an ongoing migration from rural to urban locations.

The following chart shows the historical and projected size of middle class population in Asia:

Middle Class Population in Asia (Number of People in Millions)



Source: The Boao Review

Note: Middle class is defined as those households with daily expenditure between US$10 and US$100 per person in constant 2005 purchasing power parity terms.

Asia and China have experienced rapid growth of the middle class. In 2000, approximately 346 million people in Asia and 23 million people in China were considered middle class. By 2010, the middle class had grown to 696 million people and 179 million people in Asia and China, respectively. An additional 1,098 million and 428 million people will be expected to enter the middle class in Asia and China, respectively, by 2020. This is expected to drive sales volumes in retail markets and increase the number of people who can afford to buy high-end luxury products.

THIRD-PARTY LOGISTICS MARKET

Overview

Logistics involves the movement and storage of goods between different locations from origin suppliers to intermediate points, and eventually to end users. In the logistics industry, logistics service providers generally focus on two primary service functions: transportation by different modes (such as ground, ocean, air and rail) and warehousing (storage, consolidation/deconsolidation and cross docking).

Traditionally, companies outsourced functions to third-party logistics service providers in order to reduce costs, gain operational efficiencies, and focus on core competencies in manufacturing. Beginning in the early 1990s, there was a significant increase in off-shoring of manufacturing operations and a shift from domestic supply chains with domestic logistics management needs to global supply chains with international logistics needs. Doing business globally is more complex and requires increased regional and local market expertise in managing transportation and warehousing and adhering to governmental regulations. These increases in supply chain complexity have driven many companies to engage the help of third-party logistics service providers as logistics and regulatory specialists. In turn, third-party logistics service providers with expertise in international transportation management and warehousing and distribution are providing economies with the operational "backbone" for global trade.

According to the Armstrong Report, the key competitive factors differentiating third-party logistics service providers include supply chain management systems capabilities, operations management skills, and logistics engineering expertise. Most tier-one third-party logistics service providers have implemented integrated systems platforms to support global transportation and warehouse management operations. These platforms offer internet visibility and exception handling capabilities combined with transportation management functionality for the daily management of orders, customer inventory, and the optimisation of thousands of shipments across large geographical areas. The same third-party logistics service providers can run value-added warehousing operations, perform supply chain network analysis and design, and manage call centre and fulfilment operations.

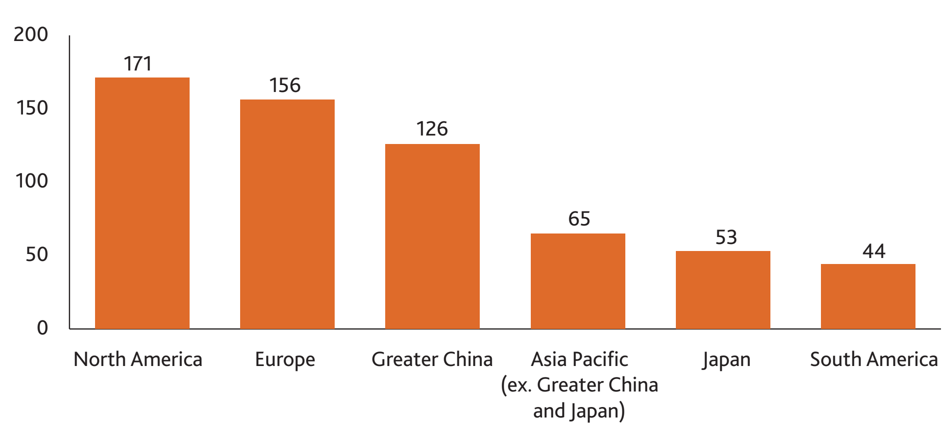
According to the Armstrong Report, third-party logistics service providers engaged in international transportation management (including freight forwarding and NVOCC) ("ITM") have a core competency in freight forwarding and often offer a host of additional value-added services. They traditionally act as intermediaries arranging for international and related domestic transportation between their customers and transportation providers. ITM third-party logistics service providers arrange and oversee all aspects of the transportation of products and materials, from origin to destination, by ground, ocean, air and rail. An ITM third-party logistics service provider typically arranges to pick up goods from a shipper, consolidate shipments, procure transportation, and provide ancillary value-added services including preparation and submission of documentation, customs and other clearance processes, and warehousing and auditing of shipments. In addition, they will have systems for tracking and tracing shipments and automating processes with customs officials. Typically, ITM is non-asset based.

According to the Armstrong Report, third-party logistics service providers engaged in value-added warehousing and distribution ("VAWD") manage customers' warehousing and related transportation management needs. These services are typically performed under multi-year contracts in which the third-party logistics service providers' systems and staff take over responsibility of critical logistics functions. Responsibilities often include managing and optimising warehousing operations, transport routes and providers – whether inbound, outbound or dealing with aftermarket returns – kitting and sequencing unassembled parts, providing support during manufacturing, picking and packing finished goods, and providing quality control and other value-added services.

Third-Party Logistics Spend and Growth Rates Analysis

The following chart shows the total revenue of third-party logistics service providers by major region in 2012:

2012 Third-Party Logistics Revenue by Major Region (US$ in Billions)

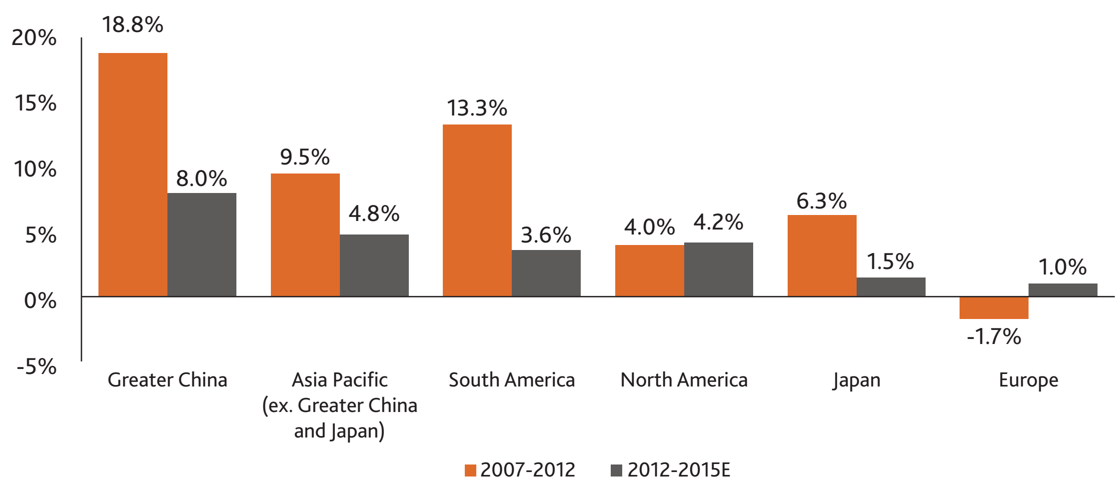


Source: Armstrong Report

The geographic regions with the highest third-party logistics revenue spend and the highest third-party logistics growth rates are Greater China and Asia Pacific (excluding Greater China and Japan), where the growth has traditionally been driven by companies outsourcing or off-shoring manufacturing to lower cost countries. While this trend still continues in Myanmar, Malaysia, Indonesia, Vietnam and Cambodia, and to a lesser extent in China, Thailand, the Philippines and Singapore, increasing domestic consumption and demand for products are driving the need for modern distribution networks in the Asia Pacific region. According to the Armstrong Report, the emphasis is shifting away from export trade and ocean or air freight forwarding to intra-regional ground distribution, and third-party logistics service providers providing value-added warehousing and distribution services in these countries are experiencing significant growth.

The following chart shows the historical and projected growth of total revenue of third-party logistics service providers by major region:

Third-Party Logistics Revenue Growth (CAGR by Major Region)



Source: Armstrong Report

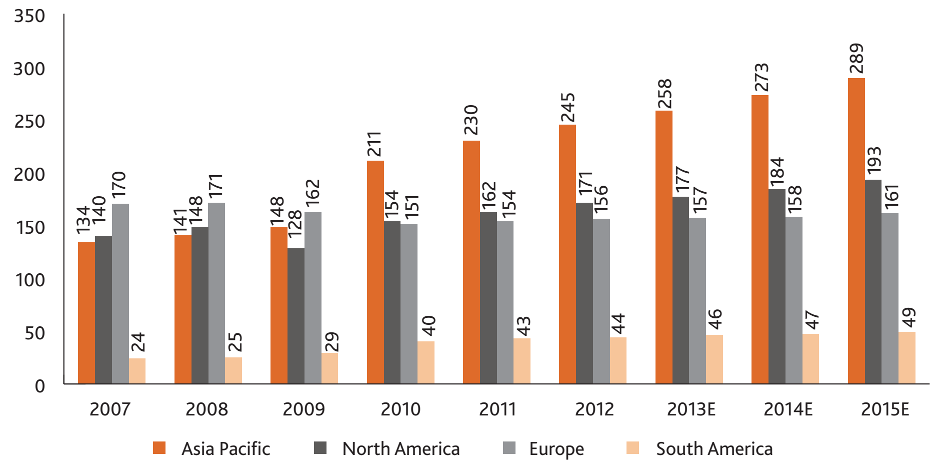
According to the Armstrong Report, third-party logistics penetration of the total potential U.S. third-party logistics market is estimated at 21%, up from 10% in 2002. This compares to current third-party logistics market penetration rates of 22% in Europe and only 16% in Asia Pacific. As a result, the underlying structural market dynamics are good and will support the trend for continued outsourcing to third-party logistics service providers in Asia. In combination with its above-average economic growth, Asia is expected to continue to realise above-average growth rates for third-party logistics, according to the Armstrong Report.

Major Region Third-Party Logistics Market Growth Trends

In Asia Pacific, third-party logistics has been growing at over 14% annually since 2006. Throughout the 1990s and early 2000s, the growth tended to be ITM focused. However, in the last five years there has been increased focus on domestic VAWD to address consumer spending growth and the resultant demand for goods in developing countries including China, Indonesia, India, Singapore, and Thailand.

The following chart shows the historical and projected total revenue of third-party logistics service providers by major region:

Third-Party Logistics Revenue by Major Region (US$ in Billions)

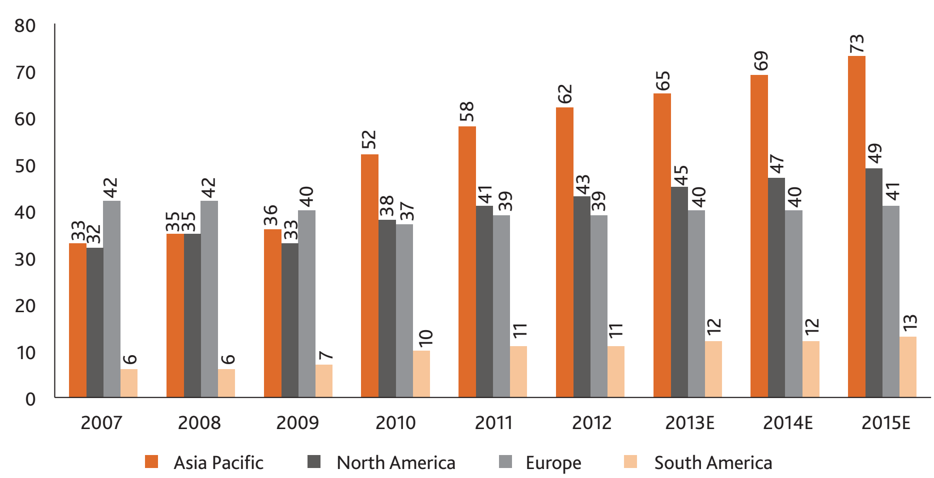


Source: Armstrong Report

In 2012, the Asia Pacific third-party logistics market, at US$245 billion, was 40% larger than the third-party logistics market in each of North America and Europe. According to the Armstrong Report, it is anticipated to reach US$289 billion in 2015 and achieve a projected above-average CAGR of 10.1% from 2007 through 2015. Its growth profile exceeds the growth profile of North America, South America, and Europe, at CAGRs of 4.1%, 9.4%, and -0.7%, respectively, for the same period.

The following chart shows the historical and projected VAWD revenue of third-party logistics service providers by major region:

Value-Added Warehousing and Distribution Revenues by Major Region (US$ in Billions)

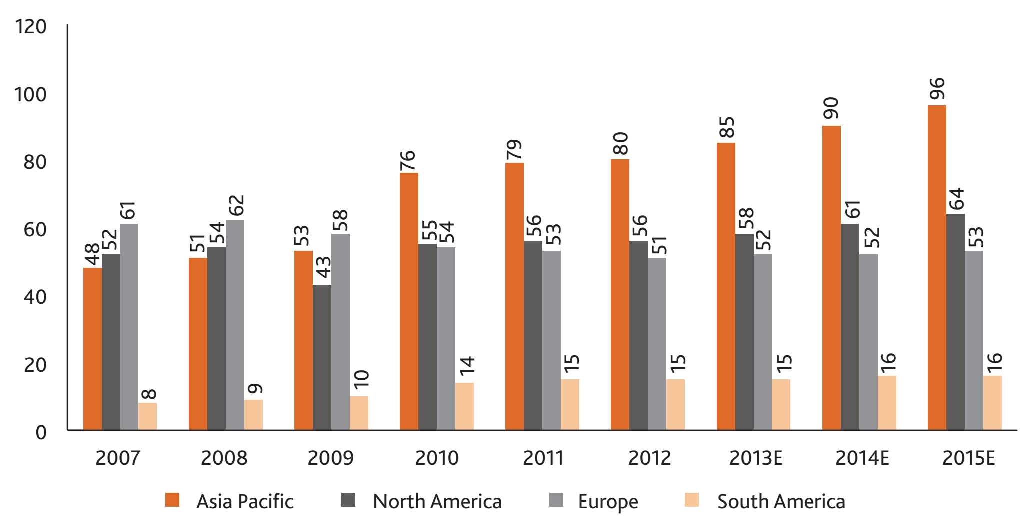


Source: Armstrong Report

Within the specific third-party logistics market segment of VAWD, the Asia Pacific VAWD market grew to US$61.6 billion in 2012 and is expected to surpass US$73 billion in 2015. With increased regional and interregional consumer demand for goods, VAWD is the fastest growing third-party logistics segment within Asia Pacific. According to the Armstrong Report, segment growth in Asia Pacific is projected to grow at an above-average CAGR of 10.4% from 2007 through 2015. Furthermore, its VAWD growth exceeds the VAWD growth of North America, South America, and Europe at CAGRs of 5.4%, 10.4% and -0.3%, respectively, for the same period.

The following chart shows the historical and projected ITM revenue of third-party logistics service providers by major region:

International Transportation Management Revenue by Major Region (US$ in Billions)



Source: Armstrong Report

In Asia Pacific, ITM grew to US$80 billion in 2012 and is expected to surpass US$95 billion in 2015, according to the Armstrong Report. Even with more moderate recent growth in exports from Asia to the United States and Europe, Asia Pacific has a projected above-average CAGR of 9.1% from 2007 through 2015, according to the Armstrong Report. Its ITM segment growth exceeds the ITM segment growth of North America, South America, and Europe at CAGRs of 2.6%, 8.4% and -1.8%, respectively, for the same period.

THE GREATER CHINA AND ASEAN LOGISTICS MARKET COMPETITIVE ANALYSIS

PRC Logistics and Third-Party Logistics Trends

China's Twelfth Five-Year plan approved in March 2011 includes the following objectives which support third-party logistics market growth:

- To accelerate the establishment of a social, professional, information-based modern logistics system, aggressively develop third-party logistics, prioritise the integration and use of existing logistics resources, support the construction and linking-up of the logistics infrastructure, improve logistics efficiency, and reduce logistics costs;

- To promote agricultural products, bulk mineral products, key industrial areas, and other fields important to the development of logistics;

- To optimise the development of regional distribution systems and support the orderly development of logistics parks and other cluster areas of logistics; and

- To promote the development of modern logistics management and improve the sophistication and standardisation of logistics.

In developed countries such as the United States, Hong Kong, Japan, and Singapore, transportation infrastructure is relatively homogenous, allowing goods to be efficiently transported throughout the country. In contrast, China's vast disparity in the quality of urban versus rural transportation infrastructure makes managing logistics more complicated and costly.

Without good transportation infrastructure, transportation costs are higher. In addition, warehousing and inventory carrying costs are higher due to the need to maintain higher levels of inventory closer to demand because of longer delivery cycle times.

In the long-term with governmental support, improved road and rail infrastructure is well positioned to greatly reduce China's overall logistics costs as a percentage of GDP from its current 18% to the 8.5 to 9% range seen in developed countries. In addition, improved transportation infrastructure will increase asset and labour productivity within large third-party logistics service providers who already have significant domestic distribution networks. Less time spent navigating poor roads, or having to utilise alternative transportation modes (such as sea, inland waterway, air), will improve transportation routings, reduce operating costs, and allow for shorter origin to delivery cycle times. Being able to be quicker to market for retailers, healthcare and other companies is expected to greatly benefit consumers with improved food and grocery product quality, more efficient pharmaceutical and healthcare supply chains, and reduced product shelf times.

According to the Armstrong Report, it is estimated that there are over 10,000 third-party logistics service providers operating in China. Many are small and mid-sized providers operating in only one province. As China's third-party logistics market continues to develop, there are expected to be increased mergers and acquisition activity and further third-party logistics market consolidation. According to the Armstrong Report, large third-party logistics service providers with established networks will most likely be the acquirers where they can identify a strategic fit, as seen in the United States and Europe.

Our Greater China and ASEAN Market Distribution Service Capabilities

In Asia Pacific, the last five years have seen a shift in focus from an export economy to regional and inter-regional distribution to address increased consumer spending growth and demand for goods in developing countries including China, Indonesia, Malaysia, Thailand, and Vietnam.

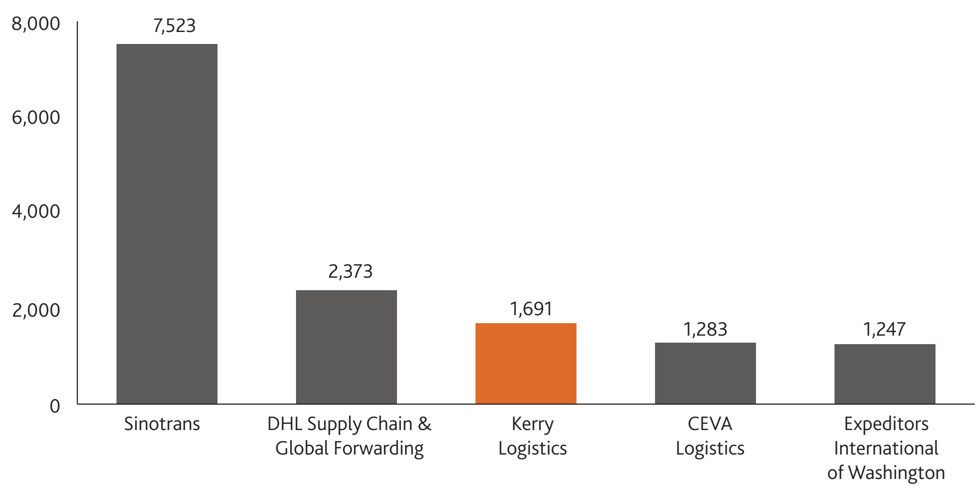
In addition, within these countries, buyers of third-party logistics services tend to trust providers with their own assets versus contracted warehousing or transportation capacity. According to the Armstrong Report, this preference has limited the growth of third-party logistics service providers who have been unwilling to make capital investment in trucking, which accounts for approximately 44% of total logistics spend in Asia Pacific, and warehouses, which account for approximately 9% of total logistic spend in Asia Pacific. By comparison, companies such as us, CEVA Logistics and DHL Supply Chain & Global Forwarding have experienced significant growth via an asset-based model.

According to the Armstrong Report, with 29.3 million sq.ft. under management as at 31 December 2012, we have the largest warehouse network in Greater China and ASEAN. The next largest is CEVA Logistics, followed by Sinotrans, with 20.0 and 18.9 million sq.ft., respectively. In addition, according to the Armstrong Report, we were among the top five largest third-party logistics service providers in terms of 2012 gross and net revenue. While we have built a significant advantage being able to effectively warehouse and distribute products within the region from China to Hong Kong, Vietnam, Thailand and Singapore, most of our major competitors have lesser regional distribution capabilities and are often limited to distributing goods within a country, or subcontracting significant volumes of trucking capacity to facilitate transportation which decreases the amount of control over end-to-end transportation performance.

Greater China

Greater China accounts for more than half of Asia Pacific third-party logistics revenue. With a projected CAGR of 14.6% from 2007 through 2015 according to the Armstrong Report, it has the fastest rate of growth among countries in the region. The following chart shows the gross revenue of major third-party logistics service providers in Greater China:

2012 Third-Party Logistics Service Providers Gross Revenue in Greater China (US$ in Millions)

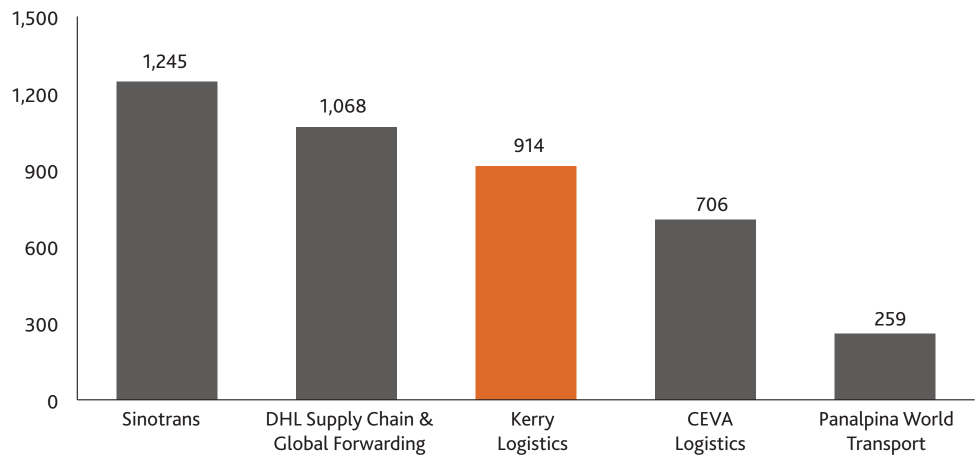


Source: Armstrong Report

Within the Greater China market, Sinotrans was the largest provider in 2012 with US$7.5 billion in gross revenue followed by DHL Supply Chain & Global Forwarding and us. However, according to the Armstrong Report, net revenue, which refers to gross revenue less purchased transportation, is a better measure of third-party logistics size and performance because it is not inflated by pass-through transportation spend amounts.

The following chart shows the net revenue of major third-party logistics service providers in Greater China:

2012 Third-Party Logistics Service Providers Net Revenue in Greater China (US$ in Millions)

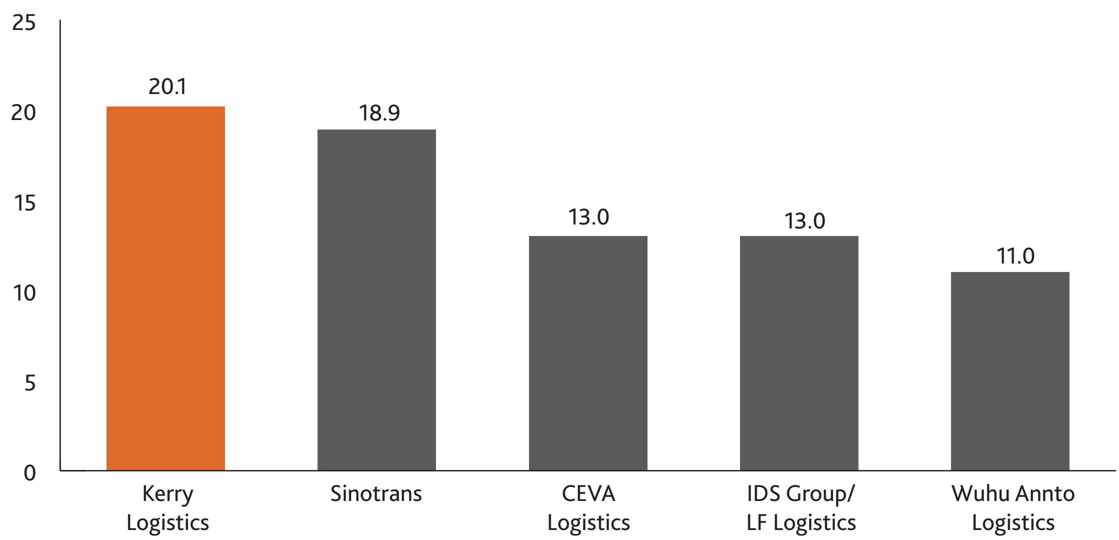


Source: Armstrong Report

In terms of net revenue, Sinotrans was the largest provider in 2012 with US$1.2 billion followed by DHL Supply Chain & Global Forwarding and us. Our large net revenue as a percentage of gross revenue was due to a significant self-owned warehouse network and self-owned trucking fleet where every dollar of gross revenue equals a dollar of net revenue. According to the Armstrong Report, each of Sinotrans, DHL Supply Chain & Global Forwarding and us has significant international transportation and domestic distribution capabilities within China, with us also having built leading domestic distribution capabilities within Hong Kong and Taiwan. According to the Armstrong Report, we are the largest international third-party logistics service provider headquartered in Hong Kong and manage the largest portfolio of logistics facilities among third-party logistics service providers based on warehouse square footage.

The following chart shows the warehousing space of major third-party logistics service providers in Greater China:

2012 Third-Party Logistics Service Providers Warehousing in Greater China (Sq.ft in Millions)



Source: Armstrong Report

Note: Excludes Global Logistics Properties, which is primarily engaged in the development of logistics facilities as a facilities provider and is not considered a third-party logistics service provider.

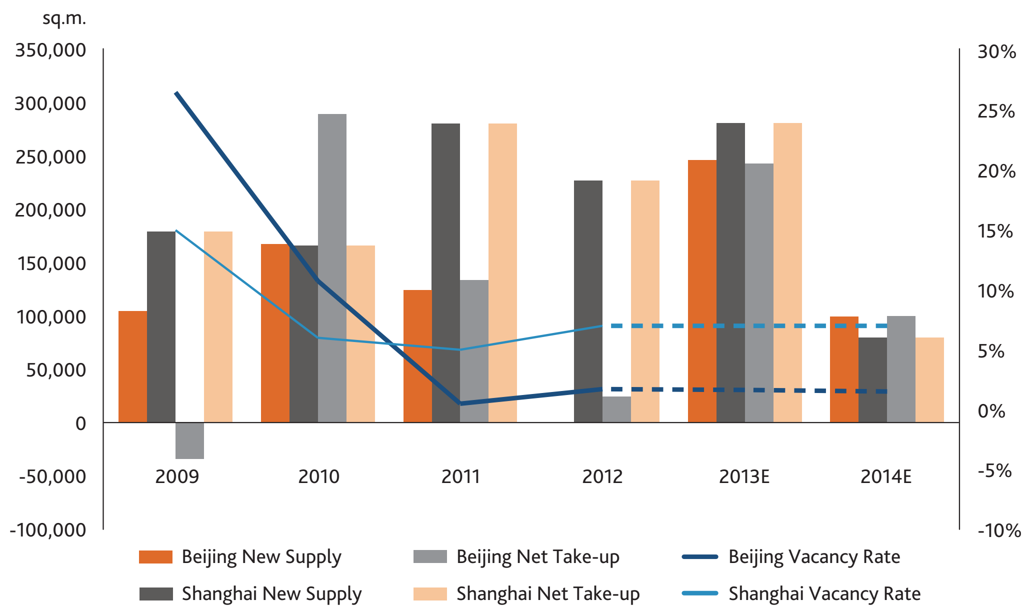
In terms of warehousing network, we were the largest third-party logistics service provider in 2012 with 20.1 million sq.ft. followed by Sinotrans and CEVA Logistics.

Logistics Properties in China

According to Colliers International ("Colliers"), China's logistics industry is still in relatively early development. Demand is growing, and the fundamentals of the property market are strong. Rising salaries and urbanisation have fueled the growth of consumption spending, driving an increasing need for warehousing, transportation and delivery of goods. At the same time, many manufacturers have switched their focus from exports to the domestic economy, given uncertainty in global markets in recent years. The highly fragmented nature of the current market has resulted in a relatively inefficient system, as well as a lack of supply in the property market just as demand is taking off.

The current regulatory environment in China is aimed at developing and modernising the logistics system. The government's aim to make domestic consumption the driver of the economy will help contribute to an increasing need to move and store goods. Development of properties to support this will be a key component.

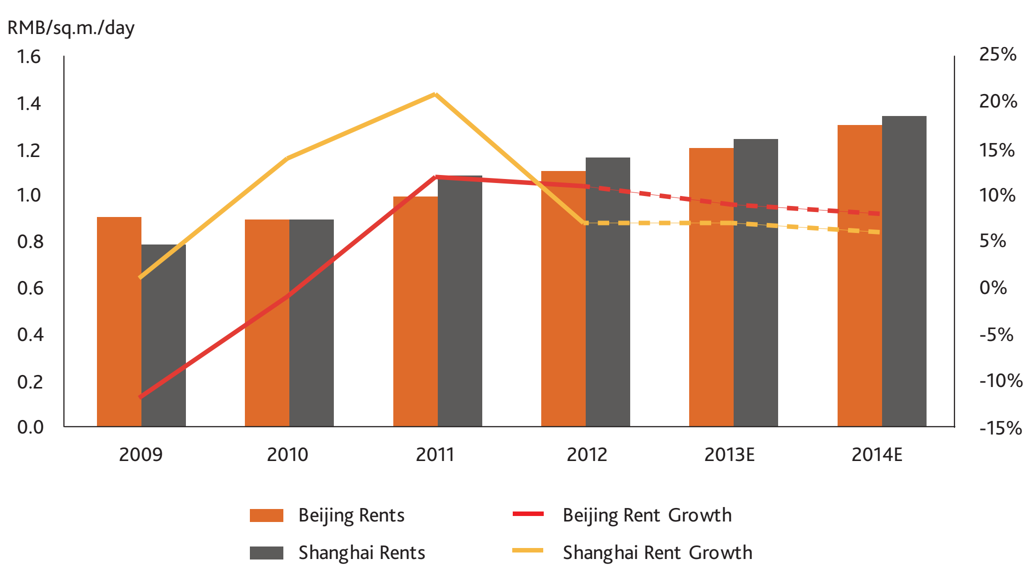
Logistics Property New Supply and Demand (2009-2014E)



Source: Colliers International Research, March 2013

According to Colliers, logistics properties offer high and stable rental yields. In the current market, where growing demand has outstripped supply, rentals have grown at a nationwide average of 5% to 10% per annum over the past few years.

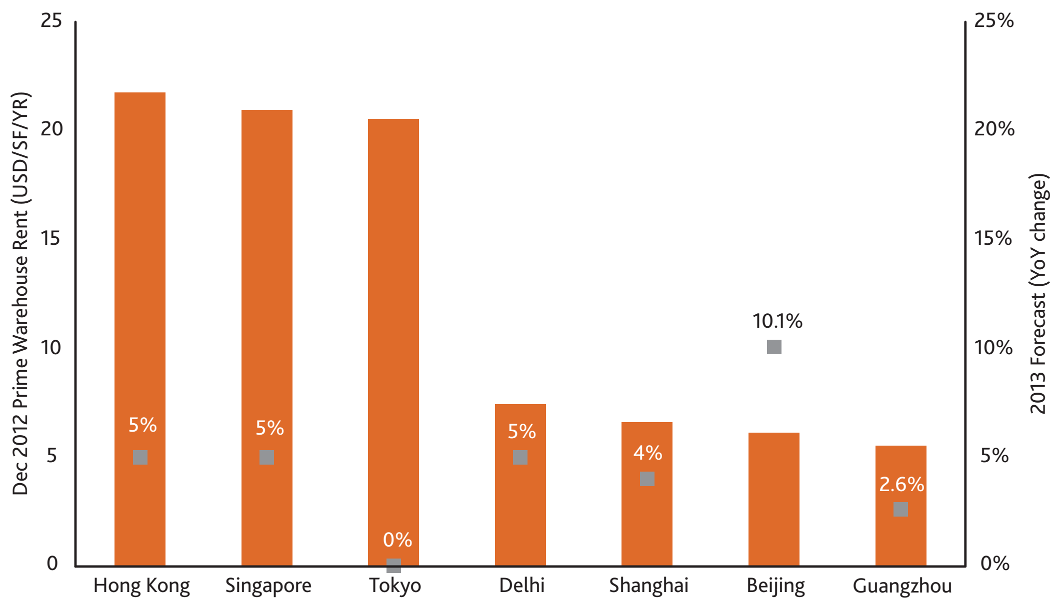
Logistics Property Rents (2009-2014E)



Source: Colliers International Research, March 2013

According to Colliers, based on their understanding from logistics investors, the capitalisation rate of logistics properties is normally in the range of 6% to 8%, a compelling return compared to commercial properties.

Asia Logistics/Industrial Rentals (By Key Market)

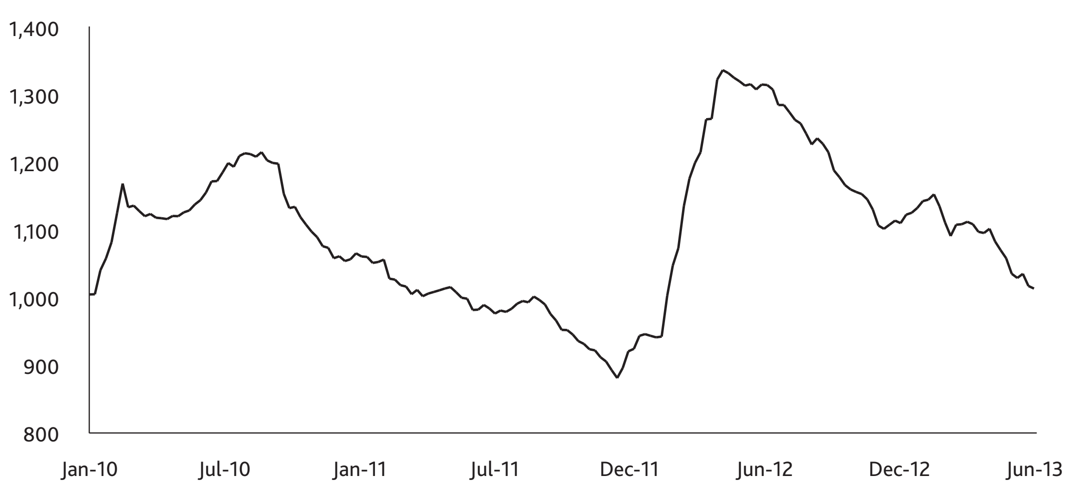


Source: Colliers International Regional Real Estate Research, June 2013

According to Colliers, the rentals of logistics or industrial properties in Singapore, Hong Kong and Tokyo (the three most popular logistics hubs in Asia) average approximately US$22 per sq.ft. per annum. In China, the average rental level is approximately US$6 to US$7 per sq.ft. per annum, which is expected to increase at 3% to 5% per annum in most Chinese cities.

The following chart shows the ocean freight rate index in China.

China Export Ocean Freight Rate Index



Source: Shanghai Shipping Exchange – China Containerised Freight Composite Index

According to the Shanghai Shipping Exchange, the China export ocean freight rate has fluctuated during the Track Record Period. In 2011, the average export ocean freight rate decreased by 12.5% compared to 2010. In 2012, the average export ocean freight rate increased by 18.3% compared to 2011. During the six months ended June 2013, the average export ocean freight rate decreased by 6.6% compared to 2012.

THE ARMSTRONG REPORT

In connection with the Global Offering, we have commissioned Armstrong to conduct market research and analysis of the global third-party logistics market and the competitive landscape in Greater China and ASEAN and prepare a report entitled *Global Third-Party Logistics Market Information Report*, dated 6 December 2013, or the Armstrong Report. Armstrong is a well-recognised supply chain market research and consulting firm and has been in business since 1980. Armstrong's *Who's Who* guides are distributed worldwide and are a significant resource for companies selecting third-party logistics service providers.

Armstrong prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry and non-governmental organisations. Armstrong also conducted primary research to gather and synthesise market information. In preparing the Armstrong Market Report, Armstrong has used certain assumptions and parameters in its market sizing and forecast model based primarily on macroeconomic data from both primary and secondary sources.

We have included the Armstrong Report in Appendix VI to this prospectus because we believe such information would facilitate investors' understanding of the third-party logistics market in which we operate. We were charged approximately US$40,000 by Armstrong in connection with its preparation of the Armstrong Report. Our payment of such fee is not contingent upon the results of its research and analysis.

HISTORY

Our Corporate History

Our origin can be traced back to 1981 when Kerry Warehouse (Hong Kong) Limited (which was then known as Kwai Chung Godown Limited) commenced our Hong Kong warehouse operations following the completion of its first warehouse, or what was commonly referred to at the time as a "godown", Kerry Warehouse (Kwai Chung), in Hong Kong. Kerry Warehouse (Hong Kong) Limited has been our subsidiary since 1992.

In 1991, our Company was incorporated in the BVI as a wholly-owned subsidiary of KHL to hold and operate KHL's warehousing business in Hong Kong.

In 1996, KPL was established and KHL transferred to KPL its entire interest in our Company together with certain other businesses including property development and investment and infrastructure-related investments. In the same year, KPL became listed on the Hong Kong Stock Exchange. Accordingly, since 1996, we have been operating as a direct wholly-owned subsidiary of KPL.

In 2000, our Company continued into Bermuda as an exempted company with limited liability and was renamed "Kerry Logistics Network Limited".

Development of Integrated Logistics and International Freight Forwarding Businesses

During the period from 1981 to 1999, we were primarily engaged in Hong Kong warehouse operations. In 2000, we began to provide trucking services to our warehousing customers. This marked our entry into the logistics operations business in Hong Kong.

We expanded our business scope in integrated logistics operations by offering dedicated warehousing and a wide range of logistics services as our core business. We began to invest in developments of logistics centres with the completion of our flagship logistics facility, Kerry Cargo Centre, in Hong Kong in 1999 and our first logistics centre in China in 2003. Since 2001, we also undertook significant expansion of our integrated logistics operations through acquisitions. These include, for example, the acquisition of a 70% equity interest in KEAS in 2005 to expand our nationwide presence in China and, since 2008, the acquisition of equity interests in Kerry TJ Logistics, a major logistics service provider in Taiwan whose shares are listed on the Taiwan Stock Exchange. Kerry TJ Logistics became our subsidiary in 2010 by virtue of our gaining management control over it. Furthermore, we have expanded our business scope through acquisitions of ancillary businesses from time to time during the past decade. These include, for example, our expansion into the food and beverage trading business in Hong Kong in 2003 and the port terminal business in Thailand in 2004.

In 2000, we acquired a freight forwarding company based in Hong Kong and began our freight forwarding business. We began to expand our operations along major intra-Asia routes as well as routes between Asia and Europe primarily through successive acquisitions in new geographic markets, including the acquisition of a freight forwarding company based in Korea in 2001 and the acquisition of a 91% initial equity interest in Kerry Logistics (UK) in 2002. By 2006, we had expanded our international freight forwarding operations into Greater China, Korea, ASEAN countries, India, Europe and the United States. To capture the growth in transport and distribution demand in the ASEAN region, we established the ASEAN-wide cross-border road transportation network, KART, in 2007. Since 2011, we further expanded our business scope in international freight forwarding by acquiring companies in strategic service segments, including the acquisition of a 70% equity interest in Wisdom, an NVOCC operating an ocean freight consolidation platform in China, in 2011 and the acquisition of a 51% equity interest in each of Beijing Tengchang and Shanghai TCI, which are air freight consolidators in China, in 2012.

BUSINESS MILESTONES

The following table shows various milestones in the history of our corporate and business development:

Year	Milestone
1981	• The development of our first warehouse, Kerry Warehouse (Kwai Chung), was completed in Hong Kong
1981-1991	• Our Group had completed the development of five warehouses and acquired one warehouse in Hong Kong
1991.	• Our Company was incorporated in the BVI as a wholly-owned subsidiary of KHL
1996	• Our Company became a direct wholly-owned subsidiary of KPL as part of a reorganisation of KHL. KPL became listed on the Hong Kong Stock Exchange
1999	• We completed our flagship logistics facility, Kerry Cargo Centre, with a total GFA of approximately 1,443,356 sq.ft., in Hong Kong
2000	• Our Company continued into Bermuda as an exempted company with limited liability and was renamed "Kerry Logistics Network Limited" • We began to provide trucking services to our warehousing customers • We acquired a 100% equity interest in Kerry Freight (Hong Kong) Limited, a freight forwarding company based in Hong Kong
2001	• We acquired an equity interest of approximately 50.99% in a freight forwarding company based in Korea • We opened our first freight office in the United States
2002	• We acquired an initial equity interest of 91% in Kerry Logistics (UK), a freight forwarding company based in the United Kingdom
2003	• We completed the development of our logistics centre located at Laem Chabang in Thailand • We acquired a 100% equity interest in KerryFlex Supply Chain Solutions Limited, a food and beverage trading company in Hong Kong • We completed the development of our first logistics centre located in Yantian in China
2004	• We acquired an initial equity interest of approximately 54.98% in Kerry Siam Seaport Limited, a port terminal operator at Laem Chabang in Thailand • We acquired a 51% equity interest in a freight forwarding company based in Taiwan • We acquired a 25% equity interest in CCT from the KPL Group • We acquired a 15% equity interest in AAT from the KPL Group • We established a presence in Singapore, Malaysia and Indonesia
2005	• We acquired a 70% equity interest in KEAS, a leading logistics company in China
2006	• We launched KerrierVISION • We opened a logistics facility with a total GFA of approximately 267,000 sq.ft. in southern Vietnam, near Ho Chi Minh City • We acquired an initial equity interest of 51% in a freight forwarding company based in India • We expanded our presence to Germany, Austria, Switzerland, Belgium and the Netherlands

Year	Milestone
2007	• We launched the KART service in Thailand which later expanded to connect selected countries across the ASEAN region and between the ASEAN region and China
2008	• We acquired an initial equity interest of approximately 18.52% in Kerry TJ Logistics, a company listed on the Taiwan Stock Exchange • We commenced international freight forwarding operations in Japan
2009	• We acquired an equity interest of approximately 51% in a freight forwarding company based in the Philippines
2010	• We completed construction of our Product Customisation and Consolidation Centre in Hong Kong • We obtained management control of Kerry TJ Logistics which became our subsidiary; as at the Latest Practicable Date, we had acquired an aggregate equity interest of approximately 36.46% in Kerry TJ Logistics
2011.	• We acquired a 70% interest in Wisdom, an NVOCC operating an ocean freight consolidation platform in China • We expanded the KART service to connect selected countries between the ASEAN region and China
2012	• We acquired a 51% equity interest in Beijing Tengchang and a 51% equity interest in Shanghai TCI, each of which is an air freight consolidator in China • We commenced international freight forwarding operations in Myanmar and Sri Lanka
2013	• Our regional logistics hub in Singapore commenced operations • We commenced international freight forwarding operations in Latin America through acquisition of a 51% equity interest in a freight forwarding company based in Brazil • We acquired a 70% equity interest in a freight forwarding company based in Mexico

BUSINESS GROWTH AND INTERNATIONAL EXPANSION

We commenced our operations in Hong Kong in 1981 and have over the years expanded our operations across Greater China, ASEAN and other countries and currently have a presence in 35 countries and territories, including three through our sales staff.

Hong Kong

Prior to our incorporation, our Group's operations began with the completion of our first warehouse in Hong Kong in 1981. By 1991, our Group had completed the development of five warehouses and acquired one warehouse with an aggregate GFA of approximately 2 million sq.ft. in Hong Kong.

In July 1991, our Company was established to hold and operate the warehousing business.

In 1999, in light of our business growth, we opened our flagship logistics facility, Kerry Cargo Centre, with a total GFA of approximately 1,443,356 sq.ft. in Hong Kong.

In 2000, we changed our name to "Kerry Logistics Network Limited". In the same year, we began to provide trucking services to our warehousing customers. This marked our entry into the logistics operations business in Hong Kong. We also commenced international freight forwarding operations in Hong Kong by acquiring a 100% equity interest in Kerry Freight (Hong Kong) Limited, which was previously named "R&B Transports Limited" prior to 2000.

In 2003, we expanded into the food and beverage trading business by acquiring a 100% equity interest in a food and beverage trading company in Hong Kong, KerryFlex Supply Chain Solutions Limited, which was previously named "LINC Group Holdings Limited" prior to 2003.

In 2010, we completed construction of the Product Customisation and Consolidation Centre, our most recently completed logistics centre, in Hong Kong.

As at the Latest Practicable Date, we managed approximately 6 million sq.ft. of completed self-owned facilities and approximately 1 million sq.ft. of leased facilities in Hong Kong.

China

In 2003, in collaboration with our joint venture partner, we completed the development of our first logistics centre in China. This facility is located in Yantian Port Free Trade Zone in Shenzhen and has a total GFA of approximately 465,000 sq.ft. (representing an attributable GFA of approximately 256,000 sq.ft.). Since then, we have been building up logistics facilities across China.

In 2005, we acquired a 70% equity interest in KEAS, which was previously named "EAS International Transportation Ltd." prior to our acquisition. We acquired a 70% equity interest from the then sole shareholder, Huatong Industrial Development Co., Ltd. ("Huatong"), a state-owned limited liability company in China. Huatong continues to hold the remaining 30% equity interest in KEAS. The acquisition was made for a consideration of RMB380 million, which was determined based on arm's length negotiation and has been settled in full. All the necessary approvals in relation to the acquisition have been obtained from relevant authorities. KEAS is principally engaged in the business of supply chain management services in China and has nationwide logistics operations. Our acquisition of a 70% equity interest in KEAS marked an important step towards our building of a countrywide logistics network across China.

As at the Latest Practicable Date, we managed approximately 5 million sq.ft. of completed self-owned logistics facilities (representing an attributable GFA of approximately 4 million sq.ft.) and approximately 6 million sq.ft. of leased logistics facilities in China.

Taiwan

In 2004, we commenced freight forwarding operations in Taiwan. In 2008, as part of our plan to grow our business in Taiwan, we acquired an initial equity interest of approximately 18.52% in Kerry TJ Logistics, which was previously named "T.Join Transportation Co.,Ltd" prior to 2011. Since then, we have acquired additional equity interests in Kerry TJ Logistics either in open market transactions or from Independent Third Parties based on arm's length negotiation. As at the Latest Practicable Date, we held a total equity interest of approximately 36.46% in Kerry TJ Logistics. The aggregate consideration paid to the vendors, who are Independent Third Parties, was approximately HK$1,236 million, which was determined based on arm's length negotiation and open market price and has been settled in full. All the necessary approvals in relation to the acquisitions have been obtained from the relevant authorities. We may, from time to time, acquire additional equity interests in Kerry TJ Logistics in the future.

Kerry TJ Logistics is a major logistics service provider in Taiwan whose shares have been listed on the Taiwan Stock Exchange since 1990. It has an extensive distribution network supported by a fleet of more than 2,000 trucks. As the largest shareholder of Kerry TJ Logistics, 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. We believe that this has contributed significantly to our ability to provide cross-strait logistics services. As a result of our gain of management control over Kerry TJ Logistics in July 2010, we have since consolidated the financial results of Kerry TJ Logistics into our own financial results. For further details, see note 4(b)(ii) in the section headed "Appendix I — Accountant's Report".

As at the Latest Practicable Date, we managed approximately 2 million sq.ft. of completed self-owned facilities (representing an attributable GFA of approximately 1 million sq.ft.) and approximately 5 million sq.ft. of leased facilities in Taiwan.

ASEAN

Our business in ASEAN countries began in 2002 with the commencement of both integrated logistics and international freight forwarding operations in Thailand. In 2003, we completed the development of a logistics centre, with a total GFA of approximately 181,000 sq.ft., in Laem Chabang, south of Bangkok, Thailand. In 2004, we acquired an initial equity interest of approximately 54.98% in Kerry Siam Seaport Limited, which was previously named "Siam Seaport Terminal & Warehouses Co., Ltd." prior to 2004, from the then shareholders. Since then, we have acquired additional equity interests in Kerry Siam Seaport Limited. As at the Latest Practicable Date, we held a total economic interest of approximately 79.52% in Kerry Siam Seaport Limited. Kerry Siam Seaport Limited operates Kerry Siam Seaport, a multi-purpose port terminal located near Laem Chabang. As at the Latest Practicable Date, we managed approximately 6 million sq.ft. of completed self-owned facilities (representing an attributable GFA of approximately 4 million sq.ft.) and approximately 3 million sq.ft. of leased facilities in Thailand.

Since 2004, we have continued to expand into other ASEAN countries by establishing international freight offices in Singapore, Malaysia, Indonesia, Cambodia, the Philippines, Vietnam and Myanmar.

In 2006, we opened a logistics facility, with a total GFA of approximately 267,000 sq.ft., in southern Vietnam, near Ho Chi Minh City. Since then, we have been developing and managing various other logistics facilities in Vietnam. As at the Latest Practicable Date, we managed approximately 893,000 sq.ft. of completed self-owned facilities (representing an attributable GFA of approximately 893,000 sq.ft.) and approximately 171,000 sq.ft. of leased facilities in Vietnam.

In 2007, we launched KART, a cross-border road transportation network that provides 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.

In January 2013, our new regional logistics hub in Singapore commenced operations. This facility has a total GFA of approximately 371,000 sq.ft.

United Kingdom

In 2002, we commenced our European freight forwarding operations in the United Kingdom by acquiring an initial equity interest of 91% in Kerry Logistics (UK), which was previously named "Trident International Limited" prior to 2003, from the then shareholders, one of whom has remained as a member of our senior management following the acquisition. In 2013, we acquired the remaining 9% equity interest from such shareholder.

Other Countries and Territories

We have continued to expand our operations globally by establishing freight offices and acquiring logistics companies. As at the Latest Practicable Date, we had a presence across 35 countries and territories, including three through our sales staff, such as Korea, Japan, Bangladesh, Sri Lanka, India, Australia, Germany, the Netherlands, United States and Latin America.

Other than our acquisitions of a 70% equity interest in KEAS in China and a total equity interest of approximately 36.46% in Kerry TJ Logistics in Taiwan, none of the acquisitions is considered material by us in terms of the amount of consideration paid on the assets, revenue and profit contribution of the acquisition target.

NO REORGANISATION

We did not undergo any reorganisation for the purpose of the Listing, apart from entering into a sale and purchase agreement dated 29 November 2013 for the transfer of our 100% equity interest in the holding company of Kerry D.G. Warehouse (Kowloon Bay) to the KPL Group upon the Listing for a consideration of HK$400.0 million, which has been determined based on an independent valuation obtained by KPL. The transfer of the warehouse is conditional upon the occurrence of the Listing. In the event that the Listing does not occur, the warehouse will not be transferred to the KPL Group. The KPL Group will acquire Kerry D.G. Warehouse (Kowloon Bay) from us upon the Listing because KPL intends to redevelop the land on which the warehouse is situated, for which KPL, through the registered owner of the warehouse, has obtained approval from the Town Planning Board. We have been informed by KPL that KPL currently intends to develop residential properties on such land. The consideration receivable from the transfer of Kerry D.G. Warehouse (Kowloon Bay) will be offset against a portion of our outstanding loans currently owed by us to a fellow subsidiary controlled by KPL. It is not expected that there would be any fund flows between us and the KPL Group due to the transfer of the warehouse. For further details, see the section headed "Financial Information — Recent Developments — Repayment and Capitalisation of Loans from Fellow Subsidiary".

SPIN-OFF BY KPL

On 24 September 2013, KPL announced that it had on 19 August 2013 submitted a spin-off proposal to the Hong Kong Stock Exchange pursuant to Practice Note 15 of the Listing Rules in relation to the proposed disposal of part of its interest in our Company by way of a separate listing of the Shares on the Main Board of the Hong Kong Stock Exchange and that the Hong Kong Stock Exchange had confirmed that KPL may proceed with the proposed Spin-off. In the same announcement, KPL announced that the reduction of its shareholding interest in our Company following completion of the Spin-off is expected to constitute a discloseable transaction of KPL under the Listing Rules and accordingly no approval from the KPL Shareholders is expected to be required.

KPL further announced in the same announcement that it considers the Spin-off is in the interests of KPL and its subsidiaries (including the Group) and the KPL Shareholders taken as a whole as the Spin-off:

(a) will enable KPL to fully focus on and deploy its funds towards development of KPL's existing principal businesses without the need to consider our Group's funding requirements;

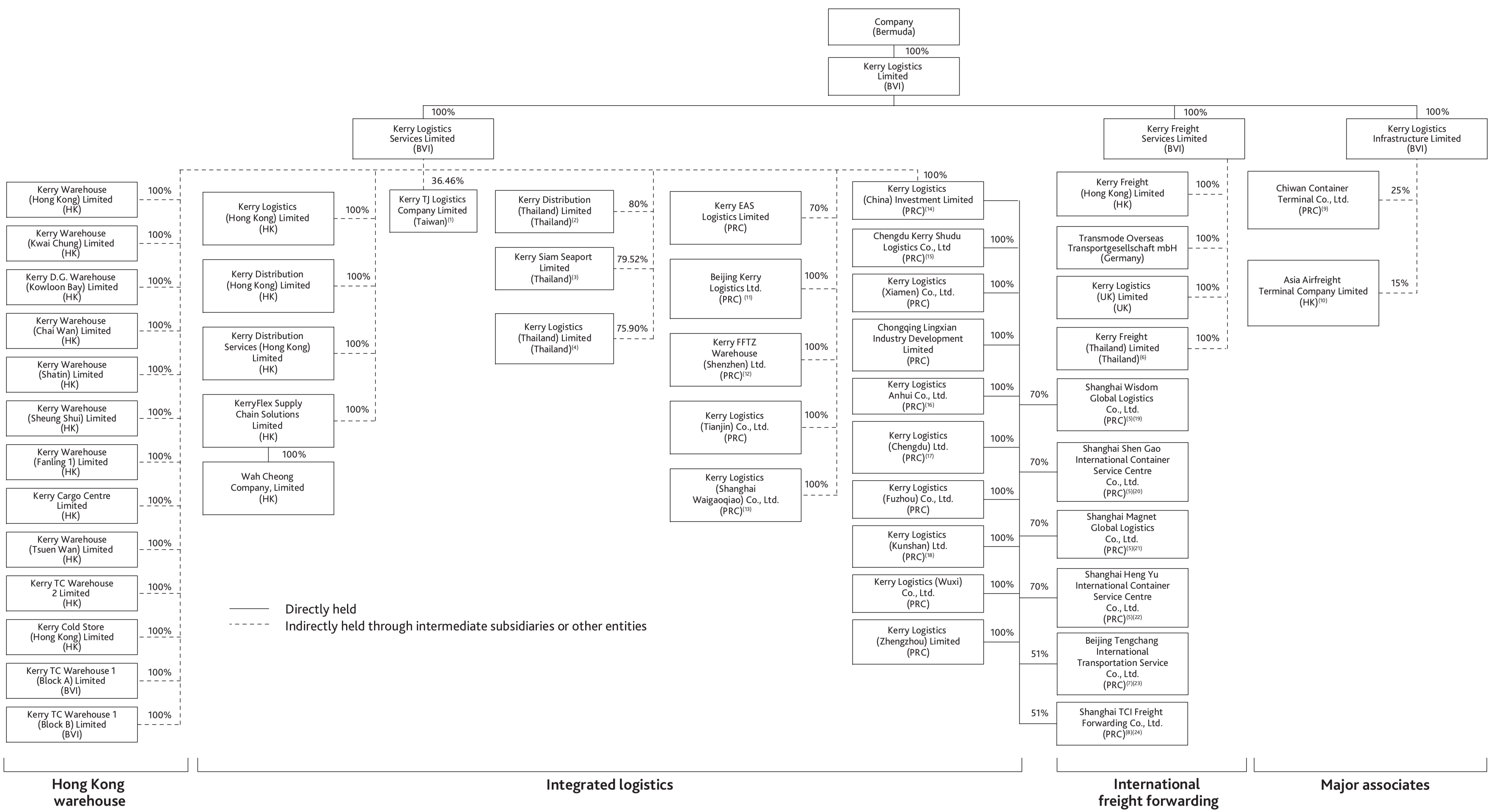
(b) will enable investors to better understand both KPL and our Company as separate entities rather than as a conglomerate, as each of their strategic focus of business is different; and

(c) could better reflect the value of our Group on our own merits and increase our operational and financial transparency through which investors would be able to appraise and assess the performance and potential of our Group separately and distinctly from those of the KPL Group.

On 25 November 2013, KPL announced that in accordance with the requirements of Practice Note 15 of the Listing Rules, it proposes to give due regard to the interests of the KPL Shareholders by providing qualifying shareholders with an assured entitlement to the Shares by way of a distribution in specie of the Shares if the Spin-off proceeds. Details of the Distribution are set out in the section headed "Structure of the Global Offering — The Distribution" in this prospectus.

CORPORATE STRUCTURE

The following chart is a simplified representation of our corporate structure. The percentage interest in the subsidiaries and associates shown represents the percentage of economic interest in the corresponding entities attributable to the Group.



Notes:

(1) We hold a 16.72% equity interest in Kerry TJ Logistics through our wholly-owned subsidiaries and a 28.60% equity interest through our joint ventures (representing an attributable equity interest of 19.74%). The remaining equity interests in Kerry TJ Logistics are held by shareholders who are independent from us, except for one shareholder who is also a substantial shareholder of certain of our subsidiaries.

(2) Kerry Distribution (Thailand) Limited is wholly owned by Logistics (Thailand) Limited, in which we hold ordinary shares representing a 49% equity interest and Kledchai Benjaathonsirikul holds preference shares representing a 51% equity interest. Mr. Benjaathonsirikul is a member of our senior management. According to accounting treatment, we, as the sole holder of ordinary shares, are entitled to a 100% economic interest in Kerry Distribution (Thailand) Limited. We have assigned to Strategic Ace Limited a 20% economic interest in Kerry Distribution (Thailand) Limited and are entitled to an 80% economic interest therein.

(3) KLN Siam Holdings Limited and Maris Pakdeetaveevivat, a director of certain of our subsidiaries, hold equity interests of approximately 67.88% and 16.64% in Kerry Siam Seaport Limited, respectively. The remaining 15.48% is held by 42 shareholders, who are Independent Third Parties (except for seven shareholders who are also directors of Kerry Siam Seaport Limited), each holding less than a 10% equity interest in Kerry Siam Seaport Limited. We indirectly hold a 92.63% economic interest in KLN Siam Holdings Limited and as such we are effectively entitled to a 62.88% economic interest in Kerry Siam Seaport Limited through KLN Siam Holdings Limited. Mr. Pakdeetaveevivat has pledged his 16.64% equity interest in Kerry Siam Seaport Limited to our wholly-owned subsidiary. As such, according to accounting treatment, we are entitled to an aggregate economic interest of 79.52% in Kerry Siam Seaport Limited.

(4) Kerry Siam Seaport Limited, Logistics (Thailand) Limited and Maris Pakdeetaveevivat hold equity interests of 20%, 60% and 20% in Kerry Logistics (Thailand) Limited, respectively. Since we are entitled to a 79.52% economic interest in Kerry Siam Seaport Limited, we effectively hold a 15.9% economic interest in Kerry Logistics (Thailand) Limited through Kerry Siam Seaport Limited. As such, we hold an aggregate economic interest of 75.9% in Kerry Logistics (Thailand) Limited.

(5) Time Wisdom Investments Limited holds the remaining 30% equity interest. The controlling shareholder of Time Wisdom Investments Limited is also a director of Wisdom.

(6) Kerry Freight (Thailand) Limited is wholly owned by KLN (Thailand) Limited, in which we hold ordinary shares representing a 49% equity interest and Kledchai Benjaathonsirikul holds preference shares representing a 51% equity interest. Mr. Benjaathonsirikul is a member of our senior management. According to accounting treatment, we, as the sole holder of ordinary shares, are entitled to a 100% economic interest in Kerry Freight (Thailand) Limited.

(7) Beijing Teng Yu Chang He Business Consultancy Co., Ltd. holds the remaining 49% equity interest. The controlling shareholder of Beijing Teng Yu Chang He Business Consultancy Co., Ltd. is also a director of Beijing Tengchang.

(8) Shanghai Tengjia Investment Consultancy Co., Ltd. holds the remaining 49% equity interest. The controlling shareholder of Shanghai Tengjia Investment Consultancy Co., Ltd. is also a director of Shanghai TCI.

(9) Shenzhen Chiwan Wharf Holdings Ltd., Hidoney Developments Limited and Chiwan Wharf Holdings (Hong Kong) Limited hold equity interests of the remaining 51%, 20% and 4%, respectively. Each of these shareholders is an Independent Third Party and is not a party acting in concert with us.

(10) SATS Ltd., Eastern Option Limited, Keppel Telecommunications & Transportation Ltd. and Federal Express Corporation hold equity interests of the remaining 49%, 20%, 10% and 6%, respectively. Each of these shareholders is an Independent Third Party and is not a party acting in concert with us.

(11) The official name of this entity is 北京嘉里物流有限公司.

(12) The official name of this entity is 嘉里福保倉儲(深圳)有限公司.

(13) The official name of this entity is 嘉里物流(上海外高橋)有限公司.

(14) The official name of this entity is 嘉里物流(中國)投資有限公司.

(15) The official name of this entity is 成都嘉里蜀都物流有限公司.

(16) The official name of this entity is 嘉里物流安徽有限公司.

(17) The official name of this entity is 嘉里物流(成都)有限公司.

(18) The official name of this entity is 嘉里物流(昆山)有限公司.

(19) The official name of this entity is 上海萬升國際貨運代理有限公司.

(20) The official name of this entity is 上海申高國際集裝箱儲運有限公司.

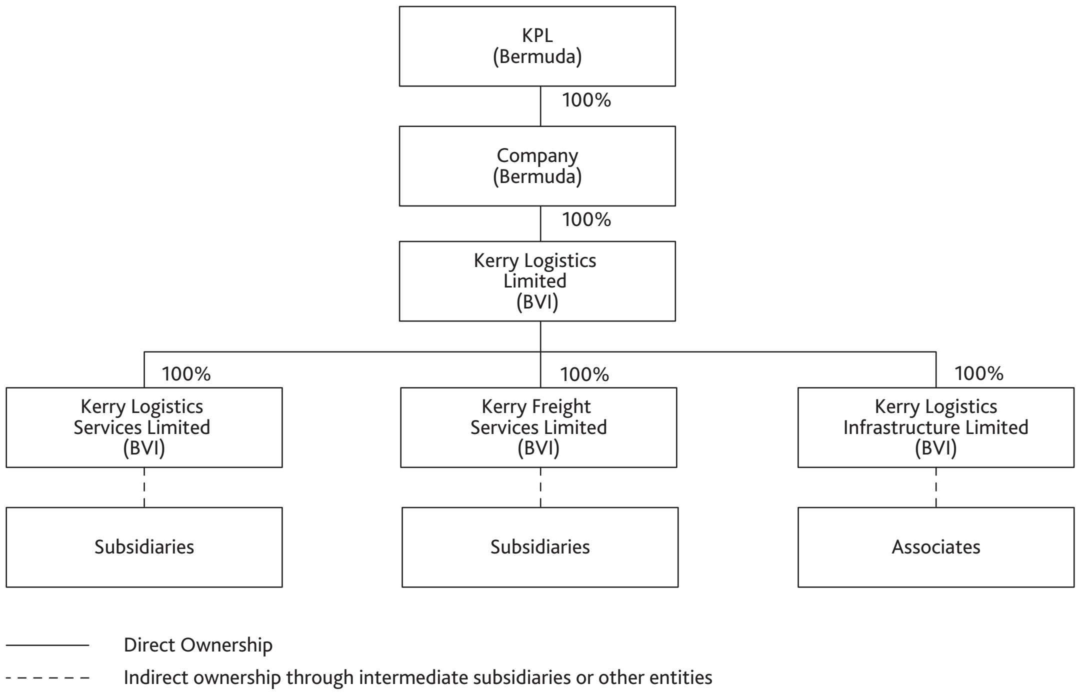
(21) The official name of this entity is 上海萬碩國際貨運代理有限公司.

(22) The official name of this entity is 上海恒宇國際集裝箱儲運服務中心有限公司.

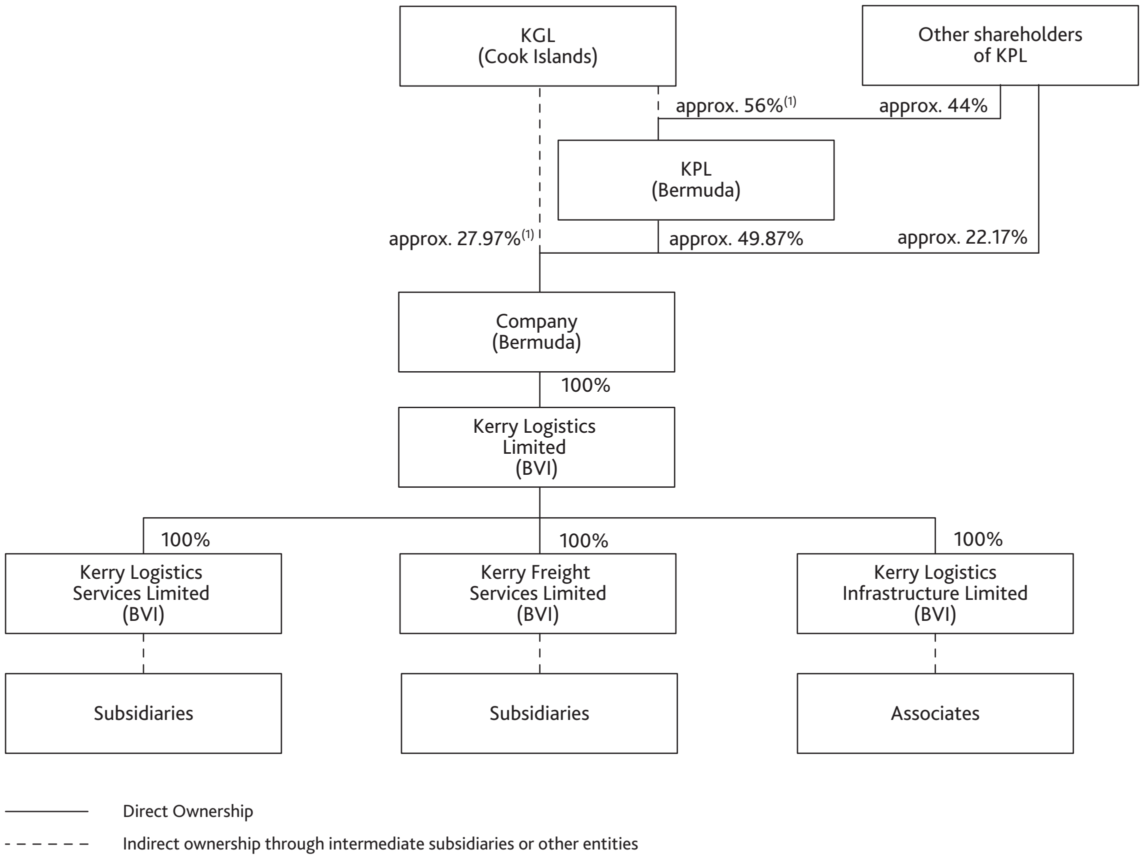
(23) The official name of this entity is 北京騰昌國際物流有限公司.

(24) The official name of this entity is 上海騰隆國際貨運代理有限公司.

The following chart shows our shareholding structure immediately before the Distribution and the completion of the Global Offering.



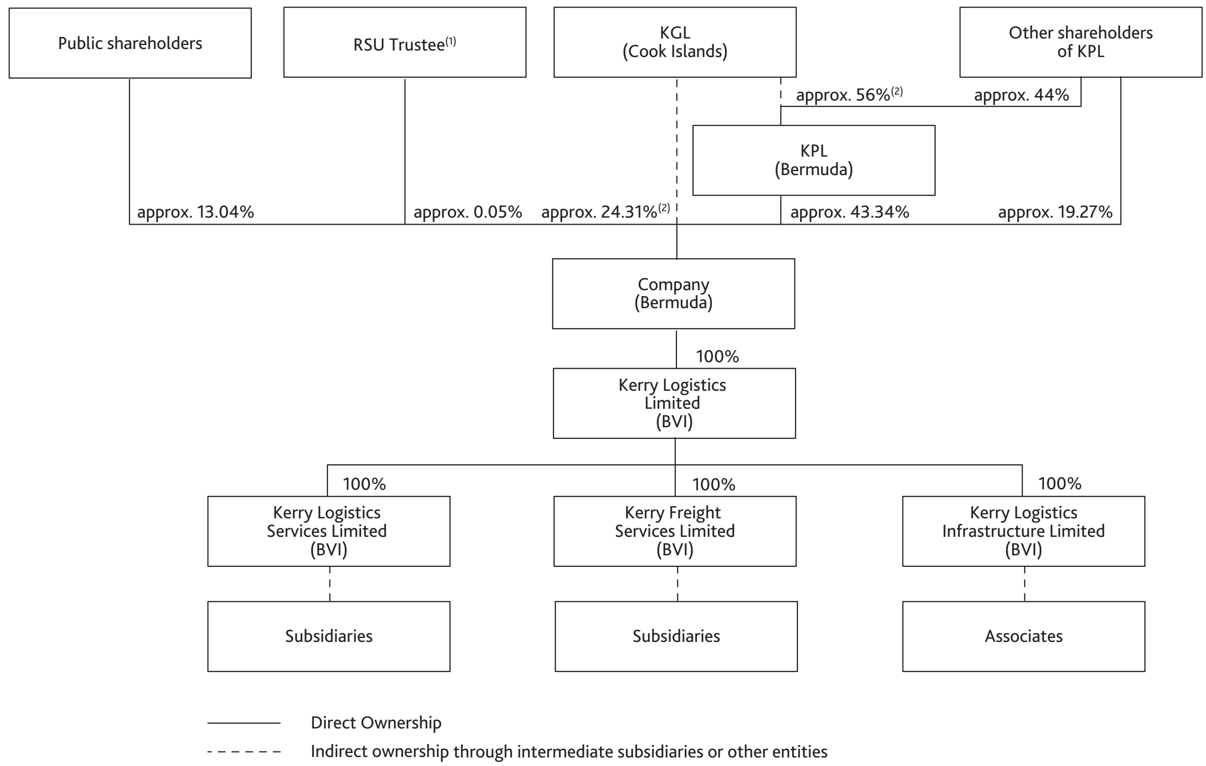
The following chart shows our shareholding structure immediately following the completion of the Distribution and before the Global Offering:



Note:

(1) As disclosed under Part XV of the SFO. For details, please refer to page 143 of this prospectus.

The following chart shows our shareholding structure immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options):

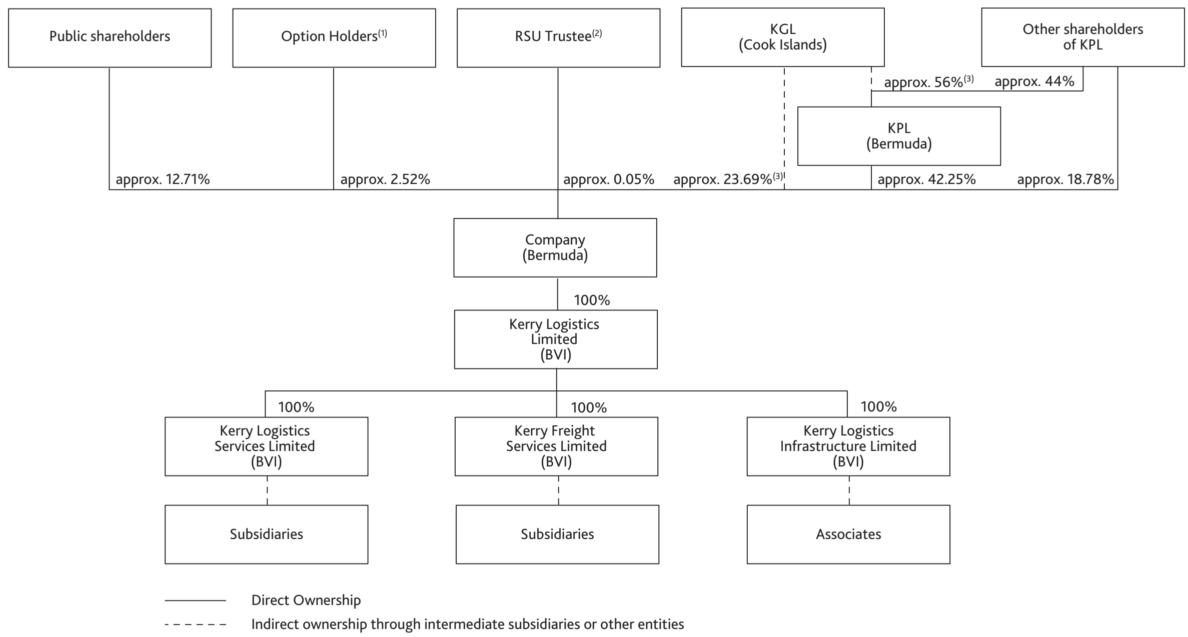


Notes:

(1) 815,000 Shares will be issued to the RSU Trustee to be held on trust pursuant to the RSU Scheme on the Listing Date.

(2) As disclosed under Part XV of the SFO. For details, please refer to page 143 of this prospectus.

The following chart shows our shareholding structure immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming that the Over-allotment Option is not exercised and the Pre-IPO Share Options are exercised in full and without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options):



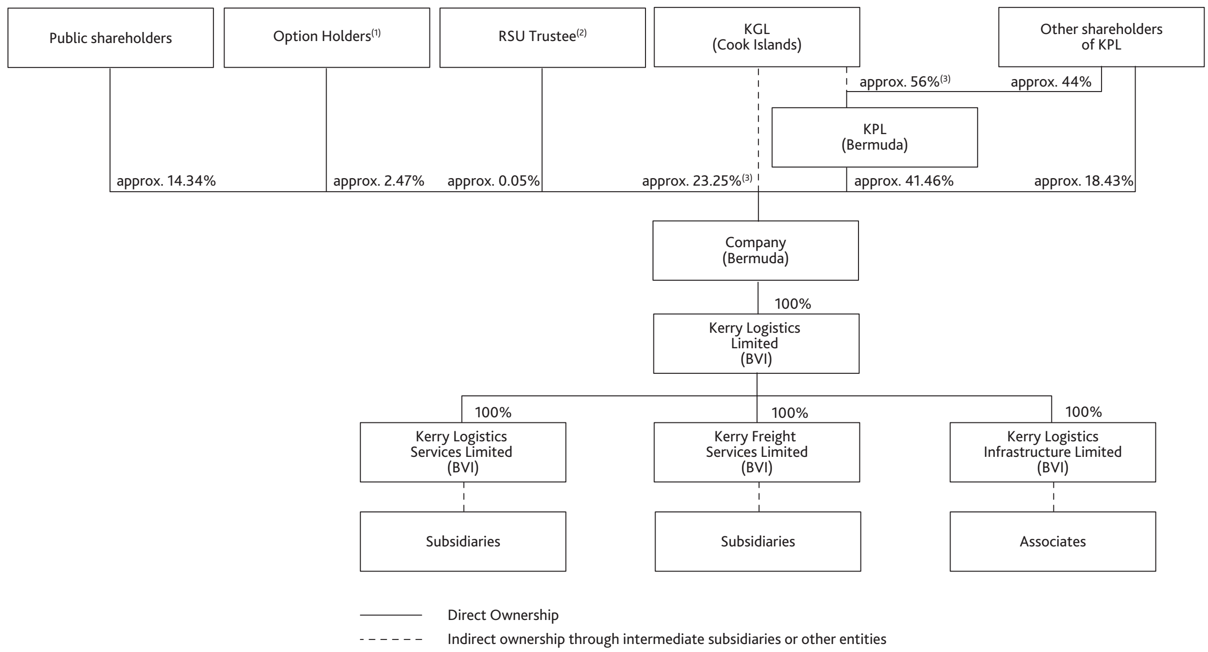
Notes:

(1) As at the date of this prospectus, 42,770,000 Pre-IPO Share Options have been conditionally granted. Pursuant to the Pre-IPO Share Option Scheme, no Pre-IPO Share Option may be exercised until the Global Offering has been completed.

(2) 815,000 Shares will be issued to the RSU Trustee to be held on trust pursuant to the RSU Scheme on the Listing Date.

(3) As disclosed under Part XV of the SFO. For details, please refer to page 143 of this prospectus.

The following chart shows our shareholding structure immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming that the Over-allotment Option and the Pre-IPO Share Options are exercised in full and without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options):



Notes:

(1) As at the date of this prospectus, 42,770,000 Pre-IPO Share Options have been conditionally granted. Pursuant to the Pre-IPO Share Option Scheme, no Pre-IPO Share Option may be exercised until the Global Offering has been completed.

(2) 815,000 Shares will be issued to the RSU Trustee to be held on trust pursuant to the RSU Scheme on the Listing Date.

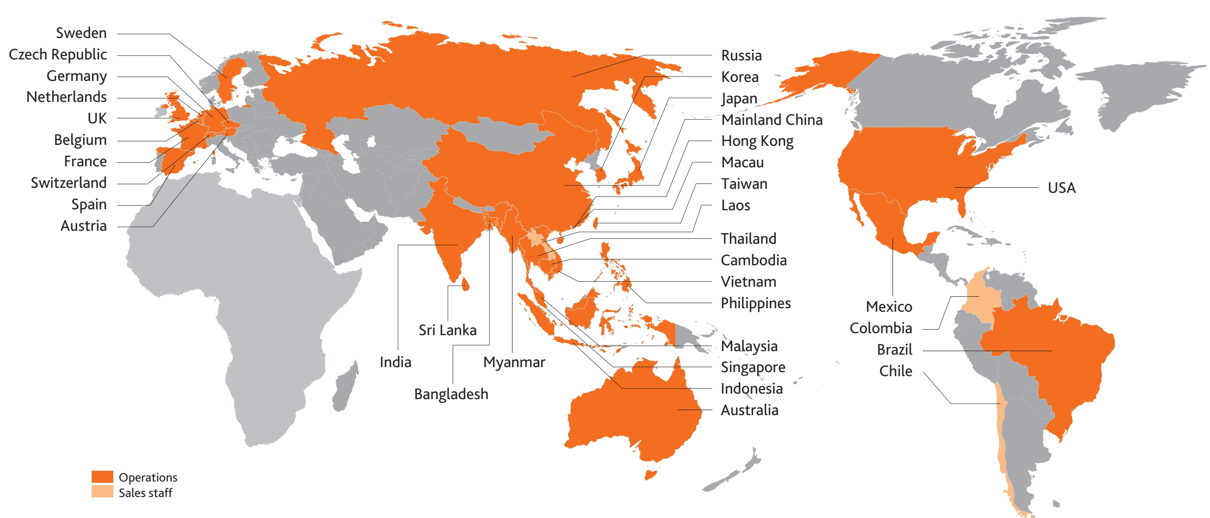
(3) As disclosed under Part XV of the SFO. For details, please refer to page 143 of this prospectus.

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.

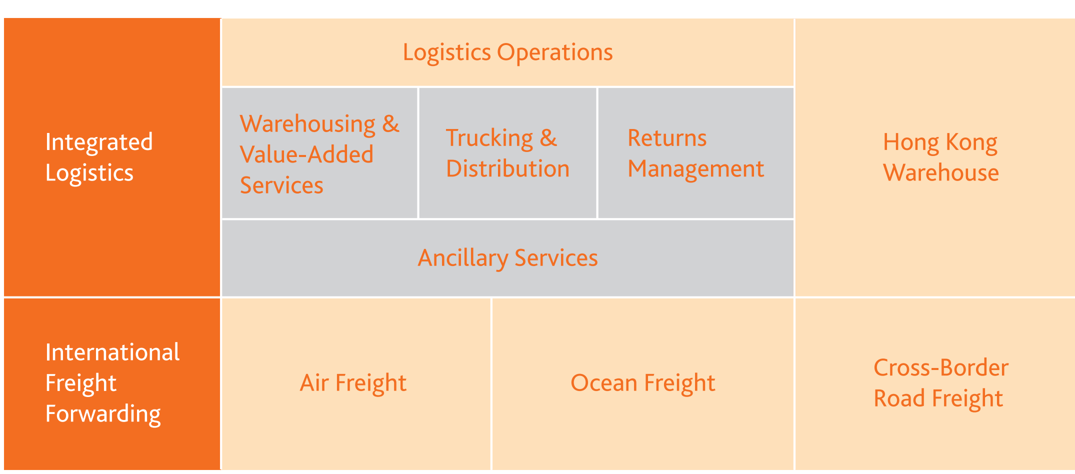
Continue to grow our existing businesses supported by additional investment and acquisition activities

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			Approx. GFA leased	Approx. GFA managed
		Total (A)	Attributable		(B)	(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.

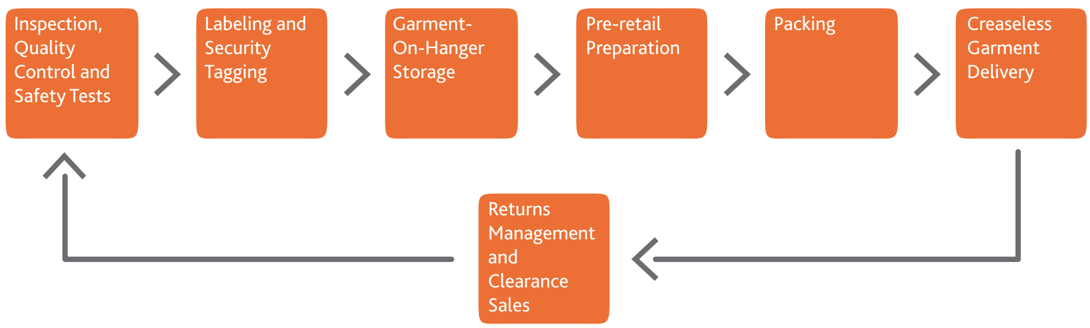
- *Trucking and distribution.* We operate domestic trucking service to distribute our customers' goods to their local or national distribution centres and retail outlets, as well as to transport cargo from airports or sea terminals to our logistics centres and vice versa. We have an extensive trucking 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.

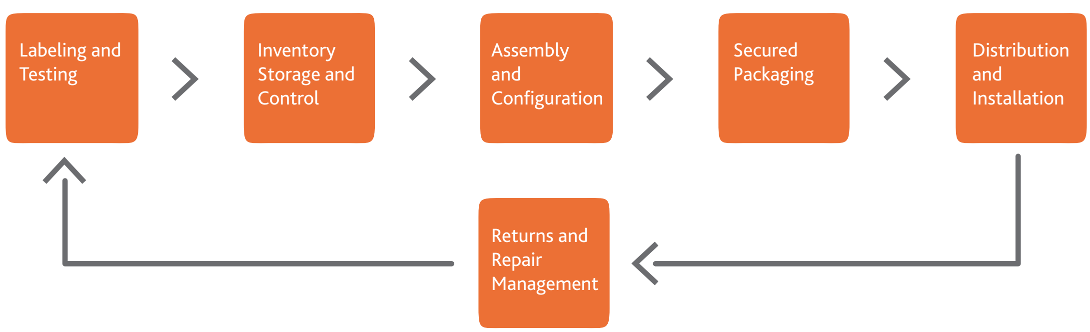
We conduct a substantial part of our logistics operations at the logistics centres, where we assign dedicated space to each customer in accordance with the terms of the logistics service agreement between us and the customer. We typically install equipment tailored to each customer's supply chain in 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	

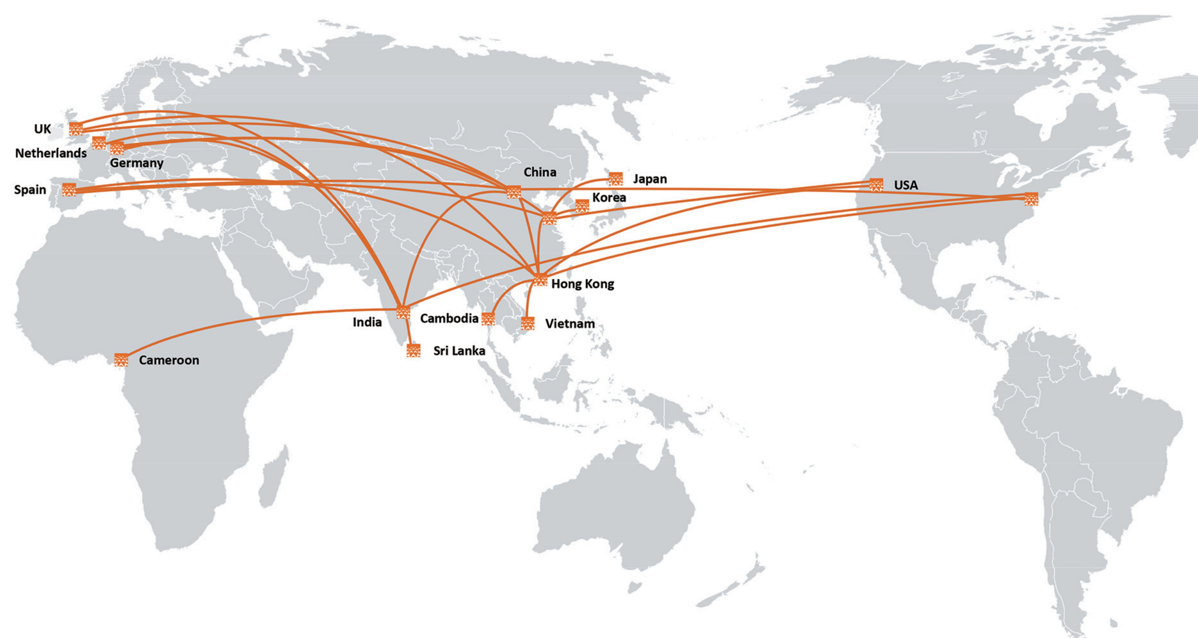
All of our self-owned warehouses in Hong Kong are well equipped to provide high-quality warehousing space. All of our self-owned warehouses in Hong Kong are classified by the Fire Insurance Association as Class I constructions and are equipped with a closed-circuit television surveillance system supported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

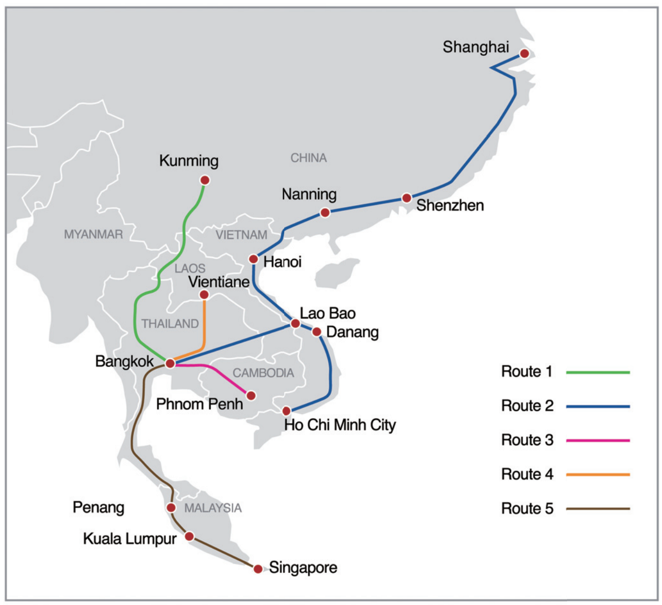
We currently do not own or operate any vessel. We serve as booking agent for a number of well-established shipping lines and therefore have direct access to space allocation on their shipping services. We procure ocean cargo space based on our actual shipment needs and do not enter into any firm commitments 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.)	Attributable (%)	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.

OUR CONTROLLING SHAREHOLDERS

KPL and KGL are our Controlling Shareholders as at the date of this prospectus. They will remain our Controlling Shareholders immediately following the completion of the Spin-off.

KPL is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code 683) since 5 August 1996. Since 1996, KPL has been the sole Shareholder of our Company. As at the Latest Practicable Date, KPL was in turn indirectly held as to approximately 56% by KGL, its largest shareholder, as disclosed under the SFO.

KGL was incorporated in the Cook Islands with limited liability and is an investment holding company. KGL is a substantial shareholder of KPL, Shangri-La Asia Limited (stock code 69) and SCMP Group Limited (stock code 583), all of which are listed on the Hong Kong Stock Exchange.

The KPL Group is principally engaged in (i) property development, investment and management in Hong Kong, China and the Asia Pacific region and (ii) hotel ownership in Hong Kong and hotel ownership and operations in China.

Shangri-La Asia Limited and its subsidiaries (the "SA Group") are principally engaged in the ownership and operation of hotels and associated properties and the provision of hotel management and related services.

SCMP Group Limited and its subsidiaries (the "SCMP Group") are principally engaged in the publishing, printing and distribution of the *South China Morning Post*, *the Sunday Morning Post*, various magazines and other related print and digital publications. SCMP Group is also involved in property investment.

Immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme, we will cease to be a subsidiary of KPL, and KPL will no longer consolidate our financial results into its accounts in accordance with HKFRSs. It is expected that KGL will remain as the largest indirect shareholder of our Company, holding approximately 67.65% of the issued share capital of our Company immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options). For details, please refer to page 143 of this prospectus. Our Directors believe that the businesses of the KPL Group and the KGL Group do not, either directly or indirectly, compete, or are not likely to compete, with our businesses. See the sub-section headed "— Clear Delineation of Business" below.

Following the Listing, we will operate independently from the KGL Group and the KPL Group in all essential respects.

We have entered into certain connected transactions with our Controlling Shareholders and their respective associates, which are expected to continue following the Listing. For details of these transactions, see the section headed "Connected Transactions".

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders after the Listing without unduly relying upon them, taking into consideration the factors below.

Operational Independence

We do not rely on our Controlling Shareholders for our business development, staffing, logistics, administration, finance, internal audit, IT, sales and marketing or company secretarial functions. We have our own departments specialising in these respective areas which have been in operations and are expected to continue to operate separately and independently from our Controlling Shareholders. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. Our top 10 customers and suppliers for the Track Record Period were Independent Third Parties. We are also in possession of all relevant licences necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

KGL has licensed certain of its trademarks to us through its subsidiary, Kuok Registrations Limited for nominal licensing fees (the "Trademark Licensing"). For details of the licensing agreements, please refer to the section headed "Business — Intellectual Property Rights". We believe that the KGL Group has built significant brand recognition and a set of core values associated with the "Kerry" name, and therefore it is essential that the KGL Group maintains control over the future development and registration of the marks "Kerry" and "嘉里" to ensure consistent use and maintenance of core values in a coordinated manner. For further information, see "Appendix VII — Statutory and General Information — C. Further Information about the Business of our Company — 2. Our material intellectual property rights". Our Directors are of the view that our independence and administrative capability should not be affected by the Trademark Licensing arrangement.

As at the Latest Practicable Date, we leased from the KPL Group approximately 0.2 million sq. ft., representing approximately 1% of our total leased properties. Our Directors are of the view that, if such needs arise, we would have no practical difficulties in relocating to alternative premises held by independent landlords at comparable rental rates.

Except as disclosed above, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders.

Management Independence

Our Board of Directors consists of eight Directors, comprising four Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The following table sets out the overlapping directors of our Company, KPL, KGL and KHL immediately following the Listing:

Our Company	KPL	KGL/KHL
YEO George Yong-boon *Executive Director*	–	YEO George Yong-boon *Director and Deputy Chairman of KGL*
KUOK Khoon Hua *Executive Director*	–	KUOK Khoon Hua *Director of KGL[(1)] and Director and Deputy Managing Director of KHL*
QIAN Shaohua *Non-executive Director*	QIAN Shaohua *Co-Managing Director and Executive Director*	–
WONG Yu Pok Marina *Independent Non-executive Director*	WONG Yu Pok Marina *Independent Non-executive Director*	–

Note:

(1) Mr. Kuok is also a director of Kerry Wines Limited, a subsidiary of KGL.

Qian Shaohua has served as an executive director of KPL since 20 July 2009 and will continue to serve in such position in KPL immediately following the Listing. It is expected that Mr. Qian will not be involved in our day-to-day business operations as a Non-executive Director, and our Directors believe that such arrangement will not affect the discharge of his duties and responsibilities to us or the KPL Group.

Wong Yu Pok Marina has served as an independent non-executive director of KPL since 20 May 2008 and will continue to serve in such position in KPL immediately following the Listing. As an independent non-executive director, Ms. Wong has not participated in the day-to-day operations of KPL and its subsidiaries before the Listing and will not participate in such capacity in both the KPL Group and us immediately following the Listing. Accordingly, it is expected that there will not be any conflict of interest arising as a result of Ms. Wong's dual roles, and her independence under Rule 3.13(7) of the Listing Rules will not be affected. In addition, given the non-executive nature of Ms. Wong's directorship in both our Company and KPL, it is expected that Ms. Wong will have sufficient time and resources to serve on the board of directors of KPL and our Board without affecting her discharge of duties and responsibilities to the two groups.

In addition, Yeo George Yong-boon will remain as a director of KGL and the deputy chairman of KGL and Kuok Khoon Hua will remain as a director of both KGL and KHL and the deputy managing director of KHL immediately following the Listing. Mr. Yeo and Mr. Kuok are both involved in the management of KGL in their capacity as directors of KGL. In addition, Mr. Kuok, in his capacity as deputy managing director and a board member of KHL, is involved in the management of KHL, including its investment, legal, human resources and wine divisions. Mr. Kuok is also a director of Kerry Wines Limited, a subsidiary of KGL. The role of Mr. Yeo as a director of our Company will be setting our strategic vision, direction and goals while his role and duties with KGL are not onerous and are therefore not expected to occupy a material amount of his time on a daily basis. As a Director of our Company, Mr. Kuok will focus on strategic development.

Except as disclosed above, none of our Directors will overlap with the board of KPL or KGL. We will continue to function independently from each of the KPL Group and the KGL Group. It is expected that, except for Ang Keng Lam, who formerly served as the chairman of our Company until 1 August 2012 and who will remain as a director of KHL and a Senior Advisor of our Company (being an advisory role rather than a management role on a day-to-day basis) immediately following the Listing, there will be no overlapping of senior management between us and KGL, and between us and the KPL Group, immediately following the Listing. In addition, Mr. Benjaathonsirikul is an independent director and audit committee member of Shangri-La Hotel Public Company Limited (a listed company in Thailand with stock code SHANG and a subsidiary of Shangri-La Asia Limited, which is in turn an associate of KGL). Our Directors are of the view that there is no overlapping management function between us and KGL, or between us and the KPL Group, and we are capable of maintaining management independence.

We consider that our Board and senior management will function independently from each of our Controlling Shareholders because:

- each Director is aware of his fiduciary duties as Director which require, among other things, that he acts for the benefit and in the best interest of our Company and our Shareholders as a whole and does not allow any conflict between his duties as Director and his personal interests;

- the three Independent Non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions;

- where our Board is considering a resolution in which KGL, KHL and/or KPL is interested, the overlapping Directors between our Company and KGL, KHL and/or KPL are required to abstain from voting on such resolution pursuant to our Bye-laws, and in the event there is an equality of votes by the remaining Directors on such resolution, the chairman (who shall not be an overlapping Director) presiding at such Board meeting shall have a second or casting vote;

- we have also established an internal control mechanism to identify related party transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions; and

- in order to allow the non-conflicting members of our Board to function properly with the necessary professional advice, we will engage a third-party professional adviser to advise our Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between us and our Directors or their respective associates.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles as Directors independently and manage our business independently from our Controlling Shareholders after the Listing.

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs.

As at 30 June 2013, we had loans owed to a fellow subsidiary controlled by KPL in the amount of HK$3,781.6 million. We plan to fully settle all outstanding loans from our fellow subsidiary through capitalisation of a portion of the loans prior to the Listing and repayment of the remaining portion promptly after the Listing.

In addition, the KPL Group has historically provided financial assistance in the form of guarantees and letters of comfort on some of our loans with third-party banks. During the Track Record Period, the KPL Group had also obtained loans directly from third-party banks and on-lent the amounts to us. However, we have gradually moved away from relying on the KPL Group with respect to third-party debt financing, and have increasingly obtained such financing independently from the KPL Group. By the end of 2011, we had successfully entered into three loan agreements with international banks to borrow funds on a stand-alone basis independent from and without any financial assistance or credit support from the KPL Group or the KGL Group, further demonstrating our financial independence from them. All of our new third-party bank loans since then have been obtained independently from the KPL Group. As at the Latest Practicable Date, none of our bank loans were guaranteed by any of our Controlling Shareholders or their associates (excluding our Group). In addition, all forms of financial assistance provided by the KPL Group to us will be terminated or released before or promptly after the Listing and thereupon there will be no loan or other forms of financial assistance provided by the KGL Group or the KPL Group to us. On this basis, we will be financially independent from each of our Controlling Shareholders at the time of the Listing.

Except as disclosed above, our Directors confirm that as at the Latest Practicable Date none of our Controlling Shareholders or their respective associates had provided any loans, guarantees or pledges to us. Our Directors confirm that we do not expect to rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities and bank loans, as well as the proceeds from the Global Offering.

For the above reasons, our Directors consider that there is no financial dependence on our Controlling Shareholders.

Clear Delineation of Business

The core businesses of our Group and each of our Controlling Shareholders, by their very nature, are separate and distinct businesses. Immediately following the completion of the Global Offering, we will continue to be principally engaged in the integrated logistics and international freight forwarding businesses. By the nature of the products and services provided by us and each of the KGL Group and the KPL Group, there is a clear delineation between the respective businesses.

CORPORATE GOVERNANCE

We have adopted the Code and will comply with the code provisions in the Code. The Code sets forth principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

We are also required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers set forth in Appendix 10 to the Listing Rules, which provides, among other matters, prohibitions on directors' dealings in securities and protection of minority shareholders' rights.

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between us and our Controlling Shareholders, and to protect minority Shareholders' rights after the Listing.

We are committed to the view that our Board should include a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element in our Board which can effectively exercise independent judgment. Our Independent Non-executive Directors, details of whom are set forth in the section headed "Directors, Senior Management and Employees", individually and together possess the requisite knowledge and experience for our Board. All of our Independent Non-executive Directors are experienced and are committed to providing impartial and professional advice to protect the interest of our minority Shareholders.

CONFIRMATION

Except as disclosed above, neither the KGL Group, the KPL Group nor any of our Directors was, as at the Latest Practicable Date, interested in any businesses, which compete, or are likely to compete, directly or indirectly, with our businesses and which would otherwise require disclosure pursuant to Rule 8.10 of the Listing Rules.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Exempt Continuing Connected Transactions

Following the Listing, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

Transactions with KGL Group

Connected person and relationship

KGL is a Substantial Shareholder and a Controlling Shareholder of our Company and is therefore a connected person of our Company under the Listing Rules.

Background and nature of transactions

In the ordinary and usual course of business, we have entered into transactions with the KGL Group for us to provide leased premises, services including delivery, storage, local courier, logistics, insurance and sale of goods to the KGL Group. Following the Listing, we expect to continue to enter into such transactions with the KGL Group on normal commercial terms. We have also entered into and, following the Listing, expect to continue to enter into, transactions with the KGL Group to license certain trademarks through Kuok Registrations Limited to us for a nominal fee. In addition, it is also expected that the KGL Group will provide legal and administrative services to us (collectively, the "KGL Transactions"). The amounts paid by the KGL Group to us were determined after arm's length negotiations between the parties with reference to prevailing market rates for similar types of premises, goods and services.

Historical transaction amounts

No amount was paid by us under the KGL Transactions for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013.

The aggregate amounts received by us under the KGL Transactions for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013 were approximately HK$0.6 million, HK$1.0 million, HK$4.4 million and HK$6.4 million, respectively.

Listing Rules requirements

As (i) each of the applicable percentage ratios in respect of the KGL Transactions under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules and (ii) the KGL Transactions are on normal commercial terms, the KGL Transactions are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent Shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the amounts payable or receivable under the KGL Transactions exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Transactions with KPL

Connected person and relationship

KPL is a Substantial Shareholder and a Controlling Shareholder of our Company and is therefore a connected person of our Company under the Listing Rules.

Background and nature of transactions

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions (the "KPL Transactions") with KPL Group on normal commercial terms (i) for us to provide services including delivery, shuttle bus, local courier, freight, freight agency, and insurance to KPL Group; and (ii) for KPL Group to provide leased premises to us. In addition, following our transfer of Kerry D.G. Warehouse (Kowloon Bay) to the KPL Group pursuant to a sale and purchase agreement dated 29 November 2013, it is expected that the KPL Group will license certain premises to us with respect to Kerry D.G. Warehouse (Kowloon Bay). The amounts paid by us to the KPL Group, and vice versa, were determined after arm's length negotiations between the parties with reference to prevailing market rates for similar types of premises, goods and services.

Historical transaction amounts

The aggregate amounts paid by us under the KPL Transactions for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013 were approximately HK$4.5 million, HK$5.8 million, HK$6.0 million and HK$2.3 million, respectively.

The aggregate amounts received by us under the KPL Transactions for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013 were approximately HK$0.2 million, HK$1.4 million, HK$6.5 million and HK$4.7 million, respectively.

Listing Rules requirements

As (i) each of the applicable percentage ratios in respect of the KPL Transactions under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules and (ii) the KPL Transactions are on normal commercial terms, the KPL Transactions are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent Shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the amounts payable or receivable under the KPL Transactions exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Transactions with Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited

Connected person and relationship

Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited ("KHK") is an associate of KPL, which is a Substantial Shareholder and a Controlling Shareholder of our Company and is therefore a connected person of our Company under the Listing Rules.

Background and nature of transactions

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions (the "KHK Administrative Transactions") with KHK for us to provide management and IT support services to KHK.

Historical transaction amounts

The aggregate amounts received by us under the KHK Administrative Transactions for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013 were approximately HK$1.2 million, HK$1.1 million, HK$1.1 million and HK$0.5 million, respectively.

Listing Rules requirements

As such services to KHK were charged at cost, the KHK Administrative Transactions are exempted continuing connected transactions under Rule 14A.31(8) of the Listing Rules.

Transactions with Shangri-La Asia Limited

Connected person and relationship

Shangri-La Asia Limited is an associate of KGL, which is a Substantial Shareholder and a Controlling Shareholder of our Company, and is therefore a connected person of our Company under the Listing Rules.

Background and nature of transactions

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions (the "Shangri-La Transactions") with Shangri-La Asia Limited and its subsidiaries on normal commercial terms (i) for both parties to mutually provide leased premises; and (ii) for us to provide services including delivery, local courier, freight, freight agency and insurance and sale of goods to Shangri-La Asia Limited and its subsidiaries. The amounts paid by us to Shangri-La Asia Limited and its subsidiaries, and vice versa, were determined after arm's length negotiations between the parties with reference to prevailing market rates for similar types of premises, goods and services.

Historical transaction amounts

The aggregate amounts paid by us under the Shangri-La Transactions for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013 were approximately HK$1.3 million, HK$1.9 million, HK$1.7 million and HK$1.1 million, respectively.

The aggregate amounts received by us under the Shangri-La Transactions for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013 were HK$1.7 million, HK$2.0 million, HK$2.3 million and HK$1.2 million, respectively.

Listing Rules requirements

As (i) each of the applicable percentage ratios in respect of the Shangri-La Transactions under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules and (ii) the Shangri-La Transactions are on normal commercial terms, the Shangri-La Transactions are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent Shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the amounts payable or receivable under the Shangri-La Transactions exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Transactions with Kerry Mining (Mongolia) Limited

Connected person and relationship

Kerry Mining (Mongolia) Limited is an associate of KGL, which is a Substantial Shareholder and a Controlling Shareholder of our Company, and is therefore a connected person of our Company under the Listing Rules.

Background and nature of transactions

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions (the "Kerry Mining Transactions") with Kerry Mining (Mongolia) Limited and its subsidiaries on normal commercial terms for us to provide insurance services to Kerry Mining (Mongolia) Limited and its subsidiaries. The amounts paid by Kerry Mining (Mongolia) Limited and its subsidiaries to us were determined after arm's length negotiations between the parties with reference to prevailing market rates for similar insurance services.

Historical transaction amounts

The aggregate amounts received by us under the Kerry Mining Transactions for the year ended 31 December 2012 and the six months ended 30 June 2013 were approximately HK$0.01 million and HK$0.06 million, respectively. We had no transactions with Kerry Mining (Mongolia) Limited prior to 2012.

Listing Rules requirements

As (i) each of the applicable percentage ratios in respect of the Kerry Mining Transactions under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules and (ii) the Kerry Mining Transactions are on normal commercial terms, the Kerry Mining Transactions are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent Shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the amounts receivable under the Kerry Mining Transactions exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Transactions with Aartco Holding B.V.

Connected person and relationship

Aartco Holding B.V., formerly known as Adcoint B.V., is a Substantial Shareholder of one of our subsidiaries, and is therefore a connected person of our Company under the Listing Rules.

Background and nature of transactions

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions (the "Aartco Transactions") with Aartco Holding B.V. on normal commercial terms for Aartco Holding B.V. to provide leased premises to us. The amounts paid by us to Aartco Holding B.V. were determined after arm's length negotiations between the parties with reference to prevailing market rates for similar types of premises.

Historical transaction amounts

The aggregate amounts paid by us under the Aartco Transactions for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013 were approximately HK$1.4 million, HK$5.5 million, HK$5.3 million and HK$2.5 million, respectively.

Listing Rules requirements

As (i) each of the applicable percentage ratios in respect of the Aartco Transactions under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules and (ii) the Aartco Transactions are on normal commercial terms, the Aartco Transactions are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent Shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the amounts payable under the Aartco Transactions exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Transactions with Albini & Pitigliani SPA

Connected person and relationship

Albini & Pitigliani SPA is a Substantial Shareholder of one of our subsidiaries, and is therefore a connected person of our Company under the Listing Rules.

Background and nature of transactions

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions (the "Albini Transactions") with Albini & Pitigliani SPA on normal commercial terms for both parties to mutually provide land transportation services. The amounts paid by us to Albini & Pitigliani SPA, and vice versa, were determined after arm's length negotiations between the parties with reference to prevailing market rates for similar services.

Historical transaction amounts

The aggregate amount paid by us under the Albini Transactions for the six months ended 30 June 2013 was approximately HK$1.0 million.

The aggregate amount received by us under the Albini Transactions for the six months ended 30 June 2013 was approximately HK$0.9 million. We had no transactions with Albini & Pitigliani SPA prior to 2013.

Listing Rules requirements

As (i) each of the applicable percentage ratios in respect of the Albini Transactions under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules and (ii) the Albini Transactions are on normal commercial terms, the Albini Transactions are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent Shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the amounts payable or receivable under the Albini Transactions exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Continuing Connected Transactions exempt from independent Shareholders' approval requirements

Following the Listing, the following transactions will be regarded as continuing connected transactions exempt from independent Shareholders' approval requirement but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

Transactions with KHK

Connected person and relationship

KHK is an associate of KPL, which is a Substantial Shareholder and a Controlling Shareholder of our Company, and is therefore a connected person of our Company under the Listing Rules.

Background

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions with KHK on normal commercial terms for KHK to provide leased premises to us (the "KHK Transactions") for use as warehouses and car parking spaces and to provide related building management services. The amounts paid by us to KHK were determined after arm's length negotiations between the parties with reference to prevailing market rates for similar types of premises and services.

Historical transaction amounts

The aggregate amounts paid by us under the KHK Transactions for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013 were approximately HK$31.2 million, HK$36.6 million, HK$37.1 million and HK$19.3 million, respectively.

Annual caps

Our Directors estimate that the annual transaction amounts for the KHK Transactions will not exceed the following annual caps for the years ending 31 December 2013, 2014 and 2015:

	Year ending 31 December		
	2013	2014	2015
		(HK$)	
Aggregate amounts paid by us under the KHK Transactions	39.0 million	42.0 million	46.0 million

In arriving at the above annual caps, our Directors have considered factors including historical and current rental and building management fees for the premise leased under the KHK Transactions, the prevailing market rates for rental and building management fees for comparable properties in the nearby area, and inflation.

We have entered into rental agreements and car parking spaces rental letters (the "KHK Agreements") with KHK in respect of the KHK Transactions, pursuant to the requirements under Rule 14A.35 of the Listing Rules. Such KHK Agreements are for a fixed term of not more than three years and are on normal commercial terms.

Listing Rules requirements

Since the highest of all applicable percentage ratios for the transactions under the KHK Transactions calculated in accordance with Rule 14.07 of the Listing Rules is more than 0.1% but less than 5%, the KHK Transactions are continuing connected transactions subject to the reporting and announcement requirements set forth in Rules 14A.45 to 14A.47, the annual review requirements set forth in Rules 14A.37 to 14A.40 and the requirements set forth in Rules 14A.35(1) and Rules 14A.35(2) of the Listing Rules, but exempt from the independent Shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

WAIVER

Application for Waiver

We expect to continue to enter into or carry out the transactions described above under the heading "— Continuing Connected Transactions exempt from independent Shareholders' approval requirements" following the Listing and these transactions will constitute continuing connected transactions for us under the Listing Rules following the Listing.

Scope of Waiver

Under the Listing Rules, the transactions described above under the heading "— Continuing Connected Transactions exempt from independent Shareholders' approval requirements" are considered continuing connected transactions under Rule 14A.35 of the Listing Rules subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and Rules 14A.35(2) of the Listing Rules, but exempt from the independent Shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

As these connected transactions are expected to be carried out on a continuing and recurring basis and are expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirements under the Listing Rules would be unduly burdensome, impractical and would add unnecessary administrative costs to us. Accordingly, our Directors have applied to and received from the Hong Kong Stock Exchange a waiver from strict compliance with the announcement requirements relating to continuing connected transactions under Chapter 14A of the Listing Rules. We will however comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this prospectus on the continuing connected transactions referred to in this section including, but not limited to, a requirement that these transactions be made conditional upon our independent Shareholders' approval, we will take immediate steps to ensure compliance with such requirements.

Opinion of our Directors

Our Directors (including our Independent Non-executive Directors) are of the opinion that (i) each of the continuing connected transactions described above has been entered into and will be carried out in the ordinary and usual course of business and on normal commercial terms, (ii) each of the continuing connected transactions described above is fair and reasonable and in the interest of our Shareholders as a whole, and (iii) the maximum aggregate annual value for these continuing connected transactions (where applicable) are fair and reasonable as far as our Shareholders as a whole are concerned.

In addition, we will comply with the reporting requirements and disclose the details of the transactions in our subsequent annual reports for each of the three years ending 31 December 2015 pursuant to Rules 14A.25 and 14A.46 of the Listing Rules. Upon the expiry of the waiver after 31 December 2015, we will comply with the applicable provisions of Chapter 14A of the Listing Rules as amended from time to time or apply for relevant waivers.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that (i) the terms of KHK Agreements are in the ordinary and usual course of our business, on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole and (ii) the maximum aggregate annual value for the KHK Transactions are fair and reasonable as far as our Shareholders as a whole are concerned. In arriving at their views, the Joint Sponsors have received and considered an opinion letter from DTZ Debenham Tie Leung Limited which, after reviewing the KHK Transactions, has confirmed that (a) the terms and conditions thereof are fair and reasonable and (b) the amounts payable thereunder reflect prevailing market rates.

Our Board of Directors is responsible and has general powers for the management and conduct of our business. The following table shows certain information in respect of the members of our Board of Directors:

DIRECTORS

Name	Age	Position/Title	Date of Appointment	Date of Joining our Group	Role and Responsibility
Executive Directors					
YEO George Yong-boon	59	Chairman/ Executive Director	25 November 2013	August 2012	Setting the strategic vision, direction and goals of our Group
MA Wing Kai William	52	Group Managing Director/ Executive Director	25 November 2013	June 1999	Day-to-day business and operations of our Group to ensure our Group is operating in the pre-set strategic direction
ERNI Edwardo	52	Executive Director	25 November 2013	January 1994	Developing and managing our Group's operations in China
KUOK Khoon Hua	34	Executive Director	25 November 2013	25 November 2013	Strategic development
Non-executive Director					
QIAN Shaohua	56	Non-executive Director	25 November 2013	25 November 2013	Supervising the management of our Company
Independent Non-executive Directors					
WONG Yu Pok Marina	65	Independent Non-executive Director	25 November 2013	25 November 2013	Supervising the management of our Company
WAN Kam To	60	Independent Non-executive Director	25 November 2013	25 November 2013	Supervising the management of our Company
YEO Philip Liat Kok (also known as Noel Philip YEO)	67	Independent Non-executive Director	25 November 2013	25 November 2013	Supervising the management of our Company

Our senior management consists of our Executive Directors and certain employees listed in the following table:

SENIOR MANAGEMENT

Name	Age	Position/Title	Date of Appointment	Date of Joining our Group	Role and Responsibility
ANG Keng Lam	66	Senior Advisor	August 2012	December 1991	Providing advice on strategic development and maintaining relationships with our major joint venture partners
BENJAATHONSIRIKUL Kledchai	58	Executive Director of Thailand	July 2000	July 2000	Developing and managing our Group's operations in Thailand
CHENG Chi Wai	49	Chief Financial Officer	August 2009	August 2009	Responsible for our Group's financial, corporate governance and compliance matters, as well as merger and acquisition activities of our Group
HUNG Wai Shing	48	Group Financial Controller	January 2010	September 1999	Managing our Group's accounting matters and coordinating all regional accounting functions of our Group
KO Fuk Yuen Kenneth	42	Executive Director of International Freight Forwarding	April 2010	April 2010	Developing and managing the global international freight forwarding network and operations
LEE Wai Shun Wilson	46	Director of Information Technology	April 2004	April 2004	Managing our Group's global information technology development and maintenance
SHEN Chung-kui (also known as Richard SHEN)	70	Chairman of Kerry TJ Logistics Company Limited	November 2008	November 2008	Developing and managing our Group's operations in Taiwan
TAN Kai Whatt Robert	56	Managing Director of South and South East Asia	January 2008	January 2004	Developing and managing our Group's operations in South and South East Asia
WILCOCK Gary	52	Managing Director of Europe	December 2007	April 2002	Developing and managing our Group's operations in Europe including the United Kingdom

Executive Directors

YEO George Yong-boon, age 59, has been our Executive Director since 25 November 2013 and has been the Chairman of our Company since August 2012. Mr. Yeo is also deputy chairman and a director of KGL. From 1988 to 2011, Mr. Yeo served for 23 years in the Singapore Government, as Minister of State for Finance, then as Minister for Information and the Arts, Health, Trade and Industry, and Foreign Affairs. Prior to 1988, Mr. Yeo served in various capacities in the Singapore Armed Forces, Republic of Singapore Air Force and Defence Ministry, including Chief-of-Staff of the Air Staff and Director of Joint Operations and Planning in the Defence Ministry, attaining the rank of Brigadier-General. Mr. Yeo is a member of the Foundation Board of the World Economic Forum, the Berggruen Institute on Governance, the Asia-Pacific Advisory Board of Harvard Business School, the International Advisory Board of IESE Business School and Economic Development Commission, Hong Kong. Recently Mr. Yeo was appointed a member of the Pontifical Commission for Reference on the Economic-Administrative Structure of the Holy See. Mr. Yeo has been an independent non-executive director of AIA Group Limited (a listed company on the Hong Kong Stock Exchange with stock code 1299) since November 2012. Mr. Yeo was awarded the Philippines' Order of Sikatuna, India's Padma Bhushan and Australia's Honorary Officer of the Order of Australia. Mr. Yeo graduated from Cambridge University with a double first in engineering in 1976 and also obtained a master of business administration degree (Baker Scholar) from Harvard Business School in 1985. In addition, Mr. Yeo was a visiting scholar to Peking University from September to December 2011 and remains a visiting scholar at the Lee Kuan Yew School of Public Policy.

MA Wing Kai William, age 52, has been our Executive Director since 25 November 2013. Mr. Ma has been a Director of our Company since June 1999 and designated as Deputy Chairman and Managing Director of our Company since April 2004. He was re-designated as Group Managing Director prior to the Listing. Mr. Ma joined the KHL Group in September 1990 and served as an executive director of KPL from March 2004 to 25 November 2013. Mr. Ma has also been a director of Kerry TJ Logistics since November 2008. Mr. Ma currently serves in the Logistics Development Council, the Aviation Development Advisory Committee and the Advisory Committee on Admission of Quality Migrants and Professionals of the Hong Kong Government. He is also a member of the Advisory Board of the Asian Institute of Supply Chain and Logistics of the Chinese University of Hong Kong and was a member of the Logistics Services Advisory Committee of the Hong Kong Trade Development Council. Mr. Ma obtained a bachelor of science (management sciences) degree from the University of Lancaster, the United Kingdom in 1985, and completed an executive supply chain programme at Harvard Business School in 2000.

ERNI Edwardo, age 52, has been our Executive Director since 25 November 2013. Mr. Erni has been a Director of our Company since 2011 and is also our Managing Director of the China region. Mr. Erni manages a portfolio of logistics and warehousing companies in China. He joined our Company in January 1994 and has approximately 20 years of experience in the growing logistics industry of China. Mr. Erni currently serves as vice-chairman of several industry associations including the China Federation of Logistics & Purchasing, the Integrated Transport Federation of China Communications and Transportation Association, and China Association of Warehouses and Storage. Mr. Erni completed several advanced management and professional study programmes focusing on strategy and leadership, including a training course held by the Harvard Business School in association with the School of Management at Fudan University in 2013, and management courses held by Tianjin University in 2011, Beijing University in 2009 and Tsinghua University in 2008. Mr. Erni obtained a master of business degree in logistics management from the Royal Melbourne Institute of Technology, Australia in 2005. Mr. Erni did not hold any directorship in any other listed companies in the three years immediately prior to the date of this prospectus.

KUOK Khoon Hua, age 34, has been our Executive Director since 25 November 2013. Mr Kuok has also served as a director of KHL since January 2010, as a director of Kerry Wines Limited, a subsidiary of KGL, since March 2011, as deputy managing director of KHL since January 2012, and director of KGL since August 2012. Mr. Kuok joined KHL in 2004 and is currently involved in the management of KHL, including KHL's investment, legal, human resources and wine divisions. From 2003 to 2004, Mr. Kuok was a business development executive with Kuok Oils & Grains Pte Ltd and was also a director of Kuok (Singapore) Limited from 2003 to 2007. Mr. Kuok obtained a bachelor's degree in economics from Harvard University in 2003. Mr. Kuok did not hold any directorship in any other listed companies in the three years immediately prior to the date of this prospectus.

Non-executive Director

QIAN Shaohua, age 56, has been our Non-executive Director since 25 November 2013. Mr. Qian has been a director of KPL since September 2007, re-designated as an executive director of KPL in July 2009 and was subsequently re-designated as a co-managing director of KPL in August 2013. Mr. Qian served as vice president of development at Shangri-La Asia Limited from February 2004 to September 2007 and as general manager of Zhongshan Province Tourism Group Company (中山市旅遊集團公司), a state owned enterprise primarily engaged in the business of tourism development, from January 1996 to May 2002, where he was responsible for the day-to-day general management, asset management, and business development primarily for the China market. Mr. Qian is also a member of the executive committee of KPL and is responsible for KPL's property development business in China. Mr. Qian graduated from South China Normal University in 1986 and completed an advanced management programme at Harvard Business School in 2002.

Independent Non-executive Directors

WONG Yu Pok Marina JP, age 65, has been our Independent Non-executive Director since 25 November 2013. Ms. Wong has served as an independent non-executive director of KPL since May 2008. She is also a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of KPL. Ms. Wong had worked with PricewaterhouseCoopers for over 30 years, specialising in PRC tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors on the structuring of their businesses and investments in China. Ms. Wong retired as a partner from PricewaterhouseCoopers in July 2004, and joined Tricor Services Limited as a director from September 2004 to February 2006. Ms. Wong is now an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited (a company listed on the Hong Kong Stock Exchange with stock code 50) and Luk Fook Holdings (International) Limited (a company listed on the Hong Kong Stock Exchange with stock code 590), and an independent director of China World Trade Center Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code 600007). Ms. Wong is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Ms. Wong obtained a higher diploma in Accountancy from Hong Kong Technical College (now known as Hong Kong Polytechnic University) in 1968 after completing a three-year full-time course in accountancy from 1965 to 1968.

Ms. Wong has served as an independent non-executive director of KPL since 20 May 2008 and will continue to serve in such position in KPL immediately following the Listing. As an independent non-executive director, Ms. Wong has not participated in the day-to-day operations of KPL and its subsidiaries before the Listing and will not participate in such capacity in either the KPL Group or our Company immediately following the Listing. Accordingly, it is expected that there will not be any conflict of interest arising as a result of Ms. Wong's dual roles, and her independence under Rule 3.13(7) of the Listing Rules will not be affected. In addition, given the non-executive nature of Ms. Wong's directorships in both our Company and KPL, it is expected that Ms. Wong will have sufficient time and resources to serve on the board of directors of KPL and our Board without affecting her discharge of duties and responsibilities to the two groups.

WAN Kam To, age 60, has been our Independent Non-executive Director since 25 November 2013. He was a former partner of PricewaterhouseCoopers Hong Kong & China, and has been a practicing accountant in Hong Kong for over 30 years with extensive experience in auditing, finance, advisory and management. Mr. Wan also serves or has served as an independent non-executive director of the following listed companies:

Company	Stock Code	Stock Exchange where the company is listed	Duration
China Resources Land Limited	1109	Hong Kong Stock Exchange	March 2009 to present
Dalian Port (PDA) Company Limited	2880 601880	Hong Kong Stock Exchange Shanghai Stock Exchange	June 2011 to present
Fairwood Holdings Limited	52	Hong Kong Stock Exchange	September 2009 to present
GreaterChina Professional Services Limited	8193	Hong Kong Stock Exchange	May 2011 to November 2013
Huaneng Renewables Corporation Limited	958	Hong Kong Stock Exchange	August 2010 to present
KFM Kingdom Holdings Limited	3816	Hong Kong Stock Exchange	September 2012 to present
Shanghai Pharmaceuticals Holding Co., Ltd.	2607 601607	Hong Kong Stock Exchange Shanghai Stock Exchange	June 2013 to present
S. Culture International Holdings Limited	1255	Hong Kong Stock Exchange	May 2013 to present
Real Gold Mining Limited	246	Hong Kong Stock Exchange	July 2011 to August 2011
Mindray Medical International Limited	MR	New York Stock Exchange	September 2008 to present
RDA Microelectronics, Inc.	RDA	NASDAQ	November 2010 to present

Mr. Wan is a Fellow Member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wan graduated from the accounting department of Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a higher diploma in 1975.

YEO Philip Liat Kok (also known as Noel Philip YEO), age 67, has been our Independent Non-executive Director since 25 November 2013. He is the chairman and independent director of Ascendas India Trust (a listed trust in Singapore with stock code CY6U) since June 2007 and an independent non-executive director of City Developments Limited (a listed company on the Singapore Stock Exchange with stock code C09) since May 2009. He is also an independent director of Hitachi Ltd (a listed company on the Tokyo Stock Exchange with stock code 6501) since June 2012. In March 2013, Mr. Yeo assumed chairmanship of Economic Development Innovations Singapore Pte Ltd. In January 2008, Mr. Yeo assumed chairmanship of Hexagon Development Advisors Pte Ltd. In April 2007, Mr. Yeo was appointed as chairman of SPRING Singapore, a Singapore Government agency for enterprise development. During various periods between 1986 to 2013, Mr. Yeo has been a member of the United Nations Committee of Experts on Public Administration, special adviser for economic development in the Prime Minister's office of the Singapore Government and senior adviser for the Ministry of Trade and Industry, Singapore Government, senior adviser for Science and Technology, chairman of the Agency for Science, Technology and Research, in Singapore, chairman and co-chairman for the Economic Development Board. Mr. Yeo also served as the Permanent Secretary in the Ministry of Defence for Defence Research, Logistics and Industry from September 1979 to December 1985. Mr. Yeo obtained a bachelor's degree in applied science in industrial engineering in 1970 and an honorary doctorate degree in engineering from the University of Toronto, Canada in 1997. He obtained a master of science degree in systems engineering from the then University of Singapore (now known as the National University of Singapore) in 1974 and a master of business administration degree from Harvard University in

1976. He received a doctor of medicine degree from Karolinska Institutet, Sweden in May 2006, an honorary doctor of science degree from Imperial College London, United Kingdom in November 2007, the Order of the Rising Sun, Gold and Silver Star from the Japanese Government in December 2007, the Distinguished Service (Star) award from the Singapore's Labour Movement, National Trade Unions Congress in May 2008, an honorary doctor of letters degree from the National University of Singapore in July 2011 and an honorary doctor of law degree from Monash University of Australia in November 2011.

SENIOR MANAGEMENT

ANG Keng Lam, age 66, has been a Senior Advisor of our Company since he resigned as Chairman of the Company in August 2012. Mr. Ang was the Chairman of our Company from July 2000 to August 2012 and a Director of our Company from December 1991 to August 2012. He has been a director of KHL since September 1999 and the chairman of China World Trade Center Co., Ltd. (a listed company on the Shanghai Stock Exchange with stock code 600007) since December 2004. Mr. Ang was the chairman of KPL from August 2003 to June 2008 and the vice chairman of Beijing Properties (Holdings) Limited (a listed company in Hong Kong with stock code 925) ("BPHL") from March 2011 to December 2012. He is currently a consultant of BPHL. Mr. Ang has been a non-executive director of Allgreen Properties Limited (a company previously listed on the Singapore Stock Exchange and was delisted since 25 August 2011) since November 2003. Mr. Ang was a member of the National Committee of the Chinese People's Political Consultative Conference from January 1998 to March 2013. Mr. Ang obtained a bachelor's degree in engineering from the University of Western Australia and a master's degree in business administration from the University of Toronto. He also attended and completed the International Advanced Management Programme at Harvard Business School in 1998.

BENJAATHONSIRIKUL Kledchai, age 58, joined our Group in July 2000 and is currently an executive director of Thailand in charge of Thailand logistics operations of our Company. He is also a Director of Kerry Logistics (Thailand) Limited, a subsidiary of our Company, and other subsidiaries in Thailand. Mr. Benjaathonsirikul is also an independent director and an audit committee member of Shangri-La Hotel Public Company Limited in Thailand (a listed company in Thailand with stock code SHANG). Mr. Benjaathonsirikul has over 20 years of experience in port logistics and transport-related businesses. He manages a fully integrated logistics operation in Thailand ranging from freight forwarding to distribution and transport and port logistics. Prior to joining us, he worked at Kerry (Thailand) Co. Ltd. as a trading executive from January 1984 to January 1990. He was a general manager of Siam Seaport Terminal and Warehouses Co., Ltd (now known as Kerry Siam Seaport Limited, a subsidiary of our Company) ("KSSP") from February 1990 and served as director of KSSP since July 2000. He obtained a bachelor of laws degree from the University of Birmingham, United Kingdom in 1978.

CHENG Chi Wai, age 49, joined our Group in August 2009 as Chief Financial Officer. Mr. Cheng is a Fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, as well as a chartered accountant and a chartered secretary. Mr. Cheng has more than 25 years of experience in auditing, financial control and corporate finance and previously worked in an international accounting firm and held key finance positions in several companies whose shares are listed on the Main Board of the Hong Kong Stock Exchange. Prior to joining us, Mr. Cheng was the Chief Financial Officer of Miramar Hotel and Investment Company, Limited (a listed company on the Hong Kong Stock Exchange with stock code 0071) from March 2007 to July 2009 and the Chief Financial Officer of Water Oasis Group Limited (a listed company on the Hong Kong Stock Exchange with stock code 1161) from September 1999 to February 2007. He was an independent non-executive director of Neway Group Holdings Limited (a listed company on the Hong Kong Stock Exchange with stock code 0055) from August 2009 to November 2013. Mr. Cheng obtained a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in 1996 and an executive master's degree in business administration from The Chinese University of Hong Kong in 2008.

HUNG Wai Shing, age 48, joined our Group in September 1999, and is currently the group financial controller of our Company. Mr. Hung joined the warehouse division of the KHL Group in May 1991. He was transferred to the Hong Kong properties division of the KHL Group in August 1993 before joining our Company. Mr. Hung is a Fellow of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor of arts degree from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in 1992.

KO Fuk Yuen Kenneth, age 42, joined our Group in April 2010 as the executive director of international freight forwarding. Mr. Ko is also a director of Kerry Freight (Hong Kong) Limited, a wholly-owned subsidiary of our Company, and responsible for the development of the global freight forwarding business of our Group. He has over 20 years of experience in the logistics industry. Prior to joining us, Mr. Ko was the managing director, Hong Kong and South China, of Agility Logistics Limited from February 2008 to March 2009. He worked with Expeditors Hong Kong Limited from August 2003 to December 2007 and his last position was a general manager – air export of air division. He worked at Cathay Pacific Airways Limited for 14 years from July 1989 to July 2003 and his last position was assistant manager of cargo sales. He serves as a vice-chairman of the executive committee of Hongkong Association of Freight Forwarding and Logistics Limited since 2011. Mr. Ko obtained a bachelor of management studies degree from the University of Hong Kong in 2003.

LEE Wai Shun Wilson, age 46, joined our Group in April 2004. Mr. Lee is the Director of Information Technology and is responsible for overseeing the global information technology development of our Group. He has over 20 years of experience in information system development and technology management in a number of multinational listed companies. Prior to joining us, Mr. Lee worked with Li & Fung (Trading) Limited (a wholly-owned subsidiary of Li & Fung Limited which in turn is a listed company on the Hong Kong Stock Exchange with stock code 494) from May 1991 to April 1998 and his last position was a department manager. He was a system development and support manager of Gap Inc. (a listed company on the New York Stock Exchange with stock code GPS) from April 1998 to June 2000 and was an information systems and services director of Limited Brands, Inc. (a listed company on the New York Stock Exchange with stock code LTD) from July 2000 to February 2004. Mr. Lee obtained a bachelor of science degree from The Chinese University of Hong Kong in 1989 and a master of science degree in corporate governance and directorship from Hong Kong Baptist University in 2010.

SHEN Chung-kui (also known as Richard SHEN), age 70, has been the Chairman of Kerry TJ Logistics since November 2008. He has over 30 years of experience in the logistics industry, ranging from trucking, container terminal, port and warehousing businesses. He is responsible for overseeing the Taiwan logistics operations of our Group. Prior to March 1987, Mr. Shen had worked as a port manager (Kaohsiung, Taiwan) of United States Lines, Inc., which primarily engaged in the business of international container shipping and port operation. He subsequently worked at United Terminals Ltd., an inland container depot company primarily engaged in the business of shipping line container handling, warehouse activities and maintenance and repair and a company related to Jardine Pacific Limited, from July 1987 to July 2004, during which he was general manager from February 1991 and chairman from March 1998. Mr. Shen is currently the chairman of Taiwan Route-Permitted Truck Transportation United Association. Mr. Shen graduated from the Shipping and Transportation Management Faculty of the National Taiwan Ocean University in 1972. He also completed various training courses, including Dale Carnegie Course Training in San Francisco, United States in 1983, General Management Program at Ashridge College in London, United Kingdom in 1993 and Shipping Management research study at China Maritime Institute, Taiwan in 1988.

TAN Kai Whatt Robert, age 56, joined our Group in January 2004 as a director of a subsidiary of our Company. Mr. Tan is the managing director in charge of the South East Asia logistics operation of our Group and is responsible for the development and expansion of our network in South and South East Asia, including Singapore, Malaysia, Indonesia, Thailand, Vietnam, Cambodia, India, Bangladesh, the Philippines, Sri Lanka and Myanmar. Mr. Tan has 18 years of experience in the logistics industry. Prior to joining us, Mr. Tan had worked with Newship Agencies Pte. Ltd since May 1994 and was seconded to its Indonesia office as marketing manager from August 1996 to June 1999, and as general manager for its Singapore office from July 1999 to December 2001. He was then transferred to PACC Container Line Pte Ltd as a manager (marketing) in charge of feeder businesses in Malaysia from January 2002 to December 2003. Mr. Tan obtained his master's degree from the Asian Institute of Management in the Philippines in 2003.

WILCOCK Gary, age 52, joined our Group in April 2002 following our acquisition of Trident International Limited (now known as Kerry Logistics (UK) Limited, a wholly-owned subsidiary of our Company) where he started his career in May 1982. He is the managing director in charge of the European logistics operations of our Group. He is also a director of Kerry Logistics Holding (Europe) Limited, a wholly-owned subsidiary of our Company headquartered in Europe, and the managing director of Kerry Logistics (UK) Limited. He has more than 30 years' experience in the logistics industry and in particular trading between the United Kingdom and Asia.

COMPANY SECRETARY

LEE Pui Nee, age 46, has been our Company Secretary since 18 September 2013. Ms. Lee joined KPL in May 2005 and was transferred to our Company to oversee the Group's company secretarial matters in January 2010. She was awarded the Professional Diploma in Company Secretaryship and Administration from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in 1989. She is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- the publication of any announcements, circulars or financial reports under any applicable laws, rules, codes and guidelines;
- where a transaction, which might be discloseable or being a notifiable or connected transaction under Chapter 13, 14 and/or 14A of the Listing Rules, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us in respect of unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the financial year ending 31 December 2014.

BOARD COMMITTEES

We have established the following committees in our Board of Directors: an Audit and Compliance Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

Audit and Compliance Committee

We established an Audit and Compliance Committee on 25 November 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 and paragraph D3 of the Code as set forth in Appendix 14 to the Listing Rules. The Audit and Compliance Committee consists of two Independent Non-executive Directors, Wong Yu Pok Marina, and Wan Kam To, and one Non-executive

Director, Qian Shaohua. The chairman of the Audit and Compliance Committee is Wong Yu Pok Marina, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit and Compliance Committee include, but are not limited to, the following: (i) assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board; (iii) developing and reviewing our policies and practices on corporate governance; (iv) making recommendations to our Board; and (v) ensuring that good corporate governance practices and procedures are established.

Remuneration Committee

We established a Remuneration Committee on 25 November 2013 with written terms of reference in compliance with paragraph B1 of the Code as set forth in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Independent Non-executive Directors, Wan Kam To, Yeo Philip Liat Kok and Wong Yu Pok Marina, and two Executive Directors, Yeo George Yong-boon and Ma Wing Kai William. The Remuneration Committee is chaired by Wan Kam To. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

We established a Nomination Committee on 25 November 2013 with written terms of reference in compliance with paragraph A5 of the Code as set forth in Appendix 14 to the Listing Rules. The Nomination Committee consists of two Independent Non-executive Directors, Yeo Philip Liat Kok and Wong Yu Pok Marina, and one Executive Director, Yeo George Yong-boon. The chairman of the Nomination Committee is Yeo George Yong-boon. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of Independent Non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme. Our Remuneration Committee determines the salaries of our Directors based on each Director's qualification, position and seniority.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid to our Directors for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 was HK$23.0 million, HK$26.8 million, HK$29.3 million and HK$7.6 million, respectively.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid to our five highest paid individuals for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 was HK$33.8 million, HK$38.5 million, HK$36.0 million and HK$10.3 million, respectively.

It is estimated that an aggregate amount of remuneration equivalent to approximately HK$38.0 million will be paid and granted to our Directors by us for the year ending 31 December 2013 under arrangements in force on the date of this prospectus.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Our policy concerning the remuneration of the Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to our business.

Except as disclosed in this prospectus, no Director has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of us.

DIRECTOR'S INTEREST

Except as disclosed in this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, Substantial Shareholders or the Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this prospectus. As at the Latest Practicable Date, except as disclosed in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Except as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

STAFF BENEFITS

We also provide other benefits to our staff including bonuses and medical insurance.

We have not experienced any strikes or other labour disputes which materially affected our business activities.

Remuneration of our employees primarily includes salaries, commissions, discretionary bonuses and contributions to defined contribution benefit plans (including pensions). Bonuses are generally discretionary and based on the overall performance of our business. We incurred staff costs of HK$1,423.4 million, HK$2,144.9 million, HK$2,597.4 million and HK$1,401.0 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively, representing 13.1%, 13.4%, 13.5% and 14.7% of our revenue for those periods, respectively.

Each of the following persons will, immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/Nature of Interest	Number of Shares held after the Spin-off	Approximate percentage of shareholding in our total issued share capital after the Spin-off
Kerry Group Limited[(1)]	Interest of controlled corporation	1,121,178,935	67.65%[(2)]
Kerry Properties Limited[(3)]	Registered owner	718,340,998	43.34%
Caninco Investments Limited	Registered owner	156,124,097	9.42%
Darmex Holdings Limited	Registered owner	128,449,631	7.75%

Notes:

(1) KGL is deemed to be interested in the shareholding interest of each of KPL, Caninco Investments Limited and Darmex Holdings Limited in the Company pursuant to the disclosure requirements under the SFO.

(2) Includes approximately 0.15% of Shares attributable to corporations in each of which KGL holds less than 50% of its share capital and accordingly KGL does not have beneficial ownership of these Shares.

(3) All interests in shares in KPL were as at the Record Date. Fractional entitlements of the Shares under the Distribution are taken into account in the calculation of the shareholding percentages shown above, and accordingly such shareholding percentages are approximate only.

Immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming the over-allotment option is exercised in full and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options), the interests to be held by KGL, KPL, Caninco Investments Limited and Darmex Holdings Limited will be approximately 66.35%, 42.51%, 9.24% and 7.60%, respectively.

Except as disclosed in this prospectus, the Directors are not aware of any person who will, immediately following the completion of the Spin-off, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options, our authorised and issued share capital immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme will be as follows:

Authorised share capital		HK$
6,000,000,000	Shares	3,000,000,000

Issued and to be issued, fully paid or credited as fully paid upon the completion of the Spin-off		HK$	Approximate percentage of issued share capital (%)
1,440,477,612	Shares in issue as at the date of this prospectus	720,238,806	86.91%
216,071,500	Shares to be issued under the Global Offering	108,035,750	13.04%
815,000	Shares to be issued pursuant to the RSU Scheme	407,500	0.05%
1,657,364,112	Total	828,682,056	100.0%

Assuming the Over-allotment Option is exercised in full but without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options, our issued share capital immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme will be as follows:

Authorised share capital		HK$
6,000,000,000	Shares	3,000,000,000

Issued and to be issued, fully paid or credited as fully paid upon the completion of the Spin-off		HK$	Approximate percentage of issued share capital (%)
1,440,477,612	Shares in issue as at the date of this prospectus	720,238,806	85.24%
216,071,500	Shares to be issued under the Global Offering	108,035,750	12.79%
32,410,500	Shares to be issued pursuant to the Over-allotment Option	16,205,250	1.92%
815,000	Shares to be issued pursuant to the RSU Scheme	407,500	0.05%
1,689,774,612	Total	844,887,306	100.0%

Note:

(1) The Shares referred to in the above tables have been or will be fully paid or credited as fully paid when issued.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Spin-off (excluding any Shares which may be issued pursuant to the Over-allotment Option or Shares to be issued and allotted pursuant to the exercise of any Pre-IPO Share Options or Post-IPO Share Options); and

- the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this general mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue; (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-laws; (iii) any specific authority granted by the Shareholders in general meeting(s); or (iv) the exercise of options which may be granted under the Post-IPO Share Option Scheme or any arrangement which may be regulated under Chapter 17 of the Listing Rules.

This mandate will expire at the earliest of:

- the conclusion of our next annual general meeting;

- expiration of the period within which we are required by the Companies Act or the Bye-laws to hold our next annual general meeting; or

- when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, see the section headed "Appendix VII — Statutory and General Information — A. Further Information about Our Company — 4. Written Resolutions of the Shareholder passed on 25 November 2013".

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of our share capital in issue or to be issued immediately following the completion of the Spin-off (excluding any Shares which may be issued upon the exercise of the Over-allotment Option or Shares to be issued and allotted pursuant to the exercise of any Pre-IPO Share Options or Post-IPO Share Options).

This mandate only relates to repurchases that are made on the Hong Kong Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose), and in accordance with all applicable laws and requirements of the Listing Rules. A summary of the relevant Listing Rules is set forth in "Appendix VII — Statutory and General Information — B. Repurchase of Our Shares".

This mandate will expire at the earliest of:

- the conclusion of our next annual general meeting;
- expiration of the period within which we are required by the Companies Act or the Bye-laws to hold our next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this repurchase mandate, see the section headed "Appendix VII — Statutory and General Information — A. Further Information about our Company — 4. Written Resolutions of the Shareholder Passed on 25 November 2013".

SHARE OPTION SCHEMES

We have conditionally adopted the Pre-IPO Share Option Scheme pursuant to which we granted Pre-IPO Share Options as further described in the section headed "Appendix VII — Statutory and General Information — F. Pre-IPO Share Option Scheme". We have also conditionally adopted the Post-IPO Share Option Scheme as further described in the section headed "Appendix VII — Statutory and General Information — G. Post-IPO Share Option Scheme".

RSU SCHEME

We have conditionally approved and adopted the RSU Scheme as further described in the section headed "Appendix VII — Statutory and General Information — H. RSU Scheme."

You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements included in "Appendix I — Accountant's Report", which contains our audited consolidated financial information as at and for the years ended 31 December 2010, 2011 and 2012 and as at and for the six months ended 30 June 2013 and unaudited comparative consolidated financial information for the six months ended 30 June 2012, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with HKFRSs, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors".

Unless otherwise stated, all amounts relating to segment revenue are presented in this section after inter-segment eliminations.

OVERVIEW

We are a leading logistics service provider in Asia 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.

We are principally engaged in (i) the integrated logistics business, which consists of logistics operations and Hong Kong warehouse, and (ii) the international freight forwarding business. We report and present our results of operations under three operating segments as follows:

- *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;

- *Hong Kong warehouse*, which involves the leasing of warehousing space in Hong Kong to our customers; and

- *International freight forwarding*, which involves the provision of air freight, ocean freight and cross-border road freight forwarding services to transport cargo internationally.

For the years ended 31 December 2010, 2011 and 2012, our revenue was HK$10,879.9 million, HK$16,034.3 million and HK$19,294.8 million, respectively, and our core net profit was HK$665.2 million, HK$740.7 million and HK$815.7 million, respectively. For the six months ended 30 June 2012 and 2013, our revenue was HK$8,954.2 million and HK$9,521.8 million, respectively, and our core net profit was HK$429.7 million and HK$455.1 million, respectively. For information on events which occurred after 30 June 2013, see the section headed "— Recent Developments" below.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Service Scope

We offer a wide range of integrated logistics and international freight forwarding services. We have in recent years expanded, and intend to continue to expand, the scope of our services by launching new services or acquiring strategic businesses in selected markets. These include, for example, our establishment of KART, a cross-border road transportation network connecting ASEAN and China, our acquisition of a logistics company in Taiwan specialising in the pharmaceutical and healthcare industries, and our acquisitions of air freight consolidators and an NVOCC operating an ocean freight consolidation platform in China. Many of these businesses represent new ancillary service segments to complement our existing service offerings or other strategic businesses that present us with opportunities to leverage our experience and financial strength to become a market leader within those service segments or businesses. Our future results will therefore be affected by our ability to successfully broaden our service scope and create synergies from new services.

Our results of operations may also change as a result of variations in demand for our services in different businesses. In general, among our three operating segments, Hong Kong warehouse has the highest profit margin followed by logistics operations and international freight forwarding. Accordingly, our operating segments have very different contributions to revenue and segment results. For the six months ended 30 June 2013, logistics operations, Hong Kong warehouse and international freight forwarding accounted for 41.6%, 2.4% and 56.0%, respectively, of total revenue and 52.4%, 27.1% and 20.5%, respectively, of total segment results. Changes in our service mix year over year will therefore have a significant impact on our gross margin and segment results.

Trade Activities in Asia

We provide the vast majority of our international freight forwarding services intra-Asia as well as between Asia and Europe, and our major associates, CCT and AAT, operate freight terminals in Greater China. Accordingly, changes in trade activities in Asia, including both import and export trades for our major markets, such as China, Hong Kong and ASEAN countries, could have a significant impact on the demand for our international freight forwarding services, our overall business volume, as well as our share of results from associates.

Import and export trade for a country can be influenced by the general GDP growth of the key countries as well as general economic conditions, customs regulations, government policies, free trade agreements with other countries, local production cost and outsourcing trends, and infrastructural support in the country. In particular, member states of ASEAN have entered into the Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area (the "AFTA-CEPT Scheme"), pursuant to which imports originating within ASEAN will generally become tariff-free by 2015. With our early entry into the ASEAN market and our establishment of KART's cross-border road transportation network, we believe we are well positioned to seize future opportunities arising from the AFTA-CEPT Scheme. In addition, there are recent signs among U.S. and other multinational companies of shifting outsourced manufacturing activities from China to other regions or countries with lower production costs, such as South America. While the shifting of outsourced manufacturing activities away from China may have a negative impact on our outbound freight forwarding business, this trend may potentially create new demand for us to provide international freight forwarding services to and from those other regions or countries. As a result, changes in trade activities in Asia or other relevant markets could have a significant impact on our business and results of operations.

Domestic Consumption in China

We have a strong focus on our integrated logistics business in China. As at the Latest Practicable Date, we managed approximately 11 million sq.ft. of logistics facilities in China, supported by a network of more than 200 subsidiaries, branches and representative offices. As domestic consumption has been a key driver for China's GDP growth in recent years, our growth and results of operations are significantly affected by consumer demand for products manufactured, distributed or sold by our customers. In particular, the demand for international consumer brands by the growing middle class in China has been, and will continue to be, a significant factor affecting our results of operations as we provide integrated logistics services mainly to multinational companies in various consumer-related industries, such as the fashion and lifestyle, electronics and technology, food and beverage, fast-moving consumer goods, and automotive industries. Such demand, in turn, is affected by general economic conditions in China, such as GDP growth, income level and inflation, growth of middle-class population, urbanisation rate, import tax and other government policies, availability of consumer credit and consumer confidence level, among other factors. As a result, changes in domestic consumption in China will have a significant impact on the business of our customers and therefore on our business and results of operations.

Investments in Assets

As an asset-based logistics service provider in Asia, we have achieved significant growth by pursuing a strategy of prudent investments to expand our portfolio of self-owned logistics facilities in Asia. As at 31 December 2010, 2011 and 2012, 30 June 2013 and the Latest Practicable Date, the total GFA of completed self-owned logistics facilities managed by us was approximately 16 million sq.ft., 18 million sq.ft., 20 million sq.ft., 20 million sq.ft. and 22 million sq.ft., respectively. As investments generally result in higher depreciation expense and they may be financed by bank loans resulting in higher finance costs, we typically commit to new investments only after we secure actual customer demand for additional facilities. Future investments, if executed successfully, will enable us to further grow the scale of our integrated logistics business and generate additional revenue and profit. Our results of operations will therefore continue to be driven in part by the amount of investments we make to expand and upgrade our logistics facilities in the future.

Deployment of Information Technology

We have developed proprietary IT systems, including the Warehouse Management System and KerrierVISION, to enable efficient operational management and to better serve our customers' supply chain needs. We believe the successful deployment of IT systems is an important part of our supply chain solutions. We have a global IT team consisting of more than 250 IT personnel and we have made significant investments in IT. We believe our ability to continue to invest in and enhance our IT systems and introduce new IT applications at reasonable cost to customers will significantly affect the quality of our supply chain solutions and therefore our business and results of operations.

Acquisition Activities

We were actively engaged in business acquisitions during the period from 2010 to 2012. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our capital expenditures on acquisition of subsidiaries and associates, including additional equity interests in existing non-wholly owned subsidiaries and associates, amounted to HK$359.0 million, HK$700.8 million, HK$1,039.7 million, HK$579.1 million and HK$518.2 million, respectively. Our results of operations are significantly affected by the consolidation of newly acquired businesses into our results and our success in integrating the acquired businesses. We believe the successful execution of our acquisition strategy will allow us to create synergies and strengthen our market position in strategic locations to capture growth opportunities. We will continue to consider and pursue acquisitions in a prudent manner and may adjust the pace of our activities in light of changes in economic conditions, trade volumes, costs of financing, and other factors.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management to make subjective and complex judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 and Note 4 to our consolidated financial statements included in "Appendix I — Accountant's Report".

Revenue Recognition

We recognise revenue for the delivery of services and sale of goods when (i) the amount of revenue and cost incurred or to be incurred in respect of a transaction can be reliably measured; (ii) neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained; (iii) it is probable that future economic benefits will flow to us; and (iv) specific criteria have been met for each of our activities as described below:

- Revenue from integrated logistics services (other than the leasing of warehouses in Hong Kong) and international freight forwarding services is recognised in the period in which the services are rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided;

- Revenue from the long-term leasing of warehouses in Hong Kong is recognised on a straight-line basis over the periods of the respective leases;

- Revenue from short-term leasing and related services in respect of warehouses in Hong Kong is recognised when the services are rendered; and

- Revenue from sale of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the customers and the title has passed.

We are required to make certain estimates for purposes of revenue recognition. We make the estimates based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Fair Value of Investment Properties

Investment properties are properties held for long-term rental yields or for capital appreciation, or both, that are not occupied by us. We determine whether a property qualifies as an investment property by, among other things, making judgements as to whether the property generates cash flows largely independently of the other assets. Owner-occupied properties generate cash flows that are attributable to property and other assets used in the production or supply process and are instead classified as property, plant and equipment. If a property comprises a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of goods or services or for administrative purposes and the portions cannot be sold or leased out separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes. Judgement is applied in such case in determining whether ancillary services are so significant that a property does not qualify as an investment property. We consider each property separately in making this judgement.

Investment properties are measured initially at cost, including related transaction costs and borrowing costs. After initial recognition, investment properties are carried at fair value. Valuations of our investment properties have been carried out by independent professional valuers, using mainly the investment approach by considering the capitalised rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the property interests at appropriate capitalisation rates. Wherever deemed appropriate by the independent professional valuers, the direct comparison approach is also referenced and depreciated replacement cost is also used for the valuations of certain properties. The principal assumptions underlying management's estimation of fair value are those related to the receipt of contractual rentals, expected market rentals and appropriate capitalisation rates. These valuations are regularly compared to actual market yield data, as well as actual transactions by us and those reported by the market. The expected market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Depreciation of Property, Plant and Equipment

Our property, plant and equipment are stated at historical cost less aggregate depreciation, except for freehold land, and accumulated impairment losses. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost less residual values over estimated useful lives as follows:

Leasehold land	Over the remaining lease term ranging from 20 to 50 years
Port facilities	2.5% to 3.6%
Properties	Shorter of remaining lease term of 20 to 50 years or useful lives
Leasehold improvements	Shorter of remaining lease term of 20 to 50 years or useful lives
Warehouse operating equipment	5% to 25%
Motor vehicles, furniture, fixtures and office equipment	5% to 50%

Management determines the estimated useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. We will change the depreciation charge where useful lives are different from the previously estimated lives. We will also write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of our share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill is reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of estimates.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED INCOME STATEMENT

Revenue

Revenue represents income from our provision of services and sale of goods in the ordinary course of our businesses. Revenue is shown net of value-added tax, returns and discounts and after inter-segment eliminations. We organise our businesses into two principal businesses: (i) integrated logistics, which consists of logistics operations and Hong Kong warehouse, and (ii) international freight forwarding. Accordingly, we report segment revenue and results for each of the operating segments under logistics operations, Hong Kong warehouse and international freight forwarding. The following tables show our segment revenue by operating segment and geographic area 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	
	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	%
China	4,721,560	43.4	7,144,450	44.6	8,745,181	45.3	3,920,098	43.8	4,249,191	44.6
Hong Kong	2,016,799	18.6	2,300,557	14.3	2,469,115	12.8	1,190,783	13.3	1,304,359	13.7
Taiwan	847,453	7.8	1,871,936	11.7	1,978,659	10.3	916,179	10.2	972,602	10.2
South and Southeast Asia	1,320,696	12.1	2,298,332	14.3	2,395,398	12.4	1,168,927	13.1	1,404,041	14.7
Europe	1,623,177	14.9	1,917,370	12.0	3,083,974	16.0	1,478,356	16.5	1,308,470	13.8
Others	350,224	3.2	501,666	3.1	622,448	3.2	279,894	3.1	283,126	3.0
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

Segment revenue from logistics operations consists principally of service fees for integrated logistics services (other than from the leasing of warehousing space in Hong Kong to our customers) and, to a small extent, sales of goods for our trading business. While logistics operations generated a smaller segment revenue than international freight forwarding during the Track Record Period, we relied on logistics operations as our largest source of profit due to its higher profit margins as compared to international freight forwarding. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, logistics operations accounted for 49.4%, 48.4%, 50.7%, 48.3% and 52.4% of our total segment results, respectively. We engage in logistics operations primarily in Asia and derive the majority of this segment revenue from our logistics operations in China, Hong Kong, Taiwan and Thailand. Segment revenue from logistics operations is primarily driven by the volume and prices of services delivered, the amount and location of logistics facilities managed, and the number and types of customers served, among other factors.

Segment revenue from Hong Kong warehouse consists of (i) rental fees for long-term leasing of general cargo warehouses in Hong Kong, (ii) storage and handling fees for short-term leasing of general cargo warehouses in Hong Kong, and (iii) storage and handling fees for specialty warehouses in Hong Kong. While Hong Kong warehouse contributed only 4.4%, 3.1%, 2.4%, 2.6% and 2.4% of our revenue for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively, this segment accounted for a significant proportion of our total segment results during these periods. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, Hong Kong warehouse accounted for 39.7%, 30.5%, 28.5%, 28.8% and 27.1% of our total segment results, respectively. Segment revenue from Hong Kong warehouse is primarily driven by the GFA and location of warehousing space held, the rates of fees and the occupancy rate, among other factors.

Segment revenue from international freight forwarding typically consists of freight charges and charges for cargo handling. While international freight forwarding represented the majority of our revenue during the Track Record Period, this segment contributed the smallest proportion of our total segment results as it had the lowest profit margin among the three segments. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, international freight forwarding accounted for 10.9%, 21.1%, 20.8%, 22.9% and 20.5% of our total segment results, respectively. Segment revenue from international freight forwarding is primarily driven by global cargo flow volume, the mode of freight services used, the rates and types of freight forwarding services delivered, the size and coverage of our freight office network, and the air routes or trade lanes served, among other factors. As at 31 December 2010, 2011 and 2012 and 30 June 2013, we had a presence in 26 countries and territories, 26 countries and territories, 30 countries and territories and 34 countries and territories, respectively.

While fluctuations in freight rates have a direct impact on segment revenue from international freight forwarding, such fluctuations generally do not significantly affect our gross margin as we generally determine our fees charged to our customers by reference to freight and transportation costs incurred by us, among other factors, and we generally pass on the freight and transportation costs incurred to our customers. The following table shows the breakdown of our segment revenue from international freight forwarding by mode of transportation before inter-segment eliminations for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Ocean freight	3,415,218	5,985,352	6,811,161	3,151,313	3,015,431
Air freight	3,186,211	3,016,023	4,791,071	2,177,549	2,356,636
Others	52,461	587,834	306,256	142,196	192,322
	6,653,890	9,589,209	11,908,488	5,471,058	5,564,389
Eliminations	(584,554)	(444,732)	(511,675)	(168,794)	(235,588)
Total	6,069,336	9,144,477	11,396,813	5,302,264	5,328,801

We manage a variety of logistics facilities in connection with the delivery of services for our logistics operations and Hong Kong warehouse segments. As at 31 December 2010, 2011 and 2012, 30 June 2013 and the Latest Practicable Date, the total GFA of the logistics facilities managed by us was approximately 25 million sq.ft., 32 million sq.ft., 32 million sq.ft., 36 million sq.ft. and 39 million sq.ft., respectively.

Direct Operating Expenses

Direct operating expenses represent costs and expenses directly attributable to our revenue generating activities. Direct operating expenses principally include freight and transportation costs, such as cost of air or ocean cargo space, fuel surcharges, terminal handling fees and trucking-related expenses (including fuel charges and repair and maintenance costs for motor vehicles). For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, freight and transportation costs accounted for 78.4%, 78.0%, 78.9%, 78.4% and 78.1% of total direct operating expenses, respectively. Direct operating expenses also include (i) employee benefit expenses with respect to direct operational staff, (ii) cost of goods sold in connection with our trading business, (iii) depreciation of property, plant and equipment, and (iv) operating lease charges on land and buildings relating to our logistics facilities, among other expenses. The following table shows the breakdown of our direct operating expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Freight and transportation costs	7,234,152	10,606,536	13,102,393	6,007,065	6,319,737
Employee benefit expenses	902,015	1,405,143	1,750,567	817,669	944,912
Cost of goods sold	642,425	805,885	868,595	430,879	392,847
Depreciation of property, plant and equipment	205,838	284,915	321,355	155,164	191,662
Operating lease charges on land and buildings	98,349	256,568	250,339	116,002	122,846
Others	146,937	244,336	308,211	136,535	123,596
Total	9,229,716	13,603,383	16,601,460	7,663,314	8,095,600

We incur significant freight and transportation costs in connection with the provision of international freight forwarding services. We offer air freight, ocean freight and cross-border road freight forwarding services, which accounted for 26.7%, 42.5% and 0.2% of the amount of freight and transportation costs, respectively, for the year ended 31 December 2012 and 26.5%, 38.4% and 0.6%, respectively, for the six months ended 30 June 2013.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, direct operating expenses were HK$9,229.7 million, HK$13,603.4 million, HK$16,601.5 million, HK$7,663.3 million and HK$8,095.6 million, respectively, representing 84.8%, 84.8%, 86.0%, 85.6% and 85.0% of our revenue, respectively.

Other Income and Net Gains

Other income and net gains principally comprise (i) interest income on bank deposits, (ii) gain or loss on disposal of property, plant and equipment, (iii) impairment of goodwill, and (iv) deemed gain on revaluation of previously held equity interest in acquiree company.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, other income and net gains were HK$21.3 million, HK$7.4 million, HK$28.3 million, HK$5.8 million and HK$30.5 million, respectively.

Administrative Expenses

Administrative expenses principally comprise employee benefit expenses with respect to administrative, managerial, sales and marketing, accounting and IT staff, which accounted for the majority of administrative expenses during the Track Record Period. Administrative expenses also comprise (i) operating lease charges on land and buildings relating to offices and business centres, (ii) legal and professional fees, (iii) travelling and transportation expenses, and (iv) other miscellaneous expenses such as marketing expenses, communication expenses, auditor's remuneration and utilities expenses. The following table shows the breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Employee benefit expenses	521,406	739,740	846,814	392,861	456,063
Operating lease charges on land and buildings	34,303	95,393	99,485	48,220	76,290
Legal and professional fees	41,135	58,488	70,844	33,435	25,689
Travelling and transportation	25,864	32,666	41,933	19,049	21,087
Others	232,415	360,004	344,225	148,114	159,854
Total	855,123	1,286,291	1,403,301	641,679	738,983

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, administrative expenses were HK$855.1 million, HK$1,286.3 million, HK$1,403.3 million, HK$641.7 million and HK$739.0 million, respectively, representing 7.9%, 8.0%, 7.3%, 7.2% and 7.8% of our revenue, respectively.

Change in Fair Value of Investment Properties

Change in fair value of investment properties represents the increase or decrease in fair value of completed investment properties based on valuations carried out by independent professional valuers. As at 30 June 2013, we owned investment properties in Hong Kong, China, Vietnam and Singapore, and our investment properties in Hong Kong accounted for 83.4% of the net book value of all of our investment properties. Although any fluctuations in fair value of investment properties will have a direct impact on profit, any such fluctuations will not change our cash position as long as the relevant investment properties are retained by us and are not sold.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, change in fair value of investment properties was HK$176.0 million, HK$130.3 million, HK$265.2 million, nil and HK$458.3 million, respectively, representing 14.9%, 9.5%, 16.0%, nil and 38.1% of profit before taxation, respectively.

Finance Costs

Finance costs principally comprise interest expense on bank loans and overdrafts. During the Track Record Period, finance costs also comprised interest expense on loans from a fellow subsidiary controlled by KPL, which were fully repaid in June 2013.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, finance costs were HK$23.1 million, HK$55.4 million, HK$63.1 million, HK$27.4 million and HK$45.1 million, respectively.

Share of Results of Associates

Share of results of associates represents the aggregate share of our associates' net profits or losses attributable to our interests in those associates. Our associates are entities over which we have significant influence but have no control. During the Track Record Period, share of results of associates principally comprised (i) our share of results of CCT, in which we own a 25% equity interest, and (ii) our share of results of AAT, in which we own a 15% equity interest. The following table shows the composition of share of results of associates for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
CCT	150,017	110,380	99,518	51,224	55,358
AAT	40,511	35,849	41,665	20,397	18,432
Kerry TJ Logistics	17,739	–	–	–	–
Others	554	2,235	(4,762)	(2,498)	(2,164)
Total	208,821	148,464	136,421	69,123	71,626

Share of results of associates accounted for 21.4%, 13.2%, 10.1%, 12.7% and 6.8% of our profit for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. Share of results of associates fluctuated from period to period as it depends on the performance of individual associates, which is affected by, among other factors, trade volume for the relevant countries and territories such as China and Hong Kong, competition from other terminal facilities, the development of trade routes and global economic conditions.

Taxation

Taxation consists of current and deferred tax expenses for jurisdictions in which our Company and our subsidiaries are subject to tax. During the Track Record Period, the amount of taxation charged to our consolidated income statement comprised (i) PRC taxation, (ii) Hong Kong profits tax, and (iii) overseas taxation.

Pursuant to the Corporate Income Tax Law of the PRC, which became effective from 1 January 2008, certain of our PRC subsidiaries originally entitled to a lower tax rate of 15% were subject to a gradual increase in tax rate to 25% over the five years from 2008 to 2012. These PRC subsidiaries were subject to a tax rate of 22% in 2010, 24% in 2011, and 25% in 2012 and 2013. All of our other PRC subsidiaries were subject to a uniform tax rate of 25% during the Track Record Period. In addition, withholding tax is levied on profit distribution upon declaration or remittance at a rate of 10%, unless a lower rate is available pursuant to applicable treaties.

During the Track Record Period, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

Income tax on our overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the overseas countries in which our subsidiaries operate. In addition, withholding tax is levied on profit distribution upon declaration or remittance at the rates of taxation prevailing in the overseas countries in which our subsidiaries operate.

CORE NET PROFIT

We monitor core net profit, which is not a standard measure under HKFRSs, to provide additional information about our operating performance. Core net profit represents our profit attributable to the Company's shareholder before the after-tax effect of change in fair value of investment properties. We believe that core net profit is a key financial indicator of our operating performance and provides useful information regarding our ability to generate profit and cash from our principal business operations and related investments. We have chosen to subtract the after-tax effect of change in fair value of investment properties in our calculation of core net profit because management does not consider changes in fair value of investment properties when evaluating our operating performance, making planning decisions or allocating resources. We do not engage in selling investment properties during our normal course of business and, accordingly, management considers that changes in fair value of investment properties are unlikely to be realisable and therefore are less meaningful to our business operations.

As a measure of our operating performance, we believe that the most directly comparable HKFRS measure to core net profit is profit attributable to the Company's shareholder. The following table reconciles our profit attributable to the Company's shareholder under HKFRSs to our core net profit for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit attributable to the Company's shareholder	833,257	870,744	1,069,376	429,717	903,555
Change in fair value of investment properties attributable to the Company's shareholder	(172,466)	(130,312)	(261,562)	–	(458,227)
Deferred tax[(1)]	4,391	316	7,906	–	9,756
Core net profit	665,182	740,748	815,720	429,717	455,084

Note:

(1) Represents the amount of deferred tax relating solely to change in fair value of investment properties attributable to the Company's shareholder

Core net profit should not be considered in isolation or construed as a substitute for analysis of HKFRS financial measures, such as operating profit before fair value change of investment properties, operating profit, profit attributable to the Company's shareholder or net cash generated from operating activities. We have included core net profit in this prospectus because we believe it provides useful supplemental information to help investors better understand underlying trends in our business. Our core net profit presented in this prospectus may not be comparable to similarly titled measures presented by other companies. Investors should not compare our core net profit to the same or similarly titled measures presented by other companies.

RESULTS OF OPERATIONS

The following table shows our consolidated results of operations for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	10,879,909	16,034,311	19,294,775	8,954,237	9,521,789
Direct operating expenses	(9,229,716)	(13,603,383)	(16,601,460)	(7,663,314)	(8,095,600)
Gross profit	1,650,193	2,430,928	2,693,315	1,290,923	1,426,189
Other income and net gains	21,340	7,352	28,334	5,760	30,486
Administrative expenses	(855,123)	(1,286,291)	(1,403,301)	(641,679)	(738,983)
Operating profit before fair value change of investment properties	816,410	1,151,989	1,318,348	655,004	717,692
Change in fair value of investment properties	175,990	130,312	265,155	–	458,303
Operating profit	992,400	1,282,301	1,583,503	655,004	1,175,995
Finance costs	(23,066)	(55,394)	(63,124)	(27,432)	(45,096)
Share of results of associates	208,821	148,464	136,421	69,123	71,626
Profit before taxation	1,178,155	1,375,371	1,656,800	696,695	1,202,525
Taxation	(200,074)	(253,939)	(304,928)	(150,859)	(146,511)
Profit for the years/periods	978,081	1,121,432	1,351,872	545,836	1,056,014
Profit attributable to:					
Company's shareholder	833,257	870,744	1,069,376	429,717	903,555
Non-controlling interests	144,824	250,688	282,496	116,119	152,459
	978,081	1,121,432	1,351,872	545,836	1,056,014

Six Months Ended 30 June 2013 Compared to Six Months Ended 30 June 2012

Revenue. Revenue increased by 6.3% to HK$9,521.8 million for the six months ended 30 June 2013 from HK$8,954.2 million for the six months ended 30 June 2012. This increase was mainly attributable to an increase in segment revenue from logistics operations, in particular in China and South and Southeast Asia, partially offset by a decrease in segment revenue from international freight forwarding in Europe.

An analysis of segment revenue from our operating segments is as follows:

- *Logistics operations*. Segment revenue from logistics operations increased by 15.8% to HK$3,958.9 million for the six months ended 30 June 2013 from HK$3,418.3 million for the six months ended 30 June 2012. This increase was mainly attributable to the continued growth of our logistics operations in Greater China as we (i) had an increase in business volume from existing customers and (ii) continued to manage a growing portfolio of logistics facilities across Greater China.

- *Hong Kong warehouse.* Segment revenue from Hong Kong warehouse increased slightly by 0.2% to HK$234.1 million for the six months ended 30 June 2013 from HK$233.7 million for the six months ended 30 June 2012. This increase was primarily due to (i) an increase in revenue contribution by our specialty warehouses which generally yielded higher margins than general cargo warehouses and (ii) an increase in rental rates for our new and renewal warehouse customers, partially offset by a larger amount of inter-segment eliminations as more warehouse units were used for our logistics operations during the six months ended 30 June 2013.

- *International freight forwarding.* Segment revenue from international freight forwarding increased slightly by 0.5% to HK$5,328.8 million for the six months ended 30 June 2013 from HK$5,302.3 million for the six months ended 30 June 2012. This increase was mainly attributable to (i) our acquisition of a freight forwarding company in Sweden in the second quarter of 2013 and (ii) the continued growth of our international freight forwarding operations in China and South and Southeast Asia, which was partially offset by a decrease in revenue from Europe due to the weak market conditions in Europe during the six months ended 30 June 2013.

An analysis of segment revenue from our main geographic areas is as follows:

- *China.* Segment revenue from China increased by 8.4% to HK$4,249.2 million for the six months ended 30 June 2013 from HK$3,920.1 million for the six months ended 30 June 2012. This increase was mainly attributable to the continued growth of our logistics operations in Greater China primarily driven by an increase in business volume from existing customers as our portfolio of logistics facilities in China continued to expand, notwithstanding that there had been signs of a slowdown in domestic consumption in China with a shift in consumer preference from luxury goods towards mid-range branded goods.

- *Hong Kong.* Segment revenue from Hong Kong increased by 9.5% to HK$1,304.4 million for the six months ended 30 June 2013 from HK$1,190.8 million for the six months ended 30 June 2012. This increase was primarily due to the addition of several major new customers, including in the food and beverage industry, during the six months ended 30 June 2013.

- *Taiwan.* Segment revenue from Taiwan increased by 6.2% to HK$972.6 million for the six months ended 30 June 2013 from HK$916.2 million for the six months ended 30 June 2012. We continued to grow our business in Taiwan steadily through leveraging our industry expertise, including expertise in logistics operations in the pharmaceutical and healthcare industries.

- *South and Southeast Asia.* Segment revenue from South and Southeast Asia increased by 20.1% to HK$1,404.0 million for the six months ended 30 June 2013 from HK$1,168.9 million for the six months ended 30 June 2012. This increase was mainly attributable to (i) our acquisition of a 70% equity interest in an express company in Vietnam in the first quarter of 2012, (ii) an increase in revenue from KART driven by its continued business development, and (iii) the opening of our regional logistics hub in Singapore during the first quarter of 2013.

- *Europe.* Segment revenue from Europe decreased by 11.5% to HK$1,308.5 million for the six months ended 30 June 2013 from HK$1,478.4 million for the six months ended 30 June 2012. This decrease was mainly attributable to a decline in our international freight forwarding business as a result of reduced demand for exports from Asia, which led to intense market competition, in particular for air freight, in Europe during the six months ended 30 June 2013.

Direct operating expenses. Direct operating expenses increased by 5.6% to HK$8,095.6 million for the six months ended 30 June 2013 from HK$7,663.3 million for the six months ended 30 June 2012. This increase was mainly attributable to (i) a 5.2% increase in freight and transportation costs, which was generally in line with the increase in revenue, and (ii) a 15.6% increase in employee benefit expenses for our direct staff, which was primarily due to our increased business scale during the six months ended 30 June 2013.

Gross profit and gross margin. As a result of the foregoing, gross profit increased by 10.5% to HK$1,426.2 million for the six months ended 30 June 2013 from HK$1,290.9 million for the six months ended 30 June 2012. Gross margin, which represents gross profit as a percentage of revenue, was 15.0% for the six months ended 30 June 2013 compared to 14.4% for the six months ended 30 June 2012. The slight increase in gross margin was primarily due to the increased revenue contribution by our logistics operations segment.

Other income and net gains. Other income and net gains increased significantly by HK$24.7 million to HK$30.5 million for the six months ended 30 June 2013 from HK$5.8 million for the six months ended 30 June 2012. This increase was mainly attributable to (i) an increase in interest income, which was primarily due to our higher average balance of short-term bank deposits during the six months ended 30 June 2013, and (ii) a one-off charge incurred for impairment of goodwill in the amount of HK$7.0 million for the six months ended 30 June 2012.

Administrative expenses. Administrative expenses increased by 15.2% to HK$739.0 million for the six months ended 30 June 2013 from HK$641.7 million for the six months ended 30 June 2012. This increase was mainly attributable to (i) an increase in employee benefit expenses, which was primarily due to our increased scale, and (ii) an increase in operating lease charges on land and buildings, which was primarily due to our increased business scale for the six months ended 30 June 2013.

Operating profit before fair value change of investment properties. As a result of the foregoing, operating profit before fair value change of investment properties increased by 9.6% to HK$717.7 million for the six months ended 30 June 2013 from HK$655.0 million for the six months ended 30 June 2012. Operating profit before fair value change of investment properties as a percentage of revenue was 7.5% for the six months ended 30 June 2013 compared to 7.3% for the six months ended 30 June 2012.

Change in fair value of investment properties. Change in fair value of investment properties was HK$458.3 million for the six months ended 30 June 2013 compared to nil for the six months ended 30 June 2012. The increase in fair value of investment properties during the six months ended 30 June 2013 was primarily due to the continued increase in the prices of industrial properties in Hong Kong since the second half of 2012.

Operating profit and operating margin. As a result of the foregoing, operating profit increased by 79.5% to HK$1,176.0 million for the six months ended 30 June 2013 from HK$655.0 million for the six months ended 30 June 2012. Operating margin, which represents operating profit as a percentage of revenue, was 12.4% for the six months ended 30 June 2013 compared to 7.3% for the six months ended 30 June 2012. The increase in operating margin was primarily due to the change in fair value of investment properties for the six months ended 30 June 2013.

Finance costs. Finance costs increased by 64.4% to HK$45.1 million for the six months ended 30 June 2013 from HK$27.4 million for the six months ended 30 June 2012. This increase was mainly attributable to the higher interest expense on bank loans and overdrafts for the six months ended 30 June 2013, which was primarily due to an increase in the average bank loan balance to finance our continued business expansion.

Share of results of associates. Share of results of associates increased by 3.6% to HK$71.6 million for the six months ended 30 June 2013 from HK$69.1 million for the six months ended 30 June 2012. This increase was due to the increase in profit for CCT, partially offset by a decrease in profit from AAT.

Profit before taxation. As a result of the foregoing, in particular the significant increase in fair value of investment properties, profit before taxation increased by 72.6% to HK$1,202.5 million for the six months ended 30 June 2013 from HK$696.7 million for the six months ended 30 June 2012.

Taxation. Taxation decreased by 2.9% to HK$146.5 million for the six months ended 30 June 2013 from HK$150.9 million for the six months ended 30 June 2012. This decrease was primarily due to the utilisation of previously unrecognised tax losses in Europe. The effective tax rate was 12.2% for the six months ended 30

June 2013 compared to 21.7% for the six months ended 30 June 2012. This decrease in effective tax rate was primarily due to (i) the smaller amount of taxation in Europe and (ii) the increase in fair value of investment properties in Hong Kong, which was not subject to tax, for the six months ended 30 June 2013.

Profit for the period and net margin. As a result of the foregoing, in particular the significant increase in fair value of investment properties, profit for the period increased by 93.5% to HK$1,056.0 million for the six months ended 30 June 2013 from HK$545.8 million for the six months ended 30 June 2012. Net margin, which represents profit for the year or period as a percentage of revenue, was 11.1% for the six months ended 30 June 2013 compared to 6.1% for the six months ended 30 June 2012.

Core net profit. As a result of the foregoing, core net profit increased by 5.9% to HK$455.1 million for the six months ended 30 June 2013 from HK$429.7 million for the six months ended 30 June 2012. Core net profit as a percentage of revenue remained stable at 4.8% for the six months ended 30 June 2012 and 2013.

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011

Revenue. Revenue increased by 20.3% to HK$19,294.8 million for the year ended 31 December 2012 from HK$16,034.3 million for the year ended 31 December 2011. This increase was attributable to increases in segment revenue from international freight forwarding, in particular in Europe, and integrated logistics, in particular in China, partially offset by a decrease in segment revenue from Hong Kong warehouse.

An analysis of segment revenue from our operating segments is as follows:

- *Logistics operations.* Segment revenue from logistics operations increased by 16.1% to HK$7,423.7 million for the year ended 31 December 2012 from HK$6,392.9 million for the year ended 31 December 2011. This increase was mainly attributable to our growing operations in China. We continued to generate an increasing amount of revenue from delivering integrated logistics services in China as domestic consumption, particularly for branded goods from overseas, drove increasing demand for logistics services in our target industries.

- *Hong Kong warehouse.* Segment revenue from Hong Kong warehouse decreased by 4.6% to HK$474.2 million for the year ended 31 December 2012 from HK$497.0 million for the year ended 31 December 2011. This decrease was primarily due to a larger amount of inter-segment eliminations relating to use of space for our logistics operations. Meanwhile, we recorded an increase in rental rates for our new and renewal warehouse customers and an increase in revenue for our specialty warehouses in 2012.

- *International freight forwarding.* Segment revenue from international freight forwarding increased by 24.6% to HK$11,396.8 million for the year ended 31 December 2012 from HK$9,144.5 million for the year ended 31 December 2011. This increase was primarily due to (i) our acquisitions of regional or local freight forwarding companies in strategic markets, in particular in Europe, and (ii) our acquisitions of certain strategic businesses, including certain air freight consolidators in China, to strengthen our international freight forwarding capability.

An analysis of segment revenue from our main geographic areas is as follows:

- *China.* Segment revenue from China increased by 22.4% to HK$8,745.2 million for the year ended 31 December 2012 from HK$7,144.5 million for the year ended 31 December 2011. This increase was mainly attributable to (i) our acquisitions of certain strategic businesses operating major air freight consolidation platforms in China in the first quarter of 2012 and (ii) an increase in revenue from logistics operations in China driven by increased domestic consumption, despite any negative impact on our outbound freight forwarding business as a result of a slowdown in China's export growth in 2012.

- *Hong Kong.* Segment revenue from Hong Kong increased by 7.3% to HK$2,469.1 million for the year ended 31 December 2012 from HK$2,300.6 million for the year ended 31 December 2011. This increase was mainly attributable to (i) an increase in business for logistics operations resulting primarily from the strong local retail sector in Hong Kong and (ii) an increase in revenue for our specialty warehouses, which generally yielded higher margins than our general cargo warehouses.

- *Taiwan.* Segment revenue from Taiwan increased by 5.7% to HK$1,978.7 million for the year ended 31 December 2012 from HK$1,871.9 million for the year ended 31 December 2011. This increase was primarily due to (i) an increase in cargo volume handled and (ii) our increased focus on delivering higher value services to customers, including customers in the pharmaceutical and healthcare industries.

- *South and Southeast Asia.* Segment revenue from South and Southeast Asia increased by 4.2% to HK$2,395.4 million for the year ended 31 December 2012 from HK$2,298.3 million for the year ended 31 December 2011. This increase was mainly attributable to our business growth in Thailand and Vietnam as (i) we acquired a 70% equity interest in an express company in Vietnam in the first quarter of 2012 and (ii) the cargo throughput at Kerry Siam Seaport in Thailand continued to increase in 2012.

- *Europe.* Segment revenue from Europe increased by 60.8% to HK$3,084.0 million for the year ended 31 December 2012 from HK$1,917.4 million for the year ended 31 December 2011. This increase was primarily due to our acquisition of a freight forwarding company based in Germany, which has a business focus on sea freight to and from Asia, in the fourth quarter of 2011.

Direct operating expenses. Direct operating expenses increased by 22.0% to HK$16,601.5 million for the year ended 31 December 2012 from HK$13,603.4 million for the year ended 31 December 2011. This increase was mainly attributable to (i) a 23.5% increase in freight and transportation costs, which was generally in line with the increase in segment revenue from international freight forwarding, and (ii) a 24.6% increase in employee benefit expenses for our direct staff, which was primarily due to our increased business scale in 2012.

Gross profit and gross margin. As a result of the foregoing, gross profit increased by 10.8% to HK$2,693.3 million for the year ended 31 December 2012 from HK$2,430.9 million for the year ended 31 December 2011. Gross margin was 14.0% for the year ended 31 December 2012 compared to 15.2% for the year ended 31 December 2011. The decrease in gross margin was primarily due to the increased revenue contribution by our international freight forwarding segment.

Other income and net gains. Other income and net gains increased significantly by HK$20.9 million to HK$28.3 million for the year ended 31 December 2012 from HK$7.4 million for the year ended 31 December 2011. This increase was mainly attributable to an increase in interest income, which was primarily due to our higher average balance of short-term bank deposits in 2012.

Administrative expenses. Administrative expenses increased by 9.1% to HK$1,403.3 million for the year ended 31 December 2012 from HK$1,286.3 million for the year ended 31 December 2011. This increase was mainly attributable to (i) an increase in employee benefit expenses for our indirect staff, which was primarily due to our increased business scale in 2012, and (ii) an increase in amortisation of intangible assets.

Operating profit before fair value change of investment properties. As a result of the foregoing, operating profit before fair value change of investment properties increased by 14.4% to HK$1,318.3 million for the year ended 31 December 2012 from HK$1,152.0 million for the year ended 31 December 2011. Operating profit before fair value change of investment properties as a percentage of revenue was 6.8% for the year ended 31 December 2012 compared to 7.2% for the year ended 31 December 2011.

Change in fair value of investment properties. Change in fair value of investment properties was HK$265.2 million for the year ended 31 December 2012 compared to HK$130.3 million for the year ended 31 December 2011. These increases in fair value of investment properties were primarily due to the general increase in property prices in Hong Kong during the respective years. We had a larger increase in fair value of investment properties in 2012 as the prices of industrial properties increased sharply since the second half of 2012.

Operating profit and operating margin. As a result of the foregoing, operating profit increased by 23.5% to HK$1,583.5 million for the year ended 31 December 2012 from HK$1,282.3 million for the year ended 31 December 2011. Operating margin was 8.2% for the year ended 31 December 2012 compared to 8.0% for the year ended 31 December 2011.

Finance costs. Finance costs increased by 14.0% to HK$63.1 million for the year ended 31 December 2012 from HK$55.4 million for the year ended 31 December 2011. This increase was mainly attributable to the higher interest expense on bank loans and overdrafts in 2012, which was primarily due to an increase in the average bank loan balance to finance our continued business expansion.

Share of results of associates. Share of results of associates decreased by 8.1% to HK$136.4 million for the year ended 31 December 2012 from HK$148.5 million for the year ended 31 December 2011. This decrease was principally due to the weaker results of CCT in 2012 primarily as a result of the slowdown in China's exports.

Profit before taxation. As a result of the foregoing, in particular the significant increase in fair value of investment properties, profit before taxation increased by 20.5% to HK$1,656.8 million for the year ended 31 December 2012 from HK$1,375.4 million for the year ended 31 December 2011.

Taxation. Taxation increased by 20.1% to HK$304.9 million for the year ended 31 December 2012 from HK$253.9 million for the year ended 31 December 2011. This increase was mainly attributable to the increase in PRC taxation while the increase in fair value of investment properties in Hong Kong was not subject to tax. The effective tax rate was 18.4% for the year ended 31 December 2012 compared to 18.5% for the year ended 31 December 2011.

Profit for the year and net margin. As a result of the foregoing, in particular the significant increase in fair value of investment properties, profit for the year increased by 20.5% to HK$1,351.9 million for the year ended 31 December 2012 from HK$1,121.4 million for the year ended 31 December 2011. Net margin was 7.0% for each of the years ended 31 December 2011 and 2012 and remained stable because of the offsetting effect of (i) the increase in operating profit and the larger increase in fair value of investment properties in 2012 and (ii) the decrease in share of results of associates in 2012.

Core net profit. As a result of the foregoing, core net profit increased by 10.1% to HK$815.7 million for the year ended 31 December 2012 from HK$740.7 million for the year ended 31 December 2011. Core net profit as a percentage of revenue was 4.2% for the year ended 31 December 2012 compared to 4.6% for the year ended 31 December 2011. This decrease in core net profit as a percentage of revenue was mainly attributable to the decrease in operating profit before fair value change of investment properties as a percentage of revenue.

Year Ended 31 December 2011 Compared to Year Ended 31 December 2010

Revenue. Revenue increased by 47.4% to HK$16,034.3 million for the year ended 31 December 2011 from HK$10,879.9 million for the year ended 31 December 2010. This increase was mainly attributable to increases in segment revenue from international freight forwarding and integrated logistics, in particular in China, Taiwan, and South and Southeast Asia.

An analysis of segment revenue from our operating segments is as follows:

- *Logistics operations*. Segment revenue from logistics operations increased by 47.5% to HK$6,392.9 million for the year ended 31 December 2011 from HK$4,333.0 million for the year ended 31 December 2010. This increase was primarily due to our gain of management control of Kerry TJ Logistics, which became our subsidiary, in July 2010. Its revenue was therefore included in our consolidated results only for six months in 2010 while its revenue for the entire year of 2011 was included in our consolidated results for the year ended 31 December 2011. In addition, this increase in segment revenue from integrated logistics was in part due to (i) our growth in business volume in China as we continued to expand our portfolio of managed logistics facilities in China and (ii) our acquisition of a 70% equity interest in a third-party logistics company in China specialising in the chemicals, electromechanical and automotive industries in the first quarter of 2011.

- *Hong Kong warehouse.* Segment revenue from Hong Kong warehouse increased by 4.1% to HK$497.0 million for the year ended 31 December 2011 from HK$477.6 million for the year ended 31 December 2010. This increase was primarily due to an increase in rental rates for our new or renewal warehouse customers in 2011.

- *International freight forwarding.* Segment revenue from international freight forwarding increased by 50.7% to HK$9,144.5 million for the year ended 31 December 2011 from HK$6,069.3 million for the year ended 31 December 2010. This increase was primarily due to (i) our acquisition of a 70% equity interest in an NVOCC operating an ocean freight consolidation platform in China in the first quarter of 2011 and (ii) our acquisition of a controlling equity interest in an India-based company in the third quarter of 2010.

An analysis of segment revenue from our main geographic areas is as follows:

- *China.* Segment revenue from China increased by 51.3% to HK$7,144.5 million for the year ended 31 December 2011 from HK$4,721.6 million for the year ended 31 December 2010. This increase was mainly attributable to (i) our increased acquisition activities in both integrated logistics and international freight forwarding and (ii) our growth in logistics operations, including the opening of new logistics facilities in China in the first quarter of 2011.

- *Hong Kong.* Segment revenue from Hong Kong increased by 14.1% to HK$2,300.6 million for the year ended 31 December 2011 from HK$2,016.8 million for the year ended 31 December 2010. This increase was mainly attributable to the higher volume of logistics operations in Hong Kong in 2011, which was primarily due to (i) an increase in new customers and (ii) the opening of Tai Po Product Customisation and Consolidation Centre in the fourth quarter of 2010.

- *Taiwan.* Segment revenue from Taiwan increased significantly by HK$1,024.4 million to HK$1,871.9 million for the year ended 31 December 2011 from HK$847.5 million for the year ended 31 December 2010. This increase was primarily due to our gain of management control of Kerry TJ Logistics in July 2010, as a result of which the revenue of Kerry TJ Logistics was included in our consolidated results beginning in July 2010.

- *South and Southeast Asia.* Segment revenue from South and Southeast Asia increased by 74.0% to HK$2,298.3 million for the year ended 31 December 2011 from HK$1,320.7 million for the year ended 31 December 2010. This increase was mainly attributable to (i) our acquisition activity in India as part of our efforts to expand our international freight forwarding business in India and (ii) an increase in revenue for our port terminal logistics business in Thailand, which resulted primarily from a significant growth of cargo volume at Kerry Siam Seaport.

- *Europe.* Segment revenue from Europe increased by 18.1% to HK$1,917.4 million for the year ended 31 December 2011 from HK$1,623.2 million for the year ended 31 December 2010. This increase was primarily due to our increased acquisition activities in Europe, in particular our acquisitions of (i) a sea freight forwarding company based in the Netherlands in the third quarter of 2010 and (ii) a freight forwarding company based in Germany in 2011.

Direct operating expenses. Direct operating expenses increased by 47.4% to HK$13,603.4 million for the year ended 31 December 2011 from HK$9,229.7 million for the year ended 31 December 2010. This increase was mainly attributable to (i) a 46.6% increase in freight and transportation costs, which was generally in line with the increase in segment revenue from international freight forwarding, and (ii) a 55.8% increase in employee benefit expenses for our direct staff, which was primarily due to our increased business scale in 2011.

Gross profit and gross margin. As a result of the foregoing, gross profit increased by 47.3% to HK$2,430.9 million for the year ended 31 December 2011 from HK$1,650.2 million for the year ended 31 December 2010. Gross margin remained stable at 15.2% for each of the years ended 31 December 2011 and 2010.

Other income and net gains. Other income and net gains decreased by 65.5% to HK$7.4 million for the year ended 31 December 2011 from HK$21.3 million for the year ended 31 December 2010. This decrease was mainly attributable to a one-off deemed gain on revaluation of a previously held equity interest in Kerry TJ Logistics in the amount of HK$54.2 million in 2010 when Kerry TJ Logistics was reclassified from associate to subsidiary in July 2010. The decreases in other income and net gains in 2011 were partially offset by a decrease in impairment of goodwill relating to certain subsidiaries acquired prior to 2008.

Administrative expenses. Administrative expenses increased by 50.4% to HK$1,286.3 million for the year ended 31 December 2011 from HK$855.1 million for the year ended 31 December 2010. This increase was mainly attributable to an increase in employee benefit expenses for our indirect staff due to an increase in the number of indirect staff primarily as a result of our business expansion in 2011.

Operating profit before fair value change of investment properties. As a result of the foregoing, operating profit before fair value change of investment properties increased significantly by 41.1% to HK$1,152.0 million for the year ended 31 December 2011 from HK$816.4 million for the year ended 31 December 2010. Operating profit before fair value change of investment properties as a percentage of revenue was 7.2% for the year ended 31 December 2011 compared to 7.5% for the year ended 31 December 2010.

Change in fair value of investment properties. Change in fair value of investment properties decreased by 26.0% to HK$130.3 million for the year ended 31 December 2011 from HK$176.0 million for the year ended 31 December 2010. This decrease was primarily due to a less rapid increase in market prices of industrial properties in Hong Kong in 2011 as compared to 2010.

Operating profit and operating margin. As a result of the foregoing, operating profit increased by 29.2% to HK$1,282.3 million for the year ended 31 December 2011 from HK$992.4 million for the year ended 31 December 2010. Operating margin was 8.0% for the year ended 31 December 2011 compared to 9.1% for the year ended 31 December 2010.

Finance costs. Finance costs increased significantly by HK$32.3 million to HK$55.4 million for the year ended 31 December 2011 from HK$23.1 million for the year ended 31 December 2010. This increase was mainly attributable to the higher interest expense on bank loans and overdrafts in 2011, which was primarily due to an increase in the average bank loan balance.

Share of results of associates. Share of results of associates decreased by 28.9% to HK$148.5 million for the year ended 31 December 2011 from HK$208.8 million for the year ended 31 December 2010. This decrease was mainly attributable to (i) the weaker results of CCT in 2011 primarily as a result of the slowdown in China's export market and (ii) the reclassification of Kerry TJ Logistics from associate to subsidiary beginning in July 2010 due to our gain of management control of this company.

Profit before taxation. As a result of the foregoing, profit before taxation increased by 16.7% to HK$1,375.4 million for the year ended 31 December 2011 from HK$1,178.2 million for the year ended 31 December 2010.

Taxation. Taxation increased by 26.9% to HK$253.9 million for the year ended 31 December 2011 from HK$200.1 million for the year ended 31 December 2010. This increase was mainly attributable to the increase in profit before taxation. The effective tax rate was 18.5% for the year ended 31 December 2011 compared to 17.0% for the year ended 31 December 2010. The increase in effective tax rate was primarily due to the impact of the higher tax rates of the businesses in Europe that we acquired during the second half of 2010 and during 2011.

Profit for the year and net margin. As a result of the foregoing, profit for the year increased by 14.7% to HK$1,121.4 million for the year ended 31 December 2011 from HK$978.1 million for the year ended 31 December 2010. Net margin was 7.0% for the year ended 31 December 2011 compared to 9.0% for the year ended 31 December 2010. The decrease in net margin was primarily due to our lower operating margin in 2011, coupled with the decrease in share of results of associates in 2011.

Core net profit. As a result of the foregoing, core net profit increased by 11.4% to HK$740.7 million for the year ended 31 December 2011 from HK$665.2 million for the year ended 31 December 2010. Core net profit as a percentage of revenue was 4.6% for the year ended 31 December 2011 compared to 6.1% for the year ended 31 December 2010. This decrease in core net profit as a percentage of revenue was primarily due to the decrease in operating profit before fair value change of investment properties as a percentage of revenue, coupled with the decrease in share of results of associates in 2011.

SEGMENT RESULTS

The following table shows the segment results for our operating segments for the periods indicated:

	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

Six Months Ended 30 June 2013 Compared to Six Months Ended 30 June 2012

Logistics operations. Segment results for logistics operations increased by 18.4% to HK$401.2 million for the six months ended 30 June 2013 from HK$338.7 million for the six months ended 30 June 2012. The increases in segment results and direct operating expenses for this segment were generally in line with the increase in segment revenue between the two periods.

Hong Kong warehouse. Segment results for Hong Kong warehouse increased by 2.9% to HK$207.5 million for the six months ended 30 June 2013 from HK$201.7 million for the six months ended 30 June 2012. The increase in segment results for Hong Kong warehouse was mainly attributable to the higher rental rates charged and the increased business volume of our specialty warehouses during the six months ended 30 June 2013. Direct operating expenses per square foot remained stable during the six months ended 30 June 2012 and 2013.

International freight forwarding. Segment results for international freight forwarding decreased by 1.9% to HK$157.3 million for the six months ended 30 June 2013 from HK$160.3 million for the six months ended 30 June 2012. The slight decrease in segment results for international freight forwarding, despite a slightly higher segment revenue, was primarily due to intense competition in Europe and generally in the air freight market during the six months ended 30 June 2013, which caused direct operating cost for this segment to increase in the six months ended 30 June 2013.

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011

Logistics operations. Segment results for logistics operations increased by 24.0% to HK$729.6 million for the year ended 31 December 2012 from HK$588.5 million for the year ended 31 December 2011. The increases in segment results and direct operating expenses for this segment were generally in line with the increase in segment revenue.

Hong Kong warehouse. Segment results for Hong Kong warehouse increased by 10.8% to HK$411.1 million for the year ended 31 December 2012 from HK$370.9 million for the year ended 31 December 2011. The increase in segment results for Hong Kong warehouse was mainly attributable to the increase in revenue from our specialty warehouses which generally yielded higher margins than our general cargo warehouses. Direct operating expenses per square foot remained stable in 2011 and 2012.

International freight forwarding. Segment results for international freight forwarding increased by 17.3% to HK$300.2 million for the year ended 31 December 2012 from HK$255.9 million for the year ended 31 December 2011. The increase in segment results for international freight forwarding was primarily due to the increase in segment revenue. Direct operating expenses for this segment increased in 2012 generally in line with the increase in segment revenue.

Year Ended 31 December 2011 Compared to Year Ended 31 December 2010

Logistics operations. Segment results for logistics operations increased by 35.6% to HK$588.5 million for the year ended 31 December 2011 from HK$434.1 million for the year ended 31 December 2010. The increase in segment results for logistics operations was primarily due to the increase in segment revenue, partially offset by additional cost incurred in setting up new logistics centres and business units.

Hong Kong warehouse. Segment results for Hong Kong warehouse increased by 6.2% to HK$370.9 million for the year ended 31 December 2011 from HK$349.2 million for the year ended 31 December 2010. The increase in segment results for Hong Kong warehouse was primarily due to (i) the increase in segment revenue and (ii) the higher rental rates charged in 2011. Direct operating expenses per square foot remained stable in 2010 and 2011.

International freight forwarding. Segment results for international freight forwarding increased significantly by HK$160.3 million to HK$255.9 million for the year ended 31 December 2011 from HK$95.6 million for the year ended 31 December 2010. The increase in segment results for international freight forwarding was primarily due to the increase in segment revenue. The increase in segment results as a percentage of segment revenue was primarily due to our network expansion resulting in a higher overall operating margin for international freight forwarding.

ADJUSTED EBITDA

Adjusted EBITDA, as we present it, represents profit for the year or period before taxation, share of results of associates, finance costs, other income and net gains, change in fair value of investment properties, depreciation and amortisation. Adjusted EBITDA is not a standard measure under HKFRSs.

While adjusted EBITDA provides an additional financial measure for investors to assess our operating performance, the use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expense that affect our operations. The items that are adjusted for may continue to be incurred in our business and should be considered in the overall understanding and assessment of our results. In addition, adjusted EBITDA does not reflect changes in working capital, capital expenditures and other investing and financing activities and should not be considered a measure of our liquidity.

As a measure of our operating performance, we believe that the most directly comparable HKFRSs measure to adjusted EBITDA is profit for the year or period. The following table reconciles profit for the year or period under HKFRSs to adjusted EBITDA for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit for the years/periods	978,081	1,121,432	1,351,872	545,836	1,056,014
Adjustments for:					
Taxation	200,074	253,939	304,928	150,859	146,511
Share of results of associates	(208,821)	(148,464)	(136,421)	(69,123)	(71,626)
Finance costs	23,066	55,394	63,124	27,432	45,096
Other income and net gains	(21,340)	(7,352)	(28,334)	(5,760)	(30,486)
Change in fair value of investment properties	(175,990)	(130,312)	(265,155)	–	(458,303)
Depreciation	205,838	284,915	321,355	155,164	191,662
Amortisation	4,578	11,115	45,997	15,885	24,135
Adjusted EBITDA	**1,005,486**	**1,440,667**	**1,657,366**	**820,293**	**903,003**

Adjusted EBITDA should not be considered in isolation or construed as a substitute for analysis of HKFRSs financial measures, such as operating profit before fair value change of investment properties, operating profit, or profit for the year or period. In addition, because adjusted EBITDA may not be calculated in the same manner by all companies, our adjusted EBITDA may not be comparable to the same or similarly titled measures presented by other companies.

CASH FLOW AND LIQUIDITY

Cash Flow

Our principal cash requirements are to pay for various operating and administrative expenses, interest expense and other working capital needs and to finance our capital expenditures in connection with the purchase of equipment, motor vehicles and other fixed assets, development or expansion of logistics facilities, and acquisition of subsidiaries. We meet these cash requirements by relying on our principal sources of funding, including cash flows from operations and bank loans, and we expect to continue to rely on these sources and may also rely on other forms of debt financing in the foreseeable future. We historically also obtained loans from fellow subsidiaries controlled by KPL, which will be fully settled through capitalisation of a portion of the loans prior to the Listing and repayment of the remaining portion promptly after the Listing. Our liquidity position is generally affected by changes in our cash requirements and sources of funding.

The following table shows our net cash flow for the periods indicated:

	Year ended 31 December			Six Months ended 30 June
	2010	**2011**	**2012**	**2013**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Net cash generated from operating activities	606,948	1,019,252	870,745	687,438
Net cash used in investing activities	(387,631)	(1,023,776)	(1,665,029)	(986,156)
Net cash generated from financing activities	410,031	680,639	782,634	335,557
Increase/(decrease) in cash and cash equivalents	629,348	676,115	(11,650)	36,839
Effect of exchange rate changes	62,525	26,148	33,090	(4,206)
Cash and cash equivalents at end of the years/periods	2,189,853	2,892,116	2,913,556	2,946,189

Cash Flow from Operating Activities

Net cash generated from operating activities was HK$687.4 million for the six months ended 30 June 2013, which primarily reflected operating profit before fair value change of investment properties of HK$717.7 million and the non-cash adjustments for depreciation and amortisation charges in the aggregate amount of HK$215.8 million. Cash from operating profit was negatively adjusted primarily for an increase in inventories and accounts receivable, prepayments and deposits in the amount of HK$26.1 million. We also had cash outflow due to income tax payment in the amount of HK$115.0 million.

Net cash generated from operating activities was HK$870.7 million for the year ended 31 December 2012, which primarily reflected operating profit before fair value change of investment properties of HK$1,318.3 million and the non-cash adjustments for depreciation and amortisation charges in the aggregate amount of HK$367.4 million. Cash from operating profit was negatively adjusted primarily for an increase in inventories and accounts receivable, prepayments and deposits in the amount of HK$703.2 million, which was due primarily to the increase in turnover and business scale. We also had cash outflow due to income tax payment in the amount of HK$250.3 million.

Net cash generated from operating activities was HK$1,019.3 million for the year ended 31 December 2011, which primarily reflected operating profit before fair value change of investment properties of HK$1,152.0 million and the non-cash adjustments for depreciation and amortisation charges in the aggregate amount of HK$296.0 million. Cash from operating profit was negatively adjusted primarily for an increase in inventories and accounts receivable, prepayments and deposits in the amount of HK$268.9 million, which was due primarily to the increase in turnover and business scale. We also had cash outflow due to income tax payment in the amount of HK$298.4 million.

Net cash generated from operating activities was HK$606.9 million for the year ended 31 December 2010, which primarily reflected operating profit before fair value change of investment properties of HK$816.4 million and the non-cash adjustments for depreciation and amortisation charges in the aggregate amount of HK$210.4 million. Cash from operating profit was negatively adjusted primarily for an increase in inventories and accounts receivable, prepayments and deposits in the amount of HK$425.3 million, which was due primarily to the increase in turnover and business scale. We also had cash outflow due to income tax payment in the amount of HK$140.3 million.

Cash Flow from Investing Activities

Net cash used in investing activities was HK$986.2 million for the six months ended 30 June 2013. This primarily reflected cash outflows from (i) additions of property, plant and equipment in the amount of HK$669.3 million, which was paid principally for the development of logistics facilities and expansion of our truck fleet during the six months ended 30 June 2013, (ii) acquisition of subsidiaries in the amount of HK$334.1 million, which was paid principally for acquiring a freight forwarding company in Sweden in the second quarter of 2013, and (iii) increase in investments in associates in the amount of HK$107.5 million, which was paid principally for our capital injection in an associate in China.

Net cash used in investing activities was HK$1,665.0 million for the year ended 31 December 2012. This primarily reflected cash outflows from (i) additions of property, plant and equipment in the amount of HK$1,468.0 million, which was paid principally for the development of logistics facilities in 2012, and (ii) acquisition of subsidiaries in the amount of HK$433.4 million, which was paid principally for acquiring certain strategic businesses operating major air freight consolidation platforms in China. These cash outflows were partially offset by cash inflows mainly attributable to dividends received from associates in the amount of HK$296.1 million which related principally to our investments in CCT, an associate based in Spain which is primarily engaged in international freight forwarding, and AAT.

Net cash used in investing activities was HK$1,023.8 million for the year ended 31 December 2011. This primarily reflected cash outflows from (i) additions of property, plant and equipment in the amount of HK$852.6 million, which was paid principally for the development of logistics facilities in 2011, and (ii) acquisition of subsidiaries in the amount of HK$193.7 million, which was paid principally for acquiring an NVOCC operating an ocean freight consolidation platform in China. These cash outflows were partially offset by cash inflows mainly attributable to proceeds from sale of property, plant and equipment in the amount of HK$100.9 million, which we received principally for the sale of properties in connection with the relocation of certain logistics facilities.

Net cash used in investing activities was HK$387.6 million for the year ended 31 December 2010. This primarily reflected cash outflow from additions of property, plant and equipment in the amount of HK$603.7 million, which was paid principally for the development of logistics facilities in 2011, partially offset by cash inflows mainly attributable to dividends received from associates in the amount of HK$158.6 million, which we received principally from CCT, Kerry TJ Logistics and AAT.

Cash Flow from Financing Activities

Net cash generated from financing activities was HK$335.6 million for the six months ended 30 June 2013. This primarily reflected cash inflow from drawdown of bank loans in the amount of HK$2,535.5 million, which were used principally to finance (i) our development of logistics facilities and (ii) certain business acquisitions in China and Europe for our international freight forwarding business. The cash inflows from financing activities were partially offset by cash outflows mainly attributable to (i) the repayment of bank loans in the amount of HK$1,600.9 million and (ii) the repayment of interest-bearing loans from a fellow subsidiary in the amount of HK$403.1 million.

Net cash generated from financing activities was HK$782.6 million for the year ended 31 December 2012. This primarily reflected cash inflow from drawdown of bank loans in the amount of HK$1,761.4 million, which were used principally to finance (i) our development of logistics facilities, (ii) certain business acquisitions in China and Europe for our international freight forwarding business, and (iii) our acquisition of an additional equity interest of approximately 4.77% in Kerry TJ Logistics. The cash inflows from financing activities were partially offset by cash outflows mainly attributable to (i) the repayment of bank loans in the amount of HK$926.8 million and (ii) the acquisition of additional interests in subsidiaries in the amount of HK$256.1 million, which were paid primarily for our additional equity interest in Kerry TJ Logistics acquired in 2012.

Net cash generated from financing activities was HK$680.6 million for the year ended 31 December 2011. This primarily reflected cash inflows from (i) drawdown of bank loans in the amount of HK$775.1 million, which were used principally to finance our development of logistics facilities and certain business acquisitions in China for our international freight forwarding business, and (ii) an increase in loans from fellow subsidiaries in the amount of HK$393.6 million, which principally included interest-free loans from a fellow subsidiary. These cash inflows were partially offset by cash outflows mainly attributable to (i) the repayment of bank loans in the amount of HK$350.7 million and (ii) the acquisition of additional interest in subsidiaries in the amount of HK$151.1 million.

Net cash generated from financing activities was HK$410.0 million for the year ended 31 December 2010. This primarily reflected cash inflows from (i) increase in loans from fellow subsidiaries in the amount of HK$298.8 million, which principally included interest-free loans from a fellow subsidiary, and (ii) drawdown of bank loans in the amount of HK$281.3 million, which were used principally to finance our development of logistics facilities and acquisitions of subsidiaries. These cash inflows were partially offset by cash outflows mainly attributable to the repayment of bank loans in the amount of HK$123.1 million.

Working Capital Sufficiency

The Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account our cash flows from operations, our available bank facilities and the estimated net proceeds from the Global Offering.

CAPITAL EXPENDITURES

Our capital expenditures are used principally in connection with (i) additions of property, plant and equipment (such as purchases of equipment, motor vehicles and other fixed assets), additions of investment properties (such as development or expansion of logistics facilities) and additions of leasehold land and land use rights and (ii) acquisition of subsidiaries and associates. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our total capital expenditures amounted to HK$966.4 million, HK$1,659.1 million, HK$2,529.8 million, HK$1,217.8 million and HK$1,187.5 million, respectively.

The following table shows our capital expenditures for the periods indicated:

	Year Ended 31 December			Six Months Ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Additions of property, plant and equipment, additions of investment properties and additions of leasehold land and land use rights	607,411	958,392	1,490,095	638,700	669,332
Acquisition of subsidiaries and associates	359,034	700,756	1,039,686	579,115	518,195
Total capital expenditures	966,445	1,659,148	2,529,781	1,217,815	1,187,527

During the Track Record Period, our capital expenditures on additions of property, plant and equipment, additions of investment properties and additions of leasehold land and land use rights were incurred principally for purchasing or adding (i) warehouse operating equipment, (ii) motor vehicles, furniture, fixtures and office equipment, (iii) warehouse and logistics centres, and (iv) land and buildings. We spent an increasing amount of capital expenditures on additions of property, plant and equipment and additions of investment properties from 2010 to 2012 as we continued to expand our asset-based operations in Asia.

During the Track Record Period, our capital expenditures on acquisition of subsidiaries and associates were incurred principally for acquiring freight forwarding companies in strategic geographic markets or with niche businesses that we believe will strengthen our market position and service offerings. We made an increasing amount of capital expenditures on acquisition of subsidiaries from 2010 to 2012 as we were actively engaged in acquisition activities during this period.

For more information on the uses of our capital expenditures during the Track Record Period, see "Cash Flow and Liquidity — Cash Flow — Cash flow from investing activities" above.

We expect to have total capital expenditures in the amount of approximately HK$1,700 million for the year ending 31 December 2013.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table shows certain details of our contractual obligations as at 30 June 2013:

	Payments Due by Period			
	Total	Within one year	Second to fifth year inclusive	After fifth year
	HK$'000	HK$'000	HK$'000	HK$'000
Contracted amount for additions of property, plant and equipment and acquisition of subsidiaries[(1)]	362,740	253,500	109,240	–
Minimum lease payments under non-cancellable operating leases	1,043,677	352,560	478,431	212,686

Note:

(1) Based on estimated completion date.

As at 30 June 2013, we had contracted but not provided for an aggregate amount of HK$362.7 million as contractual obligations for additions of property, plant and equipment and acquisition of subsidiaries, of which HK$253.5 million, or 69.9%, was to be paid within one year. These contractual obligations consisted principally of payments to be made for the development of logistics facilities. In addition, we had authorised but not contracted for an additional aggregate amount of HK$98.6 million as commitments principally for the development of logistics facilities.

Certain of our land and buildings are held under operating leases. As at 30 June 2013, our future aggregate minimum lease payments under non-cancellable operating leases amounted to HK$1,043.7 million.

In addition, we have principal and interest payment obligations under the bank loan agreements for our outstanding bank loans. The following table shows the maturity profile of our bank loans outstanding as at 30 June 2013:

	As at 30 June
	2013
	HK$'000
Within one year	631,435
Between one and two years	278,678
Between three and five years	1,940,676
Repayable with five years	2,850,789
Over five years	65,016
Total	2,915,805

We plan to settle all outstanding loans from a fellow subsidiary controlled by KPL through capitalisation of a portion of the loans prior to the Listing and repayment of the remaining portion promptly after the Listing. For more information, see the section headed "— Recent Developments — Repayment and Capitalisation of Loans from Fellow Subsidiary".

ASSETS AND LIABILITIES

Net Current Liabilities

The following table shows our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2010	2011	2012	2013	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Current assets					
Inventories	130,594	110,325	109,913	128,010	170,512
Accounts receivable, prepayments and deposits	2,509,551	3,358,575	4,325,293	4,329,172	4,875,426
Amounts due from related companies	–	–	–	–	3,833
Tax recoverable	4,674	10,831	9,279	3,354	8,869
Restricted and pledged bank deposits	15,733	4,644	4,510	6,983	5,207
Cash and bank balances	2,210,554	2,907,628	2,939,645	2,972,988	3,290,568
	4,871,106	6,392,003	7,388,640	7,440,507	8,354,415
Current liabilities					
Accounts payable, deposits received and accrued charges	2,312,677	3,353,172	3,923,029	3,686,654	4,035,898
Loans from fellow subsidiaries	3,491,003	3,890,967	4,181,600	3,781,580	3,781,580
Amount due to immediate holding company	74,945	94,480	64,666	93,434	92,254
Amount due to a related company	5,454	6,639	3,706	1,611	–
Taxation	129,106	83,040	117,296	131,107	173,043
Short-term bank loans and current portion of long-term bank loans	417,286	693,613	600,524	631,435	374,604
Bank overdrafts	20,701	15,512	26,089	26,799	32,965
	6,451,172	8,137,423	8,916,910	8,352,620	8,490,344
Net current liabilities	1,580,066	1,745,420	1,528,270	912,113	135,929

We had net current liabilities as at each of 31 December 2010, 2011 and 2012 and 30 June and 31 October 2013. Our net current liabilities position as at each of these dates was primarily due to our loans from fellow subsidiaries being recorded as current liabilities in accordance with HKFRSs. These loans mainly included interest-free loans granted by a fellow subsidiary controlled by KPL, which as our sole shareholder had structured the predominant part of its investments in our Company in the form of these interest-free loans. While we did not expect these interest-free loans to be due within one year from each of the foregoing balance sheet dates, these loans were classified as current liabilities in accordance with HKFRSs because they had no fixed terms of repayment. We plan to settle all outstanding loans from our fellow subsidiary through capitalisation of a portion of the loans prior to the Listing and repayment of the remaining portion promptly after the Listing. For more information, see the section headed "— Recent Developments — Repayment and Capitalisation of Loans from Fellow Subsidiary".

Our net current liabilities were HK$135.9 million as at 31 October 2013, compared to HK$912.1 million as at 30 June 2013. This decrease in net current liabilities was primarily due to an increase in current assets, in particular accounts receivable, prepayments and deposits, as we continued to expand our businesses.

Accounts Receivable, Prepayments and Deposits

Our accounts receivable, prepayments and deposits consist principally of net trade receivables and, to a lesser extent, various prepayments, deposits and other items. As at 31 December 2010, 2011 and 2012 and 30 June 2013, our accounts receivable, prepayments and deposits were HK$2,509.6 million, HK$3,358.6 million, HK$4,325.3 million and HK$4,329.2 million, respectively. The general increase in accounts receivable, prepayments and deposits during the Track Record Period was mainly attributable to a general increase in net trade receivables, which amounted to HK$2,028.9 million, HK$2,405.2 million, HK$3,389.7 million and HK$3,472.2 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, as we continued to expand our businesses.

We maintain credit policies setting forth specific credit terms as appropriate to our businesses and customer types. We generally grant a credit period ranging from 30 to 90 days to customers using our integrated logistics services and a credit period of less than 30 days to our warehouse customers in Hong Kong. With respect to international freight forwarding, we generally grant a credit period ranging from 30 to 60 days. The following table shows an ageing analysis of our net trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Below one month	1,163,936	1,500,308	2,050,915	2,024,833
Between one and three months	687,059	785,437	1,149,776	1,220,521
Over three months	177,893	119,450	189,023	226,796
Total	2,028,888	2,405,195	3,389,714	3,472,150
Average trade receivables turnover days	57.8	51.3	55.5	66.8

As at 30 June 2013, our net trade receivables were HK$3,472.2 million. Of this amount, HK$3,130.5 million, or 90.2%, had been settled as at 31 October 2013.

Our average trade receivables turnover days, which represents the average of opening and closing total trade receivables balances divided by revenue and multiplied by the number of days in the relevant period, were 57.8 days, 51.3 days, 55.5 days and 66.8 days for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. The average trade receivables turnover days indicates the average time required for us to collect cash payments from sales. The fluctuations in average trade receivables turnover days during the Track Record Period were primarily due to (i) changes in the proportion of larger customers, to which we typically grant a longer credit period, and (ii) changes in revenue contributions by different segments.

Accounts Payable, Deposits Received and Accrued Charges

Our accounts payable, deposits received and accrued charges consist principally of trade payables and, to a lesser extent, various accrued charges, consideration payable for acquisition of subsidiaries, customer deposits and other items. As at 31 December 2010, 2011 and 2012 and 30 June 2013, our accounts payable, deposits received and accrued charges were HK$2,312.7 million, HK$3,353.2 million, HK$3,923.0 million and HK$3,686.7 million, respectively. The general increase in accounts payable, deposits received and accrued charges during the period from 2010 to 2012, coupled with a decline during the six months ended 30 June 2013, was mainly attributable to (i) a general increase in trade payables, which amounted to HK$788.5 million, HK$1,287.3 million, HK$1,663.3 million and HK$1,679.5 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, as we continued to expand our businesses, and (ii) our acquisition activities during the Track Record Period, for which consideration payable for acquisition of subsidiaries increased from HK$36.7 million as at 31 December 2010 to HK$300.9 million as at 31 December 2011 and further to HK$424.8 million as at 31 December 2012. In 2013, consideration payable for acquisition of subsidiaries decreased to HK$241.9 million (excluding the non-current portion of HK$68.4 million) as at 30 June 2013 as we reduced our acquisition activities in 2013.

Our trade payables consist principally of payables to airlines and shipping lines for cargo space. We are typically granted a credit term of 15 to 30 days for procurement of air or ocean cargo space. In connection with our operation of air or ocean freight consolidation platforms, we are granted a longer credit term of 30 to 45 days. The following table shows an ageing analysis of our trade payables as at the dates indicated:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Below one month	576,891	629,721	848,793	784,145
Between one and three months	133,194	405,425	511,014	512,939
Over three months	78,377	252,195	303,494	382,427
Total	788,462	1,287,341	1,663,301	1,679,511
Average trade payables turnover days	32.2	33.2	38.5	45.4

As at 30 June 2013, our trade payables were HK$1,679.5 million. Of this amount, HK$1,201.9 million, or 71.6%, had been settled as at 31 October 2013.

Our average trade payables turnover days, which represents the average of opening and closing trade payables balances divided by the sum of freight and transportation costs and cost of goods sold and multiplied by the number of days in the relevant period, were 32.2 days, 33.2 days, 38.5 days and 45.4 days for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. The average trade payables turnover days indicates the average time we take to make cash payments to suppliers. Its general increase during the Track Record Period was primarily due to the increased revenue contribution by our air or ocean freight consolidation platform operations.

INDEBTEDNESS

Bank Loans

We obtain bank loans as one of our principal sources of funding. As at 31 December 2010, 2011 and 2012 and 30 June 2013, we had total bank loans in the amounts of HK$654.0 million, HK$1,098.6 million, HK$1,965.1 million and HK$2,915.8 million, respectively. The general increase in bank loans during the Track Record Period was primarily due to our increased capital needs in connection with our business expansion and acquisition activities. The following table shows a breakdown of our current and non-current bank loans as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2010	2011	2012	2013	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Current:					
Unsecured	341,733	518,650	470,791	502,737	250,563
Secured[(1)]	75,553	174,963	129,733	128,698	124,041
	417,286	693,613	600,524	631,435	374,604
Non-current:					
Unsecured	46,015	228,103	918,256	1,768,874	2,349,900
Secured[(1)]	190,712	176,851	446,306	515,496	539,988
	236,727	404,954	1,364,562	2,284,370	2,889,888
Total	654,013	1,098,567	1,965,086	2,915,805	3,264,492

Note:

(1) These bank loans were secured by (i) legal charges over certain investment properties, leasehold land and land use rights, construction in progress, and buildings and port facilities and (ii) assignments of insurance proceeds of certain properties.

Our bank loans are denominated principally in Hong Kong dollars, as well as in Thai baht, Renminbi, Singapore dollars, New Taiwan dollars and other currencies. As at 30 June 2013, the effective annual interest rates of our major bank loans ranged between 1.32% (for loans denominated in New Taiwan dollars) and 5.82% (for loans denominated in Renminbi).

As at the Latest Practicable Date, none of our bank loans were guaranteed by any of our Controlling Shareholders or their associates (excluding our Group).

For information on the maturity profile of our bank loans as at 30 June 2013, see the section headed "— Contractual Obligations and Commitments" above.

For each bank loan, either our Company or one of our subsidiaries entered into the loan agreement as borrower. Our Company also acts as guarantor for certain of the bank loans borrowed by our subsidiaries. The bank loan agreements contain covenants that impose certain restrictions or maintenance requirements on our Company or our subsidiaries. Some typical covenants relating to bank loans obtained by our Company are as follows:

- The Company may not change the general nature of its business;
- The Company may not sell, transfer or otherwise dispose of all or a material part of its assets;

- The Company may not create encumbrances on any part of its property or assets or deal with its assets in a way that may adversely affect its ability to repay the loan; and

- The Company must comply with certain financial covenants, including but not limited to (i) consolidated tangible net worth, (ii) ratio of consolidated total financial indebtedness to aggregate consolidated tangible net worth and minority interests, and (iii) ratio of consolidated total liabilities to aggregate consolidated tangible net worth and minority interests.

As at 31 October 2013, we had total bank loan and overdraft facilities in the amount of approximately HK$7.1 billion, of which approximately HK$3.8 billion remained unutilised and available. Of such unutilised amount, approximately HK$1.7 billion was available for unrestricted use. None of these bank loan and overdraft facilities are supported by any financial assistance or credit support from any of our Controlling Shareholders or their associates (excluding our Group), and we have no intention to seek financial assistance or credit support from any of them in obtaining bank loan and overdraft facilities in the future after the Listing.

We expect to draw down approximately HK$800.0 million under certain of our unutilised revolving bank facilities promptly after the Listing to repay a portion of outstanding interest-free loans from our fellow subsidiary. For more information, see the section headed "— Recent Developments — Repayment and Capitalisation of Loans from Fellow Subsidiary". These facilities are denominated in Hong Kong dollars and the applicable interest rates are not more than 1.65% above the Hong Kong Interbank Offer Rate. The term of these facilities will end between 2016 and 2018. Except as disclosed in the foregoing, we currently do not have any plans to raise material external debt in the foreseeable future.

Loans from Fellow Subsidiaries

As at 31 December 2010, 2011 and 2012 and 30 June and 31 October 2013, our Company and certain of our wholly-owned subsidiaries had obtained loans from two fellow subsidiaries controlled by KPL with aggregate carrying amounts of HK$3,491.0 million, HK$3,891.0 million, HK$4,181.6 million, HK$3,781.6 million and HK$3,781.6 million, respectively. These included (i) interest-free loans from a fellow subsidiary with carrying amounts of HK$3,090.9 million, HK$3,691.0 million, HK$3,781.6 million, HK$3,781.6 million and HK$3,781.6 million as at 31 December 2010, 2011 and 2012 and 30 June and 31 October 2013, respectively, and (ii) interest-bearing loans from another fellow subsidiary with carrying amounts of HK$400.1 million, HK$200.0 million, HK$400.0 million, nil and nil as at 31 December 2010, 2011 and 2012 and 30 June and 31 October 2013, respectively. All of these loans from fellow subsidiaries were unsecured Hong Kong dollar-denominated loans without fixed terms of repayment. The interest-bearing loans bore interest at prevailing market rates.

We had fully repaid all interest-bearing loans from our fellow subsidiary in June 2013. We plan to settle all outstanding interest-free loans from our fellow subsidiary through capitalisation of a portion of the loans prior to the Listing and repayment of the remaining portion promptly after the Listing. For more information, see the section headed "— Recent Developments — Repayment and Capitalisation of Loans from Fellow Subsidiary".

Loans from Non-controlling Interests

Certain of our non-wholly owned subsidiaries have obtained long-term loans from their non-controlling shareholders. These loans from non-controlling interests are unsecured and not repayable within twelve months. They are interest-free and are denominated in Renminbi, Hong Kong dollars, Malaysian Ringgit and other currencies. As at 31 December 2010, 2011 and 2012 and 30 June and 31 October 2013, these loans from non-controlling interests had a carrying amount of HK$83.2 million, HK$131.1 million, HK$222.4 million, HK$225.1 million and HK$238.3 million, respectively.

Bank Overdrafts

As at 31 December 2010, 2011 and 2012 and 30 June and 31 October 2013, we had bank overdrafts in the amounts of HK$20.7 million, HK$15.5 million, HK$26.1 million, HK$26.8 million and HK$33.0 million, respectively. A portion of these bank overdrafts in the amounts of nil, HK$15.2 million, HK$24.0 million, HK$19.5 million and HK$20.7 million, respectively, was secured by our assets.

Directors' Confirmation

Our Directors confirm that we had no material defaults in the payment of trade and non-trade payables and bank borrowings, nor any material breaches of the finance covenants during the Track Record Period.

Indebtedness as at 31 October 2013

As at 31 October 2013, except as disclosed in this prospectus, and apart from intra-group liabilities, we did not have any other debt securities, term-loan borrowings, indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities, or guarantees outstanding.

We confirm that there had not been any material adverse change in our indebtedness and contingent liabilities since 30 June 2013 and up to the date of this prospectus.

KEY FINANCIAL RATIOS

The following table shows certain financial ratios as at the dates or for the periods indicated:

	As at or for the year ended 31 December			As at or for the six months ended 30 June
	2010	2011	2012	2013
Current ratio(1)	0.76	0.79	0.83	0.89
Debt to equity ratio(2)	10.3%	15.1%	23.8%	32.3%
Return on assets(3)	5.9%	5.8%	6.0%	8.9%

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities.

(2) Debt to equity ratio is calculated by dividing total bank loans and bank overdrafts by capital and reserves attributable to the Company's shareholder.

(3) Return on assets is calculated by dividing profit for the year or annualised period by total assets.

Current ratio

Our current ratio as at 31 December 2010, 2011 and 2012 and 30 June 2013 was 0.76, 0.79, 0.83 and 0.89, respectively. The general increase in current ratio during the Track Record Period was primarily due to the scheduled repayment of our interest-bearing loans from a fellow subsidiary controlled by KPL. Those loans were fully repaid in June 2013.

Debt to equity ratio

Our debt to equity ratio as at 31 December 2010, 2011 and 2012 and 30 June 2013 was 10.3%, 15.1%, 23.8% and 32.3%, respectively. The general increase in net debt to equity ratio during the Track Record Period was primarily due to the increase in our bank loans to finance our continued business expansion during the Track Record Period.

Return on assets

Our return on assets for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 was 5.9%, 5.8%, 6.0% and 8.9%, respectively. Our return on assets remained relatively stable during the three years ended 31 December 2012. Our return on assets increased significantly for the six months ended 30 June 2013 primarily as a result of the significant increase in annualised profit.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions in the normal course of business. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. The Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of the Group as a whole. The Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

For more information on our related party transactions, see the section headed "Connected Transactions" and note 37 to our consolidated financial statements included in "Appendix I — Accountant's Report".

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any material contingent liabilities or outstanding guarantees in respect of payment obligations of any third parties. For more information, see note 38 to our consolidated financial statements included in "Appendix I — Accountant's Report".

RECENT DEVELOPMENTS

Repayment and Capitalisation of Loans from Fellow Subsidiary

As at the Latest Practicable Date, we had outstanding loans from a fellow subsidiary controlled by KPL in the amount of HK$3,781.6 million. These loans are interest-free and have no fixed terms of repayment. We plan to settle the entire outstanding amount through capitalisation of a portion of the loans prior to the Listing and repayment of the remaining portion promptly after the Listing:

- Repaying HK$400.0 million upon or immediately after the Listing by applying the consideration receivable from the transfer of our 100% equity interest in the holding company of Kerry D.G. Warehouse (Kowloon Bay) to the KPL Group in the amount of HK$400.0 million, which has been determined based on an independent valuation obtained by KPL, pursuant to a sale and purchase agreement dated 29 November 2013;

- Repaying HK$2,000.0 million promptly after the Listing by:

  (i) using part of the net proceeds from the Global Offering intended for repayment purposes, which are estimated to be approximately HK$763.2 million (approximately 40% of our total estimated net proceeds) before any exercise of the Over-allotment Option, assuming an Offer Price of HK$9.50 per Share, being the mid-point of the stated Offer Price range of HK$8.80 to HK$10.20 per Share;

(ii) refinancing approximately HK$800.0 million with new loans to be drawn down from existing unutilised revolving bank loan facilities, as further described in the section headed "— Indebtedness — Bank Loans" above; and

(iii) using our own cash reserves for the remainder.

- Capitalising HK$1,381.6 million so that 1,439,477,612 Shares were issued to KPL with the remaining balance to be credited to our share premium account prior to the Listing.

Acquisitions in Mexico

In July 2013, we acquired a 70% equity interest in each of Cargo Master's Internacional S.A. de C.V. and Servicios Corporativos Cargo Master's S.A. de C.V. (collectively, the "Cargo Master's Group") for a total cash consideration of US$5,055,000 and a contingent consideration of up to a maximum of US$3,355,000 based on a multiple of their earnings before interest and tax. The Cargo Master's Group is a Mexico-based logistics and freight forwarding company with a nationwide network of six offices. For the year ended 31 December 2012 and the six months ended 30 June 2013, the Cargo Master's Group had revenue in the amounts of HK$274.1 million and HK$107.7 million, respectively, and profit for the year or period in the amounts of HK$9.7 million and HK$0.5 million, respectively. As at 30 June 2013, the Cargo Master's Group had total assets in the amount of HK$63.2 million and net assets in the amount of HK$16.2 million. For more information, see note 40 to our consolidated financial statements included in "Appendix I — Accountant's Report".

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, we did not have any material off-balance sheet arrangements or any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

MARKET AND OTHER FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including market risks such as foreign currency exchange risk and interest rate risk, credit risk and liquidity risk. Risk management is carried out by management under the supervision of the Board. Management identifies, evaluates and manages significant financial risks in our individual operating units. The Board provides guidance for overall risk management.

Market Risks

Foreign exchange risk

We have certain investments in foreign operations, whose net assets are exposed to foreign exchange risk. Income in foreign currencies is generated from our investments outside Hong Kong and cash in these foreign currencies is maintained for operational needs. We seek to minimise our exposure to fluctuations in foreign exchange rates by using the foreign currency generated from each foreign operation to settle its operating expenses payable in the same foreign currency. In connection with the pricing of our international freight forwarding fees for shipments involving expenses payable in multiple currencies, we take into account the prevailing foreign exchange rates for the relevant foreign currencies with a view to shifting any increased cost due to foreign exchange rate fluctuations to our customers and thereby controlling our exposure.

Major financial instruments under foreign currencies that are exposed to foreign exchange risk are denominated in U.S. dollars, which is pegged to Hong Kong dollars. We will consider hedging significant foreign currency exposure by using foreign exchange forward contracts if and when the need arises.

Interest rate risk

We are primarily exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings bearing floating interest rates. We have not entered into any interest rate swap contracts to hedge the exposure as the Board considers the risk is not significant. As at 30 June 2013, if interest rates had increased, or decreased, by 25 basis points and all other variables were held constant, our profit for the six months ended 30 June 2013 would have decreased, or increased, by approximately HK$3.1 million as a result of the change in interest income on bank deposits and the borrowing costs of bank borrowings.

Credit Risk

The carrying amounts of cash and bank balances, restricted and pledged bank deposits, accounts receivable and amounts due from associates represent our maximum exposure to credit risk in relation to financial assets.

The credit risk on bank balances and restricted and pledged bank deposits is limited because the counterparties are banks with high credit rankings.

We review the recoverable amount of accounts receivable and amounts due from associates on a regular basis and an allowance for doubtful debts is made when there is objective evidence that we will not be able to collect all amounts due according to the original terms of receivables. We consider that there is no concentration of credit risk with respect to accounts receivable from third-party customers as we have a large number of customers which are internationally dispersed.

Liquidity Risk

We are exposed to liquidity risk. We measure and monitor our liquidity through seeking to maintain prudent ratios regarding the liquidity structure of our overall assets, liabilities, loans and commitments. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. We seek to maintain flexibility in funding by keeping committed credit lines available.

PROPERTY INTEREST AND PROPERTY VALUATION

Particulars of our investment property interests are in "Appendix V — Property Valuation". DTZ Debenham Tie Leung Limited has valued our investment property interests as at 30 September 2013. A summary of values and valuation certificates issued by DTZ Debenham Tie Leung Limited are included in "Appendix V — Property Valuation".

A reconciliation of the appraised value of our investment property interests as at 30 September 2013 and such investment property interests in our consolidated financial statements as at 30 June 2013 as required under Rule 5.07 of the Listing Rules is set forth below:

	HK$'000
Net book value of investment properties as at 30 June 2013	6,228,866
Change in fair value of investment properties from 1 July 2013 to 30 September 2013 (unaudited)	–
Net book value of investment properties as at 30 September 2013 (unaudited) and valuation of investment properties as at 30 September 2013 with reference to the valuation report included in "Appendix V — Property Valuation"	6,228,866

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2013

On the bases and assumptions set out in "Appendix III — Profit Forecast" and, in the absence of unforeseen circumstances, certain profit forecast data of the Group for the year ending 31 December 2013 has been prepared by our Directors and is set out below:

Forecast profit attributable to the Company's shareholders excluding (1) the after-tax effect of change in fair value of investment properties and (2) gain on disposal of Kerry D.G. Warehouse (Kowloon Bay) (1)(2)	not less than HK$880 million
Forecast profit attributable to the Company's shareholders (1)(2)	not less than HK$1,829 million

Notes:

(1) The Directors have prepared the above forecast profit attributable to the Company's shareholders based on our audited consolidated results for the six months ended 30 June 2013, our unaudited management accounts for the three months ended 30 September 2013 and a forecast of our consolidated results for the remaining three months ending 31 December 2013. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us as set out in note 2 to our consolidated financial statements included in "Appendix I — Accountant's Report".

(2) We will transfer 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".

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant.

Subject to the Bye-laws, the Companies Act and other applicable laws and regulations, we currently target to distribute to our Shareholders approximately 20% of our core net profit for the year ending 31 December 2013.

We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

During the Track Record Period, we did not declare any dividends to KPL as our sole shareholder.

Our distributable reserves as at 30 June 2013, representing the amount of retained profits of our Company as at the same date, amounted to HK$1,233.3 million.

LISTING EXPENSES

We had not incurred significant listing expenses up to 30 June 2013. The total estimated listing expenses (excluding underwriting commission) in connection with the Global Offering are approximately HK$98.6 million, of which approximately HK$16.3 million is expected to be charged to our consolidated income statement and approximately HK$82.3 million is expected to be capitalised as deferred expenses and charged against equity upon the Listing under the relevant accounting standards.

Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets

The following unaudited pro forma data relating to our consolidated net tangible assets attributable to the Company's shareholder prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set forth below to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the Company's shareholder as at 30 June 2013 as if the Global Offering had taken place on that date. Because of its hypothetical nature, the following unaudited pro forma data may not give a true picture of our consolidated net tangible assets attributable to the Company's shareholder as at 30 June 2013 or as at any subsequent date.

	Audited consolidated net tangible assets attributable to the Company's shareholder as at 30 June 2013(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the Company's shareholder	Unaudited pro forma adjusted net tangible assets per Share(3)(4)
	HK$'000	HK$'000	HK$'000	HK$
Based on an Offer Price of HK$8.80 per Offer Share . . .	7,179,924	1,760,032	8,939,956	5.39
Based on an Offer Price of HK$10.20 per Offer Share . .	7,179,924	2,055,725	9,235,649	5.57

Notes:

(1) Our audited consolidated net tangible assets attributable to the Company's shareholder as at 30 June 2013 are based on our audited consolidated net assets attributable to the Company's shareholder in the amount of HK$9,102.4 million, as extracted from our consolidated financial statements included in "Appendix I — Accountant's Report", less intangible assets in the amount of HK$1,922.4 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$8.80 and HK$10.20 per Offer Share, respectively, after deduction of underwriting commissions and fees and other related expenses payable by the Company and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) No adjustment has been made to our audited consolidated net tangible assets attributable to the Company's shareholder as at 30 June 2013 to reflect any of our trading results or other transactions entered into subsequent to 30 June 2013. In particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for the effect of capitalisation of a portion of the outstanding loans from a fellow subsidiary controlled by KPL in the amount of HK$1,381.6 million. Had the capitalisation of loans from the fellow subsidiary been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK$6.23 (based on an Offer Price of HK$8.80 per Offer Share) and HK$6.41 (based on an Offer Price of HK$10.20 per Offer Share).

(4) Our unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note (2) above and on the basis that 1,657,364,112 Shares were in issue assuming that the Spin-off had been completed and the Shares pursuant to the RSU Scheme had been issued on 30 June 2013 and the Over-allotment Option was not exercised, without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Hong Kong Stock Exchange on that date.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since 30 June 2013 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements included in "Appendix I — Accountants' Report".

FUTURE PLANS

We intend to continue to strengthen our regional presence in integrated logistics across Asia, expand our global network in international freight forwarding coverage, and grow our customer base and existing businesses. Specifically, we plan to continue to:

- develop logistics facilities in strategic locations in Greater China to provide storage and value-added services to our customers, which allows us to strengthen our presence in the region and to expand into cities with high growth potential;

- develop logistics facilities and acquire businesses in ASEAN countries for our integrated logistics business, which enables us to further penetrate the integrated logistics markets in Thailand and Vietnam and increase our market share in Indonesia, Malaysia, the Philippines and Singapore; and

- acquire businesses globally for our international freight forwarding business, through which we intend to achieve a larger network scale and enhanced capabilities to provide us with a platform to extend our reach to new geographical markets.

We will carefully monitor our acquisition plan and capital expenditures in accordance with business needs and opportunities that arise from time to time. See the section headed "Business — Strategies" for more information on our strategies and future plans and the section headed "— Use of Proceeds" below for a discussion of our intended use of part of our net proceeds from the Global Offering in pursuit of the future plans described above. We target to develop a total of three to four logistics facilities in Greater China over the next two to three years and estimate that the development costs of a logistics centre typically range from HK$150 million to HK$200 million. In addition to using part of the net proceeds from the Global Offering, we intend to also use a combination of internal cash resources and bank loans, as needed, to pursue our future plans.

We do not have any definitive acquisition plan, nor have we identified any acquisition target, as at the date of this prospectus. We anticipate that the time from identifying an acquisition target to completion of the acquisition will generally take up to approximately two years. In the future, we will consider and pursue opportunities to acquire strategic businesses and logistics facilities by considering, among other things, the following factors:

- investment returns and other benefits that we expect to result from the acquisitions;

- acquisition consideration, valuation methodologies and the accounting impact of the acquisitions;

- findings of due diligence to be conducted on the acquisition targets; and

- challenges and expenses that could arise from integrating the businesses to be acquired.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK$1,907.9 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$9.50 per Share, being the mid-point of the stated Offer Price range of HK$8.80 to HK$10.20 per Share. We intend to use such net proceeds for the following purposes:

- Approximately HK$973.0 million (approximately 51% of our total estimated net proceeds) is intended to be used for funding capital expenditures in connection with future expansion and acquisition activities, including:

  (i) Approximately HK$324.3 million (approximately 17% of our total estimated net proceeds) for the development of one to two future logistics facilities in Greater China over the next two to three years;

  (ii) Approximately HK$324.3 million (approximately 17% of our total estimated net proceeds) for the development of future logistics facilities and/or potential acquisitions in ASEAN countries for our integrated logistics business; and

  (iii) Approximately HK$324.3 million (approximately 17% of our total estimated net proceeds) for potential acquisitions globally, including primarily in the Americas, as well as in Europe and Asia, for our international freight forwarding business.

- Approximately HK$763.2 million (approximately 40% of our total estimated net proceeds) is intended to be used for repaying part of our loans from a fellow subsidiary controlled by KPL, which are interest-free loans without fixed terms of repayment, as further described in the section headed "Financial Information — Recent Developments — Repayment and Capitalisation of Loans from Fellow Subsidiary". In this regard, this entire sum in the amount of approximately HK$763.2 million, which equals the remaining balance of such loans after taking into account the amount to be capitalised and the other amounts to be repaid by applying the consideration receivable from the transfer of Kerry DG Warehouse (Kowloon Bay), by refinancing and by using our own cash reserves, will be held by the Joint Global Coordinators and we have given irrevocable instructions to the Joint Global Coordinators that, subject to the Global Offering becoming unconditional, the Joint Global Coordinators should apply such sum directly to repay a portion of our loans from a fellow subsidiary controlled by KPL upon Listing.

- Approximately HK$171.7 million (approximately 9% of our total estimated net proceeds) is intended to be used for working capital and general corporate purposes.

If the Offer Price is set at the high end or low end of the stated Offer Price range, the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised, will increase to approximately HK$2,055.7 million or decrease to approximately HK$1,760.0 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$2,208.9 million, assuming an Offer Price of HK$9.50 per Share, being the mid-point of the stated Offer Price range. If the Offer Price is set at the high end or low end of the stated Offer Price range, the net proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option, will increase to approximately HK$2,378.9 million or decrease to approximately HK$2,038.8 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks or financial institutions.

HONG KONG UNDERWRITERS
(in alphabetical order)

BOCI Asia Limited
CIMB Securities Limited
Citigroup Global Markets Asia Limited
DBS Asia Capital Limited
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Securities Asia Limited
Morgan Stanley Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 21,607,500 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be offered pursuant to the Global Offering and the Shares which may be issued and allotted upon any exercise of the Over-allotment Option, Pre-IPO Share Options or Post-IPO Share Options or pursuant to the RSU Scheme on the Main Board of the Stock Exchange; and

(ii) certain other conditions set out in the Hong Kong Underwriting Agreement,

the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions is that the Offer Price must be agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Placing is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed.

Grounds for Termination

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) in their discretion may, by giving a written notice to our Company signed by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), terminate the Hong Kong Underwriting Agreement with immediate effect:

(i) there develops, occurs, exists or comes into force:

(a) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, large scale outbreak of diseases or epidemic, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism in, by or affecting Hong Kong, the United States, Bermuda, the BVI, the PRC, Thailand, Taiwan, the United Kingdom, Singapore, Germany, Macau, the European Union (or any member thereof) (the "Relevant Jurisdictions"); or

(b) any change or development involving a prospective change, or any event or series of events, likely to result in a change or development involving a prospective change, in local, regional, national or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(c) any moratorium, suspension or restriction in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange or the London Stock Exchange; or

(d) any new Laws or change or a prospective change in existing Laws or any change or prospective change in the interpretation or application thereof by any competent Governmental Authority in or affecting any Relevant Jurisdiction; or

(e) any general moratorium on commercial banking activities in Hong Kong (imposed by The Financial Secretary or the Hong Kong Monetary Authority or other Governmental Authority), New York (imposed at Federal or New York State level or other Governmental Authority), London, the PRC or the European Union, or any material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in those places or jurisdictions; or

(f) any change or prospective change in taxation or exchange control or foreign investment regulations in any of the Relevant Jurisdictions; or

(g) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(h) a breach of any of the warranties or undertakings given by our Company under the Hong Kong Underwriting Agreement or KPL under the lock-up agreement entered into by, among others, KPL with the Joint Global Coordinators and the Hong Kong Underwriters dated the date of the Hong Kong Underwriting Agreement pursuant to which KPL has agreed to give certain warranties and undertakings to the Joint Global Coordinators and the Underwriters (the "KPL Lock-Up Agreement") or a breach of any of the other obligations imposed upon our Company under the Hong Kong Underwriting Agreement or KPL under the KPL Lock-Up Agreement; or

(i) an event, act or omission which gives or is likely to give rise to any liability of our Company pursuant to the indemnities given by it under the Hong Kong Underwriting Agreement;

which, individually or in aggregate, in the opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) after consultation with our Company to the extent reasonably practicable (1) has or will have or is likely to have a material adverse effect on the business, results of operations, financial or trading position or prospects of our Group taken as a whole, (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed; or

(ii) there has come to the notice of the Joint Global Coordinators after the date of the Hong Kong Underwriting Agreement:

(a) that any statement contained in this prospectus, the Application Forms, the formal notice to be published in connection with the Hong Kong Public Offering on 6 December 2013 in substantially agreed form and in accordance with the requirements under Rule 12.02 of the Listing Rules (as amended or supplemented) and any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was as at their respective dates or has become or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect;

(b) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus (or any supplement or amendment thereto) and not been disclosed in this prospectus (or, as the case may be, any supplement or amendment thereto), would constitute a material omission in this prospectus; or

(c) that there is an adverse change or a prospective adverse change in the business, results of operation, financial or trading position, or prospects of our Group as a whole the effect of which is, in the opinion of the Joint Global Coordinators, after consultation with our Company to the extent reasonably practicable, so material and adverse as to make it impracticable or inadvisable to proceed with the Global Offering.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Hong Kong Stock Exchange that it will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the granting of options, and the exercise of any options which may be granted, under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme and pursuant to the RSU Scheme) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange that, except pursuant to the Global Offering and the Stock Borrowing Agreement as may be entered into by it, it shall not and shall procure that the relevant registered holder(s) of the Relevant Shares (as defined below) shall not:

(i) in the period commencing on the date of this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Hong Kong Stock Exchange (the "First Six-Month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, either directly or indirectly, conditionally or unconditionally (but save pursuant to a pledge or charge as security for a bona fide commercial loan), any of the Shares shown by this prospectus to be beneficially owned by it (the "Relevant Shares"); and

(ii) in the period of the following six months commencing from the expiry of the First Six-Month Period (the "Second Six-Month Period") dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, either directly or indirectly, conditionally or unconditionally (but save pursuant to a pledge or charge as security for a bona fide commercial loan), any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and to our Company that, during the First Six-Month Period and the Second Six-Month Period, it will:

(a) when it pledges or charges any Relevant Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), immediately inform our Company in writing of such pledge or charge together with the number of Relevant Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Relevant Shares will be disposed of, immediately inform our Company in writing of such indications.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to each of the Joint Sponsors, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except for the issue of Shares under the Global Offering, the Over-allotment Option, the RSU Scheme and any options which may be granted under the Pre-IPO Share Option Scheme, or the grant of options under the Post-IPO Share Option Scheme, or with the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, our Company will not:

(i) at any time from the date of the Hong Kong Underwriting Agreement up to and including the date ending the six-month period immediately following the Listing Date (the "First Six-Month Period"):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, either directly or indirectly, conditionally or unconditionally, any Shares, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) agree to or publicly announce any intention to enter into any transaction described in paragraphs (a), (b) or (c) above; and

in each case, whether any of the foregoing transactions described in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other equity securities of our Company in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed in the aforesaid period).

(ii) in the event that, during the six-month period immediately following the First Six-Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or agrees to or publicly announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Undertakings Pursuant to the Lock-up Agreements by Each of Our Controlling Shareholders

Undertakings by our Controlling Shareholders

Our Controlling Shareholders have undertaken to each of the Joint Global Coordinators and the Underwriters that, except pursuant to the Global Offering and the Stock Borrowing Agreement as may be entered into by it, it shall not and shall procure that the relevant registered holder(s) of the Relevant Shares (as defined below) not to:

(i) in the period commencing on the date of this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Hong Kong Stock Exchange (the "First Six-Month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, either directly or indirectly, conditionally or unconditionally (but save pursuant to a pledge or charge as security for a bona fide commercial loan), any of the Shares shown by this prospectus to be beneficially owned by it (the "Relevant Shares"); and

(ii) in the period of the following six months commencing from the expiry of the First Six-Month Period (the "Second Six-Month Period") dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, either directly or indirectly, conditionally or unconditionally (but save pursuant to a pledge or charge as security for a bona fide commercial loan), any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder (as defined in the Listing Rules) of our Company.

Hong Kong Underwriters' interests in the Company

Except for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested legally or beneficially, directly or indirectly, in, or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, more than 5% of the Shares or other securities of our Company or any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Placing

International Underwriting Agreement

In connection with the International Placing, the Company expects to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally to subscribe for, or procure subscribers for their respective applicable proportions of the International Placing Shares initially being offered pursuant to the International Placing. See the section headed "Structure and Conditions of the Global Offering — The International Placing" for further details.

Under the International Underwriting Agreement, we have given the Joint Global Coordinators irrevocable instructions to apply a specified sum from the proceeds of the Global Offering as described in the section "Future Plans and Use of Proceeds" to repay part of our loans from a fellow subsidiary controlled by KPL upon Listing.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.25% (unless otherwise provided in the Underwriting Agreements) of the aggregate Offer Price of all the Offer Shares (including any Offer Shares issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Placing, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Placing, to the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy and the Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$144.8 million (assuming an Offer Price of HK$9.50 per Offer Share (which is the mid-point of the indicative Offer Price range stated in this prospectus), the Over-allotment Option is not exercised and not taking into account any discretionary incentive fee), will be paid by the Company.

Indemnity

The Company has agreed to indemnify the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE JOINT SPONSORS

Each of BOCI Asia Limited, Citigroup Global Markets Asia Limited, HSBC Corporate Finance (Hong Kong) Limited and Morgan Stanley Asia Limited (in alphabetical order) satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (collectively, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "Structure and Conditions of the Global Offering". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. BOCI Asia Limited, Citigroup Global Markets Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley Asia Limited are the Joint Global Coordinators of the Global Offering.

The Global Offering comprises:

(I) the Hong Kong Public Offering of initially 21,607,500 Offer Shares (subject to reallocation) in Hong Kong (including the Employee Preferential Offering of up to 2,160,500 Offer Shares as further described in "— Employee Preferential Offering" below) as further described in "— The Hong Kong Public Offering" below; and

(II) the International Placing of initially 194,464,000 Offer Shares (subject to reallocation and the Over-allotment Option) (a) in the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act, or another available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act, or (b) outside the United States in offshore transactions in accordance with Regulation S to certain investors (including offering to professional investors in Hong Kong other than retail investors in Hong Kong), as further described in "— The International Placing" below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Placing Shares under the International Placing,

but may not do both.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form. Directors and directors of any of our subsidiaries and their respective Affiliates may apply for Employee Reserved Shares under the Employee Preferential Offering if they are Eligible Employees. However, they may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering. All other Eligible Employees may apply for Hong Kong Offer Shares in the Hong Kong Public Offering and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing.

The Offer Shares will represent approximately 13.04% of the issued share capital of the Company immediately following the completion of the Spin-off and issuance of Shares under the RSU Scheme, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 12.79% of the issued share capital of the Company immediately following the completion of the Spin-off and issuance of Shares under the RSU Scheme (without taking into account any Shares be issued upon the exercise of, the Pre-IPO Share Options or Post-IPO Share Options).

References in this prospectus to applications, Application Forms, application monies or the procedures for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

The Company is initially offering 21,607,500 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, will represent approximately 1.30% of the issued share capital of our Company immediately following the completion of the Spin-off and issuance of Shares under the RSU Scheme (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Of the 21,607,500 Shares initially being offered under the Hong Kong Public Offering, up to 2,160,500 Shares (representing approximately 10% and 1% of the total number of Shares initially being offered under the Hong Kong Public Offering and the Global Offering, respectively) are available for subscription by the Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms. See "— Employee Preferential Offering" in this section below for further details.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation between them and after deducting the number of Employees Reserved Shares validly applied for under the Employee Preferential Offering) will be divided equally (to the nearest Board Lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 9,723,500 Hong Kong Offer Shares (representing 50% of the total number of Offer Shares initially available under the Hong Kong Public Offering (excluding the Employee Reserved Shares)) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation under the Listing Rules. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents:

(i) 15 times or more but less than 50 times;

(ii) 50 times or more but less than 100 times; and

(iii) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing.

As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to:

- 64,821,500 Offer Shares (in the case of (i) above);
- 86,429,000 Offer Shares (in the case of (ii) above); and
- 108,036,000 Offer Shares (in the case of (iii) above),

representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may, in certain prescribed circumstances, reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing nor participated in the International Placing. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if it has been or will be placed or allocated International Placing Shares under the International Placing.

The listing of the Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$10.20 per Offer Share in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$5,151.41 for one Board Lot of 500 Shares.

If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the Maximum Offer Price of HK$10.20 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares".

EMPLOYEE PREFERENTIAL OFFERING

Up to 2,160,500 Employee Reserved Shares, representing approximately 10% of the Offer Shares initially available under the Hong Kong Public Offering and approximately 0.13% of the enlarged issued share capital of our Company upon the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options, which are not subject to the clawback mechanism as described in "— The Hong Kong Public Offering — Reallocation" in this section above or the Over-allotment Option, are available for subscription by the Eligible Employees on a preferential basis. Directors and directors of any of our subsidiaries and their respective Affiliates may apply for Employee Reserved Shares under the Employee Preferential Offering if they are Eligible Employees, but they may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering. All other Eligible Employees may apply for Hong Kong Offer Shares in the Hong Kong Public Offering and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares under the Hong Kong Public Offering. For further details, see "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

A condition will be set out in the **PINK** Application Forms for the Employee Preferential Offering that applications received from Eligible Employees who are Directors and directors of any of our subsidiaries or their respective Affiliates may be reduced by our Company before allocation of Employee Reserved Shares to them and other applicants in the Employee Preferential Offering. This is intended to ensure that the number of Shares held by the public upon completion of the Spin-off would not be below the prescribed minimum required by the Hong Kong Stock Exchange. The reduction is intended to be on a pro-rata basis (subject to rounding to the nearest whole number of Board Lots). Such reduction (if any) will be performed by our Company with the assistance of the Joint Global Coordinators.

The 2,160,500 Employee Reserved Shares initially available for application by Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a basis to be determined by our Hong Kong Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The Employee Reserved Shares will be balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, the Eligible Employee may be allocated more Employee Reserved Shares than others who have applied for the same number of Employee Reserved Shares. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee

Reserved Shares. Any application made on a **PINK** Application Form for more than 64,500 Employee Reserved Shares will be rejected. Allocation of Employee Reserved Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees (other than Directors and directors of any of our subsidiaries and their respective Affiliates) will be entitled to apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving electronic application instruction to HKSCC via CCASS.

As at the Latest Practicable Date, there were approximately 1,700 Eligible Employees.

In case not all the 2,160,500 Employee Reserved Shares are validly subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Hong Kong Offer Shares for subscription by the public under the Hong Kong Public Offering.

Any Director who (or any of whose associates) who are Eligible Employees intends to apply for Employee Reserved Shares under the Employee Preferential Offering will not participate in any decision of our Company in relation to the allocation basis for the Employees Preferential Offering.

We have applied to the Hong Kong Stock Exchange for and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 10.03 of the Listing Rules in relation to the participation in the Employee Preferential Offering by Directors and their associates who are Eligible Employees. Further details of the waiver application are set out in the section headed "Waiver from Compliance with the Listing Rules and Exemptions from Compliance with the Companies Ordinance — Employee Preferential Offering" in this prospectus.

THE DISTRIBUTION

On 25 November 2013, the board of directors of KPL declared a conditional dividend to the Qualifying KPL Shareholders, being registered holders of KPL Shares whose names appear on one or both of the registers of members of KPL on the Record Date. The Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying KPL Shareholders of an aggregate of 722,136,614 Shares, representing approximately 50.1% of the issued share capital of our Company immediately following the completion of the Distribution and before the Global Offering, in proportion to their respective shareholdings in KPL on the Record Date. Pursuant to the Distribution, the Qualifying KPL Shareholders will be entitled to one Share for every two KPL Shares held on the Record Date.

The Distribution is conditional on the Global Offering becoming unconditional in all respects. If such condition is not satisfied, the Distribution will not be made and the Spin-off will not take place.

Subject to the Distribution becoming unconditional, we expect to despatch share certificates to Qualifying KPL Shareholders who are entitled to receive Shares under the Distribution on or before 18 December 2013. Share certificates will only become valid if the Distribution becomes unconditional.

Overseas Excluded KPL Shareholders (if any) will be entitled to the Distribution but will not receive the Shares. Instead, the Shares which they would otherwise receive pursuant to the Distribution will be sold by KPL on their behalf as soon as reasonably practicable after commencement of dealings in the Shares on the Hong Kong Stock Exchange and they will receive a cash amount equal to the net proceeds of such sale. The proceeds of such sale, net of expenses, will be paid to the Overseas Excluded KPL Shareholders in Hong Kong dollars. Such payment is expected to be made on or before 3 January 2014.

KPL has appointed HSBC to provide matching services, on a best efforts basis, to the Qualifying KPL Shareholders to facilitate the trading of odd lots of Shares which the Qualifying KPL Shareholders may receive under the Distribution. For further details, please refer to the announcement dated 25 November 2013 issued by KPL.

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

The International Placing will consist of an offering of initially 194,464,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Placing will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered any Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time during the 30-day period from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 32,410,500 Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering at the Offer Price under the International Placing to, among others, cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised, an announcement will be made in accordance with the Securities and Futures (Price Stabilising Rules) of the SFO.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action. Such stabilising action, if taken, (i) will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on 10 January 2014, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through the stock borrowing arrangement as detailed below or a combination of these means. Any such purchases will be made in accordance with the laws, rules, and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended and supplemented to from time to time made under the SFO. The number of Shares which can be over-allocated will not exceed 32,410,500 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager or any person acting for it may choose to borrow up to 32,410,500 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from KPL (the "Lender") pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager (or any person acting for it) and the Lender on or about Thursday, 12 December 2013, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If such stock borrowing arrangement with the Lender is entered into, it will only be effected by the Stabilising Manager or any person acting for it for the settlement of over-allocations in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing, are complied with.

The same number of Shares so borrowed must be returned to the Lender or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to the Lender by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Thursday, 12 December 2013 (Hong Kong time), and, in any event, not later than Wednesday, 18 December 2013, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$10.20 per Offer Share and is expected to be not less than HK$8.80 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$10.20 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, amounting to a total of HK$5,151.41 for one Board Lot of 500 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Placing, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the forecast of the consolidated profit after taxation of our Group for the year ending on 31 December 2013 and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering, the basis of allocation of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 14. Despatch/Collection of Share Certificates and Refund Monies".

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Wednesday, 18 December 2013, the Global Offering will not proceed and will lapse.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Listing Committee granting approval for the Listing of, and permission to deal in, the Shares in issue, the Offer Shares to be offered pursuant to the Global Offering, the Shares which may be issued upon any exercise of the Pre-IPO Share Options or the Post-IPO Share Options and the Shares to be issued under the RSU Scheme on the Main Board of the Hong Kong Stock Exchange;

- the Offer Price having been agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);

- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If any of the above conditions is not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.kerrylogistics.com on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that (i) the right of termination as described in "Underwriting" has not been exercised; and (ii) the Global Offering has become unconditional in all respects.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 19 December 2013, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, 19 December 2013.

The Shares will be traded in Board Lots of 500 Shares each. The stock code of the Shares will be 636.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. Directors and directors of any of our subsidiaries and their respective Affiliates may apply for Employee Reserved Shares under the Employee Preferential Offering if they are Eligible Employees, but they may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering. All other Eligible Employees may apply for Hong Kong Offer Shares in the Hong Kong Public Offering and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Spin-off; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

Eligible Employees (being full-time employees of our Group (including Directors and directors of any of our subsidiaries and their respective Affiliates who are such employees) who had joined us on or before the Latest Practicable Date and have a Hong Kong address) may apply for the Employee Reserved Shares on a **PINK** Application Form unless they:

- are an existing beneficial owner of Shares in our Company or an associate (as defined in the Listing Rules) of an existing beneficial owner of Shares in our Company;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon the completion of the Spin-off (except for Directors and directors of any of our subsidiaries and their respective Affiliates);
- are a natural person of the PRC;
- are a U.S. person or a person who is within the United States (both terms as defined under the Regulation S); or
- are a person who have applied for, or taken up, or received or been placed or allocated (including conditionally and/or provisionally) or will indicate an interest for, apply for or take up any International Placing Shares in the International Placing, or receive, be placed or allocated Shares, or otherwise participate in the International Placing.

unless otherwise permitted under the Listing Rules and other applicable laws and regulations.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, 6 December 2013 to 12:00 noon on Wednesday, 11 December 2013 from:

(i) any of the following offices of the Hong Kong Underwriters:

BOCI Asia Limited	26/F, Bank of China Tower 1 Garden Road Central Hong Kong
CIMB Securities Limited	Unit 7706-08 Level 77 International Commence Centre 1 Austin Road West Kowloon Hong Kong
Citigroup Global Markets Asia Limited	50/F, Citibank Tower Citibank Plaza, 3 Garden Road Hong Kong
The Hongkong and Shanghai Banking Corporation Limited	Level 15, 1 Queen's Road Central Hong Kong
Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
DBS Asia Capital Limited	17/F, The Center 99 Queen's Road Central Hong Kong
Mizuho Securities Asia Limited	12/F, Chater House 8 Connaught Road Central Hong Kong

(ii) any of the branches of the following receiving banks:

Bank of China (Hong Kong) Limited	**Branch**	**Address**
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
	King's Road Branch	131-133 King's Road, North Point
	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan
	Connaught Road Central Branch	13-14 Connaught Road Central
	United Centre Branch	Shop 1021, United Centre, 95 Queensway
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Telford Gardens Branch	Shop P2 Telford Gardens, Kowloon Bay
	Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
New Territories	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Sha Tin
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Tai Po Branch	68-70 Po Heung Street, Tai Po Market
	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui

Standard Chartered Bank (Hong Kong) Limited	Branch	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsim Sha Tsui
New Territories	Mei Foo Manhattan	Shop Nos. 07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
	Metroplaza Branch	Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung

Bank of East Asia, Limited	Branch	Address
Hong Kong Island	Queen's Road Central Branch	Shop A-C, G/F, Wah Ying Cheong Central Building, 158-164 Queen's Road Central
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	North Point Branch	326-328 King's Road
	Shaukiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road
	Quarry Bay Branch	Shop G2-G4, G/F, Fok Cheong Building, 1032-1044 King's Road, Quarry Bay
	Taikoo Shing Branch	Shop G1010-1011, Yiu Sing Mansion
Kowloon	Mongkok Branch	638-640 Nathan Road
	Hoi Yuen Road Branch	Unit 1, G/F, Hewlett Centre, 54 Hoi Yuen Road
	Lok Fu Branch	Shop 1158-1159, 1/F, Lok Fu Plaza, Wang Tau Hom
	Ma Tau Wei Road Branch	23-27 Ma Tau Wei Road
New Territories	Tai Wai Branch	16-18 Tai Wai Road, Cheung Fung Mansion, Shatin
	Sheung Kwai Chung Branch	44-46 Shek Yam Road
	Tuen Mun Branch	Shop G16, G/F, Eldo Court Shopping Centre
	Park Central Branch	Shop G6, G/F, Park Central, 9 Tong Tak Street, Tseung Kwan O
	Fanling Branch	Shop 27B-C, Level 2, Fanling Town Centre, 18 Fanling Station Road, Fanling

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, 6 December 2013, until 12:00 noon on Wednesday, 11 December 2013, from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's headquarters at 16/F, Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong during normal business hours from 9:00 a.m. on Friday, 6 December 2013 until 4:00 p.m. on Tuesday, 10 December 2013. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the website of our Company at www.kerrylogistics.com.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Kerry Logistics Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, 6 December 2013	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 7 December 2013	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 9 December 2013	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 10 December 2013	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 11 December 2013	**—**	**9:00 a.m. to 12:00 noon**

Your completed **PINK** Application Form, together with a cheque attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Kerry Logistics Public Offer" for the payment must be returned to our Company's headquarters at 16/F, Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong by 4:00 p.m. on Tuesday, 10 December 2013.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 11 December 2013, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Applications Lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Bye-laws;

(ii) agree to comply with the Companies Ordinance and the Bye-laws;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Hong Kong Share Register as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form Service** Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO White Form service

General

Individuals who meet the criteria in "— 2. Who can apply" in this section above, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 6 December 2013, until 11:30 a.m. on Wednesday, 11 December 2013, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 11 December 2013, or such later time as specified in "— 10. Effects of Bad Weather on the Opening of the Applications Lists" in this section below.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on our Company's Hong Kong Share Register as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, other than as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance and the Bye-laws; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 6 December 2013	**—**	**9:00 a.m.(1) to 8:30 p.m.(1)**
Saturday, 7 December 2013	**—**	**8:00 a.m.(1) to 1:00 p.m.(1)**
Monday, 9 December 2013	**—**	**8:00 a.m.(1) to 8:30 p.m.(1)**
Tuesday, 10 December 2013	**—**	**8:00 a.m.(1) to 8:30 p.m.(1)**
Wednesday, 11 December 2013	**—**	**8:00 a.m.(1) to 12:00 noon**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 6 December 2013, until 12:00 noon on Wednesday, 11 December 2013 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 11 December 2013, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 11 December 2013.

8. HOW MANY APPLICATIONS YOU CAN MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form (except for Directors and directors of any of our subsidiaries and their respective Affiliates who may only make an application for Employee Reserved Shares). Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"*Unlisted company*" means a company with no equity securities listed on the Stock Exchange.

"*Statutory control*" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Global Offering — Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 11 December 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 11 December 2013, or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and Employee Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and Employee Reserved Shares on Wednesday, 18 December 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at www.kerrylogistics.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and Employee Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.kerrylogistics.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 18 December 2013;

- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Wednesday, 18 December 2013, to 12:00 midnight on Tuesday, 24 December 2013;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 18 December 2013, to Monday, 23 December 2013, on a business day;

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 18 December 2013, to Friday, 20 December 2013, at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and Employee Reserved Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure and Conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the HK eIPO White Form service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- you apply for more than 9,723,500 Hong Kong Offer Shares;
- you apply for more than 64,500 Employee Reserved Shares; or
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price of HK$10.20 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 18 December 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below.) and one share certificate for all the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Hong Kong Offer Shares and/or Employee Reserved Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** and/or **PINK** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares and/or Employee Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the Maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the Maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 18 December 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 19 December 2013, provided that the right of termination described in "Underwriting" has not been exercised and the Global Offering has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

If You Apply Using a WHITE and/or PINK Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and/or 50,000 or more Employee Reserved Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 December 2013, or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares and/or 50,000 the Employee Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 18 December 2013, by ordinary post and at your own risk.

If You Apply Using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 18 December 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 18 December 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 18 December 2013, or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

If You Apply through the HK eIPO White Form Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 December 2013, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 18 December 2013, by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

If You Apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 18 December 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on Wednesday, 18 December 2013. You should check the announcement published by our Company and report any discrepancies to HKSCC before Wednesday, 18 December 2013, or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 18 December 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 18 December 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, our reporting accountant, for the purpose of incorporation in this prospectus. It is prepared and addressed to our Directors and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

6 December 2013

The Directors
Kerry Logistics Network Limited

BOCI Asia Limited
Citigroup Global Markets Asia Limited
HSBC Corporate Finance (Hong Kong) Limited
Morgan Stanley Asia Limited

Dear Sirs,

We report on the financial information of Kerry Logistics Network Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated statements of financial position as at 31 December 2010, 2011 and 2012 and 30 June 2013, the statements of financial position of the Company as at 31 December 2010, 2011 and 2012 and 30 June 2013, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 6 December 2013 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing").

The Company was originally incorporated in the British Virgin Islands on 9 July 1991 and duly continued into Bermuda as an exempted company with limited liability on 20 April 2000.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and associates as set out in notes 39 and 18 of Section II below.

The audited financial statements of the companies comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in note 39 of Section II below.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and of the Group's results and cash flows for the Relevant Periods.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended 30 June 2012 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2010, 2011 and 2012 and 30 June 2013 and for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 (the "Financial Information"):

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December			Six months ended 30 June	
	Note	2010	2011	2012	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	5	10,879,909	16,034,311	19,294,775	8,954,237	9,521,789
Direct operating expenses	7	(9,229,716)	(13,603,383)	(16,601,460)	(7,663,314)	(8,095,600)
Gross profit		1,650,193	2,430,928	2,693,315	1,290,923	1,426,189
Other income and net gains	6	21,340	7,352	28,334	5,760	30,486
Administrative expenses	7	(855,123)	(1,286,291)	(1,403,301)	(641,679)	(738,983)
Operating profit before fair value change of investment properties		816,410	1,151,989	1,318,348	655,004	717,692
Change in fair value of investment properties		175,990	130,312	265,155	–	458,303
Operating profit		992,400	1,282,301	1,583,503	655,004	1,175,995
Finance costs	8	(23,066)	(55,394)	(63,124)	(27,432)	(45,096)
Share of results of associates	18	208,821	148,464	136,421	69,123	71,626
Profit before taxation		1,178,155	1,375,371	1,656,800	696,695	1,202,525
Taxation	9	(200,074)	(253,939)	(304,928)	(150,859)	(146,511)
Profit for the years/periods		978,081	1,121,432	1,351,872	545,836	1,056,014
Profit attributable to:						
Company's shareholder		833,257	870,744	1,069,376	429,717	903,555
Non-controlling interests		144,824	250,688	282,496	116,119	152,459
		978,081	1,121,432	1,351,872	545,836	1,056,014
Earnings per share – Basic and diluted	11	HK$0.64	HK$0.67	HK$0.83	HK$0.33	HK$0.70

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit for the years/periods		978,081	1,121,432	1,351,872	545,836	1,056,014
Other comprehensive income						
Items that will not be reclassified subsequently to consolidated income statement						
Defined benefit pension plans						
– Actuarial losses		(125,396)	(36,032)	(46,127)	–	–
– Deferred income tax		56,305	4,921	8,978	–	–
Transfer from leasehold land and buildings to investment properties	*26*					
– Fair value gain		–	–	12,798	–	–
– Deferred income tax		–	–	(3,200)	–	–
Items that may be reclassified to consolidated income statement						
Share of exchange reserve of associates	*26*	39,253	38,053	8,833	(2,832)	7,057
Net translation differences on foreign operations		322,970	(72,304)	146,290	(27,100)	(104,429)
Other comprehensive income/(loss) for the years/periods (net of tax)		293,132	(65,362)	127,572	(29,932)	(97,372)
Total comprehensive income for the years/periods		1,271,213	1,056,070	1,479,444	515,904	958,642
Total comprehensive income attributable to:						
Company's shareholder		989,430	914,344	1,183,506	409,594	844,638
Non-controlling interests		281,783	141,726	295,938	106,310	114,004
		1,271,213	1,056,070	1,479,444	515,904	958,642

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
		HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Intangible assets	*13*	835,420	1,185,714	1,773,804	1,922,443
Investment properties	*14*	4,998,773	5,143,118	5,767,637	6,228,866
Leasehold land and land use rights	*15*	408,794	576,281	538,883	532,020
Property, plant and equipment	*16*	4,502,572	4,989,185	5,998,517	6,409,665
Associates	*18*	818,059	1,002,430	938,949	1,053,291
Available-for-sale investments	*19*	50,796	51,987	61,459	61,123
		11,614,414	12,948,715	15,079,249	16,207,408
Current assets					
Inventories	*20*	130,594	110,325	109,913	128,010
Accounts receivable, prepayments and deposits	*21*	2,509,551	3,358,575	4,325,293	4,329,172
Tax recoverable		4,674	10,831	9,279	3,354
Restricted and pledged bank deposits	*23(a)*	15,733	4,644	4,510	6,983
Cash and bank balances	*23(b)*	2,210,554	2,907,628	2,939,645	2,972,988
		4,871,106	6,392,003	7,388,640	7,440,507
Current liabilities					
Accounts payable, deposits received and accrued charges	*24*	2,312,677	3,353,172	3,923,029	3,686,654
Loans from fellow subsidiaries	*29*	3,491,003	3,890,967	4,181,600	3,781,580
Amount due to immediate holding company	*22*	74,945	94,480	64,666	93,434
Amount due to a related company	*22*	5,454	6,639	3,706	1,611
Taxation		129,106	83,040	117,296	131,107
Short-term bank loans and current portion of long-term bank loans	*28*	417,286	693,613	600,524	631,435
Bank overdrafts	*23(b)*	20,701	15,512	26,089	26,799
		6,451,172	8,137,423	8,916,910	8,352,620
Net current liabilities		(1,580,066)	(1,745,420)	(1,528,270)	(912,113)
Total assets less current liabilities		10,034,348	11,203,295	13,550,979	15,295,295
Non-current liabilities					
Loans from non-controlling interests	*27*	83,165	131,085	222,362	225,147
Long-term bank loans	*28*	236,727	404,954	1,364,562	2,284,370
Deferred taxation	*30*	466,201	443,326	489,622	493,573
Retirement benefit obligations	*31*	311,085	320,158	348,698	325,572
Other non-current liabilities	*24*	–	–	–	68,370
		1,097,178	1,299,523	2,425,244	3,397,032
ASSETS LESS LIABILITIES		8,937,170	9,903,772	11,125,735	11,898,263
EQUITY					
Capital and reserves attributable to the Company's shareholder					
Share capital	*25*	500	500	500	500
Retained profits		5,458,247	6,315,136	7,361,095	8,263,718
Other reserves	*26*	1,082,986	1,082,468	996,470	838,149
		6,541,733	7,398,104	8,358,065	9,102,367
Non-controlling interests		2,395,437	2,505,668	2,767,670	2,795,896
TOTAL EQUITY		8,937,170	9,903,772	11,125,735	11,898,263

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 30 June
		2010	2011	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current asset					
Subsidiaries	17	198,931	198,931	198,931	198,931
Current assets					
Prepayments and deposits	21	–	–	7,887	7,375
Amounts due from subsidiaries	22	4,346,366	5,195,732	5,734,251	6,270,593
Amount due from a related company	22	240	521	1	2
Cash and bank balances	23	5,824	6,354	187,833	10,536
		4,352,430	5,202,607	5,929,972	6,288,506
Current liabilities					
Accrued charges	24	1,945	2,450	3,549	9,073
Amounts due to subsidiaries	22	1,214,998	1,173,821	1,144,033	912,393
Amount due to a related company	22	–	–	–	137
Loan from a fellow subsidiary	29	1,915,395	2,515,395	2,606,024	2,606,024
Short-term bank loans	28	116,588	233,550	230,000	230,000
		3,248,926	3,925,216	3,983,606	3,757,627
Net current assets		1,103,504	1,277,391	1,946,366	2,530,879
Total assets less current liabilities		1,302,435	1,476,322	2,145,297	2,729,810
Non-current liability					
Long-term bank loans	28	–	200,000	877,200	1,496,000
ASSETS LESS LIABILITIES		1,302,435	1,276,322	1,268,097	1,233,810
EQUITY					
Share capital	25	500	500	500	500
Retained profits		1,301,935	1,275,822	1,267,597	1,233,310
TOTAL EQUITY		1,302,435	1,276,322	1,268,097	1,233,810

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Operating activities						
Net cash generated from operations	32(a)	765,115	1,366,683	1,178,757	123,656	844,401
Interest paid	8	(17,896)	(49,017)	(57,691)	(25,420)	(41,979)
Income tax paid		(140,271)	(298,414)	(250,321)	(97,771)	(114,984)
Net cash generated from operating activities		606,948	1,019,252	870,745	465	687,438
Investing activities						
Additions of property, plant and equipment	16	(603,730)	(852,596)	(1,467,999)	(617,056)	(669,332)
Additions of investment properties	14	–	(3,821)	(18)	(18)	–
Purchase of available-for-sale investments		–	(3,324)	–	–	(1,295)
Purchase of leasehold land and land use rights	15	(3,681)	(101,975)	(22,078)	(21,626)	–
Proceeds from sale of property, plant and equipment and investment properties		41,754	100,869	84,091	49,971	35,666
Proceeds from sale of investment in associates		1,974	6,259	1,267	–	–
Proceeds from sale of an available-for-sale investment		1,274	–	–	–	715
Dividend income from available-for-sale investments		1,615	2,003	21	–	838
Dividends received from associates		158,614	30,641	296,054	18,088	10,515
Increase in balances with associates		(29)	(39,347)	(71,374)	(66,441)	(1,905)
Decrease in balances with associates		8,861	8,133	31,914	32,139	63,266
Interest received		11,482	12,574	28,330	9,567	19,705
Acquisition of subsidiaries	32(c),32(d)	64,708	(193,731)	(492,356)	(265,881)	(334,081)
Increase in investments in associates		(55,454)	–	(53,109)	(10,447)	(107,536)
(Increase)/decrease in restricted and pledged bank deposits	23(a)	(15,019)	10,539	228	(1,089)	(2,712)
Net cash used in investing activities		(387,631)	(1,023,776)	(1,665,029)	(872,793)	(986,156)

	Note	Year ended 31 December 2010	2011	2012	Six months ended 30 June 2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Financing activities						
Increase in loans from fellow subsidiaries		298,826	393,587	285,200	198,006	–
Decrease in loans from fellow subsidiaries		–	–	–	–	(403,137)
Repayment of bank loans		(123,057)	(350,651)	(926,790)	(557,321)	(1,600,931)
Drawdown of bank loans		281,313	775,114	1,761,397	760,662	2,535,484
Dividends of subsidiaries paid to non-controlling interests		(6,338)	(66,046)	(80,145)	(761)	(21,733)
Capital injection from non-controlling interests		–	32,587	12,715	9,715	–
Return of capital to non-controlling interests		–	(98)	–	–	–
Drawdown of loans from non-controlling interests		2,242	60,481	90,128	20,664	4,923
Repayments of loans from non-controlling interests		(689)	(13,325)	–	–	–
Settlement of recharge of share based payment with immediate holding company		–	–	(103,798)	–	–
Acquisition of additional interest in subsidiaries	32(e)	(42,266)	(151,081)	(256,073)	(54,174)	(179,049)
Disposal of partial interest in subsidiaries	32(e)	–	71	–	–	–
Net cash generated from financing activities		410,031	680,639	782,634	376,791	335,557
Increase/(decrease) in cash and cash equivalents		629,348	676,115	(11,650)	(495,537)	36,839
Effect of exchange rate changes		62,525	26,148	33,090	(5,528)	(4,206)
Cash and cash equivalents at beginning of the years/periods		1,497,980	2,189,853	2,892,116	2,892,116	2,913,556
Cash and cash equivalents at end of the years/periods	23(b)	2,189,853	2,892,116	2,913,556	2,391,051	2,946,189

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to shareholder of the Company					
		Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total Equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2010		500	911,728	4,641,238	5,553,466	720,415	6,273,881
Profit for the year		–	–	833,257	833,257	144,824	978,081
Retirement benefits – Defined benefit plans							
– Actuarial losses		–	–	(29,356)	(29,356)	(96,040)	(125,396)
– Deferred taxation		–	–	13,181	13,181	43,124	56,305
Share of exchange reserve of associates	26	–	39,253	–	39,253	–	39,253
Net translation differences on foreign operations	26	–	133,095	–	133,095	189,875	322,970
Total comprehensive income for the year		–	172,348	817,082	989,430	281,783	1,271,213
Dividends paid		–	–	–	–	(6,338)	(6,338)
Transfers	26	–	73	(73)	–	–	–
Acquisition of subsidiaries	33(a)	–	–	–	–	1,429,612	1,429,612
Acquisition of additional interest in subsidiaries	32(e)	–	(12,231)	–	(12,231)	(30,035)	(42,266)
Capital contribution from immediate holding company from share option scheme	26	–	11,068	–	11,068	–	11,068
Total transactions with owners		–	(1,090)	(73)	(1,163)	1,393,239	1,392,076
Balance at 31 December 2010		500	1,082,986	5,458,247	6,541,733	2,395,437	8,937,170

	Note	Attributable to shareholder of the Company				Non-controlling interests	Total Equity
		Share capital	Other reserves	Retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2011		500	1,082,986	5,458,247	6,541,733	2,395,437	8,937,170
Profit for the year		–	–	870,744	870,744	250,688	1,121,432
Retirement benefits – Defined benefit plans							
– Actuarial losses		–	–	(10,794)	(10,794)	(25,238)	(36,032)
– Deferred taxation		–	–	1,262	1,262	3,659	4,921
Share of exchange reserve of associates	26	–	38,053	–	38,053	–	38,053
Net translation differences on foreign operations	26	–	15,079	–	15,079	(87,383)	(72,304)
Total comprehensive income for the year		–	53,132	861,212	914,344	141,726	1,056,070
Dividends paid		–	–	–	–	(66,046)	(66,046)
Transfers	26	–	4,323	(4,323)	–	–	–
Dissolution of a subsidiary		–	–	–	–	(98)	(98)
Capital injection from non-controlling interests		–	–	–	–	32,587	32,587
Acquisition of subsidiaries	33(b)	–	–	–	–	93,298	93,298
Acquisition of additional interest in subsidiaries	32(e)	–	(59,774)	–	(59,774)	(91,307)	(151,081)
Disposal of partial interest in subsidiaries	32(e)	–	–	–	–	71	71
Capital contribution from immediate holding company from share option scheme	26	–	1,801	–	1,801	–	1,801
Total transactions with owners		–	(53,650)	(4,323)	(57,973)	(31,495)	(89,468)
Balance at 31 December 2011		500	1,082,468	6,315,136	7,398,104	2,505,668	9,903,772

	Note	Attributable to shareholder of the Company					
		Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total Equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2012		500	1,082,468	6,315,136	7,398,104	2,505,668	9,903,772
Profit for the year		–	–	1,069,376	1,069,376	282,496	1,351,872
Retirement benefits – Defined benefit plans							
– Actuarial losses		–	–	(18,683)	(18,683)	(27,444)	(46,127)
– Deferred taxation		–	–	2,731	2,731	6,247	8,978
Transfer from leasehold land and buildings to investment properties	26						
– Fair value gain		–	12,798	–	12,798	–	12,798
– Deferred taxation		–	(3,200)	–	(3,200)	–	(3,200)
Share of exchange reserve of associates	26	–	8,833	–	8,833	–	8,833
Net translation differences on foreign operations	26	–	111,651	–	111,651	34,639	146,290
Total comprehensive income for the year		–	130,082	1,053,424	1,183,506	295,938	1,479,444
Dividends paid		–	–	–	–	(80,145)	(80,145)
Transfers	26	–	7,465	(7,465)	–	–	–
Capital injection from non-controlling interests		–	–	–	–	12,715	12,715
Acquisition of subsidiaries	33(c)	–	–	–	–	113,385	113,385
Acquisition of additional interest in subsidiaries	32(e)	–	(176,182)	–	(176,182)	(79,891)	(256,073)
Cash settlement of recharge of share based payment with immediate holding company	26	–	(103,798)	–	(103,798)	–	(103,798)
Capital contribution from immediate holding company from share option scheme	26	–	56,435	–	56,435	–	56,435
Total transactions with owners		–	(216,080)	(7,465)	(223,545)	(33,936)	(257,481)
Balance at 31 December 2012		500	996,470	7,361,095	8,358,065	2,767,670	11,125,735

	Attributable to shareholder of the Company					
	Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total Equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(unaudited)						
Balance at 1 January 2012	500	1,082,468	6,315,136	7,398,104	2,505,668	9,903,772
Profit for the period	–	–	429,717	429,717	116,119	545,836
Share of exchange reserve of associates	–	(2,832)	–	(2,832)	–	(2,832)
Net translation differences on foreign operations	–	(17,291)	–	(17,291)	(9,809)	(27,100)
Total comprehensive income for the period	–	(20,123)	429,717	409,594	106,310	515,904
Dividends paid	–	–	–	–	(761)	(761)
Transfers	–	4,686	(4,686)	–	–	–
Capital injection from non-controlling interests	–	–	–	–	9,715	9,715
Acquisition of subsidiaries	–	–	–	–	88,245	88,245
Acquisition of additional interest in subsidiaries	–	(33,642)	–	(33,642)	(20,532)	(54,174)
Capital contribution from immediate holding company from share option scheme	–	20,963	–	20,963	–	20,963
Total transactions with owners	–	(7,993)	(4,686)	(12,679)	76,667	63,988
Balance at 30 June 2012	500	1,054,352	6,740,167	7,795,019	2,688,645	10,483,664

	Note	Attributable to shareholder of the Company					
		Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total Equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2013		500	996,470	7,361,095	8,358,065	2,767,670	11,125,735
Profit for the period		–	–	903,555	903,555	152,459	1,056,014
Share of exchange reserve of associates	26	–	7,057	–	7,057	–	7,057
Net translation differences on foreign operations	26	–	(65,974)	–	(65,974)	(38,455)	(104,429)
Total comprehensive income for the period		–	(58,917)	903,555	844,638	114,004	958,642
Dividends paid		–	–	–	–	(21,733)	(21,733)
Transfers	26	–	932	(932)	–	–	–
Acquisition of subsidiaries	33(d)	–	–	–	–	1,061	1,061
Acquisition of additional interest in subsidiaries	32(e)	–	(113,943)	–	(113,943)	(65,106)	(179,049)
Capital contribution from immediate holding company from share option scheme	26	–	13,607	–	13,607	–	13,607
Total transactions with owners		–	(99,404)	(932)	(100,336)	(85,778)	(186,114)
Balance at 30 June 2013		500	838,149	8,263,718	9,102,367	2,795,896	11,898,263

II NOTES TO THE FINANCIAL INFORMATION

1 General information

Kerry Logistics Network Limited (the "Company") was incorporated in the British Virgin Islands in 1991 and migrated to Bermuda to become an exempted company with limited liability in 2000. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of logistics, freight and warehouse leasing and operations services. The Company is directly and wholly owned by Kerry Properties Limited ("KPL"), a Hong Kong listed company incorporated in Bermuda. The Directors regard Kerry Group Limited, a private company incorporated in Cook Islands, as being the ultimate holding company.

The Financial Information is presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

(a) Basis of preparation

As at 31 December 2010, 2011, 2012 and 30 June 2013, the Group's current liabilities exceeded its current assets by HK$1,580,066,000, HK$1,745,420,000, HK$1,528,270,000 and HK$912,113,000 respectively. The net current liabilities mainly comprise loans from fellow subsidiaries, accounts payable, deposits received, accrued charges and bank loans. KPL has confirmed its intention to provide financial support to the Company so as to enable the Group/Company to meet its obligation when the liabilities fall due and to enable the Group to continue its operations in the coming twelve months from the date of this report or the completion of the Listing, whichever is earlier. Subject to the Listing, the Group will take the following steps to improve its net current assets/liabilities position:

- Sale of 100% equity interest in Kerry D.G. Warehouse (Kowloon Bay) Limited to a subsidiary of KPL for a consideration of HK$400 million;
- Capitalisation of loans amounting to HK$1,381,580,000 due to a subsidiary of KPL by the issuance of 1,439,477,612 new ordinary shares of the Company at HK$0.50 per share; and
- Repayment of the remaining portion of the loans from a subsidiary of KPL in cash and new loans to be drawn down from existing unutilised bank loan facilities.

The Directors have prepared cash flow projections for the 12 months from the date of this report, taking into account the above as well as the proceeds from the Listing. Based on these cash flow projections, the Directors believe the Group will continue as a going concern and consequently have prepared the Financial Information on a going concern basis.

The significant accounting policies applied in the preparation of the Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

Standards and amendments which are not yet effective

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014. The Group has not early adopted any of these standards or amendments:

	Applicable for accounting periods beginning on/after
HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities'	1 January 2014
Amendments to HKAS 36, 'Recoverable amount disclosures for non-financial assets'	1 January 2014
Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12, 'Investment entities'	1 January 2014
HKFRS 9, 'Financial instruments'	1 January 2015
HKFRS 7 and HKFRS 9 (amendments), 'Mandatory effective date and transition disclosures'	1 January 2015
HK (IFRIC) Interpretation 21 'Levies'	1 January 2014

The Group will adopt the above new standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of their impact to the Group but is not yet in a position to state whether these would have a significant impact on its results of operations or financial position.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights or when control is obtained by the Group through participation in the board of directors of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Partial disposal

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or when significant influence is obtained by the Group through participation in the board of directors of the entity. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the impairment loss in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the date of the reporting period;

– income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Construction in progress represents logistics centres and warehouses under construction and is stated at cost less impairment losses. It will be reclassified to the relevant property, plant and equipment category upon completion and depreciation begins when the relevant assets are available for use.

Properties comprise mainly warehouses and logistics centres (including leasehold land classified as finance lease), staff quarters, freehold land and buildings and port facilities. All property, plant and equipment are stated at historical cost less aggregate depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Leasehold land	Over their remaining lease term ranging from 20 to 50 years
Port facilities	2.5% to 3.6%
Properties	Shorter of remaining lease term of 20 to 50 years or useful lives
Leasehold improvements	Shorter of remaining lease term of 20 to 50 years or useful lives
Warehouse operating equipment	5% to 25%
Motor vehicles, furniture, fixtures and office equipment	5% to 50%

No amortisation is provided for freehold land.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of all property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the consolidated income statement.

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases, warehouse and office held for long-term rental yields.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at cost, including related transaction costs and borrowing costs.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, except that the land portion is reclassified as leasehold land and land use right if it is operating lease in nature, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any increase from the carrying amount to the fair value of this item at the date of transfer is recognised in equity as a revaluation reserve of property, plant and equipment under HKAS 16, except any increase which reverses a previous impairment loss is recognised in the income statement. Any decrease in the carrying amount of the property is charged to the consolidated income statement. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately as a non-current asset. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill on acquisitions of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate its cost over the expected life of the customer relationships, which range from five to ten years.

(iii) Non-compete agreements

Non-compete agreements acquired in a business combination are recognised at fair value at the acquisition date. The non-compete agreements have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate its cost over the term of the agreements, which range from five to ten years.

(iv) Trademark

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of five years.

(h) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(i) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables included accounts receivable, deposits, restricted and pledged bank deposits, cash and bank balances and amounts due from associates.

(ii) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities related to changes in amortised cost are recognised in the consolidated income statement and the other changes in fair value are recognised in other comprehensive income. Translation differences and other changes in fair value on non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income and net gains. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income and net gains when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its costs is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of receivables is described in note 2(k).

(j) Inventories

Inventories of finished goods are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(k) Accounts receivable and amounts due from associates

The receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for accounts receivable. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statement.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as a separate current liability in the consolidated statement of financial position.

Restricted and pledged bank deposits are not included in cash and cash equivalents.

(m) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after each of the reporting period.

(o) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary difference arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(q) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated income statement immediately.

(r) Leases

(i) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor), including upfront prepayment made for leasehold land and land use rights are charged to the consolidated income statement in accordance with the pattern of benefit provided or on a straight-line basis over the period of the lease term.

(ii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

(s) Leasehold land and land use rights

The Group made upfront payments to obtain operating leases of leasehold land and land use rights on which properties will be developed. Other than those classified as finance lease, the upfront payments of the leasehold land and land use rights are recorded as separate assets and amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. The amortisation during the period of construction of the properties is capitalised as the cost of construction in progress. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the consolidated income statement.

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution plan

A defined contribution plan is a pension plan which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. When there is significant change to the plan and key assumptions, the defined benefit obligation will be recalculated by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds yield that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and immediately recognised in retained profits in the period in which they arise.

(iv) Share-based compensation

KPL operates an equity-settled, share-based compensation plan. The fair value of the employee services received by the Group in exchange for the grant of the options is recharged by KPL and is recognised as an expense in the consolidated income statement of the Group.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(vi) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(u) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue, cost incurred or to be incurred in respect of a transaction can be reliably measured, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold are retained, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Revenue from the provision of logistics services, including freight forwarding services, is recognised in the accounting period in which the services rendered, by reference to stage of completion of specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

(ii) Revenue from general storage and other ancillary services is recognised when the services are rendered. Revenue from leased storage is recognised on a straight-line basis over the periods of the respective leases.

(iii) Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the passing of title.

(iv) Dividend income is recognised when the right to receive payment is established.

(v) Interest income is recognised on a time proportion basis, using the effective interest method.

(v) Direct operating expenses

Direct operating expenses mainly represent the freight and transportation costs and direct labour costs directly attributable to the business operation of the Group.

(w) Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the consolidated income statement in the year in which they are incurred, except for costs related to funding of construction or acquisition of qualifying assets which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

(x) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably estimated, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(z) Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Group's Financial Information in the period in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholder in the case of final dividends.

3 Financial risk management

(a) Financial risk factors

The Group's major financial instruments include available-for-sale investments, accounts receivable, cash and bank balances, restricted and pledged bank deposits, accounts payable, bank overdrafts, bank loans, balances with group companies and a related company, balances with associates and loans from non-controlling interests. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's management under the supervision of the Board of Directors. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board of Directors provides guidance for overall risk management.

(i) Market risk

(I) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group entities' functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign exchange risk. Income in foreign currencies are generated from the Group's investments outside Hong Kong and cash in these foreign currencies are maintained for operational needs. The Group ensures that its exposure to fluctuations in foreign exchange rates is minimised.

Major financial instruments under foreign currencies (other than the functional currencies of the Group's entities), that are exposed to foreign exchange risk, are denominated in United States dollar which is pegged to Hong Kong dollar. Accordingly, no sensitivity analysis is performed as the impact would not be significant to the profit for the period. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises.

(II) Interest rate risk

The Group is primarily exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, bank borrowings and loans from fellow subsidiaries which carry prevailing market interest rates. The Group has not entered into any interest rate swap contracts to hedge the exposure as the Board of Directors consider the risk is not significant.

Interest rate sensitivity

For the years ended 31 December 2010, 2011 and 2012 and for the period ended 30 June 2013, if interest rates had increased/decreased by 25, 25, 25 and 25 basis points and all other variables were held constant, the profit of the Group would have decreased/increased by approximately HK$2,426,500, HK$1,500,000, HK$6,893,000 and HK$3,053,000 respectively, resulting from the change in interest income on bank deposits and borrowing costs of bank borrowings and loans from fellow subsidiaries.

(ii) Credit risk

The carrying amounts of cash and bank balances, restricted and pledged bank deposits, accounts receivable and amounts due from associates represent the Group's maximum exposure to credit risk in relation to financial assets. The Group reviews the recoverable amount of accounts receivable and amounts due from associates on a regular basis and an allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

In order to minimise the credit risk, management of the Company has delegated a team in each business unit responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is adequately covered.

There is no concentration of credit risk with respect to accounts receivable from third party customers as the Group has a large number of customers which are internationally dispersed.

The Group monitors the exposure to credit risk in respect of the financial assistance provided to associates through exercising influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

The credit risk on bank balances and restricted and pledged bank deposits is limited because the counterparties are banks with high credit rankings.

The Group and the Company have executed guarantees to banks for facilities granted to certain subsidiaries. The utilised amount of such facilities covered by the guarantees of the Group and the Company which also represents the financial exposure as follows:

	Group and Company maximum exposure			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Credit risk exposure relating to off-balance sheet items				
Financial guarantees	115,121	594,296	437,018	1,335,489

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The following tables detail the contractual maturity of the Group and the Company for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Group				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010					
Bank loans	431,730	94,315	161,858	–	687,903
Accounts payable, deposits received and accrued charges	2,312,677	–	–	–	2,312,677
Bank overdrafts	20,701	–	–	–	20,701
Loans from fellow subsidiaries	3,497,403	–	–	–	3,497,403
Loans from non-controlling interests	–	83,165	–	–	83,165
Amount due to immediate holding company	74,945	–	–	–	74,945
Amount due to a related company	5,454	–	–	–	5,454
At 31 December 2011					
Bank loans	726,342	111,486	323,521	–	1,161,349
Accounts payable, deposits received and accrued charges	3,353,172	–	–	–	3,353,172
Bank overdrafts	15,512	–	–	–	15,512
Loans from fellow subsidiaries	3,894,458	–	–	–	3,894,458
Loans from non-controlling interests	–	131,085	–	–	131,085
Amount due to immediate holding company	94,480	–	–	–	94,480
Amount due to a related company	6,639	–	–	–	6,639
At 31 December 2012					
Bank loans	652,736	207,716	1,177,331	50,594	2,088,377
Accounts payable, deposits received and accrued charges	3,923,029	–	–	–	3,923,029
Bank overdrafts	26,089	–	–	–	26,089
Loans from fellow subsidiaries	4,188,313	–	–	–	4,188,313
Loans from non-controlling interests	–	222,362	–	–	222,362
Amount due to immediate holding company	64,666	–	–	–	64,666
Amount due to a related company	3,706	–	–	–	3,706
At 30 June 2013					
Bank loans	682,393	316,183	1,989,179	71,120	3,058,875
Accounts payable, deposits received and accrued charges	3,686,654	–	–	–	3,686,654
Bank overdrafts	26,799	–	–	–	26,799
Loans from fellow subsidiaries	3,781,580	–	–	–	3,781,580
Loans from non-controlling interests	–	225,147	–	–	225,147
Amount due to immediate holding company	93,434	–	–	–	93,434
Amount due to a related company	1,611	–	–	–	1,611

	Company				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010					
Bank loans	118,026	–	–	–	118,026
Accrued charges	1,945	–	–	–	1,945
Amounts due to subsidiaries	1,214,998	–	–	–	1,214,998
Loan from a fellow subsidiary	1,915,395	–	–	–	1,915,395
At 31 December 2011					
Bank loans	236,738	3,080	209,232	–	449,050
Accrued charges	2,450	–	–	–	2,450
Amounts due to subsidiaries	1,173,821	–	–	–	1,173,821
Loan from a fellow subsidiary	2,515,395	–	–	–	2,515,395
At 31 December 2012					
Bank loans	247,873	15,453	904,970	-	1,168,296
Accrued charges	3,549	–	–	–	3,549
Amounts due to subsidiaries	1,144,033	–	–	–	1,144,033
Loan from a fellow subsidiary	2,606,024	–	–	–	2,606,024
At 30 June 2013					
Bank loans	254,831	24,831	1,536,218	–	1,815,880
Accrued charges	9,073	–	–	–	9,073
Amounts due to subsidiaries	912,393	–	–	–	912,393
Loan from a fellow subsidiary	2,606,024	–	–	–	2,606,024
Amount due to a related company	137	–	–	–	137

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the loan and equity balance.

The Directors of the Company regularly monitor the capital structure, which consists of the equity attributable to the Company's shareholder as disclosed in the statement of financial position. The Directors of the Company could balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital by maintaining prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as total external debt dividing by equity attributable to the Company's shareholder.

The gearing ratios at 31 December 2010, 2011 and 2012 and 30 June 2013 were as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$ million	HK$ million	HK$ million	HK$ million
Bank loans and overdraft	675	1,114	1,991	2,943
Equity attributable to the Company's shareholder	6,542	7,398	8,358	9,102
Gearing ratio	10%	15%	24%	32%

The Group's overall strategy remains unchanged throughout the years/period. The increase in the net gearing ratio is mainly attributable to the increase in new bank loans raised, which have been substantially invested in funding business combinations.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All available-for-sale investments are classified as level 3, which requires recurring fair value measurement at each year/period end. There were no transfers between levels during the years/periods.

Level 3 financial instruments

The following table presents the changes in level 3 instruments.

	Available-for-sale investments			
	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Opening balance	3,838	50,796	51,987	61,459
Acquisition of subsidiaries	44,682	–	7,479	–
Additions	–	3,324	–	1,295
Disposals	(1,163)	–	–	(715)
Impairment	–	(515)	(82)	–
Exchange adjustment	3,439	(1,618)	2,075	(916)
Closing balance	50,796	51,987	61,459	61,123

The Group established fair value of unlisted available-for-sale investments by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the years/periods.

Valuation processes of the Group

The Group's finance department includes a team that performs the valuation of financial assets required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between the management and the valuation team at each reporting date. Reasons for the fair value movements are explained during the discussions.

Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

– Accounts receivable, prepayments and deposits

– Cash and bank balances

– Accounts payable, deposits received and accrued charges

– Bank loans

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimate of fair value of investment properties

The valuation of investment properties is performed in accordance with the 'The HKIS Valuation Standards on Properties ((First Edition 2005) and (2012 Edition))' published by the Hong Kong Institute of Surveyors and the 'International Valuation Standards' published by the International Valuation Standards Committee. The valuation is performed by qualified valuers by adopting the investment approach of valuation by considering the capitalised rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the property interests at appropriate capitalisation rates or wherever appropriate the direct comparison approach by making reference to comparable sales evidence as available in the relevant market subject to suitable adjustments between the subject properties and the comparable properties including but not limited to location, time, size, age and maintenance standard etc.

For certain investment properties in Vietnam, due to the specific nature and restricted use of the buildings and structures, and absence of relevant market evidence, we have valued the property interests by reference to the Depreciated Replacement Cost ("DRC"). DRC is based on an estimate of the market value for the existing use of the land (which is by reference to relevant land sales comparables subject to appropriate adjustments including but not limited to location, time, size etc.), plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The values are subject to service potential of the entity from the use of assets as a whole.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(iii) Estimated impairment of goodwill

The Group tests whether goodwill (note 13) has suffered any impairment, in accordance with the accounting policy stated in note 2(g)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of estimates. The key assumptions and sensitivity test was disclosed in note 13.

(iv) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(v) Impairment of non-financial assets

Management regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset, including property, plant and equipment, leasehold land and land use rights and inventories, is lower than its recoverable amount which is the greater of its fair value less costs to sell or its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(vi) Impairment of intangible assets with a definite useful life

Intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Intangible assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(vii) Impairment of associates

The Group determines whether an investment in associates is impaired by evaluating the duration and extent to which the recoverable amount of the investment is less than its carrying amount. This evaluation is subject to changes in factors, such as industry and sector performance and operational cash flows.

(viii) Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate and future salary. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

The Group determines the appropriate discount rate at the end of each period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit liability.

(b) Critical judgements in applying the Group's accounting policies

(i) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets. Owner-occupied properties generate cash flows that are attributable to the property and other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement at the end of each period.

(ii) Control in Kerry TJ Logistics Company Limited ("Kerry TJ")

The Group has obtained de facto control over Kerry TJ since mid 2010 and the Group's effective interest in Kerry TJ as at 31 December 2010 (23.41%), 2011 (25.65%) and 2012 (30.42%) and 30 June 2013 (33.15%) is accounted for and consolidated into the consolidated Financial Information of the Group as a subsidiary. Key judgements adopted in concluding the Group has obtained de facto control in Kerry TJ are as follows:

– The Group has consistently and regularly held a majority of the voting rights exercised at Kerry TJ's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group.

– The shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote.

– The Group has obtained effective control over majority of the board of Kerry TJ (four out of seven board seats) since mid 2010.

– The Group has obtained the support from another major shareholder since mid 2010.

5 Principal activities and segmental analysis of operations

(a) Revenue recognised during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Integrated Logistics					
Logistics Operations	4,332,968	6,392,868	7,423,720	3,418,287	3,958,921
Hong Kong Warehouse	477,605	496,966	474,242	233,686	234,067
International Freight Forwarding	6,069,336	9,144,477	11,396,813	5,302,264	5,328,801
	10,879,909	16,034,311	19,294,775	8,954,237	9,521,789

(b) An analysis of the Group's financial results by operating segment is as follows:

	For the year ended 31 December 2010					
	Logistics Operations	Hong Kong Warehouse	International Freight Forwarding	Total	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue						
Turnover	4,332,968	477,605	6,069,336	10,879,909	–	10,879,909
Inter-segment revenue	208,350	137,036	584,554	929,940	(929,940)	–
	4,541,318	614,641	6,653,890	11,809,849	(929,940)	10,879,909
Results						
Segment results	434,120	349,157	95,571	878,848	–	878,848
Unallocated administrative expenses						(73,920)
Finance income						11,482
Operating profit before fair value change of investment properties						816,410
Change in fair value of investment properties						175,990
Operating profit						992,400
Finance costs						(23,066)
Share of results of associates						208,821
Profit before taxation						1,178,155
Taxation						(200,074)
Profit for the year						978,081
Profit attributable to:						
Company's shareholder						833,257
Non-controlling interests						144,824
Depreciation and amortisation	154,902	24,683	30,831	210,416	–	210,416

	For the year ended 31 December 2011					
	Logistics Operations	Hong Kong Warehouse	International Freight Forwarding	Total	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue						
Turnover	6,392,868	496,966	9,144,477	16,034,311	–	16,034,311
Inter-segment revenue	509,993	156,721	444,732	1,111,446	(1,111,446)	–
	6,902,861	653,687	9,589,209	17,145,757	(1,111,446)	16,034,311
Results						
Segment results	588,525	370,852	255,913	1,215,290	–	1,215,290
Unallocated administrative expenses						(75,875)
Finance income						12,574
Operating profit before fair value change of investment properties						1,151,989
Change in fair value of investment properties						130,312
Operating profit						1,282,301
Finance costs						(55,394)
Share of results of associates						148,464
Profit before taxation						1,375,371
Taxation						(253,939)
Profit for the year						1,121,432
Profit attributable to:						
Company's shareholder						870,744
Non-controlling interests						250,688
Depreciation and amortisation	226,166	24,658	45,206	296,030	–	296,030

	For the year ended 31 December 2012					
	Logistics Operations	Hong Kong Warehouse	International Freight Forwarding	Total	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue						
Turnover	7,423,720	474,242	11,396,813	19,294,775	–	19,294,775
Inter-segment revenue	627,812	230,470	511,675	1,369,957	(1,369,957)	–
	8,051,532	704,712	11,908,488	20,664,732	(1,369,957)	19,294,775
Results						
Segment results	729,619	411,055	300,228	1,440,902	–	1,440,902
Unallocated administrative expenses						(150,884)
Finance income						28,330
Operating profit before fair value change of investment properties						1,318,348
Change in fair value of investment properties						265,155
Operating profit						1,583,503
Finance costs						(63,124)
Share of results of associates						136,421
Profit before taxation						1,656,800
Taxation						(304,928)
Profit for the year						1,351,872
Profit attributable to:						
Company's shareholder						1,069,376
Non-controlling interests						282,496
Depreciation and amortisation	250,645	24,644	92,063	367,352	–	367,352

	For the period ended 30 June 2012 (unaudited)					
	Logistics Operations	Hong Kong Warehouse	International Freight Forwarding	Total	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue						
Turnover	3,418,287	233,686	5,302,264	8,954,237	–	8,954,237
Inter-segment revenue	347,861	108,988	168,794	625,643	(625,643)	–
	3,766,148	342,674	5,471,058	9,579,880	(625,643)	8,954,237
Results						
Segment results	338,730	201,672	160,282	700,684	–	700,684
Unallocated administrative expenses						(55,247)
Finance income						9,567
Operating profit						655,004
Finance costs						(27,432)
Share of results of associates						69,123
Profit before taxation						696,695
Taxation						(150,859)
Profit for the period						545,836
Profit attributable to:						
Company's shareholder						429,717
Non-controlling interests						116,119
Depreciation and amortisation	121,015	11,283	38,751	171,049	–	171,049

	For the period ended 30 June 2013					
	Logistics Operations	Hong Kong Warehouse	International Freight Forwarding	Total	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue						
Turnover	3,958,921	234,067	5,328,801	9,521,789	–	9,521,789
Inter-segment revenue	318,991	127,395	235,588	681,974	(681,974)	–
	4,277,912	361,462	5,564,389	10,203,763	(681,974)	9,521,789
Results						
Segment results	401,163	207,487	157,292	765,942	–	765,942
Unallocated administrative expenses						(67,955)
Finance income						19,705
Operating profit before fair value change of investment properties						717,692
Change in fair value of investment properties						458,303
Operating profit						1,175,995
Finance costs						(45,096)
Share of results of associates						71,626
Profit before taxation						1,202,525
Taxation						(146,511)
Profit for the period						1,056,014
Profit attributable to:						
Company's shareholder						903,555
Non-controlling interests						152,459
Depreciation and amortisation	152,151	14,998	48,648	215,797	–	215,797

(c) Information about operating segment:

Management has determined the operating segments based on the reports reviewed by the executive directors.

The executive directors assess the performance of the three principal activities of the Group namely logistics operations, Hong Kong warehouse and international freight forwarding business.

Logistics operations segment derives revenue from provision of logistics services and sales of goods.

Hong Kong warehouse segment derives revenue from provision of warehouse leasing, general storage and other ancillary services.

International freight forwarding segment derives revenue primarily from provision of freight forwarding services.

The executive directors assess the performance of the operating segments based on segment results.

(d) An analysis of the Group's segment revenue and segment non-current assets by geographical area is as follows:

	Segment revenue*					Segment non-current assets#			
	Year ended 31 December			Six months ended 30 June		As at 31 December			As at 30 June 2013
	2010	2011	2012	2012	2013	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	2,016,799	2,300,557	2,469,115	1,190,783	1,304,359	5,294,294	5,459,327	5,846,095	6,274,571
PRC	4,721,560	7,144,450	8,745,181	3,920,098	4,249,191	1,945,749	2,624,846	3,463,928	3,727,110
Taiwan	847,453	1,871,936	1,978,659	916,179	972,602	2,417,605	2,565,456	2,701,589	2,656,609
South & South East Asia	1,320,696	2,298,332	2,395,398	1,168,927	1,404,041	1,628,999	1,807,820	2,534,815	2,825,404
Europe	1,623,177	1,917,370	3,083,974	1,478,356	1,308,470	150,293	320,636	317,755	523,826
Others	350,224	501,666	622,448	279,894	283,126	126,678	118,643	153,608	138,765
	10,879,909	16,034,311	19,294,775	8,954,237	9,521,789	11,563,618	12,896,728	15,017,790	16,146,285

* Segment revenue derived from geographical areas which are based on the geographical location of the operation.

\# Other than available-for-sale investments.

6 Other income and net gains

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interest income from banks	11,482	12,574	24,835	8,823	18,783
Interest income from associates	–	–	3,495	744	922
Dividend income from available-for-sale investments	1,615	2,003	21	–	838
Deemed gain on revaluation of previously held equity interest in acquiree company	54,203	–	–	–	–
Gain on disposal of an available-for-sale investment	110	–	–	–	–
(Loss)/gain on disposal of an associate	(1,486)	3,482	–	–	–
Impairment of available-for-sale investments	–	(515)	(82)	–	–
Impairment of goodwill *(note 13)*	(40,407)	(7,303)	(7,000)	(7,000)	–
(Loss)/gain on disposal of property, plant and equipment	(4,177)	(2,889)	7,065	3,193	9,943
	21,340	7,352	28,334	5,760	30,486

7 Expenses by nature

Expenses included in direct operating expenses and administrative expenses are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Auditor's remuneration	13,329	13,604	14,870	7,777	7,982
Business tax	59,378	93,102	72,928	38,875	17,996
Cost of goods sold	642,425	805,885	868,595	430,879	392,847
Freight and transportation costs	7,234,152	10,606,536	13,102,393	6,007,065	6,319,737
Depreciation of property, plant and equipment	205,838	284,915	321,355	155,164	191,662
Amortisation of leasehold land and land use rights	4,578	7,394	7,954	3,804	4,632
Amortisation of intangible assets	–	3,721	38,043	12,081	19,503
Provision for impairment of receivables	22,124	3,962	22,097	6,570	9,402
Reversal of provision for impairment of receivables	(1,108)	(4,984)	(479)	(454)	(874)
Operating leases charges on land and buildings	132,652	351,961	349,824	164,222	199,136
Employee benefit expenses *(note 12)*	1,423,421	2,144,883	2,597,381	1,210,530	1,400,975
Fair value loss on contingent payment for acquisition of subsidiaries	–	9,973	310	–	–

8 Finance costs

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interest expenses on loans from fellow subsidiaries *(note 29)*	5,170	6,377	5,433	2,012	3,117
Interest expenses on bank loans and overdrafts	17,896	49,017	57,691	25,420	41,979
	23,066	55,394	63,124	27,432	45,096

9 Taxation

Hong Kong and overseas profits tax

Hong Kong profits tax has been provided at the rate of 16.5% for the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2012 and 2013 on the estimated assessable profit for the period. Income tax on the overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC enterprise income tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), which is effective from 1 January 2008. Under the CIT Law, for Group's subsidiaries originally entitling to a tax rate of 15%, the tax rate will gradually increase to 25% over the next five years. For the Group's subsidiaries originally entitling to a tax rate of 33%, the tax rate decreased to 25% effective on 1 January 2008.

Withholding tax on distributed/undistributed profits

Withholding tax is levied on profit distribution upon declaration/remittance at the rates of taxation prevailing in the PRC and overseas countries.

(a) The amount of taxation charged to the consolidated income statement represents:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Hong Kong profits tax					
– Current	51,287	53,292	61,179	30,589	34,100
– Under/(over)provision in prior years	3,082	(1,140)	(79)	(17)	(1,241)
– Deferred	12,843	18,541	25,450	10,095	7,238
	67,212	70,693	86,550	40,667	40,097
PRC taxation					
– Current	86,331	78,354	88,284	52,279	49,644
– (Over)/underprovision in prior years	(10,674)	–	497	555	(57)
– Deferred	(25,605)	(10,749)	5,021	(3,337)	(450)
	50,052	67,605	93,802	49,497	49,137
Overseas taxation					
– Current	76,084	113,626	114,991	58,635	57,045
– Under/(over)provision in prior years	864	(5,494)	1,618	1,551	(2,972)
– Deferred	5,862	7,509	7,967	509	3,204
	82,810	115,641	124,576	60,695	57,277
	200,074	253,939	304,928	150,859	146,511

The Group's share of associates' taxation for the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013 are HK$36,332,000, HK$32,504,000, HK$27,629,000, HK$15,386,000 and HK$14,986,000 and included in the share of results of associates in the consolidated income statement.

(b) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit before taxation	1,178,155	1,375,371	1,656,800	696,695	1,202,525
Less: Share of results of associates	(208,821)	(148,464)	(136,421)	(69,123)	(71,626)
	969,334	1,226,907	1,520,379	627,572	1,130,899
Calculated at Hong Kong profits tax rate of 16.5%	159,940	202,440	250,863	103,549	186,598
Tax effect of different taxation rates in other countries	31,732	49,987	49,912	24,974	21,454
Income not subject to taxation	(29,414)	(21,771)	(43,883)	(1,703)	(69,585)
Expenses not deductible in determining taxable profit	28,607	17,528	14,089	11,424	1,474
Tax losses not recognised	12,514	11,190	19,246	12,231	6,438
Utilisation of previously unrecognised tax losses	(5,178)	(7,981)	(5,333)	(5,182)	(5,049)
(Over)/underprovision in prior years	(6,728)	(6,634)	2,036	2,088	(4,270)
Withholding tax on undistributed profits	8,601	9,180	17,998	3,478	9,451
Taxation charge	200,074	253,939	304,928	150,859	146,511

10 Profit/(loss) attributable to shareholders

The profit/(loss) attributable to shareholder dealt with in the Financial Information of the Company is HK$115,065,000, HK$(26,113,000), HK$(8,225,000), HK$13,546,000 and HK$(34,287,000) for the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2012 and 2013 respectively.

11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the adjusted weighted average number of ordinary shares in issue during the years/periods. The adjusted weighted average number of shares have taken into account the impact of the loan capitalisation and the share split as described in notes 2(a) and 25 respectively.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Adjusted weighted average number of ordinary shares in issue ('000)	1,295,048	1,295,048	1,295,048	1,295,048	1,295,048
Profit attributable to shareholders (HK$'000)	833,257	870,744	1,069,376	429,717	903,555
Basic earnings per share (HK$)	0.64	0.67	0.83	0.33	0.70

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013.

12 Employee benefit expenses

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Staff costs, including directors' emoluments	1,299,458	1,990,395	2,344,607	1,096,360	1,282,540
Share option expense	11,068	1,801	56,435	20,963	13,607
Pension costs					
– defined contribution plans	103,949	139,250	185,583	87,864	99,328
– defined benefit plans (note 31)	8,946	13,437	10,756	5,343	5,500
	1,423,421	2,144,883	2,597,381	1,210,530	1,400,975

Out of the total employee benefit expenses for the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2012 and 2013 of HK$1,423,421,000, HK$2,144,883,000, HK$2,597,381,000, HK$1,210,530,000 and HK$1,400,975,000 respectively, HK$902,015,000, HK$1,405,143,000, HK$1,750,567,000, HK$817,669,000 and HK$944,912,000 respectively was included in direct operating expenses.

(a) Directors' emoluments

The remuneration of the Directors for the year ended 31 December 2010, excluding share option benefits, is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits (note)	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yeo George Yong-boon[3]	–	–	–	–	–	–
Ma Wing Kai William*	–	3,540	6,550	–	120	10,210
Erni Edwardo[1]	–	–	–	–	–	–
Pang David Jung[6]	–	–	–	–	–	–
Gaw Bryan Pallop[6]	–	–	–	–	–	–
Ang Keng Lam[4]	–	2,082	8,000	–	120	10,202
Lui Kim Ming[2]	–	1,740	680	–	120	2,540
Kuok Khoon Hua[5]	–	–	–	–	–	–
Qian Shaohua[5]	–	–	–	–	–	–
Wong Yu Pok Marina[5]	–	–	–	–	–	–
Wan Kam To[5]	–	–	–	–	–	–
Yeo Philip Liat Kok[5]	–	–	–	–	–	–

The remuneration of the Directors for the year ended 31 December 2011, excluding share option benefits, is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits (note)	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yeo George Yong-boon[3]	–	–	–	–	–	–
Ma Wing Kai William*	–	3,780	7,560	–	120	11,460
Erni Edwardo[1]	–	1,133	2,042	562	70	3,807
Pang David Jung[6]	–	–	–	–	–	–
Gaw Bryan Pallop[6]	–	–	–	–	–	–
Ang Keng Lam[4]	–	2,400	8,000	–	120	10,520
Lui Kim Ming[2]	–	912	30	–	60	1,002
Kuok Khoon Hua[5]	–	–	–	–	–	–
Qian Shaohua[5]	–	–	–	–	–	–
Wong Yu Pok Marina[5]	–	–	–	–	–	–
Wan Kam To[5]	–	–	–	–	–	–
Yeo Philip Liat Kok[5]	–	–	–	–	–	–

The remuneration of the Directors for the year ended 31 December 2012, excluding share option benefits, is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits (note)	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yeo George Yong-boon[3]	–	600	125	725	20	1,470
Ma Wing Kai William*	–	4,020	9,560	–	120	13,700
Erni Edwardo[1]	–	2,219	4,022	1,161	120	7,522
Pang David Jung[6]	–	–	–	–	–	–
Gaw Bryan Pallop[6]	–	788	1,187	713	34	2,722
Ang Keng Lam[4]	–	1,435	2,333	–	70	3,838
Kuok Khoon Hua[5]	–	–	–	–	–	–
Qian Shaohua[5]	–	–	–	–	–	–
Wong Yu Pok Marina[5]	–	–	–	–	–	–
Wan Kam To[5]	–	–	–	–	–	–
Yeo Philip Liat Kok[5]	–	–	–	–	–	–

The remuneration of the Directors for the six months ended 30 June 2012 (unaudited), excluding share option benefits, is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits (note)	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yeo George Yong-boon[3]	–	–	–	–	–	–
Ma Wing Kai William*	–	2,010	60	–	60	2,130
Erni Edwardo[1]	–	1,109	–	581	60	1,750
Pang David Jung[6]	–	–	–	–	–	–
Gaw Bryan Pallop[6]	–	328	20	–	14	362
Ang Keng Lam[4]	–	1,230	2,000	–	60	3,290
Kuok Khoon Hua[5]	–	–	–	–	–	–
Qian Shaohua[5]	–	–	–	–	–	–
Wong Yu Pok Marina[5]	–	–	–	–	–	–
Wan Kam To[5]	–	–	–	–	–	–
Yeo Philip Liat Kok[5]	–	–	–	–	–	–

The remuneration of the Directors for the six months ended 30 June 2013, excluding share option benefits, is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits (note)	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yeo George Yong-boon[3]	–	1,440	–	1,392	48	2,880
Ma Wing Kai William*	–	2,190	60	–	60	2,310
Erni Edwardo[1]	–	1,222	–	644	60	1,926
Pang David Jung[6]	–	–	–	–	–	–
Gaw Bryan Pallop[6]	–	490	20	–	20	530
Kuok Khoon Hua[5]	–	–	–	–	–	–
Qian Shaohua[5]	–	–	–	–	–	–
Wong Yu Pok Marina[5]	–	–	–	–	–	–
Wan Kam To[5]	–	–	–	–	–	–
Yeo Philip Liat Kok[5]	–	–	–	–	–	–

Note:

Other benefits represent housing allowance or personal income tax borne by the Group.

* Group Managing Director
1 Appointed on 8 June 2011
2 Resigned on 8 June 2011
3 Appointed on 1 August 2012
4 Resigned on 1 August 2012
5 Appointed on 25 November 2013
6 Resigned on 25 November 2013

(b) Senior management's emoluments

The Group considers a team of nine senior executives who report to the Board of Directors as senior management. The emoluments of these nine individuals, excluding share option benefits, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Salaries and other short-term benefits	25,901	27,809	30,524	8,328	10,212

(c) Share options granted by KPL to the directors of the Company

Certain directors of the Company held share options of KPL during the years and periods presented as follows:

During the year ended 31 December 2010, shares were issued to certain directors of the Company pursuant to exercise of the following share options under the option scheme:

No. of share options exercised	Exercise Price	Exercise Period
180,000	HK$18.74	17/03/2006-16/03/2015
20,000	HK$18.74	17/03/2007-16/03/2015
125,000	HK$17.58	06/02/2010-05/02/2019

During the year ended 31 December 2011, shares were issued to certain directors of the Company pursuant to exercise of the following share options under the option scheme:

No. of share options exercised	Exercise Price	Exercise Period
280,000	HK$18.74	17/03/2007-16/03/2015
125,000	HK$17.58	06/02/2011-05/02/2019

During the year ended 31 December 2012, and the six periods ended 30 June 2012 and 2013, no share was issued to directors of the Company pursuant to exercise of the share options.

As at 31 December 2010, certain directors held the following share options to acquire shares of KPL:

No. of share options	Exercise Price	Exercise Period
1,180,000	HK$18.74	17/03/2007-16/03/2015
387,500	HK$47.70	02/04/2009-01/04/2018
387,500	HK$47.70	02/04/2010-01/04/2018
775,000	HK$47.70	02/04/2011-01/04/2018
400,000	HK$17.58	06/02/2010-05/02/2019
525,000	HK$17.58	06/02/2011-05/02/2019

As at 31 December 2011, certain directors held the following share options to acquire shares of KPL:

No. of share options	Exercise Price	Exercise Period
900,000	HK$18.74	17/03/2007-16/03/2015
325,000	HK$47.70	02/04/2009-01/04/2018
325,000	HK$47.70	02/04/2010-01/04/2018
650,000	HK$47.70	02/04/2011-01/04/2018
400,000	HK$17.58	06/02/2010-05/02/2019
400,000	HK$17.58	06/02/2011-05/02/2019

As at 31 December 2012, certain directors held the following share options to acquire shares of KPL:

No. of Share Options	Exercise Price	Exercise Period
200,000	HK$ 18.74	17/03/2007-16/03/2015
325,000	HK$ 47.70	02/04/2009-01/04/2018
325,000	HK$ 47.70	02/04/2010-01/04/2018
650,000	HK$ 47.70	02/04/2011-01/04/2018
150,000	HK$ 17.58	06/02/2010-05/02/2019
150,000	HK$ 17.58	06/02/2011-05/02/2019
615,000	HK$35.45	31/10/2012-29/04/2022
615,000	HK$35.45	31/10/2013-29/04/2022

As at 30 June 2013, certain directors held the following share options to acquire shares of KPL:

No. of Share Options	Exercise Price	Exercise Period
200,000	HK$ 18.74	17/03/2007-16/03/2015
325,000	HK$ 47.70	02/04/2009-01/04/2018
325,000	HK$ 47.70	02/04/2010-01/04/2018
650,000	HK$ 47.70	02/04/2011-01/04/2018
150,000	HK$ 17.58	06/02/2010-05/02/2019
150,000	HK$ 17.58	06/02/2011-05/02/2019
615,000	HK$35.45	31/10/2012-29/04/2022
615,000	HK$35.45	31/10/2013-29/04/2022

The closing market price of the KPL shares as at 31 December 2010, 2011, 2012 and 30 June 2013 was HK$40.50, HK$25.70, HK$40.25 and HK$30.40 respectively.

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2010 included 2 Directors. The emoluments payable to the remaining 3 highest paid individuals during the year are as follows:

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2011, 2012 and six months ended 30 June 2012 and 2013 included 3 Directors. The emoluments payable to the remaining 2 highest paid individuals during the years/periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	6,681	5,301	5,575	2,787	3,019
Discretionary bonuses	6,315	4,480	5,089	–	–
Pension contributions	367	248	253	126	136
	13,363	10,029	10,917	2,913	3,155

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
HK$1,000,001-HK$1,500,000	–	–	–	2	1
HK$1,500,001-HK$2,000,000	–	–	–	–	1
HK$3,000,001-HK$3,500,000	1	–	–	–	–
HK$4,000,001-HK$4,500,000	1	1	–	–	–
HK$4,500,001-HK$5,000,000	–	–	1	–	–
HK$5,500,001-HK$6,000,000	1	1	–	–	–
HK$6,000,001-HK$6,500,000	–	–	1	–	–
	3	2	2	2	2

13 Intangible assets

	Group				
	Goodwill	Customer relationships	Non-compete agreements	Trademark	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010					
Cost	417,993	–	–	–	417,993
Accumulated amortisation and impairment	(17,510)	–	–	–	(17,510)
	400,483	–	–	–	400,483
At 1 January 2010	400,483	–	–	–	400,483
Acquisition of subsidiaries *(note 33(a))*	475,344	–	–	–	475,344
Impairment	(40,407)	–	–	–	(40,407)
At 31 December 2010	835,420	–	–	–	835,420
At 31 December 2010					
Cost	893,337	–	–	–	893,337
Accumulated amortisation and impairment	(57,917)	–	–	–	(57,917)
	835,420	–	–	–	835,420
At 1 January 2011	835,420	–	–	–	835,420
Acquisition of subsidiaries *(note 33(b))*	270,904	42,005	37,017	12,275	362,201
Impairment	(7,303)	–	–	–	(7,303)
Amortisation	–	(1,813)	(1,702)	(206)	(3,721)
Exchange adjustment	–	(1,225)	277	65	(883)
At 31 December 2011	1,099,021	38,967	35,592	12,134	1,185,714
At 31 December 2011					
Cost	1,164,241	40,813	37,326	12,340	1,254,720
Accumulated amortisation and impairment	(65,220)	(1,846)	(1,734)	(206)	(69,006)
	1,099,021	38,967	35,592	12,134	1,185,714
At 1 January 2012	1,099,021	38,967	35,592	12,134	1,185,714
Acquisition of subsidiaries (note 33(c))	533,354	74,930	9,244	14,466	631,994
Impairment	(7,000)	–	–	–	(7,000)
Amortisation	–	(28,335)	(6,966)	(2,742)	(38,043)
Exchange adjustment	–	768	358	13	1,139
At 31 December 2012	1,625,375	86,330	38,228	23,871	1,773,804
At 31 December 2012					
Cost	1,697,595	116,841	47,037	26,833	1,888,306
Accumulated amortisation and impairment	(72,220)	(30,511)	(8,809)	(2,962)	(114,502)
	1,625,375	86,330	38,228	23,871	1,773,804
At 1 January 2013	1,625,375	86,330	38,228	23,871	1,773,804
Acquisition of subsidiaries (note 33(d))	167,244	–	–	–	167,244
Amortisation	–	(14,949)	(2,867)	(1,687)	(19,503)
Exchange adjustment	–	469	374	55	898
At 30 June 2013	1,792,619	71,850	35,735	22,239	1,922,443
At 30 June 2013					
Cost	1,864,839	117,804	47,468	26,915	2,057,026
Accumulated amortisation and impairment	(72,220)	(45,954)	(11,733)	(4,676)	(134,583)
	1,792,619	71,850	35,735	22,239	1,922,443

The amortisation of intangible assets was charged to administrative expenses.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) that are expected to benefit from business combination and impairment testing is performed annually on goodwill allocated to their operating segments and CGUs.

A segment-level summary of the goodwill allocation based on geographical regions is presented below:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Logistics operations				
PRC	135,133	199,014	215,512	216,250
Taiwan	303,545	309,103	327,009	327,009
South and South East Asia	86,512	89,340	195,848	195,848
Hong Kong	–	425	32,837	32,837
Others	–	–	14,089	14,089
	525,190	597,882	785,295	786,033
International freight forwarding				
PRC	–	95,205	406,994	406,994
Europe	118,102	213,669	244,821	381,325
South and South East Asia	171,576	175,371	171,371	171,371
Hong Kong	20,552	16,894	16,894	16,894
Others	–	–	–	30,002
	310,230	501,139	840,080	1,006,586
	835,420	1,099,021	1,625,375	1,792,619

The recoverable amount of a CGU is determined based on higher of an asset's fair value less costs to sell and value-in-use calculations. The recoverable amounts of all CGUs were determined based on value-in-use calculation except for Taiwan which was determined based on fair value less costs to sell with reference to the market share price of the subsidiary which is listed in Taiwan. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below:

Key assumptions used for value-in-use calculations

For the year ended 31 December 2010

Logistics operations

	Hong Kong	PRC	South and South East Asia
Gross margin	N/A	4%-5%	9%-42%
Growth rate	N/A	3%	1%-2%
Discount rate	N/A	12%	10%-12%

International freight forwarding

	Hong Kong	PRC	South and South East Asia	Europe
Gross margin	5%	N/A	3%-16%	4%-8%
Growth rate	1%	N/A	1%-5%	1%-2%
Discount rate	10%	N/A	12%-14%	11%-12%

For the year ended 31 December 2011

Logistics operations

	Hong Kong	PRC	South and South East Asia
Gross margin	5%	5%-10%	9%-44%
Growth rate	2%	3%	2%-3%
Discount rate	12%	13%	11%-12%

International freight forwarding

	Hong Kong	PRC	South and South East Asia	Europe
Gross margin	5%	3%	3%-13%	2%-14%
Growth rate	2%	3%	3%-5%	2%-4%
Discount rate	12%	13%	13%-15%	9%

For the year ended 31 December 2012

Logistics operations

	Hong Kong	PRC	South and South East Asia
Gross margin	4%-8%	5%-10%	9%-32%
Growth rate	2%-3%	2%-3%	2%-5%
Discount rate	12%	13%	11%-20%

International freight forwarding

	Hong Kong	PRC	South and South East Asia	Europe
Gross margin	6%	2%-6%	4%-10%	2%-6%
Growth rate	2%	3%	3%-5%	2%-4%
Discount rate	12%	13%	15%-20%	9%

For the six months ended 30 June 2013

Logistics operations

	Hong Kong	PRC	South and South East Asia
Gross margin	3%-8%	2%-8%	6%-36%
Growth rate	2%-4%	3%-5%	2%-5%
Discount rate	12%	13%	11%-20%

International freight forwarding

	Hong Kong	PRC	South and South East Asia	Europe
Gross margin	5%	3%-7%	2%-18%	5%
Growth rate	2%	3%	2%	2%
Discount rate	12%	12%-13%	9%-11%	9%

Management determined budgeted gross margin and growth rates based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Assuming growth rate decreased by 50 basis points and discount rate increased by 50 basis points, further impairment charge of HK$3,160,000, HK$2,812,000, HK$5,504,000 and HK$2,896,000 respectively would be required for the goodwill at 31 December 2010, 2011 and 2012 and 30 June 2013.

14 Investment properties

	Group			
	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of year/period	4,793,042	4,998,773	5,143,118	5,767,637
Additions	–	3,821	18	–
Disposals	–	(8,279)	–	–
Acquisition of a subsidiary (note 32(d))	–	–	59,048	–
Change in fair value	175,990	130,312	265,155	458,303
Transfer from leasehold land and land use right/property, plant and equipment	17,184	–	296,685	–
Exchange adjustment	12,557	18,491	3,613	2,926
At end of year/period	4,998,773	5,143,118	5,767,637	6,228,866

(a) Investment properties were valued by independent professional valuers, namely DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited as at 31 December 2010 and 2011; DTZ Debenham Tie Leung Limited, Savills Valuation and Professional Services Limited and ECG Consultancy Pte Ltd as at 31 December 2012; and DTZ Debenham Tie Leung Limited as at 30 June 2013, by mainly adopting the investment approach of valuation.

(b) The Group's investment properties at their net book values are analysed as follows:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
In Hong Kong, held on:				
Leases of between 10 to 50 years	4,428,800	4,557,600	4,793,200	5,193,800
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	569,973	585,518	974,437	1,035,066
	4,998,773	5,143,118	5,767,637	6,228,866

As at 31 December 2012 and 30 June 2013, investment properties amounting to HK$171,953,000 and HK$229,466,000 respectively were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 35).

(c) Amounts recognised in profit and loss for investment properties:

	Group			
	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Rental income	300,037	309,620	319,983	188,380
Direct operating expenses from property that generated rental income	(99,303)	(79,413)	(69,492)	(35,602)
Direct operating expenses from property that did not generate rental income	–	(4)	(18)	(60)
	200,734	230,203	250,473	152,718

(d) Valuation basis:

As stated in note 4(a)(i), the fair value was mainly derived from the capitalised rental incomes with due provision for any reversionary income potential of the property interests at appropriate capitalisation rates.

Capitalisation rate is estimated based on the market rent over market price on comparables. The higher the capitalisation rates used, the lower the fair values of investment property. The capitalisation rates used are as follows:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
Capitalisation rate	6%-11%	6%-11%	6%-11%	6%-11%

The following tables show the increase/(decrease) of the fair value of the investment properties if the capitalisation rate was to increase or decrease by 10%.

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Decrease of capitalisation rate by 10%	453,886	457,410	496,853	548,936

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Increase of capitalisation rate by 10%	(373,213)	(331,133)	(417,241)	(471,844)

The following tables show the (decrease)/increase of the fair value of the investment properties if the reversionary income was to increase or decrease by 10%.

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Decrease of reversionary income by 10%	(391,299)	(405,557)	(433,509)	(497,892)

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Increase of reversionary income by 10%	392,296	408,590	434,233	504,620

(e) Leasing arrangements:

The group leases various offices and warehouses to tenants under non-cancellable operating lease agreements with rentals receivable monthly. The lease terms are between 2 months and 12 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. No contingent rents are recognised during the Relevant Periods.

Minimum lease payments receivable on leases of investment properties are as follows:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Land and buildings:				
Within one year	291,547	272,029	246,893	308,560
In the second to fifth year, inclusive	319,338	204,479	212,338	288,292
Over five years	236,914	143,600	149,449	148,292
	847,799	620,108	608,680	745,144

15 Leasehold land and land use rights

	Group			
	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of year/period	291,311	408,794	576,281	538,883
Additions	3,681	101,975	22,078	–
Acquisition of subsidiaries (note 33)	108,840	73,775	–	–
Amortisation	(4,578)	(7,394)	(7,954)	(4,632)
Transfer to investment properties	(4,607)	(6,809)	(57,444)	–
Exchange adjustment	14,147	5,940	5,922	(2,231)
At end of year/period	408,794	576,281	538,883	532,020

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Outside Hong Kong, held on:				
Lease of over 50 years	97,669	83,551	81,528	74,838
Leases of between 10 to 50 years	311,125	492,730	457,355	457,182
	408,794	576,281	538,883	532,020

As at 31 December 2010, 2011 and 2012 and 30 June 2013, leasehold land and land use rights amounting to HK$91,761,000, HK$202,297,000, HK$110,526,000 and HK$163,904,000 respectively were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 35).

16 Property, plant and equipment

Group

	Warehouse and logistics centres	Staff quarters	Freehold land and buildings	Port facilities	Leasehold improvements	Warehouse operating equipment	Motor vehicles, furniture, fixtures and office equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost									
At 1 January 2010	717,616	18,456	419,275	289,587	122,266	582,877	557,177	115,670	2,822,924
Additions, at cost	–	331	22,567	–	24,052	103,660	137,346	315,774	603,730
Acquisition of subsidiaries (note 33(a))	113,722	2,423	1,773,602	–	106,322	34,489	72,250	17,530	2,120,338
Disposals	–	(3,785)	(13,865)	–	(31,381)	(54,146)	(53,542)	–	(156,719)
Transfer and reclassification	314,605	–	–	–	–	–	–	(327,182)	(12,577)
Exchange adjustment	20,963	1,014	231,031	24,725	39,786	47,309	93,125	2,660	460,613
At 31 December 2010	1,166,906	18,439	2,432,610	314,312	261,045	714,189	806,356	124,452	5,838,309
Accumulated depreciation									
At 1 January 2010	166,607	8,086	72,230	71,743	73,293	326,389	370,220	–	1,088,568
Charge for the year	18,575	767	21,486	9,165	16,730	58,191	80,924	–	205,838
Disposals	–	(1,325)	(8,875)	–	(30,334)	(23,548)	(46,706)	–	(110,788)
Exchange adjustment	2,365	580	10,130	607	26,472	28,249	83,716	–	152,119
At 31 December 2010	187,547	8,108	94,971	81,515	86,161	389,281	488,154	–	1,335,737
Net book value as at 31 December 2010	979,359	10,331	2,337,639	232,797	174,884	324,908	318,202	124,452	4,502,572
Net book value as at 1 January 2010	551,009	10,370	347,045	217,844	48,973	256,488	186,957	115,670	1,734,356

	Warehouse and logistics centres	Staff quarters	Freehold land and buildings	Port facilities	Leasehold improvements	Warehouse operating equipment	Motor vehicles, furniture, fixtures and office equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost									
At 1 January 2011	1,166,906	18,439	2,432,610	314,312	261,045	714,189	806,356	124,452	5,838,309
Additions, at cost	8,867	–	264,093	–	62,435	264,742	131,605	120,854	852,596
Acquisition of subsidiaries (note 33(b))	73,282	–	–	–	1,187	21,600	30,266	–	126,335
Disposals	(258)	–	(30,973)	–	(22,241)	(137,857)	(119,406)	–	(310,735)
Transfer and reclassification	57,355	–	48,889	–	72,821	209,637	(282,458)	(99,435)	6,809
Exchange adjustment	3,302	630	(99,088)	(15,534)	(11,416)	(25,465)	(18,000)	1,289	(164,282)
At 31 December 2011	1,309,454	19,069	2,615,531	298,778	363,831	1,046,846	548,363	147,160	6,349,032
Accumulated depreciation									
At 1 January 2011	187,547	8,108	94,971	81,515	86,161	389,281	488,154	–	1,335,737
Charge for the year	34,240	872	40,186	7,942	24,121	106,354	71,200	–	284,915
Disposals	–	–	(2,009)	–	(17,996)	(94,657)	(100,594)	–	(215,256)
Transfer and reclassification	–	–	–	–	46,886	102,455	(149,341)	–	–
Exchange adjustment	3,432	356	(5,150)	(4,302)	(8,514)	(11,455)	(19,916)	–	(45,549)
At 31 December 2011	225,219	9,336	127,998	85,155	130,658	491,978	289,503	–	1,359,847
Net book value as at 31 December 2011	1,084,235	9,733	2,487,533	213,623	233,173	554,868	258,860	147,160	4,989,185

	Warehouse and logistics centres	Staff quarters	Freehold land and buildings	Port facilities	Leasehold improvements	Warehouse operating equipment	Motor vehicles, furniture, fixtures and office equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost									
At 1 January 2012	1,309,454	19,069	2,615,531	298,778	363,831	1,046,846	548,363	147,160	6,349,032
Additions, at cost	44,116	–	136,362	–	93,777	289,085	163,113	741,546	1,467,999
Acquisition of subsidiaries (notes 32(d) and 33(c))	1,801	–	–	–	1,776	42,563	9,174	–	55,314
Disposals	–	(3,273)	(12,355)	–	(17,427)	(86,205)	(79,713)	–	(198,973)
Transfer and reclassification	135,428	–	42,007	–	–	–	–	(404,524)	(227,089)
Exchange adjustment	4,890	290	89,523	8,738	17,140	43,836	3,059	606	168,082
At 31 December 2012	1,495,689	16,086	2,871,068	307,516	459,097	1,336,125	643,996	484,788	7,614,365
Accumulated depreciation									
At 1 January 2012	225,219	9,336	127,998	85,155	130,658	491,978	289,503	–	1,359,847
Charge for the year	34,477	833	40,952	7,793	31,257	122,554	83,489	–	321,355
Disposals	–	(2,085)	(30)	–	(14,326)	(55,744)	(49,762)	–	(121,947)
Transfer and reclassification	(646)	–	–	–	–	–	–	–	(646)
Exchange adjustment	757	142	5,297	2,591	10,960	33,294	4,198	–	57,239
At 31 December 2012	259,807	8,226	174,217	95,539	158,549	592,082	327,428	–	1,615,848
Net book value as at 31 December 2012	1,235,882	7,860	2,696,851	211,977	300,548	744,043	316,568	484,788	5,998,517

	Warehouse and logistics centres	Staff quarters	Freehold land and buildings	Port facilities	Leasehold improvements	Warehouse operating equipment	Motor vehicles, furniture, fixtures and office equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost									
At 1 January 2013	1,495,689	16,086	2,871,068	307,516	459,097	1,336,125	643,996	484,788	7,614,365
Additions, at cost	819	–	126,960	–	28,928	205,760	55,848	251,017	669,332
Acquisition of subsidiaries (note 33(d))	–	–	50,002	–	180	444	2,446	29,827	82,899
Disposals	–	(841)	(11,941)	–	(5,257)	(37,182)	(13,403)	–	(68,624)
Transfer and reclassification	–	–	2,923	85,319	(744)	18,051	(10,163)	(95,386)	–
Exchange adjustment	(20,936)	95	(97,865)	(4,733)	(17,456)	(43,460)	(4,536)	3,355	(185,536)
At 30 June 2013	1,475,572	15,340	2,941,147	388,102	464,748	1,479,738	674,188	673,601	8,112,436
Accumulated depreciation									
At 1 January 2013	259,807	8,226	174,217	95,539	158,549	592,082	327,428	–	1,615,848
Charge for the period	17,441	289	21,386	4,612	31,782	70,615	45,537	–	191,662
Disposals	–	(769)	(78)	–	(3,464)	(31,972)	(6,618)	–	(42,901)
Transfer and reclassification	23	–	–	–	(406)	2,678	(2,295)	–	–
Exchange adjustment	(6,493)	78	(7,841)	(1,642)	(11,228)	(30,858)	(3,854)	–	(61,838)
At 30 June 2013	270,778	7,824	187,684	98,509	175,233	602,545	360,198	–	1,702,771
Net book value as at 30 June 2013	1,204,794	7,516	2,753,463	289,593	289,515	877,193	313,990	673,601	6,409,665

(a) As at 30 June 2013, construction in progress, freehold land and buildings, warehouse and logistics centres and port facilities were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 35) with aggregate net book values as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Construction in progress	–	25,713	–	217,178
Freehold land and buildings	1,479,680	1,409,623	1,511,473	1,100,879
Warehouse and logistics centres	34,481	90,167	189,026	180,952
Port facilities	232,797	213,623	211,977	289,593
	1,746,958	1,739,126	1,912,476	1,788,602

(b) The Group's warehouse and logistics centres at their net book values are analysed as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
In Hong Kong, held on:				
Leases of between 10 to 50 years	498,357	484,764	471,061	464,238
Outside Hong Kong, held on:				
Lease of over 50 years	130,086	58,672	78,727	72,784
Leases of between 10 to 50 years	350,916	540,799	686,094	667,772
	979,359	1,084,235	1,235,882	1,204,794

17 Subsidiaries

	Company			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Unlisted shares, at cost (note)	198,931	198,931	198,931	198,931

Note: Details of the subsidiaries are set out in note 39 to the Financial Information.

18 Associates

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Share of net assets (note (b))	816,578	808,175	874,295	1,005,595
Amounts due from associates (note (d))	1,481	194,255	64,654	47,696
	818,059	1,002,430	938,949	1,053,291

(a) The Group held interests in the following principal associated companies:

	Company	Place of incorporation	Principal activities	Class of shares/ registered capital	Interest held indirectly			
					31 December			30 June 2013
					2010	2011	2012	
(1)(4)(6)	Asia Airfreight Terminal Company Limited	Hong Kong	Air cargo handling terminal operation	Ordinary	15%	15%	15%	15%
(1)(2)(3)	Beijing Bei Jian Tong Cheng International Logistics Co., Ltd	The People's Republic of China ("PRC")	Logistics business	RMB500,000,000	–	–	24%	24%
(1)(3)	Chiwan Container Terminal Co., Ltd.	PRC	Port terminal operation	US$95,300,000	25%	25%	25%	25%
(1)(5)	KERRY LOGISTICS (SPAIN), S.A.U. (Formerly known as KERRY SALVAT LOGISTICS, S.A.)	Spain	Freight forwarding	Ordinary	50%	50%	–	–

The statutory auditors of associated companies that are not audited by PricewaterhouseCoopers were as following:

Name	Name of statutory auditors			
	2010	2011	2012	June 2013
Asia Airfreight Terminal Company Limited	KPMG	KPMG	KPMG	KPMG
Beijing Bei Jian Tong Cheng International Logistics Co., Ltd	N/A	N/A	Ernst & Young	Ernst & Young
Chiwan Container Terminal Co., Ltd.	PricewaterhouseCoopers	PricewaterhouseCoopers	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
KERRY LOGISTICS (SPAIN), S.A.U. (Formerly known as KERRY SALVAT LOGISTICS, S.A.)	Grant Thornton	Grant Thornton	N/A	N/A

Notes:

(1) Companies not audited by PricewaterhouseCoopers
(2) English translation of name only
(3) Sino-foreign equity joint venture enterprise
(4) Companies having a financial accounting period which is not conterminous with the Group
(5) Became wholly-owned subsidiary of the Group (note 39)
(6) Significant influence is obtained by the Group through participant in the board of directors of the associate

(b) The Group's share of results of its associates and its aggregate assets and liabilities are as follows:

	Group			
	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Aggregate attributable amounts of total assets	1,249,282	1,359,397	1,342,244	1,436,968
Aggregate attributable amounts of total liabilities	432,704	551,222	467,949	431,373
Aggregate attributable amounts of total revenue	913,275	709,944	535,947	270,417
Aggregate attributable amounts of net profit after tax	208,821	148,464	136,421	71,626

(c) The amounts due from associates are unsecured, interest-free and not expected to be received within twelve months for the respective end of the reporting periods. They are denominated mainly in Hong Kong dollars.

(d) The carrying amounts of the amounts due from associates are denominated in the following currencies:

	Amounts due from associates			
	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	–	165,666	63,304	176
Hong Kong dollar	1,481	1,973	1,350	45,615
Euro	–	26,616	–	–
Singapore dollar	–	–	–	1,905
	1,481	194,255	64,654	47,696

19 Available-for-sale investments

	Group			
	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Unlisted equity securities, at fair value	50,796	51,987	61,459	61,123

20 Inventories

	Group			
	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Finished goods	130,594	110,325	109,913	128,010

The cost of inventories recognised as expense and included in direct operating expenses for the years ended 31 December 2010, 2011 and 2012 and for the period ended 30 June 2013 amounted to HK$642,425,000, HK$805,885,000, HK$868,595,000 and HK$392,847,000.

21 Accounts receivable, prepayments and deposits

	Group				Company			
	As at 31 December			As at 30 June 2013	As at 31 December			As at 30 June 2013
	2010	2011	2012		2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	2,070,866	2,435,280	3,436,635	3,534,757	–	–	–	–
Less: Provision for impairment of receivables (note (b))	(41,978)	(30,085)	(46,921)	(62,607)	–	–	–	–
Trade receivables – net	2,028,888	2,405,195	3,389,714	3,472,150	–	–	–	–
Prepayments (note (c))	136,947	203,952	172,788	233,960	–	–	–	7,375
Deposits (note (d))	177,236	252,774	249,680	220,738	–	–	7,838	–
Others (note (e))	166,480	496,654	513,111	402,324	–	–	49	–
	2,509,551	3,358,575	4,325,293	4,329,172	–	–	7,887	7,375

Notes:

(a) The ageing analysis of the trade receivables based on date of the invoice and net of provision for impairment were as follows:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Below 1 month	1,163,936	1,500,308	2,050,915	2,024,833
Between 1 month and 3 months	687,059	785,437	1,149,776	1,220,521
Over 3 months	177,893	119,450	189,023	226,796
	2,028,888	2,405,195	3,389,714	3,472,150

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. Trade receivables that were neither past due nor impaired represents those due from counterparties with good credit history and low default rate.

According to credit terms, trade receivables that are less than three months past due are not considered impaired. As of 31 December 2010, 2011 and 2012 and 30 June 2013, trade receivables of HK$492,476,000, HK$733,552,000, HK$660,885,000 and HK$1,124,332,000 were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables based on due date is as follows:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Up to 3 months	389,061	733,552	624,763	1,124,332
Over 3 months	103,415	–	36,122	–
	492,476	733,552	660,885	1,124,332

(b) As of 31 December 2010, 2011 and 2012 and 30 June 2013, trade receivables of HK$41,978,000, HK$30,085,000, HK$46,921,000 and HK$62,607,000 were impaired and fully provided. The individually impaired receivables mainly relate to those customers which are in unexpected difficult financial situations.

Movements on the provision for impairment of receivables are as follows:

	Group			
	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of year/period	22,383	41,978	30,085	46,921
Provision for impairment of receivables	22,124	3,962	22,097	9,402
Reversal of provisions	(1,108)	(4,984)	(479)	(874)
Receivables written off during the year as uncollectible	(2,230)	(11,466)	(8,113)	(636)
Exchange adjustment	809	595	3,331	7,794
At end of year/period	41,978	30,085	46,921	62,607

(c) The balances of the Group mainly comprise prepaid rent and freight and transportation costs.

(d) The balances of the Group mainly comprise rental deposits and deposits to suppliers.

(e) The balances of the Group mainly comprise temporary payment made on behalf of the customers.

(f) The carrying amounts of the accounts receivable, prepayments and deposits are denominated in the following currencies:

	Group				Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2010	2011	2012	2013	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	995,595	1,414,949	1,951,938	1,921,640	–	–	–	–
Hong Kong dollar	373,402	399,332	533,881	445,701	–	–	123	7,375
Taiwan dollar	388,301	425,547	476,290	464,794	–	–	–	–
Thai Baht	104,584	172,373	237,812	205,019	–	–	–	–
United States dollar	23,904	168,717	223,693	154,951	–	–	7,764	–
Euro	148,225	293,576	222,168	459,341	–	–	–	–
Pound sterling	173,398	137,520	180,269	159,610	–	–	–	–
Indian Rupee	86,135	93,569	138,647	150,550	–	–	–	–
Malaysian Ringgit	82,495	93,262	121,605	66,397	–	–	–	–
Australian dollar	45,820	64,801	67,483	53,381	–	–	–	–
Vietnamese Dong	–	–	59,624	79,782	–	–	–	–
Other currencies	87,692	94,929	111,883	168,006	–	–	–	–
	2,509,551	3,358,575	4,325,293	4,329,172	–	–	7,887	7,375

(g) The carrying amount of accounts receivable approximates the fair value of these balances. The provision and reversal of provision for impairment of receivables have been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

22 Amounts due from/(to) subsidiaries/immediate holding company/a related company

The amounts due from/(to) subsidiaries/immediate holding company/a related company are unsecured, interest-free and have no fixed terms of repayment. They are denominated mainly in Hong Kong dollars.

23 Restricted and pledged bank deposits and cash and cash equivalents

(a) Restricted and pledged bank deposits

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group's bank balances amounting to approximately HK$15,733,000, HK$4,644,000, HK$4,510,000 and HK$6,983,000 represented guarantee deposits for bank facilities of the Group.

(b) Cash and cash equivalents

	Group				Company			
	As at 31 December			As at 30 June 2013	As at 31 December			As at 30 June
	2010	2011	2012		2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and in hand	2,178,120	2,894,630	2,517,210	2,512,674	5,824	6,354	63,744	9,599
Short-term bank deposits	32,434	12,998	422,435	460,314	–	–	124,089	937
Cash and bank balances	2,210,554	2,907,628	2,939,645	2,972,988	5,824	6,354	187,833	10,536

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances	2,210,554	2,907,628	2,939,645	2,972,988
Secured bank overdrafts	–	(15,215)	(23,960)	(19,487)
Unsecured bank overdrafts	(20,701)	(297)	(2,129)	(7,312)
	2,189,853	2,892,116	2,913,556	2,946,189

Cash and cash equivalents are denominated in the following currencies:

	Group				Company			
	As at 31 December			As at 30 June 2013	As at 31 December			As at 30 June 2013
	2010	2011	2012		2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	1,002,031	997,662	1,054,679	1,203,465	–	–	124,089	9,365
Hong Kong dollar	464,041	742,663	872,734	648,349	5,824	5,504	62,896	323
United States dollar	45,796	467,615	285,387	253,901	–	850	848	848
Taiwan dollar	391,671	267,486	185,652	234,748	–	–	–	–
Pound sterling	133,145	153,853	176,053	183,802	–	–	–	–
Euro	48,019	80,021	121,933	95,316	–	–	–	–
Vietnamese Dong	–	–	54,579	167,506	–	–	–	–
Singapore dollar	30,933	72,738	47,863	52,574	–	–	–	–
Other currencies	74,217	110,078	114,676	106,528	–	–	–	–
	2,189,853	2,892,116	2,913,556	2,946,189	5,824	6,354	187,833	10,536

24 Accounts payable, deposits received and accrued charges

	Group				Company			
	As at 31 December			As at 30 June 2013	As at 31 December			As at 30 June 2013
	2010	2011	2012		2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	788,462	1,287,341	1,663,301	1,679,511	–	–	–	–
Accrued charges (note (c))	522,761	487,275	546,498	592,259	1,945	2,450	3,549	9,073
Customer deposits	89,104	88,827	97,051	123,870	–	–	–	–
Consideration payable for acquisition of subsidiaries	36,721	300,903	424,827	310,327	–	–	–	–
Others (note (d))	875,629	1,188,826	1,191,352	1,049,057	–	–	–	–
	2,312,677	3,353,172	3,923,029	3,755,024	1,945	2,450	3,549	9,073
Less: non-current consideration payable for acquisition of a subsidiary	–	–	–	(68,370)	–	–	–	–
	2,312,677	3,353,172	3,923,029	3,686,654	1,945	2,450	3,549	9,073

(a) The ageing analysis of trade payables of the Group is as follows:

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Below 1 month	576,891	629,721	848,793	784,145
Between 1 month and 3 months	133,194	405,425	511,014	512,939
Over 3 months	78,377	252,195	303,494	382,427
	788,462	1,287,341	1,663,301	1,679,511

(b) The carrying amounts of the Group's and Company's accounts payable, deposits received and accrued charges are denominated in the following currencies:

	Group				Company			
	As at 31 December			As at 30 June 2013	As at 31 December			As at 30 June 2013
	2010	2011	2012		2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	651,281	1,612,670	1,836,048	1,628,877	–	–	–	–
Hong Kong dollar	504,776	339,142	560,910	558,003	1,945	2,450	3,549	9,073
Taiwan dollar	439,318	419,507	408,486	409,915	–	–	–	–
United States dollar	3,007	134,837	383,064	286,357	–	–	–	–
Euro	137,316	329,951	203,179	228,003	–	–	–	–
Pound sterling	225,415	182,730	180,812	134,762	–	–	–	–
Thai baht	85,460	118,088	137,871	133,856	–	–	–	–
Indian Rupee	94,217	65,531	73,613	77,152	–	–	–	–
Malaysian Ringgit	45,239	56,793	28,126	92,281	–	–	–	–
Swedish Krona	–	–	–	94,201	–	–	–	–
Other currencies	126,648	93,923	110,920	111,617	–	–	–	–
	2,312,677	3,353,172	3,923,029	3,755,024	1,945	2,450	3,549	9,073

(c) The balances of the Group mainly comprise accrued employee benefit expenses and freight and transportation costs.

(d) The balances of the Group mainly comprise freight charges received in advance, deposits received from customers and value added tax payables.

25 Share capital

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Authorised, issued and fully paid:				
500,000 ordinary shares of HK$1 each	500	500	500	500

Note: As at 25 November 2013, each of the 500,000 shares with a par value of HK$1 will be split into two shares with a par value of HK$0.5 each, such that thereafter, the total number of issued shares shall in aggregate be 1,000,000 shares with a par value of HK$0.5 each.

26 Other reserves

	Group						
	Other properties revaluation reserve	Share options reserve	Capital reserve (note (a))	Enterprise expansion and general reserve funds (note(b))	Exchange fluctuation reserve	Acquisition reserve (note (c))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	31,640	34,494	593,052	1,377	251,165	–	911,728
Share of exchange reserve of associates	–	–	–	–	39,253	–	39,253
Net translation differences on foreign operations	–	–	–	–	133,095	–	133,095
Capital contribution from immediate holding company from share option scheme	–	11,068	–	–	–	–	11,068
Acquisition of additional interest in subsidiaries	–	–	–	–	–	(12,231)	(12,231)
Transfer from retained profits	–	–	–	73	–	–	73
At 31 December 2010	31,640	45,562	593,052	1,450	423,513	(12,231)	1,082,986
At 1 January 2011	31,640	45,562	593,052	1,450	423,513	(12,231)	1,082,986
Share of exchange reserve of associates	–	–	–	–	38,053	–	38,053
Net translation differences on foreign operations	–	–	–	–	15,079	–	15,079
Capital contribution from immediate holding company from share option scheme	–	1,801	–	–	–	–	1,801
Acquisition of additional interest in subsidiaries	–	–	–	–	–	(59,774)	(59,774)
Transfer from retained profits	–	–	–	4,323	–	–	4,323
At 31 December 2011	31,640	47,363	593,052	5,773	476,645	(72,005)	1,082,468
At 1 January 2012	31,640	47,363	593,052	5,773	476,645	(72,005)	1,082,468
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties, net of tax	9,598	–	–	–	–	–	9,598
Share of exchange reserve of associates	–	–	–	–	8,833	–	8,833
Net translation differences on foreign operations	–	–	–	–	111,651	–	111,651
Capital contribution from immediate holding company from share option scheme	–	56,435	–	–	–	–	56,435
Cash settlement of recharge of share based payment with immediate holding company	–	(103,798)	–	–	–	–	(103,798)
Acquisition of additional interest in subsidiaries	–	–	–	–	–	(176,182)	(176,182)
Transfer from retained profits	–	–	–	7,465	–	–	7,465
At 31 December 2012	41,238	–	593,052	13,238	597,129	(248,187)	996,470
At 1 January 2013	41,238	–	593,052	13,238	597,129	(248,187)	996,470
Share of exchange reserve of associates	–	–	–	–	7,057	–	7,057
Net translation differences on foreign operations	–	–	–	–	(65,974)	–	(65,974)
Capital contribution from immediate holding company from share option scheme	–	13,607	–	–	–	–	13,607
Acquisition of additional interest in subsidiaries	–	–	–	–	–	(113,943)	(113,943)
Transfer from retained profits	–	–	–	932	–	–	932
At 30 June 2013	41,238	13,607	593,052	14,170	538,212	(362,130)	838,149

Notes:

(a) Capital reserve of the Group arose from the Group's reorganisation in preparation for the listing of Kerry Properties Limited, its immediate holding company, on the Stock Exchange of Hong Kong Limited in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.

(b) Enterprise expansion and general reserve funds are set up by a subsidiary established and operating in the PRC. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.

(c) The acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a change of control by the Group, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.

27 Loans from non-controlling interests

Loans from non-controlling interests of certain subsidiaries are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.

The carrying amounts of the loans from non-controlling shareholders are denominated in the following currencies:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	34,939	22,900	100,584	107,565
Hong Kong dollar	13,183	57,775	60,175	59,129
Malaysian Ringgit	15,624	25,266	31,917	27,227
Other currencies	19,419	25,144	29,686	31,226
	83,165	131,085	222,362	225,147

28 Banks loans

	Group				Company			
	As at 31 December			As at 30 June 2013	As at 31 December			As at 30 June 2013
	2010	2011	2012		2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current								
– unsecured	46,015	228,103	918,256	1,768,874	–	200,000	877,200	1,496,000
– secured (note 35)	190,712	176,851	446,306	515,496	–	–	–	–
	236,727	404,954	1,364,562	2,284,370	–	200,000	877,200	1,496,000
Current								
– unsecured	341,733	518,650	470,791	502,737	116,588	233,550	230,000	230,000
– secured (note 35)	75,553	174,963	129,733	128,698	–	–	–	–
	417,286	693,613	600,524	631,435	116,588	233,550	230,000	230,000
Total bank loans	654,013	1,098,567	1,965,086	2,915,805	116,588	433,550	1,107,200	1,726,000

(a) The maturity of bank loans is as follows:

	Group				Company			
	As at 31 December			As at 30 June 2013	As at 31 December			As at 30 June 2013
	2010	2011	2012		2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 year	417,286	693,613	600,524	631,435	116,588	233,550	230,000	230,000
Between 1 and 2 years	84,503	98,959	175,754	278,678	–	–	–	–
Between 3 and 5 years	152,224	305,995	1,135,483	1,940,676	–	200,000	877,200	1,496,000
Repayable within 5 years	654,013	1,098,567	1,911,761	2,850,789	116,588	433,550	1,107,200	1,726,000
Over 5 years	–	–	53,325	65,016	–	–	–	–
	654,013	1,098,567	1,965,086	2,915,805	116,588	433,550	1,107,200	1,726,000

(b) The effective annual interest rates of the major bank borrowings at the end of the reporting period were as follows:

	31 December 2010						31 December 2011					
	HK$	Singapore dollar	Renminbi	Thai baht	Taiwan dollar	United States dollar	HK$	Singapore dollar	Renminbi	Thai baht	Taiwan dollar	United States dollar
Bank loans	0.78%	0.84%	5.37%	4.41%	0.73%	0.76%	1.64%	3.08%	6.68%	4.54%	1.04%	2.45%

	31 December 2012						30 June 2013					
	HK$	Singapore dollar	Renminbi	Thai baht	Taiwan dollar	United States dollar	HK$	Singapore dollar	Renminbi	Thai baht	Taiwan dollar	United States dollar
Bank loans	1.49%	2.81%	5.14%	4.31%	1.19%	N/A	1.58%	2.39%	5.82%	4.32%	1.32%	2.25%

(c) The carrying amounts of the bank loans approximate their fair values.

(d) The carrying amounts of the bank loans are denominated in the following currencies:

	Group				Company			
	As at 31 December			As at 30 June 2013	As at 31 December			As at 30 June 2013
	2010	2011	2012		2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong dollar	109,000	542,550	1,128,200	1,809,200	–	433,550	1,045,000	1,726,000
Thai baht	226,366	205,035	371,923	438,039	–	–	–	–
Taiwan dollar	44,966	108,362	102,451	65,761	–	–	–	–
Singapore dollar	57,283	90,403	170,124	194,036	–	–	–	–
Renminbi	66,399	74,133	113,993	309,206	–	–	62,200	–
United States dollar	116,588	9,342	–	1,574	116,588	–	–	–
Other currencies	33,411	68,742	78,395	97,989	–	–	–	–
	654,013	1,098,567	1,965,086	2,915,805	116,588	433,550	1,107,200	1,726,000

(e) The immediate holding company has executed guarantees to banks for facilities granted to certain subsidiaries of the Group. The total amount of bank loans covered by the guarantees as at 31 December 2010, 2011, 2012 and 30 June 2013 amounted to approximately HK$88,054,000, HK$76,000,000, HK$76,000,000 and HK$76,000,000.

Such guarantees were released in August 2013.

29 Loans from fellow subsidiaries

Loans from fellow subsidiaries of the Group are unsecured, have no fixed terms of repayment and interest free except for an amount of HK$400,054,000, HK$200,019,000 and HK$400,018,000 as at 31 December 2010, 2011 and 2012, which bears interest at prevailing market rates. They are denominated in Hong Kong dollar.

Loan from a fellow subsidiary of the Company is unsecured, interest free and has no fixed term of repayment. The balance is denominated in Hong Kong dollar.

Subsequent to 30 June 2013 and subject to the Listing, the amount will be fully settled. For details, please refer to note 2(a) above.

30 Deferred taxation

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax assets				
– Deferred tax asset to be recovered after more than 12 months	(63,510)	(60,410)	(61,134)	(64,568)
Deferred tax liabilities:				
– Deferred tax liability to be settled after more than 12 months	529,711	503,736	550,756	558,141
Deferred tax liabilities (net)	466,201	443,326	489,622	493,573

The movement on the deferred income tax account is as follows:

	Group			
	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of year/period	266,068	466,201	443,326	489,622
Acquisition of subsidiaries	246,145	(72)	25,684	5,724
Deferred taxation (credited)/charged to income statement *(note 9)*	(6,900)	15,301	38,438	9,992
Deferred taxation credited to other comprehensive income	(56,305)	(4,921)	(5,778)	–
Transfer to tax liabilities upon the distribution of dividends.	–	(13,956)	(12,980)	–
Exchange adjustment	17,193	(19,227)	932	(11,765)
At end of year/period	466,201	443,326	489,622	493,573

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2010, 2011, and 2012 and 30 June 2013, the Group has unrecognised tax losses of HK$179,799,000, HK$207,474,000, HK$366,114,000 and HK$361,866,000. These tax losses have no expiry dates except for the tax losses of HK$94,168,000, HK$108,204,000, HK$163,766,000 and HK$170,376,000 which will expire at various dates up to and including year 2019, year 2020, year 2021 and year 2021.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the aggregate amount of unrecognised deferred tax liabilities associated with undistributed earnings in subsidiaries totalled approximately HK$27,637,000, HK$37,429,000, HK$50,938,000 and HK$55,129,000, as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

The movements in deferred tax (assets) and liabilities during the years/period were as follows:

	Group					
	Pension obligations	Accelerated depreciation allowances	Revaluation	Tax losses	Withholding tax on distributed profits of subsidiaries and associates	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	–	216,257	49,888	(15,078)	15,001	266,068
Acquisition of subsidiaries	–	–	246,145	–	–	246,145
Deferred taxation charged/(credited) to income statement	3,420	(722)	(22,652)	4,453	8,601	(6,900)
Deferred taxation credited to other comprehensive income	(56,305)	–	–	–	–	(56,305)
Exchange adjustment	–	17,193	–	–	–	17,193
At 31 December 2010	(52,885)	232,728	273,381	(10,625)	23,602	466,201
At 1 January 2011	(52,885)	232,728	273,381	(10,625)	23,602	466,201
Acquisition of subsidiaries	–	(72)	–	–	–	(72)
Deferred taxation charged/(credited) to income statement	3,290	(2,215)	316	4,730	9,180	15,301
Deferred taxation credited to other comprehensive income	(4,921)	–	–	–	–	(4,921)
Transfer to tax liabilities upon the distribution of dividends	–	–	–	–	(13,956)	(13,956)
Exchange adjustment	–	(19,227)	–	–	–	(19,227)
At 31 December 2011	(54,516)	211,214	273,697	(5,895)	18,826	443,326
At 1 January 2012	(54,516)	211,214	273,697	(5,895)	18,826	443,326
Acquisition of subsidiaries	–	25,684	–	–	–	25,684
Deferred taxation charged to income statement	4,218	2,444	9,741	4,037	17,998	38,438
Deferred taxation (credited)/charged to other comprehensive income	(8,978)	–	3,200	–	–	(5,778)
Transfer to tax liabilities upon the distribution of dividends	–	–	–	–	(12,980)	(12,980)
Exchange adjustment	–	932	–	–	–	932
At 31 December 2012	(59,276)	240,274	286,638	(1,858)	23,844	489,622
At 1 January 2013	(59,276)	240,274	286,638	(1,858)	23,844	489,622
Acquisition of subsidiaries	–	5,724	–	–	–	5,724
Deferred taxation (credited)/charged to income statement	–	(5,800)	9,775	(3,434)	9,451	9,992
Exchange adjustment	–	(11,107)	–	–	(658)	(11,765)
At 30 June 2013	(59,276)	229,091	296,413	(5,292)	32,637	493,573

31 Retirement benefits – Defined benefit plans

The Group operates defined benefit pension plans in Taiwan which are final salary defined benefit plans. The assets of the funded plans are held independently of the Group's assets. The contributions are placed with a government institution. The plans are valued by an independent qualified actuary, Hsu Mao-Chin Actuary, annually using the projected unit credit method.

The amounts recognised in the consolidated statement of financial position are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of plan assets	1,652	5,173	3,646	4,675
Present value of funded obligations	(312,737)	(325,331)	(352,344)	(330,247)
Total pension liabilities	(311,085)	(320,158)	(348,698)	(325,572)

The movements in the fair value of plan assets for the years/period are as follows:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of years/period	–	1,652	5,173	3,646
Acquisition of subsidiaries	32,841	408	–	–
Remeasurements	66	58	40	–
Employer contributions	18,865	33,278	35,501	18,301
Benefits paid	(50,120)	(29,754)	(37,698)	(17,164)
Exchange adjustment	–	(469)	630	(108)
At end of year/period	1,652	5,173	3,646	4,675

The movements in the present value of defined benefit obligations recognised in the consolidated statement of financial position are as follows:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of years/period	–	312,737	325,331	352,344
Acquisition of subsidiaries	228,449	925	–	–
Current service cost	5,437	8,165	4,849	2,947
Interest cost	3,509	5,272	5,907	2,553
Remeasurements	125,462	36,090	46,167	–
Benefits paid	(50,120)	(29,754)	(37,698)	(17,164)
Exchange adjustment	–	(8,104)	7,788	(10,433)
At end of year/period	312,737	325,331	352,344	330,247

The amounts recognised in the consolidated income statement were as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Current service cost	5,437	8,165	4,849	2,425	2,947
Interest cost, net	3,509	5,272	5,907	2,918	2,553
Total, included in staff costs (note 12)	8,946	13,437	10,756	5,343	5,500

Out of the total charge, for the years ended 31 December 2010, 2011 and 2012 and the period ended 30 June 2013, HK$6,254,000, HK$9,250,000, HK$8,121,000 and HK$5,270,000 were included in direct operating expenses, and HK$2,692,000, HK$4,187,000, HK$2,635,000 and HK$230,000 were included in administrative expenses, respectively.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Actual return on plan assets in the year	66	58	40	–	–

The principal actuarial assumptions used are as follows:

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Discount rate applied to pension obligations	1.75%-2.00%	1.75%	1.50%	1.50%
Future salary increases	1.00%-2.00%	1.00%-2.00%	1.00%	1.00%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Unfavourable change			
	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Discount rate applied to pension obligations decreases by 0.5%	25,004	25,996	27,469	13,328
Future salary increases by 0.5%	23,816	24,889	27,469	13,328

	Favourable change			
	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Discount rate applied to pension obligations increases by 0.5%	(22,545)	(23,440)	(24,814)	(12,040)
Future salary decreases by 0.5%	(22,811)	(23,716)	(25,048)	(12,153)

The fair value of plan assets are comprised as follows.

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	694	1,597	1,148	1,582
Debt instruments	182	605	422	518
Equity instruments	776	2,971	2,076	2,575
	1,652	5,173	3,646	4,675

The history of defined benefit plans as at 31 December 2010, 2011 and 2012 and 30 June 2013 are as follows:

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of plan assets	1,652	5,173	3,646	4,675
Present value of pension obligations	(312,737)	(325,331)	(352,344)	(330,247)
Deficit	(311,085)	(320,158)	(348,698)	(325,572)

Expected employer contribution to the plans of the Group for the year ending 31 December 2013 is HK$35,858,000.

32 Notes to the consolidated statement of cash flows

(a) Reconciliation of profit before taxation to net cash generated from operations:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit before taxation	1,178,155	1,375,371	1,656,800	696,695	1,202,525
Share of results of associates	(208,821)	(148,464)	(136,421)	(69,123)	(71,626)
Interest income	(11,482)	(12,574)	(28,330)	(9,567)	(19,705)
Dividend income from available-for-sale investments	(1,615)	(2,003)	(21)	–	(838)
Finance costs	23,066	55,394	63,124	27,432	45,096
Change in fair value of investment properties	(175,990)	(130,312)	(265,155)	–	(458,303)
Gain on remeasurement of previously held equity interest in an acquiree company	(54,203)	–	–	–	–
Gain on sale of an available-for-sale investment	(110)	–	–	–	–
Impairment of available-for-sale investments	–	515	82	–	–
Loss/(gain) on disposal of an associate	1,486	(3,482)	–	–	–
Loss/(gain) on disposal of property, plant and equipment	4,177	2,889	(7,065)	(3,193)	(9,943)
Impairment of goodwill	40,407	7,303	7,000	7,000	–
Provision for impairment of receivables	22,124	3,962	22,097	6,570	9,402
Reversal of provision for impairment of receivables	(1,108)	(4,984)	(479)	(454)	(874)
Share options expense	11,068	1,801	56,435	20,963	13,607
Fair value loss on contingent payment for acquisition of subsidiaries	–	9,973	310	–	–
Amortisation of intangible assets	–	3,721	38,043	12,081	19,503
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	210,416	292,309	329,309	158,968	196,294
Operating cash flow before working capital changes	1,037,570	1,451,419	1,735,729	847,372	925,138
Increase in inventories and accounts receivable, prepayments and deposits	(425,280)	(268,872)	(703,223)	(602,738)	(26,118)
Increase/(decrease) in current liabilities, excluding taxation, bank loans, bank overdrafts and loans from fellow subsidiaries	162,744	203,977	179,373	(110,045)	(41,818)
Change in net pension liabilities	(9,919)	(19,841)	(24,745)	(10,933)	(12,801)
Decrease in contingent payment for acquisition of subsidiaries	–	–	(8,377)	–	–
Net cash generated from operations	765,115	1,366,683	1,178,757	123,656	844,401

(b) Major non cash transactions

(i) For the years ended 2010, 2011 and 2012 and for the six months ended 30 June 2012 and 2013, interest expense of HK$5,170,000, HK$6,377,000, HK$5,433,000, HK$2,012,000 and HK$3,117,000 to fellow subsidiaries was settled through current account with immediate holding company.

(ii) For the years ended 2010, 2011 and 2012 and for the period ended 30 June 2013, consideration to be paid of HK$36,721,000, HK$278,892,000, HK$257,114,000 and HK$117,544,000 was deferred from the acquisition of subsidiaries.

(c) Analysis of the net cash inflow/(outflow) in respect of the acquisition of subsidiaries treated as business combinations

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Cash consideration paid	(224,593)	(270,783)	(414,416)	(207,213)	(114,066)
Cash consideration paid for prior years' acquisition	–	(24,699)	(125,122)	(91,882)	(232,028)
Cash and bank balances acquired	306,888	101,751	106,156	92,188	12,013
Bank overdrafts acquired	(17,587)	–	–	–	–
Net cash inflow/(outflow) in respect of the acquisition of subsidiaries	64,708	(193,731)	(433,382)	(206,907)	(334,081)

(d) Analysis of the net cash outflow in respect of the acquisition of a subsidiary treated as asset acquisition

In January 2012, the Group acquired 100% of the equity interest in Kerry Logistics Anhui Co., Ltd. (formerly known as Hefei Huaxing Automobile Parts Co., Ltd.), which owned a warehouse in Hefei Economic and Technological Development Zone.

	HK$'000
Cash consideration paid	(59,208)
Cash and bank balances acquired	234
Net cash outflow in respect of the acquisition of a subsidiary	(58,974)

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	86
Investment properties	59,048
Accounts receivable, prepayments and deposits	13,198
Cash and bank balances	234
Accounts payable, deposits received and accrued charges	(13,299)
Taxation	(59)
Total identifiable net assets	59,208

(e) Transactions with non-controlling interests

(i) During the year ended 31 December 2010, the Group completed several transactions with non-controlling interests as follows:

During 2010, the Group acquired additional effective interests of 5.1392% and 3% in Kerry Freight (Thailand) Limited ("KFT") and Shanghai Kerry CHJ Logistics Limited ("KCHJ") at cash consideration of HK$241,000 and HK$1,320,000 respectively. As a result, 100% effective interests of KFT and KCHJ were held by the Group respectively. The carrying amounts of the non-controlling interests in KFT and KCHJ being acquired were HK$241,000 and HK$1,320,000 on the dates of acquisitions respectively.

In July 2010, Kerry TJ has been accounted for as a subsidiary of the Group obtained de facto control to govern its financial and operating policies (note 4(b)(ii)). Subsequently, further acquisition with no change of the control of Kerry TJ was included in the transaction with non-controlling interest.

During July to December 2010, the Group acquired an additional 1.35% effective interest of Kerry TJ for a total consideration of HK$40,705,000. As a result, 23.41% effective interest of Kerry TJ was held by the Group. The average carrying amount of the acquired non-controlling interests in Kerry TJ on the dates of acquisitions was HK$28,474,000. The Group recognised a decrease in non-controlling interests of HK$28,474,000 and a decrease in equity attributable to the shareholders of the Company of HK$12,231,000.

The effect of the above transactions are summarised as follows:

	HK$'000
Consideration paid to non-controlling interests	42,266
Carrying amount of non-controlling interests acquired	(30,035)
Excess of consideration paid recognised in the acquisition reserve within equity	12,231

(ii) During the year ended 31 December 2011, the Group completed several transactions with non-controlling interests as follows:

During 2011, the Group acquired additional effective interests of 2.24%, 11.64%, 10%, 5%, and 35% in Kerry TJ, Kerry Siam Seaport Limited ("KSSP"), Kerry Reliable Logistics Private Limited ("Reliable"), KART Logistics (Thailand) Limited ("KART") and Kerry Far East Logistics (HK) Limited ("Far East") at cash consideration of HK$92,975,000, HK$48,711,000, HK$3,955,000, HK$1,215,000 and HK$4,225,000 respectively. As a result, 25.65%, 79.52%, 100%, 66% and 100% effective interests of Kerry TJ, KSSP, Reliable, KART and Far East were held by the Group as at 31 December 2011 respectively. The carrying amounts of the non-controlling interests in Kerry TJ, KSSP, Reliable, KART and Far East being acquired were HK$44,368,000, HK$43,175,000, HK$1,657,000, HK$642,000 and HK$1,465,000 on the dates of acquisitions respectively.

The effect of the above transactions are summarised as follows:

	HK$'000
Consideration paid to non-controlling interests	151,081
Carrying amount of non-controlling interests acquired	(91,307)
Excess of consideration paid recognised in the acquisition reserve within equity	59,774

During 2011, the Group disposed of 49% and 2% effective interest of Kerry Logistics (Macau) Limited ("KLM") and K.A.S Services Company Limited ("KAS") for a consideration of HK$47,000 and HK$24,000 respectively. As a result, 51% and 98% effective interest of KLM and KAS were held by the Group as at 31 December 2011 respectively. The carrying amounts of the disposed non-controlling interests in KLM and KAS on the date of acquisition were HK$47,000 and HK$24,000 respectively. The Group recognised an increase in non-controlling interests of HK$71,000 in total and no change in equity attributable to the shareholders of the Company.

The effect of the above transactions are summarised as follows:

	HK$'000
Consideration received from non-controlling interests	71
Carrying amount of non-controlling interests disposed	(71)
	–

(iii) During the year ended 31 December 2012, the Group completed several transactions with non-controlling interests as follows:

During 2012, the Group acquired additional effective interests of 4% and 4.77% in EAE Logistics Holding Limited ("EAE") and Kerry TJ at cash consideration of HK$3,917,000 and HK$252,156,000 respectively. As a result, 55% and 30.42% effective interests of EAE and Kerry TJ were held by the Group respectively. The carrying amounts of the non-controlling interests in EAE and Kerry TJ being acquired were HK$1,324,000 and HK$78,567,000 on the dates of acquisitions respectively.

The effect of these transactions are summarised as follows:

	HK$'000
Consideration paid to non-controlling interests	(256,073)
Decrease in non-controlling interests	79,891
Excess of consideration paid recognised in the acquisition reserve within equity	(176,182)

(iv) During the six months ended 30 June 2012, the Group completed several transactions with non-controlling interests as follows:

During the six months ended 30 June 2012, the Group acquired additional effective interests of 4% and 1.19% in EAE Logistics Holding Limited ("EAE") and Kerry TJ at cash consideration of HK$3,917,000 and HK$50,257,000 respectively. As a result, 55% and 30.42% effective interests of EAE and Kerry TJ were held by the Group respectively. The carrying amounts of the non-controlling interests in EAE and Kerry TJ being acquired were HK$1,324,000 and HK$19,208,000 on the dates of acquisitions respectively.

The effect of these transactions are summarised as follows:

	HK$'000
Consideration paid to non-controlling interests	(54,174)
Decrease in non-controlling interests	20,532
Excess of consideration paid recognised in the acquisition reserve within equity	(33,642)

(v) During the six months ended 30 June 2013, the Group completed several transactions with non-controlling interests as follows:

During the period, the Group acquired additional effective interests of 49% in Kerry Freight (USA) Incorporated, 2.73% in Kerry TJ Logistics Company Limited and 2% in K.A.S Services Company Limited. As a result, 100%, 33.15% and 100% effective interests of Kerry Freight (USA) Incorporated, Kerry TJ and KAS were held by the Group respectively.

The effect of these transactions are summarised as follows:

	HK$'000
Consideration paid to non-controlling interests	(179,049)
Decrease in non-controlling interests	65,106
Excess of consideration paid recognised in the acquisition reserve within equity	(113,943)

33 Business combinations

(a) Details of business combinations during the year ended 31 December 2010 are as follows:

In March 2010, the Group acquired 70% interest in F.D.I Commercial and Forwarding Services Company Limited ("FDI"), which is engaged in international freight forwarding business in Vietnam.

In July 2010, the Group acquired the entire capital of Xiamen Jia Wei Logistics Co. Ltd., which was subsequently renamed as Kerry Logistics (Xiamen) Co., Ltd. The company holds a piece of land in Xiamen which was developed into a logistics centre in 2011.

In July 2010, Kerry TJ, previously an associate of the Group, became a subsidiary of the Group as the Group obtained de facto control to govern its financial and operating policies (note 4(b)(ii)). Kerry TJ is a major logistics operator which commands an extensive distribution network in Taiwan.

Fair value of equity interests held in Kerry TJ as at the date of change in control amounted to HK$748,868,000.

In accordance with HKFRS 3 (Revised) "Business Combinations", the Group is required to re-measure its interest in Kerry TJ at fair value and recognise the related gain/(loss). Accordingly, a gain of HK$54,203,000 was recognised and included in other income in the Group's consolidated income statement for the year ended 31 December 2010.

In August 2010, the Group acquired 30% interest of Indev Logistics Private Limited ("Indev"), which is engaged in logistics operations business in India. The Group obtained the power to govern its financial and operating policies and therefore accounted for it as a subsidiary of the Group.

In August 2010, the Group acquired 85% interest of Arie van Donge & Co. Holding B.V. ("ADCO"), which is engaged in international freight forwarding business in the Netherlands.

Aggregate consideration of the above transactions is as follows:

	HK$'000
Cash consideration paid	224,593
Cash consideration to be paid	36,721
Fair value of equity interest in an associate	748,868
Total	1,010,182

The aggregate fair value of identifiable assets acquired and liabilities assumed as at the respective dates of acquisition are as follows:

	HK$'000
Property, plant and equipment	2,120,338
Leasehold land and land use rights	108,840
Available-for-sale investments	44,682
Accounts receivable, prepayments and deposits	426,040
Cash and bank balances	306,888
Accounts payable, deposits received and accrued charges	(510,045)
Bank overdrafts	(17,587)
Bank loans	(50,953)
Taxation	(22,000)
Deferred taxation	(246,145)
Retirement benefit obligation	(195,608)
Total identifiable net assets	1,964,450
Goodwill	475,344
Non-controlling interests	(1,429,612)
Total	1,010,182

The goodwill of HK$475,344,000 arising from these acquisitions is attributable to the profitability and the synergies expected to arise from the acquired businesses.

The acquired business contributed revenues of HK$1,139,583,000 and net profit attributable to the Company's shareholders of HK$22,480,000 for the period from acquisition up to 31 December 2010. If the acquisition had occurred on 1 January 2010, the contributed revenues and profit attributable to the Company's shareholders would have been HK$2,372,617,000 and HK$42,256,000 respectively.

The contingent consideration arrangement requires the Group to pay the former owner an undiscounted amount in the range between HK$0 and HK$47,790,000 based on multiple of the profit before taxation of the businesses for certain years. The fair value of the contingent consideration of HK$5,993,000 has been provided in the consolidated Financial Information of the Group, based on the income approach and key assumptions, mainly discount rate.

(b) Details of business combinations during the year ended 31 December 2011 are as follows:

In January 2011, the Group acquired 70% interest of Kunshan Wisdom Logistics Co., Ltd. ("Wisdom"), which operates one of the major sea freight consolidation platforms in Shanghai serving mainly the Japan and Southeast Asia trade routes.

In January 2011, the Group acquired 70% interest of Shanghai Hui Cheng Investment Consultancy Co., Ltd. ("HCL"), which is a third-party logistics company, specialising in logistics operations in chemicals, with a special focus on dangerous goods, fast moving consumer goods, electromechanical and automotive industries.

In January 2011, the Group acquired 91% effective interest of Bergen Freight Forwarding Limited ("Bergen"), which is engaged in international freight forwarding business in the United Kingdom.

In January 2011, the Group acquired 100% interest of Nine To Five Limited, which is an established food processing and meal provider in Hong Kong.

In July 2011, the Group acquired 91% effective interest of Regency Forwarding Limited ("Regency"), which is engaged in international freight forwarding business in the United Kingdom.

In September 2011, the Group acquired 51% effective interest of ADN Berkat Sdn Bhd and Sinar Haulage Sdn Bhd, both of which are engaged in trucking business in Malaysia.

In October 2011, the Group acquired 100% interest of TOP Transmode Overseas Partners (MY) SDN. BHD., Transmode Overseas Transportgesellschaft mbH and Mark VII International GmbH ("Transmode"), which is a group of freight forwarding companies offering both import & export services as well as expertise in bulk shipments of commodities such as rubber. Its main markets are Asia, South America, USA and the Middle East.

In December 2011, the Group acquired 70% interest of the business of Shandong D-Express Management Consultancy Co., Ltd. ("D-Express"), which is a Qingdao incorporated company engaged in courier express services of document and small items serving customers mainly in Shandong.

In December 2011, Kerry TJ, a subsidiary with effective interest of 25.65% acquired 70% interest of Trust Speed Group which is engaged in pharmaceutical logistics business in Taiwan.

Aggregate consideration of the above transactions is as follows:

	HK$'000
Cash consideration paid	270,783
Cash consideration to be paid	278,892
Total	549,675

The aggregate fair value of identifiable assets acquired and liabilities assumed as at the respective dates of acquisition are as follows:

	HK$'000
Property, plant and equipment	126,335
Leasehold land and land use rights	73,775
Intangible assets	
– Customer relationships	42,005
– Non-compete agreements	37,017
– Trademark	12,275
Accounts receivable, prepayments and deposits	562,849
Cash and bank balances	101,751
Accounts payable, deposits received and accrued charges	(543,015)
Bank loans	(30,526)
Taxation	(9,069)
Deferred taxation	72
Retirement benefit obligation	(517)
Total identifiable net assets	372,952
Goodwill	270,904
Non-controlling interests	(93,298)
Interest in an associate	(883)
Total	549,675

The goodwill of HK$270,904,000 arising from these acquisitions is attributable to the profitability and the synergies expected to arise from the acquired businesses.

The acquired businesses contributed revenues of HK$2,171,929,000 and net profit of HK$24,288,000 to the Company's shareholders for the period from their respective acquisition up to 31 December 2011. If the acquisition had occurred on 1 January 2011, the contributed revenues and profit attributable to the Company's shareholders would have been HK$3,327,030,000 and HK$48,699,000 respectively.

The contingent consideration arrangement required the Group to pay former owners undiscounted amount up to maximum of HK$353,898,000 based on multiple of the profit before taxation of the businesses for certain years. The fair value of the contingent consideration of HK$278,892,000 has been provided in the consolidated Financial Information of the Group, based on the income approach and key assumptions, mainly discount rate.

(c) Details of business combinations during the year ended 31 December 2012 are as follows:

In January, the Group acquired an additional 50% interest in Kerry Logistics (Spain), S.A.U. (formerly known as Kerry Salvat Logistics, S.A.), an international freight forwarding company in Spain, which became a wholly-owned subsidiary of the Group.

In January, the Group acquired 100% interest in Zhongshan Dajindun Trading Limited which is engaging in food trading and wholesaling business in the PRC.

In January, the Group acquired 51% interest in Beijing Tengchang International Logistics Co., Ltd., a Non-Vessel Operating Common Carrier ("NVOCC") which operates one of the major air freight consolidation platforms in Beijing.

In January, the Group acquired 51% interest in Shanghai Tenglong International Freight Agency Co., another NVOCC which operates one of the major air freight consolidation platforms in Shanghai.

In January, the Group acquired 60% interest in Hang Fung Supply Chain Limited, which is engaging in trading, sales and distribution of food and beverage products and catering supplies in Hong Kong.

In March, the Group acquired 70% effective interest in Tin Thanh Express Joint Stock Company (subsequently renamed as Kerry TTC Express Joint Stock Company) which is engaging in domestic express delivery services in Vietnam.

In June, the Group acquired 100% interest in Taishan Insurance Brokers Limited which is engaging in insurance broking services mainly in Hong Kong and the PRC.

In June, the Group acquired 60% interest in Kerry Logistics Cold Chain (Australia) Pty Ltd. which is engaging in cold chain distribution services in Australia.

In July, the Group acquired 48.3% effective interest in CF Express Co Ltd which is engaging in domestic same-day delivery service in Taiwan. The Group has obtained the power to govern its financial and operating policies and therefore has accounted for it as a subsidiary of the Group.

In July, the Group acquired 60% effective interest in TGX Group which is engaging in local express delivery service in Hong Kong as well as international express delivery service to the PRC, Taiwan, Macau and Germany.

In August, the Group acquired 60% interest in Fast Forward Logistics Sdn. Bhd. and Able Meridian Logistics Sdn. Bhd. which are engaging in custom brokerage and container haulage business in Malaysia.

Aggregate consideration of the above transactions is as follows:

	HK$'000
Cash consideration paid	414,416
Cash consideration to be paid	257,114
Total	671,530

The aggregate fair value of identifiable assets acquired and liabilities assumed as at the respective dates of acquisition are as follows:

	HK$'000
Property, plant and equipment	55,228
Intangible assets	
– Customer relationships	74,930
– Non-compete agreements	9,244
– Trademark	14,466
Available-for-sale investments	7,479
Accounts receivable, prepayments and deposits	219,348
Cash and bank balances	106,156
Accounts payable, deposits received and accrued charges	(189,253)
Bank loans	(14,212)
Taxation	(2,158)
Deferred taxation	(25,684)
Total identifiable net assets	255,544
Goodwill	533,354
Non-controlling interests	(113,385)
Interest in an associate	(3,983)
Total	671,530

The goodwill of HK$533,354,000 arising from these acquisitions is attributable to the profitability and the synergies expected to arise from the acquired businesses.

The acquired businesses contributed revenues of HK$2,103,447,000 and net profit of HK$42,293,000 to the Company's shareholders for the period from their respective acquisition up to 31 December 2012. If the acquisitions had occurred on 1 January 2012, the contributed revenues and profit attributable to Company's shareholders for the year ended 31 December 2012 would have been HK$2,280,011,000 and HK$30,923,000 respectively.

The contingent consideration arrangement required the Group to pay former owners undiscounted amount up to maximum of HK$266,465,000 based on multiple of the profit before taxation of the businesses for certain years. The fair value of the contingent consideration of HK$252,655,000 has been provided in the consolidated Financial Information of the Group, based on the income approach and key assumptions, mainly discount rate.

(d) Details of business combinations during the six months ended 30 June 2013 are as follows:

In May 2013, the Group acquired 50% interest in Albini & Pitigliani Sverige AB which is engaging in road transportation business within the European Continent as well as international freight forwarding business. The Group has assumed the risks and rewards of the entity and Albini & Pitigliani Sverige AB has been consolidated as a wholly owned subsidiary of the Group.Pursuant to the sale and purchase agreement and a put and call option agreement, the vendors were given put options to sell the remaining 50% equity interest to the Group over a period of time. The Group was given call option to purchase the remaining 50% equity interest from the vendors. The put options including four tranches and will be lapsed over four years and the call option has unlimited exercise period. The put and call options for the remaining 50% equity interest has been accounted for as a deferred consideration payable.

In June 2013, the Group acquired 51% interest in Braservice – Transportes Internacionais Ltda and Braservice Cargo – Transportes, Armazenagem e Logistica Ltda (collectively as "Braservice") which are engaging in international freight forwarding, customs brokerage and other related logistics services in Brazil.

Aggregate consideration of the above transactions is as follows:

	HK$'000 (provisional)
Cash consideration paid	114,066
Cash consideration to be paid	117,544
Total	231,610

The aggregate provisional amounts of identifiable assets acquired and liabilities assumed as at the respective dates of acquisitions are as follows:

	HK$'000 (provisional)
Property, plant and equipment	82,899
Accounts receivable, prepayments and deposits	34,789
Cash and bank balances	12,013
Accounts payable, deposits received and accrued charges	(40,677)
Bank loans	(17,872)
Deferred taxation	(5,725)
Total identifiable net assets	65,427
Goodwill	167,244
Non-controlling interests	(1,061)
Total	231,610

The goodwill of HK$167,244,000 arising from these acquisitions is attributable to the future profitability of the acquired businesses.

The acquired businesses contributed revenues of HK$36,123,000 and net profit of HK$2,204,000 to the Company's shareholders for the period from their respective acquisition up to 30 June 2013. If the acquisitions had occurred on 1 January 2013, the contributed revenues and profit attributable to Company's shareholders for the six months ended 30 June 2013 would have been HK$84,368,000 and HK$9,429,000 respectively.

The fair value of the deferred consideration of HK$117,544,000 has been provided in the consolidated Financial Information of the Group and shall be subject to fair value change in the consolidated income statement at each period end.

34 Commitments

(a) At 30 June 2013, the Group had capital commitments in respect of property, plant and equipment and acquisition of subsidiaries not provided for in these Financial Information as follows:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Contracted but not provided for	170,526	1,189,902	520,290	362,740
Authorised but not contracted for	30,017	102,086	157,521	98,558
	200,543	1,291,988	677,811	461,298

(b) At 30 June 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group			
	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Land and buildings:				
Within one year	138,292	294,282	280,281	352,560
In the second to fifth year, inclusive	275,042	446,330	377,523	478,431
Over five years	106,147	157,134	183,517	212,686
	519,481	897,746	841,321	1,043,677

The group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 year and 15 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

(c) The Group's future aggregate minimum lease payments receivable on leases of investment properties are disclosed in note 14(e).

35 Pledge of assets – Group

At 31 December 2010, 2011 and 2012 and 30 June 2013, the Group's total bank loans of HK$654,013,000, HK$1,098,567,000, HK$1,965,086,000 and HK$2,915,805,000 included an aggregate amount of HK$266,265,000, HK$351,814,000, HK$576,039,000 and HK$644,194,000 which is secured. The Group's total bank overdrafts of HK$20,701,000, HK$15,512,000, HK$26,089,000 and HK$26,799,000 included an aggregate amount of nil, HK$15,213,000, HK$23,960,000 and HK$19,487,000 which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

(i) legal charges over certain investment properties, leasehold land and land use rights, construction in progress and buildings and port facilities (notes 14, 15 and 16);

(ii) assignments of insurance proceeds of certain properties.

36 Share options

The fair value of share options granted to the directors and employees of the Group were recharged to the Group by KPL.

There are 2 share option schemes of KPL as follows:

(a) 2002 Share Option Scheme

The 2002 Share Option Scheme was terminated on 5 May 2011 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options granted to the Directors and employees of the Group under the 2002 Share Option Scheme are as follows:

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number
At 1 January	27.51	5,205,000	29.02	4,485,000	29.68	3,590,000	30.44	3,367,500
Exercised during the years/period (note (i))	18.11	(700,000)	18.16	(645,000)	18.11	(222,500)	18.41	(17,500)
Lapsed during the years/period	17.58	(20,000)	47.70	(250,000)	–	–	–	–
At 31 December (note (ii))	29.02	4,485,000	29.68	3,590,000	30.44	3,367,500	30.50	3,350,000

For the share options exercised during the years/period ended 31 December 2010, 2011, 2012 and 30 June 2013, the related weighted average share price at the time of exercise was HK$41.13, HK$38.57, HK$36.29 and HK$40.95, and the total amount of proceeds received was approximately HK$12,677,000, HK$11,710,000, HK$4,030,000 and HK$322,000 respectively.

Notes:

(i) Details of share options exercised:

Exercise price per share	Number of share options			
	As at 31 December			As at 30 June
(HK$)	2010	2011	2012	2013
18.74	320,000	320,000	102,500	12,500
17.58	380,000	325,000	120,000	5,000
	700,000	645,000	222,500	17,500

(ii) Terms of share options at the end of the reporting period were as follows:

	Exercise price per share	Number of share options			
		As at 31 December			As at 30 June
Expiry date	(HK$)	2010	2011	2012	2013
17/03/2006-16/03/2015	18.74	77,500	72,500	25,000	25,000
17/03/2007-16/03/2015	18.74	1,327,500	1,012,500	957,500	945,000
02/04/2009-01/04/2018	47.70	412,500	350,000	350,000	350,000
02/04/2010-01/04/2018	47.70	412,500	350,000	350,000	350,000
02/04/2011-01/04/2018	47.70	825,000	700,000	700,000	700,000
06/02/2010-05/02/2019	17.58	535,000	525,000	475,000	475,000
06/02/2011-05/02/2019	17.58	895,000	580,000	510,000	505,000
		4,485,000	3,590,000	3,367,500	3,350,000

(b) 2011 Share Option Scheme

The 2011 Share Option Scheme was adopted by KPL on 5 May 2011. Under the 2011 Share Option Scheme, the Directors of KPL may, at their absolute discretion, grant share options to motivate executives and key employees and other persons who may make a contribution to KPL, and enables KPL to attract and retain individuals with experience and ability and to reward them for their contributions. The exercise price for any particular share options shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share options subject to the compliance with the Listing Rules.

Details of the movement of the share options granted to the Directors and employees of the Group under the 2011 Share Option Scheme are as follows:

	As at 31 December 2012		As at 30 June 2013	
	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number
At 1 January	–	–	35.45	6,170,000
Granted during the year/period (note (ii))	35.45	6,170,000	–	–
At 31 December (note (i))	35.45	6,170,000	35.45	6,170,000

Notes:

(i) Terms of share options at the end of the reporting period were as follows:

	Exercise price per share	Number of share options	
Expiry date	(HK$)	As at 31 December 2012	As at 30 June 2013
31/10/2012-29/04/2022	35.45	2,985,000	2,985,000
15/02/2013-29/04/2022	35.45	50,000	50,000
01/04/2013-29/04/2022	35.45	50,000	50,000
31/10/2013-29/04/2022	35.45	3,085,000	3,085,000
		6,170,000	6,170,000

(ii) The weighted average fair value of the share options granted on 30 April 2012 to the directors and employees of the Group was HK$9.96 per share. The valuation was based on a Binomial Model with the following data and assumptions:

Closing share price at grant date: HK$35.45
Exercise price: HK$35.45
Expected volatility[I]: 36% per annum
Share options life: 10 years
Average risk-free interest rate[II]: 1.21% per annum
Expected dividend yield: 2.5% per annum

Notes:

I. It was determined based on historical share price movement.

II. It is taken to be equal to the yield of Hong Kong government bonds over the exercise period.

The valuation has also taken into account the assumed rate of leaving service of 10% per annum and the assumption of early exercise of the share options by the optionholders when the share price is at least 200% of the exercise price.

The value of the share options varies with different values of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value off the share options.

37 Related party transactions

Except for the related party transactions disclosed in notes 18, 22, 27 and 29 in the Financial Information, the Group had the following material related party transactions carried out in the normal course of business during the years/periods:

(a) Sales/(purchases) of services

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Fellow subsidiaries					
Logistics services income	141	1,521	7,445	2,506	7,604
Rental expense	(4,504)	(5,754)	(6,013)	(3,474)	(2,279)
Immediate holding company					
Management fee expense	(19,919)	(25,368)	(26,391)	(12,025)	(14,006)
Associates of the Group/Kerry Properties Limited/Kerry Group Limited					
Storage service expense	(31,175)	(36,591)	(37,126)	(17,874)	(12,703)
Rental expense	(1,339)	(1,900)	(1,653)	(909)	(7,778)
Interest income	–	–	3,495	744	922

These transactions were conducted at terms in accordance with the terms as agreed between the Group and the respective related parties.

(b) Key management compensation

The key management compensation includes the salaries and other short-term benefits, excluding share option benefits, of the Board of Directors and nine senior executives who report to the Board of Directors.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Salaries and other short-term benefits	48,853	54,598	59,776	15,860	17,858

38 Contingent liabilities

(a) Litigation

Kerry EAS Logistics Limited ("KEAS"), a company in which the Group has a 70% interest, is involved in a legal case in which an airline operator, together with five other plaintiffs, including the insurers of the aircraft concerned, are claiming damages, costs and interest, against six defendants, including KEAS, on a joint and several basis in relation to the alleged damages, amounting to approximately US$65.6 million (approximately HK$511.7 million at the exchange rate of US$1 = HK$7.8) caused to an aircraft in 2000 in respect of the transportation of certain chemical substance.

The alleged damages of approximately US$65.6 million sought by the plaintiffs represent the market value of their aircraft at the time when the damage occurred less the resale value of the aircraft after repairs.

In the Court judgment given by Beijing High Level People's Court (the "Court") on 5 December 2007 (the "Judgment"), it was stated that KEAS had fulfilled all its obligations in this case and it had no liability to any of the plaintiffs. All claims brought by the airline operator together with the other five plaintiffs against KEAS, and the other three defendants were all dismissed by the Court. Judgment was entered by the Court in favour of all plaintiffs against the other two defendants for the amount of US$65.1 million. All the six plaintiffs and one of the defendants ("Principal Defendant") had lodged their appeal. Subsequently, the Principal Defendant withdrew its appeal, leaving only the plaintiffs' appeal to be heard.

The appeal was heard by The Supreme People's Court of the People's Republic of China (the "Appeal Court") on 30 July 2009. By a judgment dated 25 December 2012 handed down on 28 January 2013 (the "Appeal Judgment"), the Appeal Court reaffirmed that the Principal Defendant should be primarily and fully liable for the plaintiffs' claims and revised the judgment sum upward to approximately US$65.8 million, including certain experts' fees. On the other hand, the Appeal Court partially overturned the Judgment and held that in the event the plaintiffs are not able to fully recover the judgment sum from the Principal Defendant, KEAS and another defendant shall each be liable towards the plaintiffs to the extent of 5% of the part of judgment sum unrecoverable from the Principal Defendant. The Principal Defendant is in bankruptcy process and the prospect of recovery against it is in doubt.

The Appeal Judgment takes effect and is enforceable immediately upon issuance under the laws of the People's Republic of China ("PRC"). However, the parties to the appeal are entitled to apply for retrial of the case within 6 months from the Appeal Judgment if any errors in the Appeal Judgment are identified. If no parties seek for retrial of the case within 6 months, the maximum amount payable by KEAS to the plaintiffs under the Appeal Judgment is approximately US$3.3 million. If any parties apply for retrial of the case within the prescribed time and if the Appeal Court decides to retry the case, KEAS' liabilities (if any) will be reassessed by the Appeal Court during the retrial.

Save as disclosed above, as at the reporting date of the Group's consolidated Financial Information, the Company was not aware of any further development of this legal action. Pursuant to the sale and purchase agreement for the acquisition of KEAS, the vendor of KEAS, who has retained 30% interest in KEAS, has undertaken to indemnify the Group in full in respect of all losses, costs, expenses and other responsibilities and liabilities arising from the above legal action against KEAS. Accordingly, no provision has been made in the Financial Information.

(b) Guarantees for banking and other facilities

The Group and the Company have executed guarantees to banks for facilities granted to certain subsidiaries. The utilised amount of such facilities covered by the guarantees of the Group and the Company which also represented the financial exposure of the Group and the Company as at 31 December 2010, 2011, 2012 and 30 June 2013 amounted to approximately HK$115,121,000, HK$594,296,000, HK$437,018,000 and HK$1,335,489,000. The total amount of such facilities covered by the Company's guarantees as at 31 December 2010, 2011, 2012 and 30 June 2013 amounted to approximately HK$285,106,000, HK$1,096,768,000, HK$1,126,169,000 and HK$2,699,957,000.

39 **Group structure – principal subsidiaries**

At 30 June 2013, the Company held interests in the following principal subsidiaries:

	Name	Place of incorporation/ establishment	Date of Incorporation (dd-mmm-yyyy)	Principal activities	Issued share capital[9]/ Registered capital: Number/ Amount	Issued share capital[9]/ Registered capital: Par value per share	Interest held indirectly: 31 December 2010	31 December 2011	31 December 2012	30 June 2013
(1)(8)	Albini & Pitigliani Sverige AB	Sweden	21-Oct-1987	Freight forwarding and transportation	SEK500,000	–	–	–	–	50%
(1)	Arie van Donge & Co. Holding B.V.	Netherlands	25-Mar-1985	Freight forwarding	1,500	EUR46	85%	85%	85%	89.55%
(1)(2)(4)	Beijing Kerry Logistics Ltd.	PRC	28-Apr-2001	Logistics business	US$12,000,000	–	100%	100%	100%	100%
(2)(5)	Beijing Tengchang International Transportation Service Co., Ltd.	PRC	28-Jun-2011	Freight forwarding	RMB30,000,000	–	–	–	51%	51%
(1)	Braservice – Assessoria em Comercio Exterior Ltda	Brazil	18-Sep-1991	Freight forwarding	288,487	BRL1	–	–	–	51%
(1)(2)(4)	Chengdu Kerry Shudu Logistics Co., Ltd.	PRC	24-May-2012	Logistics business	RMB50,000,000	–	–	–	100%	100%
(1)(4)	Chongqing Lingxian Industry Development Limited	PRC	22-Dec-2006	Logistics business	RMB112,500,000	–	100%	100%	100%	100%
(1)(2)(3)	CV Global Logistics (Beijing) Limited	PRC	15-Jun-1995	Logistics business	RMB50,000,000	–	100%	100%	100%	100%
(1)	E.A.E. Freight & Forwarding Sdn. Bhd.	Malaysia	28-Nov-1994	Transportation and distribution services	500,000	MYR1	51%	51%	55%	55%
(1)	F.D.I COMMERCIAL AND FORWARDING SERVICES COMPANY LIMITED	Vietnam	16-Apr-2003	Freight forwarding	VND3,333,330,000	–	70%	70%	70%	70%
(1)(7)(8)	INDEV LOGISTICS PRIVATE LIMITED	India	27-Jan-1997	Logistics business	129,500	INR100	30%	30%	30%	30%
(1)(2)(3)	KART (China) Co., Ltd (Formerly known as Shenzhen Dong Meng Logistics Limited)	PRC	10-Aug-2011	Transportation and distribution services	RMB1,000,000	–	–	–	100%	100%
(1)(2)	KART (THAILAND) LIMITED	Thailand	12-Apr-2012	Transportation and distribution services	400,000	THB100	–	–	55%	55%

	Name	Place of incorporation/ establishment	Date of Incorporation (dd-mmm-yyyy)	Principal activities	Issued share capital[9]/ Registered capital: Number/ Amount	Issued share capital[9]/ Registered capital: Par value per share	Interest held indirectly: 31 December 2010	31 December 2011	31 December 2012	30 June 2013
(1)	KART (VIET NAM) COMPANY LIMITED	Vietnam	30-Dec-2011	Transportation and distribution services	VND4,173,000,000	–	–	–	100%	100%
	KERRY CARGO CENTRE LIMITED	HK	13-Dec-1994	Warehouse ownership	2	HK$1	100%	100%	100%	100%
	KERRY COLD STORE (HONG KONG) LIMITED	HK	21-Nov-1991	Warehouse operator	2	HK$10	100%	100%	100%	100%
	KERRY D.G. WAREHOUSE (KOWLOON BAY) LIMITED	HK	5-Sep-1980	Warehouse ownership	20,000,000	HK$1	100%	100%	100%	100%
	KERRY DISTRIBUTION (HONG KONG) LIMITED	HK	19-Aug-1986	Transportation and distribution services	500,000	HK$1	100%	100%	100%	100%
(1)(2)	Kerry Distribution (Thailand) Limited	Thailand	4-Sep-2002	Transportation and distribution services	250,000[10]	THB100	100%	80%	80%	80%
	Kerry Distribution Services (Hong Kong) Limited	HK	1-Mar-2000	Transportation and distribution services	10,000	HK$1	100%	100%	100%	100%
(1)(5)	Kerry EAS Logistics Limited	PRC	27-Feb-1985	Freight forwarding and logistics business	RMB270,000,000	–	70%	70%	70%	70%
(1)	Kerry Far East Logistics (Bangladesh) Limited	Bangladesh	16-Jul-2007	Freight forwarding	100,000	BDT100	45.5%	70%	70%	70%
	Kerry Far East Logistics (Hong Kong) Limited	HK	17-Aug-2006	Freight forwarding	100	HK$1	65%	100%	100%	100%
(1)(2)(4)	Kerry FFTZ Warehouse (Shenzhen) Ltd.	PRC	21-Sep-2004	Logistics business	HK$70,000,000	–	100%	100%	100%	100%
	KERRY FREIGHT (AUSTRALIA) PTY LTD	Australia	9-May-1995	Freight forwarding	500,000	AUD1	100%	100%	100%	100%
	KERRY FREIGHT (HONG KONG) LIMITED	HK	12-May-1972	Freight forwarding	100 27,500[11]	HK$100 HK$100	100%	100%	100%	100%
(2)	Kerry Freight (Korea) Inc.	South Korea	10-Nov-1995	Freight forwarding	100,000[10]	KRW5,000	50.99%	50.99%	50.99%	50.99%
(1)	KERRY FREIGHT (SINGAPORE) PTE. LTD. (Formerly known as Kerry Logistics (Singapore) Pte. Ltd.)	Singapore	3-Feb-2004	Freight forwarding	500,000	SGD1	100%	100%	100%	100%

	Name	Place of incorporation/ establishment	Date of Incorporation (dd-mmm-yyyy)	Principal activities	Issued share capital[9]/ Registered capital: Number/ Amount	Par value per share	Interest held indirectly: 31 December 2010	2011	2012	30 June 2013
(1)(2)	Kerry Freight (Thailand) Limited	Thailand	1-Sep-2000	Freight forwarding	115,000[10]	THB100	100%	100%	100%	100%
(1)	Kerry Freight (USA) Incorporated	United States	30-Dec-2008	Freight forwarding	1,000,000	US$1	51%	51%	51%	100%
(1)	KERRY FREIGHT MYANMAR LIMITED	Myanmar	10-Aug-2012	Freight forwarding	25,000	US$1	–	–	60%	60%
(1)	KERRY INTEGRATED LOGISTICS (VIET NAM) CO., LTD	Vietnam	20-Jun-2006	Logistics business	US$7,900,000	–	100%	100%	100%	100%
	KERRY LOGISTICS (AUSTRALIA) PTY LTD	Australia	3-Mar-1961	Operation of logistics business, rail terminal and container depot	1,000,000	AUD2	100%	100%	100%	100%
(1)(2)	Kerry Logistics (Bangna) Limited	Thailand	18-Feb-2013	Logistics business	5,000,000	THB100	–	–	–	100%
	KERRY LOGISTICS (BELGIUM) BVBA	Belgium	26-Jun-2006	Freight forwarding	EUR5,450,000	–	100%	100%	100%	100%
(1)	KERRY LOGISTICS (CAMBODIA) PTE. LTD.	Cambodia	14-Aug-2006	Freight forwarding	1,000	KHR20,000	100%	100%	100%	100%
(1)(2)(4)	Kerry Logistics (Chengdu) Ltd	PRC	23-Apr-2008	Logistics business	RMB27,000,000	–	100%	100%	100%	100%
(1)(2)(4)	Kerry Logistics (China) Investment Limited	PRC	10-Aug-2010	Investment holding	US$135,000,000	–	–	100%	100%	100%
(1)(4)	Kerry Logistics (Fuzhou) Co., Ltd.	PRC	30-May-2002	Logistics business	US$2,820,000	–	100%	100%	100%	100%
	KERRY LOGISTICS (HONG KONG) LIMITED	HK	8-May-1987	Logistics business	10,000,000	HK$1	100%	100%	100%	100%
(1)(7)	KERRY LOGISTICS (INDIA) PRIVATE LIMITED (Formerly known as KERRY RELIABLE LOGISTICS PRIVATE LIMITED)	India	31-May-1996	Freight forwarding	16,000	INR10	90%	100%	100%	100%
(1)(2)	Kerry Logistics (Japan) Limited	Japan	26-Sep-2008	Freight forwarding	2,000	JPY50,000	100%	100%	100%	100%
(1)(2)(4)	Kerry Logistics (Kunshan) Ltd.	PRC	20-Mar-2009	Logistics business	HK$178,000,000	–	100%	100%	100%	100%

	Name	Place of incorporation/ establishment	Date of Incorporation (dd-mmm-yyyy)	Principal activities	Issued share capital[9]/ Registered capital Number/ Amount	Par value per share	Interest held indirectly 31 December 2010	2011	2012	30 June 2013
(1)	KERRY LOGISTICS (MACAU) LIMITED	Macau	26-Apr-2006	Logistics business	MOP100,000	–	100%	51%	51%	51%
(1)(2)(4)	Kerry Logistics (Shanghai Waigaoqiao) Co., Ltd.	PRC	18-Jun-2001	Logistics business	HK$44,000,000	–	100%	100%	100%	100%
(1)	KERRY LOGISTICS (SPAIN), S.A.U. (Formerly known as KERRY SALVAT LOGISTICS, S.A.)	Spain	21-Feb-1995	Freight forwarding	20,000	EUR6.01	50%	50%	100%	100%
(1)(2)	Kerry Logistics (Thailand) Limited	Thailand	23-Jan-2001	Logistics business	1,600,000	THB100	73.58%	75.90%	75.90%	75.90%
(1)(4)	Kerry Logistics (Tianjin) Co., Ltd.	PRC	15-Mar-2002	Logistics business	HK$20,000,000	–	100%	100%	100%	100%
	KERRY LOGISTICS (UK) LIMITED	United Kingdom	1-Jul-1981	Freight forwarding	20,000	GBP1	91%	91%	91%	91%
(1)(4)	Kerry Logistics (Wuxi) Co., Ltd	PRC	26-Nov-2010	Logistics business	HK$70,000,000	–	100%	100%	100%	100%
(1)(4)	KERRY LOGISTICS (XIAMEN) CO., LTD.	PRC	29-Jul-2004	Logistics business	RMB78,000,000	–	100%	100%	100%	100%
(1)(4)	Kerry Logistics (Zhengzhou) Limited	PRC	6-Jul-2011	Logistics business	RMB50,000,000	–	–	100%	100%	100%
(1)(2)(4)	Kerry Logistics Anhui Co., Ltd.	PRC	9-Nov-2005	Logistics business	RMB36,000,000	–	–	–	100%	100%
(1)	KERRY LOGISTICS CENTRE (TAMPINES) PTE. LTD. (Formerly known as KERRY LOGISTICS HUB (SINGAPORE) PTE. LTD.)	Singapore	31-May-2011	Provision of warehouse and logistics services	1	SGD1	–	100%	100%	100%
(1)	KERRY LOGISTICS MANAGEMENT (ASIA) PTE. LTD.	Singapore	28-Feb-2011	Investment holding	1	SGD1	–	100%	100%	100%
(1)	KERRY MALSHIP LOGISTICS LANKA (PRIVATE) LIMITED	Sri Lanka	6-Jun-2012	Freight forwarding	250,000	US$1	–	–	51%	51%
	Kerry PC3 Limited	HK	16-May-2007	Logistics business	1	HK$1	100%	100%	100%	100%
(2)	Kerry Siam Seaport Limited	Thailand	13-Feb-1990	Operating deep-sea wharf and depots	65,000,000	THB10	67.88%	79.52%	79.52%	79.52%

	Name	Place of incorporation/ establishment	Date of Incorporation (dd-mmm-yyyy)	Principal activities	Issued share capital[9]/ Registered capital: Number/ Amount	Issued share capital[9]/ Registered capital: Par value per share	Interest held indirectly: 31 December 2010	2011	2012	30 June 2013
	Kerry TC Warehouse 1 (Block A) Limited	BVI	8-Oct-1991	Warehouse ownership	1	US$1	100%	100%	100%	100%
	Kerry TC Warehouse 1 (Block B) Limited	BVI	8-Oct-1991	Warehouse ownership	1	US$1	100%	100%	100%	100%
	Kerry TC Warehouse 2 Limited	HK	9-Oct-1987	Warehouse ownership	10,000	HK$1	100%	100%	100%	100%
(1)(2)(6)(8)	Kerry TJ Logistics Company Limited	Taiwan	21-May-1959	Transportation and logistics business	483,582,498	NTD10	23.41%	25.65%	30.42%	33.15%
(1)	KERRY TTC EXPRESS JOINT STOCK COMPANY	Vietnam	10-Feb-2006	Express services	8,600,000	VND10,000	–	–	70%	70%
	KERRY WAREHOUSE (CHAI WAN) LIMITED	HK	13-Feb-1981	Warehouse ownership	10,000,000	HK$1	100%	100%	100%	100%
	KERRY WAREHOUSE (FANLING 1) LIMITED	HK	13-Apr-1993	Warehouse ownership	2	HK$1	100%	100%	100%	100%
	KERRY WAREHOUSE (HONG KONG) LIMITED	HK	26-Jul-1977	Warehouse operator	25,000,000	HK$1	100%	100%	100%	100%
	KERRY WAREHOUSE (KWAI CHUNG) LIMITED	HK	13-Oct-1981	Warehouse ownership	30,000	HK$1	100%	100%	100%	100%
	KERRY WAREHOUSE (SHATIN) LIMITED	HK	13-Mar-1981	Warehouse ownership	10,000,000	HK$1	100%	100%	100%	100%
	KERRY WAREHOUSE (SHEUNG SHUI) LIMITED	HK	3-Jul-1987	Warehouse ownership	5,000,000	HK$1	100%	100%	100%	100%
	KERRY WAREHOUSE (TSUEN WAN) LIMITED	HK	8-Jun-1995	Warehouse ownership	2	HK$1	100%	100%	100%	100%
	KerryFlex Supply Chain Solutions Limited	HK	5-Mar-1997	Provision of supply chain solutions service	5,000,000	HK$1	100%	100%	100%	100%
(1)	KERRY-ATS LOGISTICS, INC.	Philippines	30-Mar-2009	Freight forwarding	16,000,000	PHP1	51%	51%	51%	51%
(1)	KERRY-ITS TERMINAL PTE. LTD.	Singapore	18-Nov-1987	ISO tank cleaning and repairing	1,800,000	SGD1	60%	60%	60%	60%
(1)	KLN INVESTMENT (VIET NAM) CO., LTD.	Vietnam	8-Jun-2009	Logistics business	VND35,000,000,000	–	–	–	100%	100%
(1)	PT. KERRY LOGISTICS INDONESIA	Indonesia	17-Mar-2004	Freight forwarding and logistics business	50,000	US$1	90%	90%	90%	90%

	Name	Place of incorporation/ establishment	Date of Incorporation (dd-mmm-yyyy)	Principal activities	Issued share capital[9]/ Registered capital: Number/ Amount	Issued share capital[9]/ Registered capital: Par value per share	Interest held indirectly: 31 December 2010	Interest held indirectly: 31 December 2011	Interest held indirectly: 31 December 2012	Interest held indirectly: 30 June 2013
(1)(2)(3)	Shandong D-Express Logistics Co., Ltd.	PRC	1-Jul-2011	Express service	RMB20,000,000	–	–	70%	70%	70%
(1)(2)(3)	Shanghai Hui Cheng Logistics Co., Ltd.	PRC	30-Nov-1999	Logistics business	RMB10,500,000	–	–	70%	70%	70%
(2)(5)	Shanghai TCI Freight Forwarding Co., Ltd.	PRC	30-Jun-2011	Freight forwarding	RMB70,000,000	–	–	–	51%	51%
(2)(3)	Shanghai Wisdom Global Logistics Co., Ltd. (Formerly known as Shanghai Wisdom International Freight Agency Co., Ltd.)	PRC	3-Aug-2010	Freight forwarding	RMB23,000,000	–	–	70%	70%	70%
(1)(2)(5)	Shenzhen Kerry Yantian Port Logistics Company Limited	PRC	20-Aug-2001	Logistics business	RMB88,000,000	–	55%	55%	55%	55%
(1)	Taiwan Kerry Logistics Company Limited	Taiwan	15-Jun-2012	Investment holding	10,000,000	TWD10	–	–	100%	100%
(1)	TOP GUN EXPRESS CENTRE LIMITED	HK	10-Dec-2003	Courier services	1,000	HK$1	–	–	60%	60%
(1)	Transmode Overseas Transportgesellschaft mbH	Germany	30-Jun-2005	Freight forwarding	EUR25,564.59	–	–	100%	100%	100%
	WAH CHEONG COMPANY, LIMITED	HK	25-Aug-1949	General merchants	150,000	HK$100	100%	100%	100%	100%

Notes:

(1) companies not audited by PricewaterhouseCoopers

(2) English translation of name only

(3) domestic corporation

(4) wholly foreign-owned enterprise

(5) sino-foreign equity joint venture enterprise

(6) listed company in Taiwan Stock Exchange Corporation. The market value of the Group's investment in Kerry TJ amounted to HK$1,231,359,000, HK$1,330,839,000, HK$2,482,711,000 and HK$1,898,432,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013.

(7) companies having a financial accounting period which is not coterminous with the Group

(8) control is obtained by the Group through obtaining power to govern the financial and operating policies of these subsidiaries

(9) all being ordinary shares and fully paid up except otherwise stated

(10) common shares

(11) non-voting deferred shares

BVI British Virgin Islands

HK Hong Kong

PRC The People's Republic of China

The statutory auditors of principal subsidiaries that are not audited by PricewaterhouseCoopers were as following:

Name	Name of statutory auditors 2010	2011	2012	June 2013
Albini & Pitigliani Sverige AB	N/A	N/A	N/A	N/A
Arie van Donge & Co. Holding B.V.	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
Beijing Kerry Logistics Ltd.	匡正會計師事務所	匡正會計師事務所	匡正會計師事務所	匡正會計師事務所
Brasevice-Assessoria em Comerico Exterior Ltda	N/A	N/A	N/A	N/A
Chengdu Kerry Shudu Logistics Co., Ltd.	N/A	N/A	成都正宣會計師事務所	成都正宣會計師事務所
Chongqing Lingxian Industry Development Limited	華寅會計師事務所	華寅會計師事務所	重慶中隆信會計師事務所	重慶中隆信會計師事務所
CV Global Logistics (Beijing) Limited	匡正會計師事務所	匡正會計師事務所	匡正會計師事務所	匡正會計師事務所
E.A.E. Freight & Forwarding Sdn. Bhd.	Moores Rowland	Moores Rowland	Moores Rowland	Moores Rowland
F.D.I COMMERCIAL AND FORWARDING SERVICES COMPANY LIMITED	DFK VIET NAM AUDITING CO., LTD	DFK VIET NAM AUDITING CO., LTD	DFK VIET NAM AUDITING CO., LTD	DFK VIET NAM AUDITING CO., LTD
INDEV LOGISTICS PRIVATE LIMITED	ASA & Associates Chartered Accountants	ASA & Associates Chartered Accountants	ASA & Associates Chartered Accountants	ASA & Associates Chartered Accountants
KART (China) Co., Ltd (Formerly known as Shenzhen Dong Meng Logistics Limited)	N/A	N/A	N/A	N/A
KART (THAILAND) LIMITED	N/A	N/A	East BN Audit Co., Ltd.	East BN Audit Co., Ltd.
KART (VIET NAM) COMPANY LIMITED	N/A	N/A	DFK VIET NAM AUDITING CO., LTD	DFK VIET NAM AUDITING CO., LTD
Kerry Distribution (Thailand) Limited	VINET CO., LTD.	A.A.C. Audit Corporation Co., Ltd	DIA International Audit Co., Ltd.	DIA International Audit Co., Ltd.
Kerry EAS Logistics Limited	京都天華會計師事務所有限公司	京都天華會計師事務所有限公司	致同會計師事務所	致同會計師事務所
Kerry Far East Logistics (Bangladesh) Limited	SHAFIQ BASAK & CO.	SHAFIQ BASAK & CO.	SHAFIQ BASAK & CO.	SHAFIQ BASAK & CO.
Kerry FFTZ Warehouse (Shenzhen) Ltd.	深圳德永會計師事務所	深圳衛亞會計師事務所	深圳衛亞會計師事務所	深圳衛亞會計師事務所
KERRY FREIGHT (SINGAPORE) PTE. LTD. (Formerly known as Kerry Logistics (Singapore) Pte. Ltd.)	RSM Chio Lim LLP	RSM Chio Lim LLP	RSM Chio Lim LLP	RSM Chio Lim LLP
Kerry Freight (Thailand) Limited	VINET CO., LTD	VINET CO., LTD	East BN Audit Co, Ltd.	East BN Audit Co, Ltd.
Kerry Freight (USA) Incorporated	Kakimoto Nagashima LLP Certified Public Accountants Consultants	Kakimoto Nagashima LLP Certified Public Accountants Consultants	Kakimoto Nagashima LLP Certified Public Accountants Consultants	Kakimoto Nagashima LLP Certified Public Accountants Consultants
KERRY FREIGHT MYANMAR LIMITED	N/A	N/A	JF Group Audit Firm	JF Group Audit Firm
KERRY INTEGRATED LOGISTICS (VIET NAM) CO., LTD	DFK VIET NAM AUDITING CO., LTD	DFK VIET NAM AUDITING CO., LTD	DFK VIET NAM AUDITING CO., LTD	DFK VIET NAM AUDITING CO., LTD
Kerry Logistics (Bangna) Limited	N/A	N/A	N/A	N/A
KERRY LOGISTICS (CAMBODIA) PTE. LTD.	Morison Kok & Associes CPA	Morison Kok & Associes CPA	APV (Cambodia) Co., Ltd	APV (Cambodia) Co., Ltd
Kerry Logistics (Chengdu) Ltd	成都正宣會計師事務所	成都正宣會計師事務所	成都正宣會計師事務所	成都正宣會計師事務所
Kerry Logistics (China) Investment Limited	京都天華會計師事務所	京都天華會計師事務所	致同會計師事務所	致同會計師事務所
Kerry Logistics (Fuzhou) Co., Ltd.	福建閩瑞會計師事務所	福建閩瑞會計師事務所	福建閩瑞會計師事務所	福建閩瑞會計師事務所
KERRY LOGISTICS (INDIA) PRIVATE LIMITED (Formerly known as KERRY RELIABLE LOGISTICS PRIVATE LIMITED)	ASA & Associates Chartered Accountants	ASA & Associates Chartered Accountants	ASA & Associates Chartered Accountants	ASA & Associates Chartered Accountants

Name	Name of statutory auditors			
	2010	2011	2012	June 2013
Kerry Logistics (Japan) Limited	N/A	N/A	N/A	N/A
Kerry Logistics (Kunshan) Ltd.	蘇州華明聯合會計師事務所	江蘇金陵會計師事務所	江蘇金陵會計師事務所	江蘇金陵會計師事務所
KERRY LOGISTICS (MACAU) LIMITED	梁鳳鳴澳門註冊核數師	梁鳳鳴澳門註冊核數師	梁鳳鳴澳門註冊核數師	梁鳳鳴澳門註冊核數師
Kerry Logistics (Shanghai Waigaoqiao) Co., Ltd.	上海中勤萬信會計師事務所	上海中勤萬信會計師事務所	上海中勤萬信會計師事務所	上海中勤萬信會計師事務所
KERRY LOGISTICS (SPAIN), S.A.U. (Formerly known as KERRY SALVAT LOGISTICS, S.A.)	N/A	N/A	Grant Thornton	Grant Thornton
Kerry Logistics (Thailand) Limited	VINET CO., LTD	VINET CO., LTD	East BN Audit Co, Ltd.	East BN Audit Co, Ltd.
Kerry Logistics (Tianjin) Co., Ltd.	天津誠泰有限責任會計師事務所	天津誠泰有限責任會計師事務所	天津誠泰有限責任會計師事務所	天津誠泰有限責任會計師事務所
Kerry Logistics (Wuxi) Co., Ltd	無錫金達信會計師事務所	無錫金達信會計師事務所	無錫金達信會計師事務所	無錫金達信會計師事務所
KERRY LOGISTICS (XIAMEN) CO., LTD.	廈門晟遠會計師事務所	廈門晟遠會計師事務所	廈門市天茂會計師事務所	廈門市天茂會計師事務所
Kerry Logistics (Zhengzhou) Limited	N/A	河南天琳會計師事務所	河南天琳會計師事務所	河南天琳會計師事務所
Kerry Logistics Anhui Co., Ltd.	N/A	N/A	安徽寶申會計師事務所	安徽寶申會計師事務所
KERRY LOGISTICS CENTRE (TAMPINES) PTE. LTD. (Formerly known as KERRY LOGISTICS HUB (SINGAPORE) PTE. LTD.)	N/A	RSM Chio Lim LLP	RSM Chio Lim LLP	RSM Chio Lim LLP
KERRY LOGISTICS MANAGEMENT (ASIA) PTE. LTD.	N/A	RSM Chio Lim LLP	RSM Chio Lim LLP	RSM Chio Lim LLP
KERRY MALSHIP LOGISTICS LANKA (PRIVATE) LIMITED	N/A	N/A	N/A	N/A
Kerry TJ Logistics Company Limited	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
KERRY TTC EXPRESS JOINT STOCK COMPANY	N/A	N/A	Grant Thornton	Grant Thornton
KERRY-ATS LOGISTICS, INC.	SYCIP Gorres Velayo & Co.	SYCIP Gorres Velayo & Co.	SYCIP Gorres Velayo & Co.	SYCIP Gorres Velayo & Co.
KERRY-ITS TERMINAL PTE. LTD.	Ken Tan & Co.	Ken Tan & Co.	Ken Tan & Co.	Ken Tan & Co.
KLN INVESTMENT (VIET NAM) CO., LTD.	N/A	N/A	DFK VIET NAM AUDITING CO., LTD	DFK VIET NAM AUDITING CO., LTD
PT. KERRY LOGISTICS INDONESIA	HENDRAWINATA EDDY & SIDDHARTA	HENDRAWINATA EDDY & SIDDHARTA	HENDRAWINATA EDDY & SIDDHARTA	HENDRAWINATA EDDY & SIDDHARTA
Shandong D-Express Logistics Co., Ltd.	N/A	匡正會計師事務所	匡正會計師事務所	匡正會計師事務所
Shanghai Hui Cheng Logistics Co., Ltd.	N/A	京都天華會計師事務所	致同會計師事務所	致同會計師事務所
Shenzhen Kerry Yantian Port Logistics Company Limited	深圳德永會計師事務所	深圳衛亞會計師事務所	深圳衛亞會計師事務所	深圳衛亞會計師事務所
Taiwan Kerry Logistics Company Limited	N/A	N/A	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
TOP GUN EXPRESS CENTRE LIMITED	N/A	N/A	Peter Ma & Co	Peter Ma & Co
Transmode Overseas Transportgesellschaft mbH	N/A	KPMG	KPMG	KPMG

40 Significant subsequent events

On 20 June 2013, the Group entered into a sale and purchase agreement with the controlling shareholders of Cargo Master's Internacional S.A. de C.V. and Servicios Corporativos Cargo Master's S.A. de C.V. ("Cargo Master") in connection with the purchase of 70% equity interest in each of the abovementioned companies. Cargo Master is mainly engaged in international freight forwarding, customs brokerage and other related logistics services in Mexico.

The acquisition was completed in July 2013 for a cash consideration of USD5,055,000 and a contingent consideration of an undiscounted amount up to a maximum of USD3,355,000 based on a multiple of the earnings before interest and tax of the businesses for two years.

Since the acquisition was not completed as at 30 June 2013, the results and the assets and liabilities of the companies are not consolidated in the financial information of the Group.

The combined statements of financial position of Cargo Master as at 31 December 2010, 2011 and 2012, and 30 June 2013, and the combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 30 June 2013 are presented as follows:

(a) Combined statements of financial position of Cargo Master

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES				
Non-current asset				
Property, plant and equipment	1,020	1,425	1,411	1,292
	1,020	1,425	1,411	1,292
Current assets				
Accounts receivable, prepayments and deposits	28,223	42,308	40,673	46,560
Tax recoverable	3,369	5,716	5,392	3,603
Cash and bank balances	12,019	6,507	14,286	11,730
	43,611	54,531	60,351	61,893
Current liabilities				
Accounts payable, deposits received and accrued charges	23,882	27,098	25,630	37,979
Amount due to a related party	1,804	4,133	7,744	4,620
Taxation	7,531	6,317	4,576	4,426
	33,217	37,548	37,950	47,025
Net current assets	10,394	16,983	22,401	14,868
ASSETS LESS LIABILITIES	11,414	18,408	23,812	16,160
EQUITY				
Capital and reserves attributable to the Company's shareholder				
Share capital	189	189	189	189
Retained profits	11,121	20,445	24,498	16,593
Exchange fluctuation reserve	104	(2,226)	(875)	(622)
TOTAL EQUITY	11,414	18,408	23,812	16,160

(b) Combined income statements of Cargo Master

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	168,512	209,046	274,094	119,698	107,745
Direct operating expenses	(145,411)	(177,771)	(231,966)	(100,165)	(89,324)
Gross profit	23,101	31,275	42,128	19,533	18,421
Other income and net gains	143	221	468	231	462
Administrative expenses	(19,378)	(19,561)	(27,477)	(10,545)	(15,046)
Operating profit	3,866	11,935	15,119	9,219	3,837
Finance costs	(7)	(3)	(1)	(1)	(1,100)
Profit before taxation	3,859	11,932	15,118	9,218	2,737
Taxation	(612)	(2,608)	(5,411)	(5,240)	(2,241)
Profit for the years/periods	3,247	9,324	9,707	3,978	496
Dividend	–	–	5,654	5,654	8,401

(c) Combined statements of comprehensive income of Cargo Master

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit for the years/periods	3,247	9,324	9,707	3,978	496
Other comprehensive income/(loss)					
Items that may be reclassified to combined income statement					
Net translation differences on foreign operations	73	(2,330)	1,351	790	253
Total comprehensive income for the years/periods	3,320	6,994	11,058	4,768	749

(d) Combined statements of changes in equity of Cargo Master

	Share capital	Exchange fluctuation reserve	Retained Profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2010	189	31	7,874	8,094
Profit for the year	–	–	3,247	3,247
Net translation differences on foreign operations	–	73	–	73
Balance at 31 December 2010	189	104	11,121	11,414
Profit for the year	–	–	9,324	9,324
Net translation differences on foreign operations	–	(2,330)	–	(2,330)
Balance at 31 December 2011	189	(2,226)	20,445	18,408
Profit for the year	–	–	9,707	9,707
Net translation differences on foreign operations	–	1,351	–	1,351
Dividend paid	–	–	(5,654)	(5,654)
Balance at 31 December 2012	189	(875)	24,498	23,812
Profit for the period	–	–	496	496
Net translation differences on foreign operations	–	253	–	253
Dividend paid	–	–	(8,401)	(8,401)
Balance at 30 June 2013	189	(622)	16,593	16,160
(unaudited)				
Balance at 31 December 2011	189	(2,226)	20,445	18,408
Profit for the year	–	–	3,978	3,978
Net translation differences on foreign operations	–	790	–	790
Dividend paid	–	–	(5,654)	(5,654)
Balance at 30 June 2012	189	(1,436)	18,769	17,522

(e) Combined statements of cash flows of Cargo Master

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Operating activities					
Profit before taxation	3,859	11,932	15,118	9,218	2,737
Interest income	(2)	(8)	(6)	(2)	(7)
Depreciation of property, plant and equipment	163	287	410	192	209
Operating profit before working capital changes	4,020	12,211	15,522	9,408	2,939
(Increase)/decrease in accounts receivable, prepayments and deposits	(9,308)	(14,085)	1,635	(8,190)	(5,887)
Increase in current liabilities, excluding taxation	13,039	5,545	2,143	10,285	9,225
Net cash generated from operations	7,751	3,671	19,300	11,503	6,277
Income tax paid	(625)	(6,169)	(6,828)	(5,183)	(602)
Net cash generated from/(used in) operating activities	7,126	(2,498)	12,472	6,320	5,675
Investing activities					
Purchases of property, plant and equipment	(386)	(874)	(298)	(296)	(85)
Interest received	2	8	6	2	7
Net cash used in investing activities	(384)	(866)	(292)	(294)	(78)
Financing activity					
Dividends paid	–	–	(5,654)	(5,654)	(8,401)
Net cash used in financing activity	–	–	(5,654)	(5,654)	(8,401)
Increase/(decrease) in cash and cash equivalents	6,742	(3,364)	6,526	372	(2,804)
Effect of exchange rate changes	81	(2,148)	1,253	260	248
Cash and cash equivalents at beginning of the years/periods	5,196	12,019	6,507	6,507	14,286
Cash and cash equivalents at end of the years/periods	12,019	6,507	14,286	7,139	11,730

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2013 up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, our reporting accountant, included in Appendix I to this prospectus and is included in this appendix for information only. The following unaudited pro forma financial information should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountant's Report", together with the accompanying notes, and the section headed "Financial Information".

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to our consolidated net tangible assets attributable to the Company's shareholder prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set forth below to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the Company's shareholder as at 30 June 2013 as if the Global Offering had taken place on that date. Because of its hypothetical nature, the following unaudited pro forma data may not give a true picture of our consolidated net tangible assets attributable to the Company's shareholder as at 30 June 2013 or as at any subsequent date.

	Audited consolidated net tangible assets attributable to the Company's shareholder as at 30 June 2013(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the Company's shareholder	Unaudited pro forma adjusted net tangible assets per Share(3)(4)
	HK$'000	HK$'000	HK$'000	HK$
Based on an Offer Price of HK$8.80 per Offer Share . . .	7,179,924	1,760,032	8,939,956	5.39
Based on an Offer Price of HK$10.20 per Offer Share . .	7,179,924	2,055,725	9,235,649	5.57

Notes:

(1) Our audited consolidated net tangible assets attributable to the Company's shareholder as at 30 June 2013 are based on our audited consolidated net assets attributable to the Company's shareholder in the amount of HK$9,102.4 million, as extracted from our consolidated financial statements included in "Appendix I — Accountant's Report", less intangible assets in the amount of HK$1,922.4 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$8.80 and HK$10.20 per Offer Share, respectively, after deduction of underwriting commissions and fees and other related expenses payable by the Company and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) No adjustment has been made to our audited consolidated net tangible assets attributable to the Company's shareholder as at 30 June 2013 to reflect any of our trading results or other transactions entered into subsequent to 30 June 2013. In particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for the effect of capitalisation of a portion of the outstanding loans from a fellow subsidiary controlled by KPL in the amount of HK$1,381.6 million. Had the capitalisation of loans from the fellow subsidiary been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK$6.23 (based on an Offer Price of HK$8.80 per Offer Share) and HK$6.41 (based on an Offer Price of HK$10.20 per Offer Share).

(4) Our unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note (2) above and on the basis that 1,657,364,112 Shares were in issue assuming that the Spin-off had been completed and the Shares pursuant to the RSU Scheme had been issued on 30 June 2013 and the Over-allotment Option was not exercised, without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per share has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2013. This unaudited pro forma forecast earnings per share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial results for the year ending 31 December 2013 or any future period.

Forecast profit attributable to the Company's shareholders excluding (1) the after-tax effect of change in fair value of investment properties and (2) gain on disposal of Kerry D.G. Warehouse (Kowloon Bay) (1)(2)	not less than HK$880 million
Forecast profit attributable to the Company's shareholders (1)(2)	not less than HK$1,829 million
Unaudited pro forma forecast earnings per Share excluding (1) the after-tax effect of change in fair value of investment properties and (2) gain on disposal of Kerry D.G. Warehouse (Kowloon Bay) (3)	not less than HK$0.53 per Share
Unaudited pro forma forecast earnings per Share (3)	not less than HK$1.10 per Share

Notes:

(1) Our forecast profit attributable to the Company's shareholders for the year ending 31 December 2013 is extracted from the section headed "Financial Information — Profit Forecast for the Year Ending 31 December 2013". The bases and assumptions on which the above profit forecast has been prepared are set out in "Appendix III — Profit Forecast". The Directors have prepared the above profit forecast based on our audited consolidated results for the six months ended 30 June 2013, our unaudited management accounts for the three months ended 30 September 2013 and a forecast of our consolidated results for the remaining three months ending 31 December 2013. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us as set out in note 2 to our consolidated financial statements included in "Appendix I — Accountant's Report".

(2) We will transfer 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".

(3) The unaudited pro forma forecast earnings per Share is based on our forecast profit attributable to the Company's shareholders for the year ending 31 December 2013 and assumes that a total of 1,657,364,112 Shares were in issue during the entire year as if the Spin-off had been completed and the Shares pursuant to the RSU Scheme had been issued on 1 January 2013 and the Over-allotment Option was not exercised, without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options.

C. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF KERRY LOGISTICS NETWORK LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kerry Logistics Network Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2013, the unaudited pro forma forecast earnings per share of the Group for the year ending 31 December 2013 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 6 December 2013 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2013 and the Group's forecast earnings per share for the year ending 31 December 2013 as if the proposed initial public offering had taken place at 30 June 2013 and 1 January 2013, respectively. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information as at 30 June 2013, on which an accountant's report has been published; and the information about the Group's forecast profit for the year ending 31 December 2013 has been extracted by the directors from the profit forecast as set out in the section headed "Financial Information — Profit Forecast for the Year Ending 31 December 2013" in the Prospectus, on which a letter on profit forecast has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2013 or 1 January 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 6 December 2013

The forecast of our profit attributable to the Company's equity holders for the year ending 31 December 2013 is set out in the section headed "Financial Information — Profit Forecast for the Year Ending 31 December 2013".

A. BASES AND ASSUMPTIONS

The Directors have prepared the forecast of our profit attributable to the Company's equity holders for the year ending 31 December 2013 based on our audited consolidated results for the six months ended 30 June 2013, our unaudited management accounts for the three months ended 30 September 2013 and a forecast of our consolidated results for the remaining three months ending 31 December 2013.

The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us as set out in "Appendix I — Accountant's Report" and is prepared on the following principal bases and assumptions:

- There will be no material changes in existing government policies, political, legal, fiscal, market or economic conditions in any countries or territories in which we currently operate or which are otherwise material to our business;

- There will be no changes in legislation, regulations or rules in any countries and territories in which we operate or with which we have arrangements or agreements, which may materially and adversely affect our business or operations;

- Our operations will not be materially and adversely affected by any of the risk factors set out in the section headed "Risk Factors";

- There will be no material changes in foreign exchange rates, interest rates and inflation rates;

- There will be no material adverse changes in world trade affecting the logistics industry;

- There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in any countries or territories in which we operate except as otherwise disclosed in this prospectus; and

- There will be no wars, military incidents, epidemics (including SARS or H1N1 or H5N1 influenza), natural disasters, or force majeure events, unforeseeable factors or reasons that are beyond the control of the Directors that would have a material impact on our business and operating activities.

B. LETTERS

The following is the text of letters received from our reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, and the Joint Sponsors in connection with the profit forecast for the purpose of incorporation in this prospectus.

(1) Letter from the Reporting Accountant

pwc 羅兵咸永道

6 December 2013

The Directors
Kerry Logistics Network Limited

BOCI Asia Limited
Citigroup Global Markets Asia Limited
HSBC Corporate Finance (Hong Kong) Limited
Morgan Stanley Asia Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Kerry Logistics Network Limited (the "Company") for the year ending 31 December 2013 (the "Profit Forecast") as set out in the subsection headed "Profit Forecast for the Year Ending 31 December 2013" in the section headed "Financial Information" in the prospectus of the Company dated 6 December 2013 (the "Prospectus").

We conducted our work in accordance with Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2013, the unaudited consolidated results of the Group based on management accounts for the three months ended 30 September 2013 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2013.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on page III-1 of the Prospectus, and is prepared on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in Note 2 of section II of the accountant's report in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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(2) Letter from the Joint Sponsors

6 December 2013

The Directors
Kerry Logistics Network Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to equity holders of Kerry Logistics Network Limited (the "Company") for the year ending 31 December 2013 (the "Profit Forecast") as set out in the prospectus issued by the Company dated 6 December 2013 (the "Prospectus").

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the six months ended 30 June 2013, the unaudited consolidated results of the Group based on management accounts for the three months ended 30 September 2013 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2013.

We have discussed with you the bases and assumptions made by the directors of the Company as set out in Appendix III to the Prospectus, to the extent applicable, upon which the Profit Forecast has been made. We have also considered the letter dated 6 December 2013 addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

for and on behalf of **BOCI Asia Limited**	for and on behalf of **Citigroup Global Markets Asia Limited**	for and on behalf of **HSBC Corporate Finance (Hong Kong) Limited**	for and on behalf of **Morgan Stanley Asia Limited**
Vincent Lau *Executive Director*	**Alexander Schrantz** *Managing Director* *Head of Asia Pacific Corporate Finance*	**Jon Connor** *Managing Director* *Head of Transport, Services & Infrastructure, Asia-Pacific*	**Elizabeth Wang** *Managing Director* *Head of Hong Kong Coverage*

1. MEMORANDUM OF CONTINUANCE

The Memorandum of Continuance states, among other things, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares held by the members and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Continuance also sets out the powers of the Company and the objects for which the Company was formed, including acting as a holding and investment company. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business in Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Continuance of the Company empowers it to purchase its own shares and this power is exercisable by the Board of Directors (the "Board") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws of the Company were adopted on 25 November 2013, with effect from the Listing Date. The following is a summary of certain provisions of the Bye-laws.

a. Shares

(i) Classes of Shares

The share capital of the Company consists of ordinary shares.

(ii) Share Certificates

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, which for this purpose may be a securities seal. In relation to the use of the securities seal for sealing certificates for shares or other securities of the Company, no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document and any such certificates or other document to which such securities seal is affixed shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction as aforesaid.

The Company shall not be bound to register more than four persons as joint holders of any share.

b. Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any preference share may, subject to the Companies Act and with the sanction of a special resolution, be issued on terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum of Continuance of the Company, at the option of the holder.

The Board may, subject to the approval by the members in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act and the Bye-laws, and to the permission of the Bermuda Monetary Authority being obtained, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it shall in its absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries although the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the statutes to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of the Company of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans to their directors, the relevant provisions of which are summarised in section 4(n) of this Appendix.

(v) Financial assistance to acquire shares of the Company

(aa) Subject, where applicable, to the rules of any relevant stock exchange, the Company may in accordance with an employees' share scheme approved by the members in general meeting provide money on such terms as the Board thinks fit for the acquisition of fully or partly paid shares in the Company or its holding company. An employees' share scheme is a scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of the bona fide employees or former employees (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) of the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company, or the wives, husbands, widows, widowers or children or step-children under the age of twenty-one of such employees or former employees;

(bb) Subject, where applicable, to the rules of any relevant stock exchange, the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company may make loans to persons (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) employed in good faith by the Company with a view to enabling those persons to acquire fully or partly paid shares in the Company or its holding company to be held by them by way of beneficial ownership; and

(cc) The conditions subject to which money and loans are provided may include a provision to the effect that when an employee ceases to be employed by the Company, the shares acquired with such financial assistance shall or may be sold to the Company or such other company on such terms as the Board thinks fit.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

Subject to the Companies Act, a Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine. A Director of the Company may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Companies Act and the Bye-laws, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

Except as otherwise provided by the Bye-laws, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he or any of his associates has a material interest, and if he does so his vote shall not be counted, but this prohibition will not apply to any of the following matters namely:

(aa) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company and any of its subsidiaries;

(bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility or guaranteed or secured in whole or in part whether solely or jointly;

(cc) any proposal concerning an offer of the shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or member or in which the Director or his associate(s) is/are beneficially interested in shares of that company;

(ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors, his associate(s) and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s), as such any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and

(gg) any proposal or arrangement concerning the adoption, modification or operation of any employee's share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit.

(vii) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors. The Board may grant special remuneration to any Director, who being called upon, performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as the Board may determine. Notwithstanding the foregoing the remuneration of a managing director, joint managing director, deputy managing director or other executive director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension (and/or gratuity) and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration is in addition to his remuneration as a Director.

The Board also has power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependents of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest one-third) will retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office at least seven days before the date of the general meeting.

(ix) Directors of the Company are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than two. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The Board may from time to time entrust to and confer upon a managing director, joint managing director, deputy managing director or executive director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose. The Board may delegate any of its powers to committees consisting of such member or members of its body and such other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Board.

(x) Borrowing powers

Subject to the provisions of the Companies Act, the Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

c. Alterations to Constitutional Documents

The Memorandum of Continuance of the Company may, with the consent of the Minister of Finance of Bermuda (the "Minister") (if required), be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution is required to alter the Memorandum of Continuance, to approve any amendment of the Bye-laws or to change the name of the Company.

d. Alterations of Capital

The Company may from time to time by ordinary resolution:

(i) increase its share capital by the creation of new shares;

(ii) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Continuance, subject nevertheless to the Companies Act, and so that the resolution whereby any shares is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(vi) change the currency denomination of its share capital; and

(vii) subject to applicable regulatory requirements, make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.

e. Variation of Rights of Existing Shares or Classes of Shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum is not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of the class, and that any holder of shares of the class present in person or by proxy or by a duly authorised corporate representative may demand a poll.

f. Special Resolutions – Majority Required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast of such members as, being entitled so to do, vote in person or, where a corporate representative is allowed, by a duly authorised corporate representative or, where proxies are allowed, by proxy at a general meeting which shall be called by notice of at least 21 days. The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business. However, a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Bye-laws be deemed to have been duly called if it is so agreed (i) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat; and (ii) in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of issued shares giving that right.

g. Voting Rights and Right to Demand a Poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person or by a duly authorised corporate representative or by proxy shall have one vote and on a poll, every member present in person or by a duly authorised corporate representative or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share). On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three members present in person or by proxy or by a duly authorised corporate representative for the time being entitled to vote at the meeting; or (iii) by any member or members present in person or by proxy or by a duly authorised corporate representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by a duly authorised corporate representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

h. Requirements for Annual General Meetings

An annual general meeting must be held once in every year and within not more than fifteen months after the last preceding annual general meeting.

i. Accounts and Audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act affecting the Company or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account are to be kept at the head office or at such other place as the Board thinks fit and shall always be open to the inspection of the Directors provided that such records as are required by the Companies Act shall also be kept at the registered office. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or by the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Companies Act. Every balance sheet of the Company shall be signed on behalf of the Board by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Act or of the Bye-laws. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Companies Act. Subject as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Board.

j. Notices of Meetings and Business to be Conducted Thereat

An annual general meeting or special general meeting at which a special resolution is to be proposed shall be convened on at least 21 days notice and that extraordinary general meetings at which an ordinary resolution is to be proposed shall be convened on at least 14 days notice. The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

Any notice or document to be given to or by any person pursuant to these Bye-laws may be served on or delivered to any shareholder of the Company either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such shareholder at his registered address as appearing in the register or by leaving it at that address addressed to the shareholder or by any other means authorised in writing by the shareholder concerned or (other than share certificates) by publishing it by way of advertisement in at least one English language newspaper and one Chinese language newspaper circulating generally in Hong Kong. In case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders. Without limiting the generality of the foregoing but subject to the applicable laws of Bermuda and any rules prescribed by The Stock Exchange of Hong Kong Limited from time to time, a notice or document may be served or delivered by the Company to any shareholder by electronic means to such address as may from time to time be authorised by the shareholder concerned or by publishing it on a website and notifying the shareholder concerned, in such manner as he may from time to time authorise, that it has been so published.

k. Transfer of Shares

All transfers of shares must be effected by transfer in writing in the usual or common form or in any other form acceptable to the Board and may be under hand or by means of mechanically imprinted signatures or such other manner as the Board may from time to time approve. An instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office in Bermuda.

The Board may in its absolute discretion and without assigning any reason therefore, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom it does not approve and it may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Board may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the Board refuses to register a transfer, it will within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal.

The Board may decline to recognise any instrument of transfer unless a fee of such sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time determine is paid to the Company in respect thereof has been paid, the shares are free of any lien in favour of the Company, the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). Where applicable, the permission of the Bermuda Monetary Authority with respect thereto shall be obtained.

The registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for more than thirty days in any year.

l. Power for the Company to Purchase its Own Shares

The Bye-laws give the Board the power to determine the terms and conditions subject to which this power is to be exercised.

m. Power of any Subsidiary of the Company to Own Shares in the Company

There are no provisions in the Bye-laws relating to ownership of the Company by a subsidiary.

n. Dividends and Other Methods of Distribution

The Company may by an ordinary resolution declare dividends or make distributions out of assets or funds of the Company legally available therefor, including distributions out of contributed surplus, to the shareholders in any currency, but no such dividends or distributions shall exceed the amount recommended by the Board. The Board may from time to time make distributions out of assets or funds of the Company legally available therefor, including distributions out of contributed surplus, to the shareholders.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid upon a share in advance of calls will for this purpose be treated as paid up on the shares. The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by a special resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared or a distribution be made, the Board may further resolve that such dividend or distribution be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the Share or the due portion of the Shares upon which payment has been advanced by such member before it is called up.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

o. Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Votes, whether on a show of hands or on a poll may be given either personally or by a duly authorised corporate representative or by proxy. A member holding two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

The instrument appointing a proxy, shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit. Provided that any form issued to a member for use by him for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Where that member is a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any members' general meeting or any meeting of any class of members provided that if more than one proxy or corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is to be appointed. The person so appointed will be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise as if it were an individual member of the Company including the right to vote individually on a show of hands. The number of persons a clearing house may appoint to act as its corporate representative or representatives shall not exceed the number of shares held by the clearing house (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.

In addition, a proxy or proxies representing either an individual member or a member which is a corporation, shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise including the right to vote individually on a show of hands.

p. Calls on Shares and Forfeiture of Shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made, such place being either the registered office of the Company, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

q. Inspection of Register of Members

There are no provisions in the Bye-laws relating to inspection of the register of members.

r. Quorum for Meetings

For all purposes the quorum for a general meeting shall be two members present in person or by a duly authorised corporate representative or by proxy and entitled to vote. No business shall be transacted at any general meeting unless the requisite quorum shall be present at the commencement of the meeting.

s. Rights of the Minorities in Relation to Fraud or Oppression

There are no provisions in the Bye-laws relating to rights of minority members in relation to fraud or oppression. However, Bermuda company law provides for protection of minorities, as summarised in paragraph 4(o) of this Appendix.

t. Procedures on Liquidation

A resolution that the Company be wound-up by the court or be wound-up voluntarily must be a special resolution.

If the Company shall be wound-up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound-up (whether the liquidation is voluntary or by the court) the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or consists of properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. Under the Companies Act the liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. Under the Companies Act, the liquidator may, with like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

u. Stock

The Company may by ordinary resolution convert any fully paid up shares into stock, and may from time to time by like resolution reconvert any stock into fully paid up shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Board may from time to time, if it thinks fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such provisions of the Bye-laws as are applicable to paid up shares shall apply to stock, and the words "share" and "member" therein shall include "stock" and "stockholder".

v. Untraceable Members

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a member who is untraceable, but no such sale shall be made unless:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Bye-Laws of the Company have remained uncashed;

(ii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;

(iii) the Company has caused an advertisement to be inserted in the newspapers of its intention to sell such shares and a period of three months has elapsed since the date of such advertisement; and

(iv) the Company has notified the Stock Exchange of its intention to effect such sale.

w. Other Provisions

The Bye-laws provide that, subject to the Companies Act, if any of the rights attached to any warrants issued by the Company shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a share, a subscription right reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM OF CONTINUANCE AND BYE-LAWS

The Memorandum of Continuance of the Company may be altered by the Company in general meeting and if the Company intends to carry on any "restricted business activity" for the purposes of the Companies Act, the prior consent of the Minister of Finance of Bermuda will also be required. The Bye-laws may be amended by the Board subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter provisions of the Memorandum of Continuance, to approve any amendment of the Bye-laws or to change the name of the Company. For these purposes a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast of such members of the Company as, being entitled so to do, vote in person or, by a duly authorised corporate representative or, where permitted, by proxy at a general meeting of which, if for an annual general meeting, it shall be called by notice of not less than 20 clear business days and for any special general meeting, it shall be called by notice of not less than 10 clear business days. The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business. However, a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Bye-laws be deemed to have been duly called if it is so agreed (i) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat; and (ii) in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of issued shares giving that right.

4. BERMUDIAN PROVISIONS

The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

The company law of Bermuda is historically derived, for the most part, from the laws of England and is essentially embodied in the provisions of the Companies Act, most of which are drawn from the Companies Act 1948 of the United Kingdom, with certain reliance placed upon the laws of Ontario, Canada and, to some extent, upon the Companies Ordinance of Hong Kong. Other provisions are original Bermuda provisions endeavouring to cater to the specific circumstances of international business in Bermuda; these relate specifically to concepts not recognised in other jurisdictions (e.g. exempted as opposed to local companies) and contain particular emphasis on the restrictions imposed upon exempted companies with regard to what they may do in Bermuda as opposed to outside Bermuda from a place of business in Bermuda. The common law of England and Wales constitutes persuasive precedent and authority in the Bermuda courts.

a. Incorporation

The Company was incorporated in the British Virgin Islands on 9 July 1991 and continued into Bermuda as an exempted company with limited liability on 20 April 2000. The Company was brought into existence by depositing the Memorandum of Continuance with the Registrar of Companies in Bermuda (the "Registrar").

b. Constituent Documents

The business activities of the Company will be governed by the provisions of its Memorandum of Continuance which sets out, in detail, its specific business objects, and the powers that may be exercised in support of its principal business objects. Bermuda law distinguishes between objects and powers, the latter of which are regarded as supplemental to the principal business objects of the Company.

The Companies Act provides that the objects set out in the different paragraphs of the objects clause in the Memorandum of Continuance or included therein by reference shall not, unless otherwise stated, be limited or restricted in any way by reference to or inference from the terms of any other paragraph in the Memorandum of Continuance and such objects may be carried out in as full and ample a manner and construed in such a manner as if each paragraph defined the objects of a separate and independent company and each is construed as a primary object.

The Memorandum of Continuance may be altered under the provisions of the Companies Act and which alteration must also conform to Bermuda policy. It is required that the consent of the members of the Company in general meeting be given, following due notice of the intention of the meeting, before a Memorandum of Continuance may be altered. It is required that following the passage of a resolution of the members in general meeting approving the alteration, certain filings be made with the Registrar. Prior to taking formal steps in relation to the alteration of the Memorandum of Continuance, it will be necessary to obtain the Minister's consent if the Company carries on any "restricted business activity" within the definition of section 4A of the Companies Act.

The Bye-laws will govern the Company's administration and the relationship between its members and the Board of Directors. The Bye-laws are required, by Section 13 of the Companies Act, to make provision for a certain limited number of matters. It furthermore provides that certain additional matters may be included in the Bye-laws for the better regulation of the Company.

The members of the Company are entitled to receive copies of the Memorandum of Continuance and its Bye-laws upon request, which obligation is established by the provisions of the Companies Act. The Companies Act provides that all persons who agree to become members of the Company shall upon entry on the register of members, which shall include the branch register, be deemed to be members of the Company.

c. Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the "Government Fee"), which is determined on a sliding scale by reference to a company's authorised share capital and share premium account, with the minimum fee being BD$1,995 and the maximum fee being BD$31,120 (the Bermuda dollar is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at the 31st of August in the preceding year.

The Bermuda government has enacted legislation under which the Minister is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities. This assurance has been obtained by the Company for the period ending 31 March 2035.

d. Stamp Duty

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on 1 April 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

e. Prospectus Issues and Public Offers

The Companies Act regulates the issue of shares by way of public offer. It requires that no company shall offer shares to the public unless prior to such offer it publishes in writing a prospectus, and prior to or as soon as reasonably practicable after publication of such a prospectus, the company shall file with the Registrar, a copy signed by or on behalf of all of the directors or provisional directors of the company. However, it is not necessary to publish and file a copy of the prospectus with the Registrar where (i) the shares are listed on an appointed stock exchange or an application has been made for the shares to be so listed, and the rules of the appointed stock exchange do not require the company to publish and file a prospectus at such time or in such circumstances; (ii) the company is subject to the rules or regulations of a competent regulatory authority and such rules or regulations do not require the company to publish and file a prospectus at such time or in such circumstances, except where exemption from publication and filing of a prospectus is given by reason of the offer being made only to persons who are resident outside the jurisdiction of the authority; or (iii) an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus or other document in connection with the offer of shares to the public. The following are some of the stock exchanges or regulatory authorities approved by the Minister and designated as:

Appointed Stock Exchanges

Australian Stock Exchange Ltd.
The Bermuda Stock Exchange
The Bolsa de Madrid
Boston Stock Exchange, Inc.
Bourse de Montreal
Bursa Malaysia Securities Berhad
Canadian Dealing Network
Canadian Venture Exchange
The Commission de Surveillance du Secteur Financier
The Euro MTF Market
The Euronext Exchange
European Association of Security Dealers Automated Quotation S.A. (EASDAQ)
Frankfurt Stock Exchange
Indonesia Stock Exchange
The Irish Stock Exchange
JASDAQ Market
The Johannesburg Stock Exchange
London Stock Exchange
London Stock Exchange — Alternative Investment Market (AIM)
Moscow Interbank Currency Exchange (A-1 Quotation List)
NASDAQ Dubai
The Nasdaq Stock Market, Inc.
New York Stock Exchange, Inc.
New Zealand Stock Exchange
Nya Marknaden
NYSE Euronext
Oslo Axess
Oslo BØrs
Paris Bourse
PLUS Markets
Qatar Exchange
Sao Paulo Stock Exchange
Shanghai Stock Exchange
Singapore Exchange Securities Trading Limited
Societe de la Bourse de Luxembourg S.A.
Specialist Fund Market
The Stock Exchange of Hong Kong Ltd.
Stockholm Stock Exchange
Swiss Exchange
Taiwan Stock Exchange
Tel Aviv Stock Exchange
Tokyo Stock Exchange
The Toronto Stock Exchange
The TSX Venture Exchange
Viennese Stock Exchange

Competent Regulatory Authorities

Australian Securities and Investments Commission
Austrian Federal Ministry of Finance
Bermuda Monetary Authority
The Commission de Surveillance du Secteur Financier
Dubai Financial Services Authority
Financial Services Authority
Hong Kong Securities and Futures Commission
Japanese Financial Services Agency and its delegate, the Kanto Local Finance Bureau of the Ministry of Finance of Japan
Luxembourg Commissariat aux Bourses
The Monetary Authority of Singapore
Ontario Securities Commission
Securities and Exchange Commission of Brazil
Securities Commission, Malaysia
Swiss Exchange
United States Securities and Exchange Commission

Accordingly, where an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus as a basis for offering shares to the public, the Company need not comply with the requirements of the Companies Act as to the detailed content of the prospectus, nor set out the minimum subscription which must be raised by the issue of shares. If otherwise, then every prospectus shall contain particulars with regard to the minimum subscription which must be raised by the issue of shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums required to be provided, in respect of each of the following matters:

(i) the purchase price of any assets purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;

(ii) any preliminary expenses payable by the Company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or if he is procuring or agreeing to procure subscriptions for, any shares in the Company;

(iii) the repayment of any monies borrowed by the Company in respect of any of the foregoing matters;

(iv) working capital; and

(v) the amount to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.

Furthermore where any company continuously over a period offers shares to the public, it shall, when any of the particulars in a prospectus issued by that company ceases to be accurate in a material respect, as soon as reasonably practicable, publish supplementary particulars, file a copy thereof with the Registrar as well as give a copy of the same to each member of the company.

The Companies Act provides for both criminal offences in relation to the making of an untrue statement in a prospectus and civil liability for misstatements in a prospectus.

f. Exchange Control

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority ("BMA"). Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of the Company which are regarded as foreign currency securities by the BMA. Pursuant to Part I paragraph 1 of the public notice issued by the Bermuda Monetary Authority on 1 June 2005 (the "BMA Notice"), where any equity securities of a Bermuda company are listed on an Appointed Stock Exchange (as defined in the BMA Notice which includes The Stock Exchange of Hong Kong Limited), general permission is given for the issue and subsequent transfer of any securities of the company from and/or to a non-resident of Bermuda, for as long as any equity securities of the company remain so listed.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

g. Share Capital

The Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called "the share premium account" and the provisions of the Companies Act relating to a reduction of share capital of a company shall, except as provided in Section 40 of the Companies Act, apply as if the share premium account were paid up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants which accounting principles are applied in Bermuda.

The Companies Act permits a company to issue preference shares and under certain circumstances to convert those preference shares into redeemable preference shares.

h. Alteration of Share Capital

A company may if authorised by a general meeting of the members of the company and by its bye-laws, alter the conditions of its memorandum of continuance to increase its share capital, divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares or any of them into shares of a smaller amount than is fixed by the memorandum of continuance, make provision for the issue and allotment of shares which do not carry any voting rights, cancel shares which have not been taken or agreed to be taken by any person, diminish the amount of its share capital by the amount of the shares so cancelled and change the currency denomination of its share capital. With the exception of an increase of capital, cancellation of shares and redenomination of currency of capital, there are no filing requirements for any of the above-mentioned alterations.

Furthermore a company may, if authorised by a general meeting of the members, reduce its share capital. There are certain requirements, including a requirement prior to the reduction to publish a notice in an appointed newspaper stating the amount of the share capital as last determined by the company, the amount to which the share capital is to be reduced and the date on which the reduction is to have effect. The Companies Act provides that the Company shall not reduce the amount of its share capital if on the date the reduction is to be effected there are reasonable grounds for believing that the Company is, and after the reduction would be, unable to pay its liabilities as they become due.

The Companies Act includes certain protections for holders of special classes of shares requiring their consent to be obtained before their rights may be varied.

The Companies Act requires that as soon as practicable after the allotment of any of its shares a company must complete and have ready for delivery share certificates in relation to those shares allotted unless the conditions of issue of the shares otherwise provide. A certificate under the common seal of the company shall be prima facie evidence of the title of the member to the shares. The Companies Act prohibits bearer shares.

i. Purchase by the Company of its Own Shares

The Companies Act permits the Company, if authorised to do so by its Memorandum of Continuance or by its Bye-laws, to purchase its own shares. It should be noted that the Company is authorised by its Bye-laws, subject to certain approvals, to purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see "Dividends" below) or out of the proceeds of a new issue of shares made for the purpose. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all shareholders alike. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of the Company's share premium account, or out of contributed surplus. A purchase by the Company of its own shares may be authorised by its Board of Directors or otherwise by or in accordance with the provisions of its Bye-laws. Further, the consideration payable to a member whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of the Company or a combination of the foregoing.

The Companies Act provides that no purchase by the Company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

The shares purchased pursuant to the Companies Act shall be treated as cancelled and the amount of the Company's issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of the Company's authorised share capital.

The Company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the Memorandum of Continuance or the Bye-laws contain a specific enabling provision authorising any such purchase and the Directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

j. Transfer of Securities

Title to securities of companies whose securities are traded or listed on an appointed stock exchange may, only with effect from the coming into operation of regulations made by the Minister, be evidenced and transferred without a written instrument either in accordance with regulations made by the Minister or by a person appointed by the Minister i.e. through the mechanism required or permitted by an appointed stock exchange.

k. Dividends and Distributions

The Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they became due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, the excess value of shares acquired over those issued in a share exchange should the Board elect to treat it as such and donations of cash and other assets to the company.

l. Charges on the Assets of the Company

The Companies Act established a register of charges at the office of the Registrar permitting any charges on the assets of a company to be registered. Registration is not mandatory but does govern priority in Bermuda, giving a registered charge priority over any subsequently registered charge and over all unregistered charges except for those in effect prior to the coming into effect of the Companies Act in July of 1983. The register of charges is available for inspection by members of the public. The Companies Act also makes provision for the registration of a series of debentures.

m. Management and Administration

The management and administration of a Bermuda company is essentially governed by Part VI of the Companies Act and provides that the management and administration of a Bermuda company shall be vested in the hands of not less than one director duly elected by the members.

The Companies Act requires that a Bermuda company maintains either:

(a) a minimum of one director, other than an alternate director, who is ordinarily resident in Bermuda; or

(b) a secretary that is (i) an individual who is ordinarily resident in Bermuda; or (ii) a company which is ordinarily resident in Bermuda; or

(c) a resident representative that is (i) an individual who is ordinarily resident in Bermuda; or (ii) a company which is ordinarily resident in Bermuda.

The Companies Act contains no specific restrictions on the power of the Directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director and managing director and secretary) of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore it requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the Bye-laws.

n. Loans to Directors

The Companies Act prohibits the making of loans by the Company to any of its Directors or to their families or companies in which they hold a 20% interest, without the consent of members of the Company holding in the aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the Company. These prohibitions do not apply to anything done to provide a Director with funds to meet expenditure incurred or to be incurred by him for the purposes of the Company, provided that the Company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next annual general meeting if the loan is not approved at such meeting. If the approval of the Company is not given for a loan, the Directors who authorised it will be jointly and severally liable for any loss arising.

o. The Investigation of the Affairs of a Company and the Protection of Minorities

The Companies Act makes specific provision with regard to the foregoing and provides that the Minister may, at any time of his own volition, appoint one or more inspectors to investigate the affairs of an exempted company and to report thereon in such manner as he may direct. The Companies Act requires that such an investigation be made in private unless the company requests that it be held in public. Furthermore any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister under the foregoing, the Registrar on behalf of the Minister, may make an application to the court by petition for an order that the company's affairs are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members and that to wind-up the company would unfairly prejudice that part of the members but otherwise the facts would justify the making of a winding-up order on the ground that it would be just and equitable that the company should be wound-up. If the court is of this opinion, then it may, with a view to bringing to an end the matters complained of, make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company and in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

Class actions and derivative actions are generally not available to members under the laws of Bermuda; however, the Bermuda courts ordinarily would expect to follow English case law precedent which would permit a member to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of a company's memorandum of continuance and bye-laws. Furthermore consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or, for instance, where an act requires the approval of a greater percentage of the company's members than that which actually approved it.

In addition to the above, members may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein (see above) but this confers no right of action against the company itself. In addition, the company itself (as opposed to its members) may take action against the officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company (as mentioned above). Furthermore, a subscriber is not debarred from obtaining damages or other compensation from the Company by reason only of his holding or having held shares in the Company or any right to apply or subscribe for shares or to be included in the Company's register of members in respect of shares.

p. Inspection of Corporate Records

Members of the general public have the right to inspect the public documents of the Company available at the office of the Registrar which will include the Company's Certificate of Incorporation, its Memorandum of Continuance (including its objects and powers) and any alteration to the Memorandum of Continuance and documents relating to an increase or reduction of authorised capital. The members have the additional right to inspect the Bye-laws, minutes of general (i.e. members') meetings and audited financial statements of the Company, which must be presented to the Annual General Meeting of members. The Company is required to maintain its share register in Bermuda but may establish a branch register outside Bermuda. The register of members of the Company and any branch register are also open to inspection by members without charge, and to general members of the public for a fee. The Companies Act stipulates that where a member of the Company or other person requests a copy of the register of members or branch register of members, this must be provided within 14 days of the request. The Company is required to keep at its registered office a register of its Directors and Officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

q. Restrictions on the Activities of Exempted Companies

Unless specifically authorised by its memorandum of continuance, an exempted company shall not be permitted to:

(i) acquire or hold land in Bermuda except land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years;

(ii) acquire or hold land that is designated as tourist accommodation or a hotel residence by regulations made under section 102D(1)(ba) of the Bermuda Immigration and Protection Act 1956 subject to certain exceptions;

(iii) take any mortgage of land in Bermuda (subject to certain exceptions); and

(iv) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on exterior to Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licensed in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or adviser to the business of another exempted company, provided that the company has an object in its memorandum of continuance to enable it to carry on such type of business.

The Company has been incorporated as an "exempted company". Accordingly the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. Furthermore, as an exempted company, the Company has been designated as "non resident" for exchange control purposes and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

The Company will, under the provisions of the Companies Act, be required to file in January of every year a declaration in writing stating what is the principal business of the Company and to pay the Government Fee.

r. Accounting and Auditing Requirements under the Companies Act

The Companies Act requires that a company shall cause to be kept proper records of account with respect to:

(i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;

(ii) all sales and purchases of goods by the company; and

(iii) the assets and liabilities of the company.

It furthermore requires that the records of account shall be kept at the registered office of the Company or at such other place as the Directors think fit and shall at all times be open to inspection by the Directors or by a resident representative. The Companies Act also requires that these records of account also be maintained at the office of the resident representative where the Company is listed on an appointed stock exchange and the Company has appointed a resident representative. There is a proviso in the Companies Act to the effect that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors or the resident representative to ascertain with reasonable accuracy the financial position of the Company at the end of each three-month period (or each six-month period, where the Company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order the Company to make available the records of account to any of the Directors of the Company should the Company for some reason refuse to do so. Furthermore, the Companies Act imposes a fine in the event of failure to comply with the aforementioned requirements which fine is limited to the sum of BD$500.00 (approximately equivalent in value to US$500.00), for the time being.

s. Auditing Requirements

The Companies Act requires that the board of every company shall, at least once in every year, lay before the company in general meeting:

(i) financial statements for the period, which shall include:

  (aa) a statement of the results of operations for such period;

  (bb) a statement of retained earnings or deficits;

  (cc) a balance sheet at the end of such period;

  (dd) a statement of changes in the financial position for the period;

  (ee) notes to the financial statements;

  (ff) such further information as required by the Companies Act and the company's memorandum of continuance and its bye-laws;

(ii) the report of the auditor in respect of the financial statements described above based upon the results of the audit made in accordance with generally accepted accounting principles; and

(iii) the notes referred to in paragraph (ee) above shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and where the accounting principles used are those of a country or jurisdiction other than Bermuda the notes shall disclose this fact and shall name the country or jurisdiction.

Financial Statements to be laid before the members in general meeting shall be signed on the balance sheet by a director of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the members, it shall be lawful for the Chairman to adjourn the meeting for a period of up to ninety days or such longer period as the members may agree.

All members of a company are entitled to receive a copy of the financial statements prepared in accordance with the aforementioned requirements, at least seven days before the general meeting of the company at which the financial statements would be tabled.

The Bermuda Act also provides that companies listed on an appointed stock exchange may send summarised financial statements instead of the unabridged financial statements mentioned above. Each member can elect to receive unabridged financial statements for that period and/or any subsequent period. The summarised financial statements together with the auditors' report and notice to elect to receive the unabridged financial statements must be sent to members twenty-one days before the general meeting. A company shall send the full financial statements to a member within seven days of receipt of the member's election to receive the full financial statements.

The summarised financial statements must be derived from the company's financial statements and shall include:

(a) a summarised report of the unabridged financial statements;

(b) such further information extracted from the financial statements as the board of directors considers appropriate; and

(c) a statement that it is only a summarised version of the company's financial statements and does not contain sufficient information to allow as full an understanding of the financial position, results of operations or changes in financial position or cash flows of the company as would be provided by unabridged financial statements.

There are certain exceptions in the case of members not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The Companies Act also makes provision vesting power in the members in general meeting to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor. In order to do so it is required that all members and directors of the company agree either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report thereon need be laid before a general meeting.

The Companies Act contains specific requirements in Section 89 in relation to the appointment and disqualification of an auditor.

By way of general reference, the provisions of Sections 83, 84, 87, 87A, 87C, 88, 89 and 90 govern the preparation and maintenance of accounting records and audited financial statements.

t. Continuation and Discontinuation of Companies

(i) A company incorporated outside Bermuda may be continued in Bermuda as an exempted company to which the provisions of the Companies Act and any other relevant laws of Bermuda may apply. The consent of the Minister will be required if the Company's Memorandum of Continuance includes special objects enabling it to carry on any "restricted business activity" within the definition of section 4A of the Companies Act; and

(ii) An exempted company may be continued in a country or jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction and be discontinued under the Companies Act, provided that, among other things, it is an appointed jurisdiction pursuant to the Companies Act, or has been approved by the Minister, upon application by the Company for the purpose of the discontinuance of the Company out of Bermuda.

u. Winding-Up and Liquidation Provisions of Bermuda Legislation

(i) Introduction:

The winding-up of Bermuda companies is governed by the provisions of the Companies Act and by the Companies (Winding-Up) Rules 1982 (the "Rules") and may be divided into the following two types:

(aa) Voluntary winding-up which commences with the members' resolution or upon the happening of a specified event (fixed or limited life company) and which itself can be sub-divided into a members' voluntary winding-up and a creditors' voluntary winding-up; and

(bb) Compulsory winding-up, by petition presented to the courts of Bermuda followed by winding-up order.

(ii) Voluntary Winding-Up:

(aa) **Members' Voluntary Winding-up** – A members' voluntary winding-up is only possible if a company is solvent. A Statutory Declaration of Solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company's directors and filed with the Registrar.

A general meeting of members is then convened which resolves that the company be wound-up voluntarily and that a liquidator (responsible for collecting in the assets of the company, determining its liabilities and distributing its assets amongst its creditors and the surplus to the members) be appointed.

Once the affairs of the company are fully wound-up the liquidator prepares a full account of the liquidation which he then presents to the company's members at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held. Within one week after this special general meeting is held, the liquidator shall notify the Registrar that the company has been dissolved.

(bb) **Creditors' Voluntary Winding-up** – A creditors' voluntary winding-up may occur where a company is insolvent and a Declaration of Solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the members of the company that the company be placed into a creditors' voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company's members and, subsequently, at a meeting of the company's creditors.

Notice of the creditors' meeting must appear in an appointed newspaper on at least two occasions and the Directors must provide this meeting with a list of the company's creditors and a full report of the position of the company's affairs.

At their respective meetings, the creditors and members are entitled to nominate a person or persons to serve as liquidator(s) and whose responsibilities include collecting in the assets of the company, ascertaining its liabilities and distributing its assets ratably amongst its creditors in accordance with their proofs of debt. In addition to the liquidator, the creditors are entitled to appoint a Committee of Inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's members in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

(iii) *Compulsory Winding-Up:*

The courts of Bermuda may wind-up a Bermuda company on a petition presented by persons specified in the Companies Act and which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any member or members of the company.

Any such petition must state the grounds upon which the Bermuda court has been asked to wind-up the company and may include either one of the following:

(aa) that the company has by resolution resolved that it be wound-up by the Bermuda court;

(bb) that the company is unable to pay its debts;

(cc) that the Bermuda court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the Winding-up Order being granted and the appointment of the provisional liquidator, (who under Bermuda law, may or may not be the Official Receiver – a government appointed officer) an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator. (Often, the interim provisional liquidator is appointed the provisional liquidator).

As soon as the Winding-up Order has been made, the provisional liquidator summons separate meetings of the company's creditors and members in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a Committee of Inspection should be appointed and, if appointed, the members of that Committee. The provisional liquidator notifies the Court of the decisions made at these meetings and the Court makes the appropriate orders.

A permanent liquidator's powers are prescribed by the Companies Act and include the power to bring or defend actions or other legal proceedings in the name and on behalf of the company and the power to carry on the business so far as may be necessary for the beneficial winding-up of the company. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up, i.e. to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.

v. General

Appleby, the Company's legal adviser on Bermuda law, have sent to the Company a letter of advice summarising aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in Appendix VIII. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the investment property interests held by the Group as at 30 September 2013.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

6 December 2013

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

Dear Sirs,

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to carry out market valuations of the investment properties owned by Kerry Logistics Network Limited (referred to as the "Company") and/or its subsidiaries (together referred to as the "Group") in Hong Kong, the People's Republic of China (the "PRC"), Vietnam and Singapore (as more particularly described in the attached valuation certificates). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the investment property interests as at 30 September 2013 (the "date of valuation").

Basis of Valuation

Our valuation of each of the property interests represents its market value which in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumptions

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties held by the Group in the PRC and Vietnam, we have assumed that transferable land use rights in respect of the properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and the PRC and the Vietnamese legal opinions of the Company's legal advisers, Tian Yuan Law Firm and Russin & Vecchi Vietnam Law Company regarding the title to the properties and the interests in the properties in the PRC and Vietnam respectively. In valuing the properties, we have assumed that the owners have enforceable title to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Method of Valuation

In valuing the property interests (except for Group III), we have mainly adopted the investment approach of valuation by considering the capitalised rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the property interests at appropriate capitalisation rates and wherever appropriate cross checked by the direct comparison approach by making reference to comparable sales evidence as available in the relevant market subject to suitable adjustments between the subject properties and the comparable properties including but not limited to location, time, size, age and maintenance standard etc. However, there are seldom relevant logistics centre sales transactions in the subject locations rendering direct comparison approach difficult. On the other hand, as most properties are generating rental incomes from letting arrangements and rental comparables are relatively more easily available, we consider the investment approach is the best approach to value the properties.

In respect of property interests in Group III which are held for investment purposes in Vietnam, due to the specific nature and restricted use of the buildings and structures, and absence of relevant market evidence, we have valued the property interests by reference to the Depreciated Replacement Cost ("DRC"). DRC is based on an estimate of the market value for the existing use of the land (which is by reference to relevant land sales comparables subject to appropriate adjustments including but not limited to location, time, size etc.), plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The values are subject to service potential of the entity from the use of assets as a whole.

(a) Hong Kong properties

In undertaking our valuations for the properties in Hong Kong, we have made reference to lettings within the subject properties as well as other relevant comparable rental evidences of similar use type ranging from about HK$4.6 per sq.ft. to HK$12.8 per sq.ft. The monthly market rents adopted in our valuations for the properties in Hong Kong range from about HK$4.8 per sq.ft. to HK$9.8 per sq.ft. They are generally consistent with the comparables after due adjustments.

The capitalisation rates adopted in our valuations for the properties in Hong Kong range from 6.5% to 9.5%. In the course of valuation, we have taken into account their designed uses, physical characteristics and sizes. The properties in Hong Kong are specialised warehouses and are of large sizes. Transactions of similar properties are uncommon. We have analysed the market yields of smaller strata-titled industrial units but expect that en-bloc and large sized properties are subject to weaker marketability, weaker demand and are of higher investment risks. Furthermore, we have considered the qualities, ages, configurations and other relevant factors of the subject properties and made upward adjustments to arrive at the capitalisation rates.

(b) The PRC properties

In undertaking our valuations for the properties in the PRC, we have made reference to lettings within the subject properties as well as other relevant comparable rental evidences ranging from about ranging from RMB20 per sq.m. to RMB141 per sq.m. for office properties, RMB30 per sq.m. to RMB50 per sq.m. for residential properties, and RMB19 per sq.m. to RMB52 per sq.m. for logistics centre properties. The monthly market rents adopted in our valuations for the properties in the PRC range from about RMB38 per sq.m. to RMB95 per sq.m. for office properties, RMB27 per sq.m. to RMB42 per sq.m. for residential properties and RMB17 per sq.m. to RMB37 per sq.m. for logistics centre properties. They are generally consistent with the comparables after due adjustments such as age, quality, maintenance standard and other relevant factors.

The capitalisation rates adopted in our valuations for the properties in the PRC range from 6% to 8% for office properties, 5.5% to 7.5% for residential properties, and 8% to 11% for logistics centre properties. In the course of valuation, we have taken into account their designed uses, physical characteristics and sizes. The logistics centre properties in the PRC are specialised warehouses and are of large sizes. Transactions of similar properties are uncommon. We have analysed the market yields of smaller strata-titled industrial units but expect that en-bloc and large sized properties are subject to weaker marketability, weaker demand and are of higher investment risks. Furthermore, we have considered the qualities, ages, configurations and other relevant factors of the subject logistics centre properties and made upward adjustments to arrive at the capitalisation rates.

(c) Singapore property

The property in Singapore was completed in 2012 and the letting situation is only at the initial stage. In undertaking our valuation for the property in Singapore, we have made reference to lettings within the subject property as well as other relevant comparable rental evidences of similar use type ranging from SGD1.3 per sq.ft. to SGD1.8 per sq.ft. The monthly market rent adopted in our valuation for the property in Singapore is SGD1.6 per sq.ft. which is generally consistent with the comparables after due adjustments.

The capitalisation rate adopted in our valuation for the property in Singapore is 7.5% which is in line with the market norm.

(d) Vietnamese properties

In undertaking our valuations for the land portions of the properties in Vietnam, we have made reference to sales or asking prices of land parcels of similar use as the subject properties ranging from US$32 per sq.m. to US$125 per sq.m. The adopted unit rates are generally consistent with the respective relevant comparables after due adjustments including location, infrastructure provision, time, size and land use term. Upward adjustments are made when the comparables are worse than the subject properties whilst downward adjustments are made when the comparables are better than the subject properties. The unit land values adopted in our valuations range from about US$29 per sq.m. to US$117 per sq.m. which are generally consistent with the comparables after due adjustments.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, site and floor plans, number of parking spaces, interest attributable to the Group and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Group and are therefore only approximations. No on-site measurement has been carried out. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the properties in the PRC and Vietnam provided to us are mainly compiled in Chinese characters and Vietnamese characters respectively and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese or Vietnamese editions of the documents and consult your legal advisers regarding the legality and interpretation of these documents.

Land Tenure

In valuing the properties in Hong Kong the Government Leases of which expired before 30 June 1997, we have taken into account that under the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance such leases have been extended without premium until 30 June 2047 and that rents of 3% of the rateable value are charged per annum from the date of extension.

Title Investigation

We have not been provided with copies of the title documents relating to the properties in Hong Kong but have caused searches to be made at the Land Registry in Hong Kong. In respect of the property in Singapore, we have also caused searches to be made at the Singapore Land Authority. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

We have not been able to cause title searches of the property interests in the PRC and Vietnam but we have been provided with extracts of documents in relation to the titles to the property interests. However, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

In the course of our valuation of the property interests, we have assumed that transferable land use rights in respect of the property interests for their respective specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Group regarding the title to each of the property interests and the interests of the Group in the properties. In valuing the property interests, we have assumed that the Group has an enforceable title to each of the property interests and has free and uninterrupted rights to use, occupy or assign the property interests for the whole of the respective unexpired terms as granted.

The status of titles and grants of major approvals and licences (in accordance with the information provided by the Group, and the PRC and Vietnamese legal opinions) in respect of the property interests are set out in the notes in the respective valuation certificates.

Site Inspection

Our valuers, Enoch Chan from our Hong Kong office, who is a member of the Hong Kong Institute of Surveyors, Angie Ge from our Beijing office, Robert Liang from our Tianjin office, Bob Ren from our Wuhan office, Eva Yin from our Shenzhen office, Hanson Han from our Qingdao office, Tension Chen from our Xiamen office, Eis Yao from our Shanghai office and Fei Xie from our Chongqing office, who are Registered China Real Estate Appraisers, Danny Dao from our Vietnam office, who is an Australian Registered Valuer and Nicholas Cheng from our Singapore office, who is a member of the Singapore Institute of Surveyors and Valuers inspected the exterior and, wherever possible, the interior of the properties in July and August 2013. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuation certificates are in Hong Kong Dollars ("HK$") for the properties in Hong Kong, in Renminbi ("RMB") for the properties in the PRC, in United States Dollars ("US$") for the properties in Vietnam, and in Singapore Dollars ("SGD") for the property in Singapore.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited

K.B. Wong
MCIREA, MHKIS, MRICS, RPS(GP)
Senior Director, Valuation & Advisory Services

Note: Mr. K.B. Wong is Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in Hong Kong, the PRC and south east Asia countries.

	Property	Market value in existing state as at 30 September 2013	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2013
		HK$	%	HK$
Group I – Property interests held for investment purposes by the Group in Hong Kong				
1.	Kerry Warehouse (Chai Wan), 50 Ka Yip Street, Chai Wan, Hong Kong	469,000,000	100	469,000,000
2.	Whole of Lower Ground, Ground, 2nd to 4th and 6th Floors and Unit A2 on 7th Floor of Block A, 2 container, 11 lorry and 10 van/car parking spaces, Kerry TC Warehouse 1, 3 Kin Chuen Street, Kwai Chung, New Territories	175,800,000	100	175,800,000
3.	Kerry Warehouse (Shatin), 36-42 Shan Mei Street, Shatin, New Territories	396,000,000	100	396,000,000
4.	Kerry Warehouse (Sheung Shui), 2 San Po Street, Sheung Shui, New Territories	366,000,000	100	366,000,000
5.	Kerry Warehouse (Fanling 1), 39 On Lok Mun Street, On Lok Tsuen, Fanling, New Territories	275,000,000	100	275,000,000
6.	Kerry Warehouse (Kwai Chung), 4-6 Kwai Tai Road, Kwai Chung, New Territories	261,000,000	100	261,000,000

	Property	Market value in existing state as at 30 September 2013	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2013
		HK$	%	HK$
7.	Kerry TC Warehouse 2, 35 Wing Kei Road, Kwai Chung, New Territories	667,000,000	100	667,000,000
8.	Kerry Warehouse (Tsuen Wan), 3 Shing Yiu Street, Kwai Chung, New Territories	608,000,000	100	608,000,000
9.	Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories	1,976,000,000	100	1,976,000,000
	Grand Total of Group I in HK$:	**5,193,800,000**		**5,193,800,000**

	Property	Market value in existing state as at 30 September 2013	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2013
		RMB	%	RMB

Group II – Property interests held for investment purposes by the Group in the PRC

	Property	Market value in existing state as at 30 September 2013 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 30 September 2013 (RMB)
10.	EAS Building, 21 Xiao Yun Road, Chaoyang District, Beijing, the PRC	188,000,000	70	131,600,000
11.	4 Blocks of Buildings, 48 Hebei Road, Tanggu, Binhai New Area, Tianjin, the PRC	34,650,000	70	24,255,000
12.	Level 18, Block B, Wuhan International Building (formerly known as Asia Plaza), Dandong Road, Jianghan District, Wuhan, Hubei Province, the PRC	No commercial value	70	No commercial value
13.	Unit C, Level 22, Dihao Plaza, 2 Longkun North Road, Longhua District, Haikou, Hainan Province, the PRC	1,090,000	70	763,000
14.	Block 1, No. 64 Biaoshan Road, Shibei District, Qingdao, Shandong Province, the PRC	No commercial value	70	No commercial value

	Property	Market value in existing state as at 30 September 2013	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2013
		RMB	%	RMB
15.	Shenzhen Kerry Futian Logistics Centre, 15 Tao Hua Road, Futian Free Trade Zone, Shenzhen, Guangdong Province, the PRC	129,000,000	100	129,000,000
16.	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, the PRC	22,000,000	100	22,000,000
17.	Kerry Hefei Logistics Centre, 2346 Shixin Road, Taohua Industrial Park, Hefei, Anhui Province, the PRC	47,750,000	100	47,750,000
18.	Kerry Chongqing Logistics Centre – Phase 1, 69 Baohuan Road, Huixing Jiedao, Yubei District, Chongqing, the PRC	72,000,000	100	72,000,000
	Grand Total of Group II in RMB:	**494,490,000**		**427,368,000**

Property	Market value in existing state as at 30 September 2013	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2013
	US$	%	US$
Group III – Property interests held for investment purposes by the Group in Vietnam			
19. Song Than Logistics Centre, 20 Thong Nhat Boulevard, Song Than Industrial Zone 2, Di An District, Binh Duong Province, Vietnam	23,330,000	100	23,330,000
20. Vietnam Danang Logistics Centre, Street No. 3, Hoa Khanh Industrial Zone, Lien Chieu District, Da Nang City, Vietnam	2,710,000	100	2,710,000
21. Kerry Hung Yen Logistics Centre, Minh Duc Ward, My Hao District, Hung Yen Province, Vietnam	2,890,000	100	2,890,000
Grand Total of Group III in US$:	**28,930,000**		**28,930,000**

	Property	Market value in existing state as at 30 September 2013	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2013
		SGD	%	SGD
Group IV – Property interest held for investment purposes by the Group in Singapore				
22.	50% interest attributable to the Group for investment purpose in Kerry Tampines Logistics Centre, 19 Greenwich Drive, Tampines Logistics Park, Singapore 534021	37,500,000	100	37,500,000
	Grand Total of Group IV in SGD:	**37,500,000**		**37,500,000**

VALUATION CERTIFICATE

Group I – Property interests held for investment purposes by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
1.	Kerry Warehouse (Chai Wan), 50 Ka Yip Street, Chai Wan, Hong Kong Chai Wan Inland Lot No. 113	The property comprises a 15-storey warehouse building completed in two phases in 1986 and 1988 respectively. Parking and loading/unloading spaces are provided on the Ground Floor. The registered site area of the property is approximately 4,900 sq.m. (52,744 sq.ft.). The property has sea access. The approximate gross floor areas of the property are as follows:-	The property is occupied under leases and on a warrant operation basis. The total revenue of the property in January to June 2013 was approximately HK$24,500,000.	HK$469,000,000 (100% interest attributable to the Group: HK$469,000,000)

Floor	Gross Floor Area sq.m.	sq.ft.
Ground	514.03	5,533
1st	3,289.39	35,407
2nd to 3rd	3,862.13 x 2	41,572 x 2
4th to 8th	3,525.83 x 5	37,952 x 5
9th	3,409.42	36,699
10th	3,380.16	36,384
11th to 13th	3,499.54 x 3	37,669 x 3
14th	3,261.15	35,103
Total:	**49,706.18**	**535,037**

In addition, 1 container parking space, 25 lorry parking spaces and 27 van/car parking spaces are provided within the property.

The locality of the property is characterised by industrial buildings of various ages.

The property is held from the Government under Conditions of Sale No. 11485 for a term of 75 years commencing on 27 February 1981 renewable for a further term of 75 years. The Government Rent payable for the lot is HK$1,000 per annum.

Notes:

(1) The registered owner of the property is Kerry Warehouse (Chai Wan) Limited, a wholly owned subsidiary of the Company.

(2) The property is zoned for "Industrial" use under Approved Chai Wan Outline Zoning Plan No. S/H20/21 dated 5 February 2013.

(3) Based on a total gross floor area of 49,706.18 sq.m. (535,037 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of HK$9,435 per sq.m. (HK$877 per sq.ft.).

VALUATION CERTIFICATE

Group I – Property interests held for investment purposes by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
2.	Whole of Lower Ground, Ground, 2nd to 4th and 6th Floors and Unit A2 on 7th Floor of Block A, 2 container, 11 lorry and 10 van/car parking spaces, Kerry TC Warehouse 1, 3 Kin Chuen Street, Kwai Chung, New Territories 168,562/966,507th shares and 43.56/100th in 27,434/966,507th shares of and in Kwai Chung Town Lot No. 419	The property comprises a portion of 1 of the 2 contiguous 18-storey (including Lower Ground Floor) warehouse buildings completed in 1991. Parking and loading/unloading spaces are provided on the Lower Ground to 1st Floors. Block A is a warehouse building. The approximate gross floor areas of the warehouse portions of the property are as follows:-	The property is occupied under leases and on a warrant operation basis. The total revenue of the property in January to June 2013 was approximately HK$5,125,000.	HK$175,800,000 (100% interest attributable to the Group: HK$175,800,000)

Floor	Gross Floor Area sq.m.	sq.ft.
Lower Ground	2,722.04	29,300
Ground	2,254.65	24,269
2nd to 3rd	2,771.65 x 2	29,834 x 2
4th	2,548.68	27,434
6th	2,554.81	27,500
7th	1,110.27	11,951
Total:	**16,733.75**	**180,122**

In addition, 2 container parking spaces, 11 lorry parking spaces and 10 van/car parking spaces are provided with the property.

The locality of the property is characterised by industrial buildings and public residential estates of various ages.

The property is held from the Government under New Grant No. 6692 for a term commencing on 28 February 1989 and expiring on 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.

Notes:

(1) The registered owners of the property are Kerry BCI Warehouse (Tsuen Wan) Limited (which has been renamed as Kerry TC Warehouse 1 (Block A) Limited), a wholly owned subsidiary of the Company (Re: Lower Ground, Ground, 2nd to 4th and 6th Floors of Block A; Car Parking Space Nos. L4 to L10 and V1 to V8 on the Ground Floor; and Car Parking Space Nos. C1 and C2 on the Ground Floor, L8 to L10, L12 and V3 on the 1st Floor) and Wah Ming Properties Limited (Unit A2 on 7th Floor and Car Parking Space No. V18 on the 1st Floor), a wholly owned subsidiary of the Company.

(2) The property comprises Lower Ground, Ground, 2nd to 4th and 6th Floors and Unit A2 on 7th Floor of Block A; Car Parking Space Nos. C1, C2, L4 to L10, and V1 to V8 on the Ground Floor; and Car Parking Space Nos. L8 to L10, L12, V3 and V18 on the 1st Floor.

(3) The property is zoned for "Residential (Group E)" use under Draft Kwai Chung Outline Zoning Plan No. S/KC/26 dated 20 April 2012.

(4) Based on a total gross floor area of 16,733.75 sq.m. (180,122 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of HK$10,506 per sq.m. (HK$976 per sq.ft.).

VALUATION CERTIFICATE

Group I – Property interests held for investment purposes by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
3.	Kerry Warehouse (Shatin), 36-42 Shan Mei Street, Shatin, New Territories Sha Tin Town Lot No. 179	The property comprises a 17-storey warehouse building completed in two phases both in 1988. Parking and loading/unloading spaces are provided on the Upper Ground Floor and the Ground Floor is a public lorry park. The registered site area of the property is approximately 3,956 sq.m. (42,582 sq.ft.). The approximate gross floor areas of the property are as follows:-	The property is occupied under leases and on a warrant operation basis. The total revenue of the property in January to June 2013 was approximately HK$22,024,000.	HK$396,000,000 (100% interest attributable to the Group: HK$396,000,000)

Floor	Gross Floor Area sq.m.	sq.ft.
1st	2,567.82	27,640
2nd to 5th	2,680.32 x 4	28,851 x 4
6th	2,680.04	28,848
7th	2,680.32	28,851
8th to 14th	2,680.04 x 7	28,848 x 7
15th	2,680.32	28,851
Total:	**40,090.06**	**431,530**

In addition, 1 container parking space, 21 lorry parking spaces and 20 van/car parking spaces are provided within the property. Apart from these, a public lorry park accommodating 22 lorry parking spaces is provided.

The locality of the property is characterised by industrial buildings of various ages.

The property is held from the Government under New Grant No. ST11783 for a term of 99 years commencing on 1 July 1898 less the last three days extended until 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.

Notes:

(1) The registered owner of the property is Kerry Warehouse (Shatin) Limited, a wholly owned subsidiary of the Company.

(2) The property is zoned for "Industrial" Approved Shatin Outline Zoning Plan No. S/ST/28 dated 2 July 2013.

(3) Based on a total gross floor area of 40,090.06 sq.m. (431,530 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of HK$9,878 per sq.m. (HK$918 per sq.ft.).

VALUATION CERTIFICATE

Group I – Property interests held for investment purposes by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
4.	Kerry Warehouse (Sheung Shui), 2 San Po Street, Sheung Shui, New Territories Fanling Sheung Shui Town Lot No. 109	The property comprises a 6-storey (including basement) warehouse building completed in 1991. Parking and loading/unloading spaces are provided on all floors. The registered site area of the property is approximately 6,416 sq.m. (69,062 sq.ft.). The approximate gross floor areas of the property are as follows:-	The property is occupied under leases and on a warrant operation basis. The total revenue of the property in January to June 2013 was approximately HK$18,411,000.	HK$366,000,000 (100% interest attributable to the Group: HK$366,000,000)

Floor	**Gross Floor Area**	
	sq.m.	**sq.ft.**
Basement	5,591.04	60,182
Ground	5,198.81	55,960
1st	5,758.36	61,983
2nd	5,799.98	62,431
3rd	5,644.56	60,758
4th	5,103.96	54,939
Total:	**33,096.71**	**356,253**

In addition, 1 container parking space, 18 lorry parking spaces and 18 van/car parking spaces are provided within the property.

The locality of the property is characterised by industrial buildings of various ages.

The property is held from the Government under New Grant No. N12413 for a term commencing on 30 December 1989 and expiring on 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.

Notes:

(1) The registered owner of the property is Kerry Warehouse (Sheung Shui) Limited, a wholly owned subsidiary of the Company.

(2) The property is zoned for "Industrial" use under Draft Fanling/Sheung Shui Outline Zoning Plan No. S/FSS/17 dated 25 January 2013.

(3) Based on a total gross floor area of 33,096.71 sq.m. (356,253 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of HK$11,059 per sq.m. (HK$1,027 per sq.ft.).

VALUATION CERTIFICATE

Group I – Property interests held for investment purposes by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
5.	Kerry Warehouse (Fanling 1), 39 On Lok Mun Street, On Lok Tsuen, Fanling, New Territories Fanling Sheung Shui Town Lot Nos. 45 and 46	The property comprises a 6-storey warehouse building completed in 1994. Parking and loading/unloading spaces are provided on the 1st Floor. The total registered site area of the property is approximately 5,035 sq.m. (54,197 sq.ft.). The approximate gross floor areas of the property are as follows:-	The property is occupied under leases and on a warrant operation basis. The total revenue of the property in January to June 2013 was approximately HK$11,217,000.	HK$275,000,000 (100% interest attributable to the Group: HK$275,000,000)

Floor	Gross Floor Area sq.m.	sq.ft.
Ground	4,993.96	53,755
1st	564.10	6,072
2nd	5,588.16	60,151
3rd to 5th	5,066.33 x 3	54,534 x 3
Total:	**26,345.21**	**283,580**

In addition, 2 container parking spaces, 14 lorry parking spaces and 14 van/car parking spaces are provided within the property.

The locality of the property is characterised by industrial buildings of various ages.

The property is held from the Government under New Grant Nos. N12444 and N12473 for terms commencing on 21 August 1990 and 11 February 1991 respectively and both expiring on 30 June 2047. The total Government Rent payable for the lots is an amount equal to 3% of the rateable value for the time being of the lots per annum.

Notes:

(1) The registered owner of the property is Kerry Warehouse (Fanling 1) Limited, a wholly owned subsidiary of the Company.

(2) The property is zoned for "Industrial" use under Draft Fanling/Sheung Shui Outline Zoning Plan No. S/FSS/17 dated 25 January 2013.

(3) Based on a total gross floor area of 26,345.21 sq.m. (283,580 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of HK$10,438 per sq.m. (HK$970 per sq.ft.).

VALUATION CERTIFICATE

Group I – Property interests held for investment purposes by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
6.	Kerry Warehouse (Kwai Chung), 4-6 Kwai Tai Road, Kwai Chung, New Territories Kwai Chung Town Lot No. 326	The property comprises a 16-storey warehouse building completed in 1981. Parking and loading/unloading spaces are provided on the Ground and 1st Floors. The registered site area of the property is approximately 2,655.60 sq.m. (28,585 sq.ft.). The approximate gross floor areas of the property are as follows:-	The property is occupied under leases and on a warrant operation basis. The total revenue of the property in January to June 2013 was approximately HK$13,831,000.	HK$261,000,000 (100% interest attributable to the Group: HK$261,000,000)

Floor	Gross Floor Area sq.m.	sq.ft.
Ground	311.22	3,350
1st	218.51	2,352
2nd	2,572.65	27,692
3rd to 4th	1,810.01 x 2	19,483 x 2
5th to 6th	1,809.18 x 2	19,474 x 2
7th to 8th	1,810.01 x 2	19,483 x 2
9th	1,809.18	19,474
10th	1,810.01	19,483
11th	1,809.18	19,474
12th	1,810.01	19,483
13th	1,809.18	19,474
14th to 15th	1,810.01 x 2	19,483 x 2
Total:	**26,628.36**	**286,628**

In addition, 28 lorry parking spaces and 5 van/car parking spaces are provided within the property.

The locality of the property is characterised by industrial buildings of various ages.

The property is held from the Government under New Grant No. TW5554 for a term of 99 years commencing on 1 July 1898 less the last three days extended until 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.

Notes:

(1) The registered owner of the property is Kerry Warehouse (Kwai Chung) Limited, a wholly owned subsidiary of the Company.

(2) The property is zoned for "Industrial" use under Draft Kwai Chung Outline Zoning Plan No. S/KC/26 dated 20 April 2012.

(3) Based on a total gross floor area of 26,628.36 sq.m. (286,628 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of HK$9,802 per sq.m. (HK$911 per sq.ft.).

VALUATION CERTIFICATE

Group I – Property interests held for investment purposes by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
7.	Kerry TC Warehouse 2, 35 Wing Kei Road, Kwai Chung, New Territories Kwai Chung Town Lot No. 437	The property comprises a 16-storey cold store/warehouse/vehicle park building completed in 1997. Parking and loading/unloading spaces are provided on the Ground to 5th Floors. The registered site area of the property is approximately 6,242 sq.m. (67,189 sq.ft.). The approximate gross floor areas of the property are as follows:-	The property is occupied under leases and on a warrant operation basis. The total revenue of the property in January to June 2013 was approximately HK$62,126,000.	HK$667,000,000 (100% interest attributable to the Group: HK$667,000,000)

Floor	Gross Floor Area sq.m.	sq.ft.
Warehouse		
6th	4,396.04	47,319
7th	4,575.72	49,253
8th to 11th	4,669.55 x 4	50,263 x 4
12th to 13th	4,477.15 x 2	48,192 x 2
14th to 15th	4,502.69 x 2	48,467 x 2
Sub-total:	**45,609.64**	**490,942**
Car Park		
2nd	4,027.68	43,354
3rd to 4th	3,986.16 x 2	42,907 x 2
5th	3,931.81	42,322
Sub-total:	**15,931.81**	**171,490**
Total:	**61,541.45**	**662,432**

The locality of the property is characterised by industrial buildings of various ages.

In addition, 1 container parking space, 23 lorry parking spaces and 23 van/car parking spaces are provided within the property. Apart from these, a public vehicle park accommodating 25 container parking spaces, 140 lorry parking spaces and 50 van/car parking spaces is provided.

The property is held from the Government under New Grant No. TW6964 for a term commencing on 14 December 1994 and expiring on 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.

Notes:

(1) The registered owner of the property is Kerry TC Warehouse 2 Limited, a wholly owned subsidiary of the Company.

(2) The property is zoned for "Industrial" use under Draft Kwai Chung Outline Zoning Plan No. S/KC/26 dated 20 April 2012.

(3) Based on a total gross floor area of 45,609.64 sq.m. (490,942 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of HK$14,624 per sq.m. (HK$1,359 per sq.ft.).

VALUATION CERTIFICATE

Group I – Property interests held for investment purposes by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
8.	Kerry Warehouse (Tsuen Wan), 3 Shing Yiu Street, Kwai Chung, New Territories Kwai Chung Town Lot No. 452	The property comprises a 19-storey warehouse building completed in June 1998. Parking and loading/unloading spaces are provided on the Ground and 1st Floors. The registered site area of the property is approximately 6,525 sq.m. (70,235 sq.ft.). The approximate gross floor areas of the property are as follows:-	The property is occupied under leases and on a warrant operation basis. The total revenue of the property in January to June 2013 was approximately HK$33,677,000.	HK$608,000,000 (100% interest attributable to the Group: HK$608,000,000)

Floor	Gross Floor Area sq.m.	sq.ft.
1st	718.13	7,730
2nd	3,341.04	35,963
3rd to 17th	3,351.26 x 15	36,073 x 15
18th	667.50	7,185
Total:	**54,995.57**	**591,973**

In addition, 1 container parking space, 28 lorry parking spaces and 27 van/car parking spaces are provided within the property.

The locality of the property is characterised by industrial buildings of various ages.

The property is held from the Government under New Grant No. TW6987 for a term commencing on 26 September 1995 and expiring on 30 June 2047. The current Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.

Notes:

(1) The registered owner of the property is Kerry Warehouse (Tsuen Wan) Limited, a wholly owned subsidiary of the Company.

(2) The property is zoned for "Industrial" use under Draft Kwai Chung Outline Zoning Plan No. S/KC/26 dated 20 April 2012.

(3) Portions of the property (portions of 1/F, portions of 7/F, portions of 13/F, portions of 15/F, portions of 16/F and portions of 18/F) with a total area of approximately 11,393.20 sq.m. (122,636 sq.ft.) were subject to 3 Waiver Letters for the permission of the uses of information technology and telecommunications industries.

(4) Based on a total gross floor area of 54,995.57 sq.m. (591,973 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of HK$11,055 per sq.m. (HK$1,027 per sq.ft.).

VALUATION CERTIFICATE

Group I – Property interests held for investment purposes by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
9.	Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories Kwai Chung Town Lot No. 455	The property comprises a 16-storey warehouse block over a 4-storey public car park podium completed in 1999. Parking and loading/unloading spaces are provided on all floors (except Level 16). The registered site area of the property is approximately 16,960 sq.m. (182,557 sq.ft.). The approximate gross floor areas of the property are as follows:-	The property is occupied under leases and on a warrant operation basis. The total revenue of the property in January to June 2013 was approximately HK$106,892,000.	HK$1,976,000,000 (100% interest attributable to the Group: HK$1,976,000,000)

Floor	Gross Floor Area sq.m.	sq.ft.
Warehouse		
L1	5,271.92	56,747
L2 to L7	8,938.78 x 6	96,217 x 6
L8	5,494.89	59,147
L9 to L15	8,987.27 x 7	96,739 x 7
L16	6,780.66	72,987
Sub-total:	**134,091.04**	**1,443,356**
Public Car Park		
P1-P4	50,817.54	547,000
Total:	**184,908.58**	**1,990,356**

The public car park on P1 to P4 accommodates 70 container parking spaces, 380 lorry parking spaces and 160 van/car parking spaces. In addition, 1 container parking space, 104 lorry parking spaces and 62 van/car parking spaces are provided within the warehouse block.

The locality of the property is characterised by industrial buildings of various ages.

The property is held from the Government under New Grant No. TW6994 for a term commencing on 25 March 1996 and expiring on 30 June 2047. The current Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.

Notes:

(1) The registered owner of the property is Kerry Cargo Centre Limited, a wholly owned subsidiary of the Company.

(2) The property is zoned for "Industrial" use under Draft Kwai Chung Outline Zoning Plan No. S/KC/26 dated 20 April 2012.

(3) Based on a total gross floor area of 134,091.04 sq.m. (1,443,356 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of HK$14,736 per sq.m. (HK$1,369 per sq.ft.).

VALUATION CERTIFICATE

Group II – Property interests held for investment purposes by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
10.	EAS Building, 21 Xiao Yun Road, Chaoyang District, Beijing, the PRC	The property is EAS Building which comprises a 9-storey and a 4-storey office buildings plus a basement on a parcel of land with a site area of approximately 4,600.40 sq.m. (49,519 sq.ft.) completed in 1994 and 1995 respectively. The property has a total gross floor area of approximately 13,899.10 sq.m. (149,610 sq.ft.). The property is located at Xiao Yun Road, Chaoyang District of Beijing. Developments nearby are mainly for hotel, residential, office and commercial uses. According to the Group, the property is occupied for office use; there is no environmental issues and litigation dispute; there is no plan for renovation, to 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 17 July 2044 for office use.	The property is subject to various tenancies with the latest expiry date in June 2016. The current total monthly rent receivable is RMB940,778.	RMB188,000,000 (70% interest attributable to the Group: RMB131,600,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2010)0128, the land use rights of the property with a site area of 4,600.40 sq.m. have been granted to Beijing Jia Jia Investment Consultancy Co., Ltd. (北京佳嘉創展投資顧問有限公司), in which the Group has an attributable interest of 70%, for a term expiring on 17 July 2044 for office use.

(2) According to Building Ownership Certificate No. 804637, the building ownership of the property with a total gross floor area of 13,899.10 sq.m. has been vested in Beijing Jia Jia Investment Consultancy Co., Ltd. (北京佳嘉創展投資顧問有限公司). The details are summarised as follows:

Block no.	Usage	Gross floor area (sq.m.)	Gross floor area (sq.ft.)
1	Office	11,918.80	128,294
2	Office	1,980.30	21,316
	Grand total :	13,899.10	149,610

(3) According to Business Licence No. 110105012237340, Beijing Jia Jia Investment Consultancy Co., Ltd. (北京佳嘉創展投資顧問有限公司) was established with registered capital of RMB93,000,000 for an operation period from 7 September 2009 to 6 September 2029.

(4) According to the PRC legal opinion:

(i) Beijing Jia Jia Investment Consultancy Co., Ltd. (北京佳嘉創展投資顧問有限公司) has legally obtained the land use rights and building ownership of the property and obtained valid Certificate for the Use of State-owned Land and Building Ownership Certificate;

(ii) Beijing Jia Jia Investment Consultancy Co., Ltd. (北京佳嘉創展投資顧問有限公司) is entitled to transfer, lease, mortgage or other disposition;

(iii) The land use rights of property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute;

(iv) Except the mentioned tenancy situations, the property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute; and

(v) The tenancy agreements has not been registered, it will not affect their legal validity in accordance with the relevant PRC laws.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal adviser are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

(6) Based on a total gross floor area of 13,899.10 sq.m. (149,610 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of RMB13,526 per sq.m. (RMB1,257 per sq.ft.).

VALUATION CERTIFICATE

Group II – Property interests held for investment purposes by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
11.	4 Blocks of Buildings, 48 Hebei Road, Tanggu, Binhai New Area, Tianjin, the PRC	The property comprises a 6-storey and a 2-storey composite buildings and 2 ancillary buildings on a parcel of land with a site area of approximately 8,108.60 sq.m. (87,281 sq.ft.) completed in 1980s. The property has a total gross floor area of approximately 6,721.23 sq.m. (72,347 sq.ft.). *(Please see Note 1 below.)* The property is located at Hebei Road, Tanggu, Binhai New Area of Tianjin. Developments nearby are mainly for residential and commercial uses. According to the Group, the property is occupied for commercial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to 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 11 December 2047 for other commercial use.	The composite buildings with a total gross floor area of 5,676.16 sq.m. are subject to two tenancies both with a term due to expire in October 2014. The total monthly rent receivable is RMB153,497.	RMB34,650,000 (70% interest attributable to the Group: RMB24,255,000)

Notes:

(1) According to Real Estate Title Certificate No. 107020924163, the land use rights and building ownership of the property with a site area of 8,108.6 sq.m. and gross floor area of 6,721.23 sq.m. have been granted to Beijing Jia Jia Investment Consultancy Co., Ltd. (北京佳嘉創展投資顧問有限公司), in which the Group has an attributable interest of 70%, for a term due to expire on 11 December 2047 for other commercial use.

As advised, extension portions with a total gross floor area of 3,500 sq.m. have been constructed by the tenant and attached to the property. However, in the course of our valuation, we have not taken such extension portions into account.

(2) According to Business Licence No. 110105012237340, Beijing Jia Jia Investment Consultancy Co., Ltd. (北京佳嘉創展投資顧問有限公司) was established with registered capital of RMB93,000,000 for an operation period from 7 September 2009 to 6 September 2029.

(3) According to the PRC legal opinion:

(i) Beijing Jia Jia Investment Consultancy Co., Ltd. (北京佳嘉創展投資顧問有限公司) has legally enjoyed the land use rights and building ownership of the property;

(ii) Beijing Jia Jia Investment Consultancy Co., Ltd. (北京佳嘉創展投資顧問有限公司) is entitled to transfer, lease, mortgage or other disposition;

(iii) The land use rights of property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute;

(iv) Except the mentioned tenancy situations, the property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute; and

(v) The tenancy agreements has not been registered, it will not affect their legal validity in accordance with the relevant PRC laws.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal adviser are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

(5) Based on a total gross floor area of 6,721.23 sq.m. (72,347 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of RMB5,155 per sq.m. (RMB479 per sq.ft.).

VALUATION CERTIFICATE

Group II – Property interests held for investment purposes by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
12.	Level 18, Block B, Wuhan International Building (formerly known as Asia Plaza), Dandong Road, Jianghan District, Wuhan, Hubei Province, the PRC	The property comprises an office unit on the 18th floor of a 23-storey office building completed in 1990s. The property has a gross floor area of approximately 742.83 sq.m. (7,996 sq.ft.). *(Please see Note 2 below.)* The property is located at Dandong Road, Jianghan District, of Wuhan. Developments nearby are mainly for residential and commercial uses. According to the Group, the property is occupied for office use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the property. The land use rights of the property have been allocated for residential use for an unspecified term.	The property is currently subject to a tenancy for a term due to expire on 15 March 2015 at a monthly rent of RMB32,090.	No commercial value

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2006)73, the land use rights of the property with an attributable site area of 21 sq.m. have been allocated to Kerry EAS Logistics Limited Hubei Branch (嘉里大通物流有限公司湖北分公司), in which the Group has an attributable interest of 70%, for residential use for an unspecified term.

(2) According to Building Ownership Certificate No. 200504494, the building ownership of the property with a gross floor area of 742.83 sq.m. has been vested in Kerry EAS Logistics Limited Hubei Branch (嘉里大通物流有限公司湖北分公司).

We note the land use rights of the property are allocated in nature; we have assigned no commercial value to it. For reference purpose, its market value in existing state as at 30 September 2013, on the basis of granted land use rights nature, would be RMB4,020,000 (70% interest attributable to the Group: RMB2,814,000).

(3) According to Business Licence No. 100000400000465 dated 19 July 2013, Kerry EAS Logistics Limited Hubei Branch (嘉里大通物流有限公司湖北分公司) was established on 27 February 1985 with registered capital of RMB270,000,000 for an operation period from 27 February 1985 to 26 February 2015.

(4) According to the PRC legal opinion:

(i) Kerry EAS Logistics Limited Hubei Branch (嘉里大通物流有限公司湖北分公司) is the registered land and building owner and is entitled to use the property;

(ii) The land use rights are in allocation nature, Kerry EAS Logistics Limited Hubei Branch (嘉里大通物流有限公司湖北分公司) has not apply land grant procedures, there exists the risk of receiving the order from above county level People's Governments Land Administration Department to ask for pay the land premium, confiscation the illegal income or fine;

(iii) Before the approval by the government of land grant procedures and payment of land premium, the land and building cannot transfer, lease or mortgage;

(iv) The property is leased to third party, Kerry EAS Logistics Limited Hubei Branch (嘉里大通物流有限公司湖北分公司) does exist the identification of constituting a violation of the laws and mandatory administrative regulations, the tenancy agreement is identified invalid, Kerry EAS Logistics Limited Hubei Branch (嘉里大通物流有限公司湖北分公司) had to face the risk of early termination of tenancy agreement and had to pay RMB30,000 breach of contract penalty consequence; and

(v) Except the mentioned tenancy situations, the property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal adviser are as follows:

Certificate for the Use of State-owned Land	Yes (Allocated)
Building Ownership Certificate	Yes
Business Licence	Yes

(6) Based on a total gross floor area of 742.83 sq.m. (7,996 sq.ft.), the valuation of the property on the basis described in Note 2, as at the date of valuation was equivalent to a unit rate of RMB5,412 per sq.m. (RMB503 per sq.ft.).

VALUATION CERTIFICATE

Group II – Property interests held for investment purposes by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
13.	Unit C, Level 22, Dihao Plaza, 2 Longkun North Road, Longhua District, Haikou, Hainan Province, the PRC	The property comprises an office unit on the 22nd floor of an office building completed in 1990s. The property has a gross floor area of approximately 167.93 sq.m. (1,808 sq.ft.). *(Please see Note 3(i) below.)* The property is located at Longkun North Road, Longhua District of Haikou. Developments nearby are mainly for hotel, residential and commercial uses. According to the Group, the property is occupied for office use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the property. The land use rights of the property are unspecified.	The property is currently subject to a tenancy for a term due to expire on 31 March 2014 at a monthly rent of RMB8,397.	RMB1,090,000 (70% interest attributable to the Group: RMB763,000)

Notes:

(1) According to Building Ownership Certificate No. 34616, the building ownership of the property with a gross floor area of 335.86 sq.m. has been vested in Kerry EAS Logistics Limited Hainan Branch (嘉里大通物流有限公司海南分公司), in which the Group has an attributable interest of 70%.

(2) According to Business Licence No. 100000400000465 dated 19 July 2013, Kerry EAS Logistics Limited Hainan Branch (嘉里大通物流有限公司海南分公司) was established on 27 February 1985 with registered capital of RMB270,000,000 for an operation period from 27 February 1985 to 26 February 2015.

(3) According to the PRC legal opinion:

(i) Kerry EAS Logistics Limited Hainan Branch (嘉里大通物流有限公司海南分公司) and Hainan Xinglong SPA Kangle Park Company Limited (海南興隆溫泉康樂園有限公司) have owned 50% interests of the property respectively, however, the building ownership has been only vested in Kerry EAS Logistics Limited Hainan Branch (嘉里大通物流有限公司海南分公司);

(ii) Except the mentioned tenancy situations, the property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute; and

(iii) The tenancy agreements have not been registered, it will not affect their legal validity in accordance with the relevant PRC laws.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal adviser are as follows:

Certificate for the Use of State-owned Land	No
Building Ownership Certificate	Yes
Business Licence	Yes

(5) Based on a total gross floor area of 167.93 sq.m. (1,808 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of RMB6,491 per sq.m. (RMB603 per sq.ft.).

VALUATION CERTIFICATE

Group II – Property interests held for investment purposes by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
14.	Block 1, No. 64 Biaoshan Road, Shibei District, Qingdao, Shandong Province, the PRC	The property comprises a 3-storey office building completed in 1990s. The property has a total gross floor area of approximately 470.69 sq.m. (5,067 sq.ft.). *(Please see Note 1 below.)* The property is located at Biaoshan Road, Shibei District of Qingdao. Developments nearby are mainly for residential and commercial uses. According to the Group, the property is occupied for office use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the property. The land use rights of the property have been allocated for residential use for an unspecified term.	The property is currently subject to a tenancy for a term due to expire on 7 July 2014 at a monthly rent of RMB20,000.	No commercial value

Notes:

(1) According to Real Estate Title Certificate No. 201037487, the land use rights and building ownership of the property with a gross floor area of 470.69 sq.m. have been allocated to Kerry EAS Logistics Limited Qingdao Branch (嘉里大通物流有限公司青島分公司), in which the Group has an attributable interest of 70%, for residential use for an unspecified term.

According to Real Estate Title Certificate, the land use and building use of the property are residential and commercial respectively. We note the property is designated as office use. In the course of our valuation, we have valued the property as office use.

We note the land use rights of the property are allocated in nature; we have assigned no commercial value to it. For reference purpose, its market value in existing state as at 30 September 2013, on the basis of granted land use rights nature, would be RMB2,750,000 (70% interest attributable to the Group: RMB1,925,000).

(2) According to Business Licence No. 100000400000465 dated 19 July 2013, Kerry EAS Logistics Limited Qingdao Branch (嘉里大通物流有限公司青島分公司) was established on 27 February 1985 with registered capital of RMB270,000,000 for an operation period from 27 February 1985 to 26 February 2015.

(3) According to the PRC legal opinion:

(i) Kerry EAS Logistics Limited Qingdao Branch (嘉里大通物流有限公司青島分公司) is the registered land and building owner and is entitled to use the property;

(ii) The land use rights are in allocation nature, Kerry EAS Logistics Limited Qingdao Branch (嘉里大通物流有限公司青島分公司) has not applied for land grant procedures, there exists the risk of receiving the order from above county level People's Governments Land Administration Department to ask for pay the land premium, confiscation the illegal income or fine;

(iii) Before the approval by the government of land grant procedures and payment of land premium, the land and building cannot transfer, lease or mortgage;

(iv) There is inconsistence between the land use (residential) and building use (commercial) of the property, Kerry EAS Logistics Limited Qingdao Branch (嘉里大通物流有限公司青島分公司) does exist the risk to pay the difference consideration of land premium;

(v) The property is leased to third party, Kerry EAS Logistics Limited Qingdao Branch (嘉里大通物流有限公司青島分公司) does exist the identification of constituting a violation of the laws and mandatory administrative regulations, the tenancy agreement is identified invalid, Kerry EAS Logistics Limited Qingdao Branch (嘉里大通物流有限公司青島分公司) had to face the risk of early termination of tenancy agreement and had to pay 3 months monthly rent (totally RMB60,000) breach of contract penalty consequence; and

(vi) Except the mentioned tenancy situations, the property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal adviser are as follows:

Real Estate Title Certificate	Yes (Allocated)
Business Licence	Yes

(5) Based on a total gross floor area of 470.69 sq.m. (5,067 sq.ft.), the valuation of the property on the basis of described in Note 1, as at the date of valuation was equivalent to a unit rate of RMB5,842 per sq.m. (RMB543 per sq.ft.).

VALUATION CERTIFICATE

Group II – Property interests held for investment purposes by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
15.	Shenzhen Kerry Futian Logistics Centre, 15 Tao Hua Road, Futian Free Trade Zone, Shenzhen, Guangdong Province, the PRC	The property comprises a 6-storey warehouse building on a parcel of land with a site area of approximately 10,000 sq.m. (107,640 sq.ft.) completed in 2006. The property has a total gross floor area of approximately 24,958.74 sq.m. (268,656 sq.ft.). The property is located at Futian Free Trade Zone. Developments nearby are mainly for industrial, warehousing and export processing uses. According to the Group, the property is occupied for logistics and warehousing use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the property. The land use rights of the property have been granted for a term from 6 December 2004 to 5 December 2054 for warehousing use.	The property is subject to various tenancies at a total monthly rental of approximately RMB824,000 with the latest term due to expire in May 2016.	RMB129,000,000 (100% interest attributable to the Group: RMB129,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 9000614, the land use rights and building ownership of the property with a site area of 10,000 sq.m. and gross floor area of 24,958.74 sq.m. have been granted to Kerry FFTZ Warehouse (Shenzhen) Ltd. (嘉里福保倉儲(深圳)有限公司), a wholly owned subsidiary of the Company, for a term from 6 December 2004 to 5 December 2054 for warehousing use.

(2) According to Business Licence No. 440301503287809, Kerry FFTZ Warehouse (Shenzhen) Ltd. (嘉里福保倉儲(深圳)有限公司) was established with a registered capital of HK$70,000,000 for an operation period from 21 September 2004 to 21 September 2054.

(3) According to the PRC legal opinion:

(i) Kerry FFTZ Warehouse (Shenzhen) Ltd. (嘉里福保倉儲(深圳)有限公司) has legally obtained the land use rights and building ownership of the property and obtained valid Real Estate Title Certificate;

(ii) Kerry FFTZ Warehouse (Shenzhen) Ltd. (嘉里福保倉儲(深圳)有限公司) is entitled to transfer, lease, mortgage or other disposition;

(iii) The land use rights of property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute;

(iv) Except the mentioned tenancy situations, the property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute; and

(v) The tenancy agreements has not been registered, it will not affect their legal validity in accordance with the relevant PRC laws.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal adviser are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

(5) Based on a total gross floor area of 24,958.74 sq.m. (268,656 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of RMB5,169 per sq.m. (RMB480 per sq.ft.).

VALUATION CERTIFICATE

Group II – Property interests held for investment purposes by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
16.	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, the PRC	The property comprises a single storey warehouse building and a 2-storey ancillary building on a parcel of land with site area of approximately 24,544.50 sq.m. (264,197 sq.ft.) completed in 2004. The property has a total gross floor area of approximately 10,121.34 sq.m. (108,946 sq.ft.). The Property is located at Fuzhou Free Trade Zone. Developments nearby are mainly for industrial, warehousing and export processing uses. According to the Group, the property is occupied for logistics and warehousing use; there is no environmental issues and litigation dispute; there is no plan for renovation, to 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 9 April 2053 for industrial (warehouse and ancillary facilities) use.	The property is subject to two tenancies at a total monthly rental of RMB220,700 from 1 October 2012 to 31 July 2014.	RMB22,000,000 (100% interest attributable to the Group: RMB22,000,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2011)39537722150, the land use rights of the property with a site area of 24,544.50 sq.m. have been granted to NYK Logistics (Fuzhou Free Trade Zone) Co., Ltd. (新浪威物流(福州保税區)有限公司) (now known as Kerry Logistics (Fuzhou) Co., Ltd. (嘉里物流(福州)有限公司)), a wholly owned subsidiary of the Company, for a term due to expire on 9 April 2053 for industrial (warehouse and ancillary facilities) use.

(2) According to Building Ownership Certificate No. K0972630, the building ownership of the property with a gross floor area of 10,121.34 sq.m. has been vested in NYK Logistics (Fuzhou Free Trade Zone) Co., Ltd. (新浪威物流(福州保税區)有限公司) (now known as Kerry Logistics (Fuzhou) Co., Ltd. (嘉里物流(福州)有限公司)).

(3) According to Business Licence No. 350100400003308, Kerry Logistics (Fuzhou) Co., Ltd. (嘉里物流(福州)有限公司) was established with a registered capital of US$2,820,000 for a valid period from 30 May 2002 to 29 May 2012.

(4) According to the PRC legal opinion:

(i) Kerry Logistics (Fuzhou) Co., Ltd. (嘉里物流(福州)有限公司) is the registered land owner and is entitled to use the land;

(ii) Kerry Logistics (Fuzhou) Co., Ltd. (嘉里物流(福州)有限公司) has legally obtained building ownership rights of the property and obtained valid Building Ownership Certificate;

(iii) Kerry Logistics (Fuzhou) Co., Ltd. (嘉里物流(福州)有限公司) is entitled to transfer, lease, mortgage or other disposition; and

(iv) The property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal adviser are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

(6) Based on a total gross floor area of 10,121.34 sq.m. (108,946 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of RMB2,174 per sq.m. (RMB202 per sq.ft.).

VALUATION CERTIFICATE

Group II – Property interests held for investment purposes by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
17.	Kerry Hefei Logistics Centre, 2346 Shixin Road, Taohua Industrial Park, Hefei, Anhui Province, the PRC	The property comprises 5 single storey warehouse buildings on a parcel of land with a site area of approximately 38,042.10 sq.m. (409,485 sq.ft.) completed in 2008. The property has a total gross floor area of approximately 18,987.65 sq.m. (204,383 sq.ft.). The property is located at Taohua Industrial Park. Developments nearby are mainly for industrial, warehousing and commercial uses. According to the Group, the property is occupied for logistics and warehousing use; there is no environmental issues and litigation dispute; there is no plan for renovation, to 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 17 April 2060 for industrial use.	The property is subject to various tenancies with the latest tenancy due to expire on 9 July 2015 at a total monthly rental of approximately RMB341,000.	RMB47,750,000 (100% interest attributable to the Group: RMB47,750,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2011)049, the land use rights of the property with a site area of 38,042.10 sq.m. have been granted to Hefei Huaxing Automobile Parts Co., Ltd. (合肥華興汽車零配件有限公司) (now known as Kerry Logistics Anhui Co., Ltd. (嘉里物流安徽有限公司)), a wholly owned subsidiary of the Company, for a term due to expire on 17 April 2060 for industrial use.

(2) According to Real Estate Title Certificate No. 2011904234-0, the building ownership of the property with a total gross floor area of 18,987.65 sq.m. has been vested in Hefei Huaxing Automobile Parts Co., Ltd. (合肥華興汽車零配件有限公司) (now known as Kerry Logistics Anhui Co., Ltd. (嘉里物流安徽有限公司)).

(3) According to Business Licence No. 340123000031435, Kerry Logistics Anhui Co., Ltd. (嘉里物流安徽有限公司) was established with a registered capital of RMB36,000,000 for an operation period from 9 November 2005 to 31 December 2015.

(4) According to the PRC legal opinion:

(i) The land use rights and building ownership of the property have been registered in Hefei Huaxing Automobile Parts Co., Ltd. (合肥華興汽車零配件有限公司), however, there is no legal obstacle of Kerry Logistics Anhui Co., Ltd. (嘉里物流安徽有限公司) to change the name from registration due to both parties are under the same subject;

(ii) Kerry Logistics Anhui Co., Ltd. (嘉里物流安徽有限公司) is the registered land and building owner and is entitled to use the property;

(iii) Kerry Logistics Anhui Co., Ltd. (嘉里物流安徽有限公司) is entitled to transfer, lease, mortgage or other disposition;

(iv) The land use rights of property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute;

(v) Except the mentioned tenancy situations, the property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute; and

(vi) The tenancy agreements has not been registered, it will not affect their legal validity in accordance with the relevant PRC laws.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal adviser are as follows:

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes
Business Licence	Yes

(6) Based on a total gross floor area of 18,987.65 sq.m. (204,383 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of RMB2,515 per sq.m. (RMB234 per sq.ft.).

VALUATION CERTIFICATE

Group II – Property interests held for investment purposes by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
18.	Kerry Chongqing Logistics Centre – Phase 1, 69 Baohuan Road, Huixing Jiedao, Yubei District, Chongqing, the PRC	Kerry Chongqing Logistics Centre is erected on a parcel of land with a site area of approximately 54,494.30 sq.m. (586,577 sq.ft.) in two phases. The property comprises Kerry Chongqing Logistics Centre – Phase I, which has a 2-storey with 2 mezzanine floors warehouse building and two single storey ancillary structures completed in 2011. The property has a total gross floor area of approximately 20,900.78 sq.m. (224,976 sq.ft.). The property is located at Baohuan Road, Yubei District of Chongqing. Developments nearby are mainly for industrial uses. According to the Group, the property is occupied for logistics and warehousing use; there is no environmental issues and litigation dispute; there is no plan for renovation, to 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 29 December 2056 for industrial use.	The property is subject to various tenancies with the latest tenancy due to expire on 31 December 2015 at a total monthly rental of approximately RMB537,000.	RMB72,000,000 (100% interest attributable to the Group: RMB72,000,000)

Notes:

(1) According to 3 Chongqing Real Estate Title Certificates Nos. (2011) 050976, (2011) 050994 and (2011) 050996, the land use rights of a parcel of land with a site area of 54,494.30 sq.m. and the building ownership of various buildings with a total gross floor area of 20,900.78 sq.m. have been granted to Chongqing Lingxian Industry Development Limited (重慶領先實業發展有限公司), a wholly owned subsidiary of the Company, for a term due to expire on 29 December 2056 for industrial use.

(2) According to Business Licence No. 500112000014636, Chongqing Lingxian Industry Development Limited (重慶領先實業發展有限公司) was established with a registered capital of RMB112,500,000 for an operation period from 22 December 2006 to 30 June 2030.

(3) According to the PRC legal opinion:

(i) Chongqing Lingxian Industry Development Limited (重慶領先實業發展有限公司) has legally obtained the land use rights and building ownership of the property and obtained all valid Chongqing Real Estate Title Certificates;

(ii) Chongqing Lingxian Industry Development Limited (重慶領先實業發展有限公司) is entitled to transfer, lease, mortgage or other disposition; and

(iii) The property does not currently involve any situation of lease, mortgage, compulsory acquisition, litigation, controversy or dispute.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC legal adviser are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

(5) Based on a total gross floor area of 20,900.78 sq.m. (224,976 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of RMB3,445 per sq.m. (RMB320 per sq.ft.).

VALUATION CERTIFICATE

Group III – Property interests held for investment purposes by the Group in Vietnam

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
19.	Song Than Logistics Centre, 20 Thong Nhat Boulevard, Song Than Industrial Zone 2, Di An District, Binh Duong Province, Vietnam	The property comprises mainly nine warehouses after purchase of additional buildings in 2010 and 2011. The property stands on various parcels of land of a total site area of approximately 102,451.8 sq.m. (1,102,791 sq.ft.). The existing total building area is approximately 62,298 sq.m. (670,576 sq.ft.) completed in phases up to 2011 and with operations commenced since 2006. The property is situated in an existing industrial area where infrastructure is provided. The immediate locality generally comprises low rise industrial facilities. Public transport is readily available in the area. Access to the other districts is further enhanced by Thong Nhat Boulevard and Highway 13 (Binh Duong Avenue). The property is held for terms expiring in December 2045.	The property is occupied as a logistics centre. The total revenue of the property in January to June 2013 was approximately US$1,177,000.	US$23,330,000 (100% interest attributable to the Group: US$23,330,000)

Notes:

(1) The owner of the property is Kerry Integrated Logistics (Viet Nam) Co., Ltd., a wholly owned subsidiary of the Company.

(2) The property is zoned for industrial use.

(3) According to the Vietnamese legal opinion:

(i) Kerry Integrated Logistics (Viet Nam) Co., Ltd. is the legal owner of the property, has valid and good title, right and interest to the property, and has the right to transfer, sell, lease and mortgage the property.

(ii) Kerry Integrated Logistics (Viet Nam) Co., Ltd. has the lawful land use rights to the land.

(iii) The land lease is valid and enforceable. Kerry Integrated Logistics (Viet Nam) Co., Ltd. has the rights to use the land.

(iv) Kerry Integrated Logistics (Viet Nam) Co., Ltd. has fulfilled its payment obligations under the land lease.

(v) The property is free from encumbrances.

(4) Based on a total gross floor area of 62,298 sq.m. (670,576 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of US$374 per sq.m. (US$35 per sq.ft.).

VALUATION CERTIFICATE

Group III – Property interests held for investment purposes by the Group in Vietnam

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
20.	Vietnam Danang Logistics Centre, Street No. 3, Hoa Khanh Industrial Zone, Lien Chieu District, Da Nang City, Vietnam	The property comprises 3 warehouses, 1 office building and some small supporting houses used as guardhouse, bathroom and generator space. The buildings were mainly completed in 2011. The property stands on a parcel of land of a total site area of approximately 15,535.7 sq.m. (167,226 sq.ft.). The existing total industrial building area is approximately 10,585 sq.m. (113,937 sq.ft.). There is also currently an office building of 55 sq.m. (592 sq.ft.). The property is situated in an existing industrial area where infrastructure is provided. The immediate locality generally comprises low rise industrial facilities. Public transport is readily available in the area. Access to the other districts is further enhanced by Street No. 3 and Nguyen Luong Bang Highway 13. The property is held for terms expiring on 12 December 2046.	The property is occupied as a logistics centre. The total revenue of the property in January to June 2013 was approximately US$98,000.	US$2,710,000 (100% interest attributable to the Group: US$2,710,000)

Notes:

(1) The owner of the property is the Da Nang Branch of Kerry Integrated Logistics (Viet Nam) Co., Ltd., a wholly owned subsidiary of the Company.

(2) The property is zoned for industrial use.

(3) According to the Vietnamese legal opinion:

(i) Kerry Integrated Logistics (Viet Nam) Co., Ltd. is the legal owner of the property, has valid and good title, right and interest to the property, and has the right to transfer, sell, lease and mortgage the property.

(ii) Kerry Integrated Logistics (Viet Nam) Co., Ltd. has the lawful land use rights to the land.

(iii) The land lease is valid and enforceable. Kerry Integrated Logistics (Viet Nam) Co., Ltd. has the rights to use the land.

(iv) Kerry Integrated Logistics (Viet Nam) Co., Ltd. has fulfilled its payment obligations under the land lease.

(v) The property is free from encumbrances.

(4) Based on a total gross floor area of 10,640 sq.m. (114,529 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of US$255 per sq.m. (US$24 per sq.ft.).

VALUATION CERTIFICATE

Group III – Property interests held for investment purposes by the Group in Vietnam

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
21.	Kerry Hung Yen Logistics Centre, Minh Duc Ward, My Hao District, Hung Yen Province, Vietnam	The property is a logistics centre consisting of three warehouses and an office building completed in 2010. The property stands on a parcel of land of a total site area of approximately 17,295 sq.m. (186,163 sq.ft.). The existing total industrial building area is approximately 9,741 sq.m. (104,852 sq.ft.). The office building area is approximately 254 sq.m. (2,734 sq.ft.). The subject property commenced operations in late 2011. The property is situated in an existing industrial area where infrastructure is provided. The immediate locality generally comprises low rise industrial facilities. Public transport is readily available in the area. Access to the other districts is further enhanced by National Highway 5A. The property is held for terms expiring on 15 October 2058.	The property is occupied as a logistics centre. The total revenue of the property in January to June 2013 was approximately US$101,000.	US$2,890,000 (100% interest attributable to the Group: US$2,890,000)

Notes:

(1) The owner of the property is Kerry Integrated Logistics (Hung Yen) Joint Stock Company, a wholly owned subsidiary of the Company.

(2) The property is zoned for industrial use.

(3) According to the Vietnamese legal opinion:

(i) Kerry Integrated Logistics (Hung Yen) Joint Stock Company is the legal owner of the property, has valid and good title, right and interest to the property, and has the right to transfer, sell, lease and mortgage the property.

(ii) Kerry Integrated Logistics (Hung Yen) Joint Stock Company has the lawful land use rights to the land.

(iii) The land lease is valid and enforceable. Kerry Integrated Logistics (Hung Yen) Joint Stock Company has the rights to use the land.

(iv) Kerry Integrated Logistics (Hung Yen) Joint Stock Company has fulfilled its payment for annual land rental under the land lease.

(v) The property is free from encumbrances.

(4) Based on a total gross floor area of 9,995 sq.m. (107,586 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of US$289 per sq.m. (US$27 per sq.ft.).

VALUATION CERTIFICATE

Group IV – Property interest held for investment purposes by the Group in Singapore

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
22.	50% interest attributable to the Group for investment purpose in Kerry Tampines Logistics Centre, 19 Greenwich Drive, Tampines Logistics Park, Singapore 534021	The property comprises 4 floors of warehouse and 8 floors of ancillary office completed in 2012. The property stands on a regular plot of land of a total site area of approximately 20,300 sq.m. (218,509 sq.ft.), subject to survey. According to the architectural plans provided by the Group, the gross floor area is approximately 34,510 sq.m. (371,466 sq.ft.), subject to survey. The temporary Occupation Permit was obtained in December 2012. The property is located along Greenwich Drive and approximately 12 km. from the city centre at Raffles Place. The immediate locality generally comprises industrial developments. It has easy access to other parts of Singapore via Kallang – Paya Lebar Expressway and Tampines Expressway. The property is leased from the Jurong Town Corporation for a term of 30 years from 16 October 2011 for warehouse logistics use only subject to an annual land rent of SGD12.	The property is occupied as a logistics centre. The total revenue of the property in January to June 2013 was approximately SGD1,683,000.	SGD37,500,000 (100% interest attributable to the Group: SGD37,500,000)

Notes:

(1) As per the Jurong Town Corporation's letter dated 20 July 2011, the property has been contracted to be leased to Kerry Logistics Hub (Singapore) Pte. Ltd. (now known as Kerry Logistics Centre (Tampines) Pte. Ltd.), a wholly owned subsidiary of the Company, for a lease term of 30 years commencing from 16 October 2011 for warehouse logistics use only. This is subject to a land premium of SGD9,735,880 (excluding GST) and an annual land rent of SGD12 (excluding GST). The land premium of SGD9,735,880 excluding GST was paid on 4 August 2011.

(2) Under the Schedule of Building Terms ("BT"), the licensee is not to demise, assign, transfer, sell, charge, mortgage, create a trust or agency, let, sublet, or permit underletting, or grant a licence or part with or share his interest under this BT, or the possession or occupation of the Land ("Prohibition") from the License Commencement Date until the day the Licensee has:

(i) shown due proof to the Owner's satisfaction that the fixed investment criteria under clause 3 of BT has been met; and

(ii) obtained all the necessary Temporary Occupation Permits issued by the Authorities for the Building Work at the Land.

The assignee is subject to the above Prohibition for a period of 3 years from the date of the assignment except that the assignee may mortgage or charge by way of assignment or debenture or sublet the Land with the Owner's prior written consent.

(3) Under the current Master Plan (2008 Edition), the property is zoned 'Business 2' and the plot ratio for the subject site is 1.7. 'Business 2' in the Master Plan refers to areas used or intended to be used for clean industry, light industry, general industry, warehouse, public utilities and telecommunication uses and other public installations. Special industries such as manufacture of industry machinery, shipbuilding and repairing, may be allowed in selected areas subject to evaluation by the competent authority.

(4) The property is subject to a mortgage in favour of United Overseas Bank Limited.

(5) The whole building is leased from the Jurong Town Corporation to Kerry Logistics Hub (Singapore) Pte. Ltd., a wholly owned subsidiary of the Company. But only 50% of the property is held by the Group for investment purpose.

(6) Based on a total gross floor area of 34,510 sq.m. (371,466 sq.ft.), the valuation of the property as at the date of valuation was equivalent to a unit rate of SGD2,173 per sq.m. (SGD202 per sq.ft.).

Global Third-Party Logistics Market Information Report

6 December 2013

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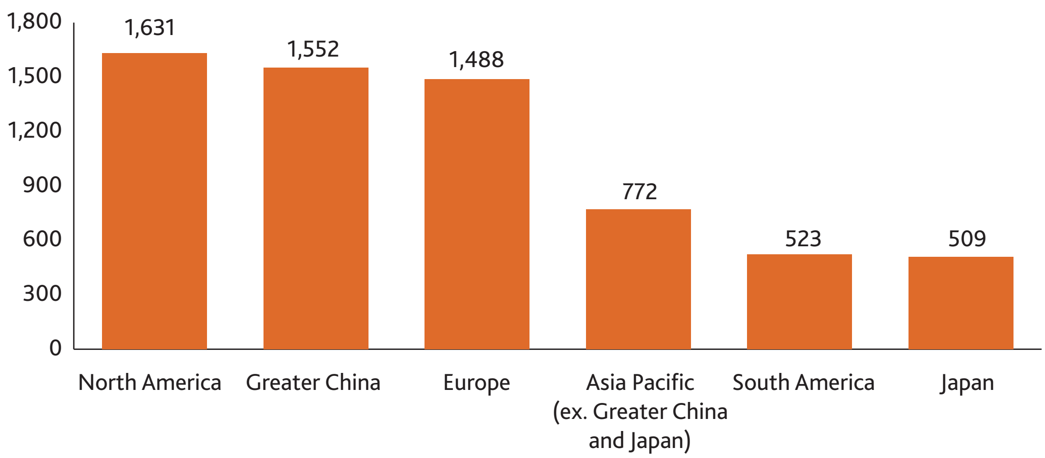
The facts of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that Armstrong & Associates, Inc. delivers will be based on information gathered in good faith from both primary and secondary sources, whose accuracy we are not always in a position to guarantee. As such, Armstrong & Associates can accept no liability whatsoever for actions taken based on any information that may subsequently prove to be incorrect.

THE GLOBAL LOGISTICS MARKET

Logistics Spend Analysis

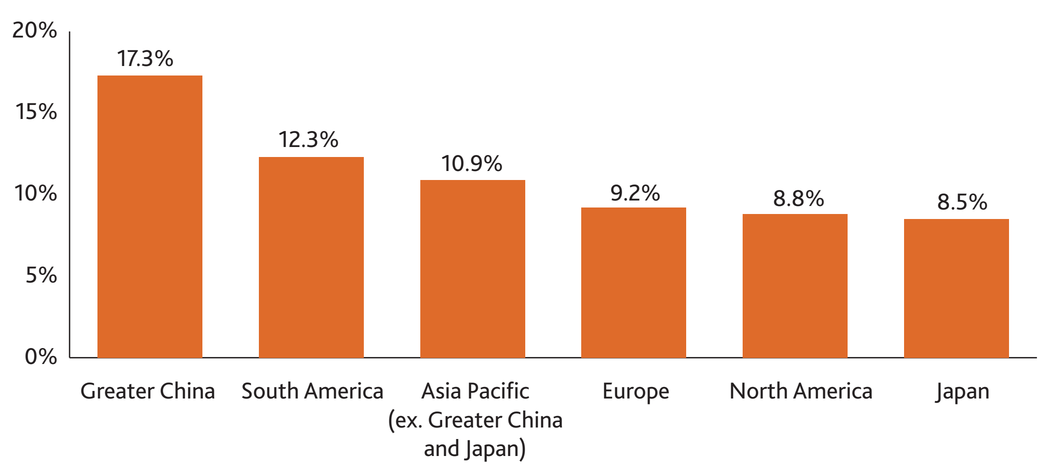
Globally, modern industrially developed and post industrial countries have the lowest relative logistics spend as a percentage of GDP. This is a function of logistics (road/rail/port) infrastructure, the lifecycle deployment of leading logistics practices, and influence of ongoing process improvements.

2012 Logistics Spend by Major Region (US$ in Billions)



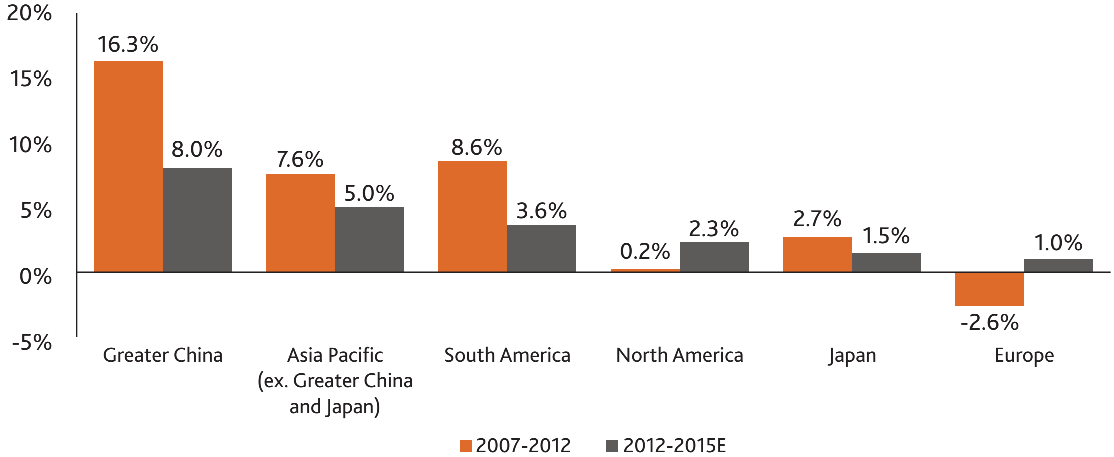
For a single country, China's logistics spend is the highest in the world at US$1.5 trillion per year (in comparison, U.S. logistics spend is US$1.3 trillion) and equivalent to more than half the Asia Pacific region. Globally, the Asia Pacific is the largest logistics market accounting for 34% of total global logistics spend and 36% of 3PL global spend.

2012 Logistics Spend by Major Region (as a % of GDP)

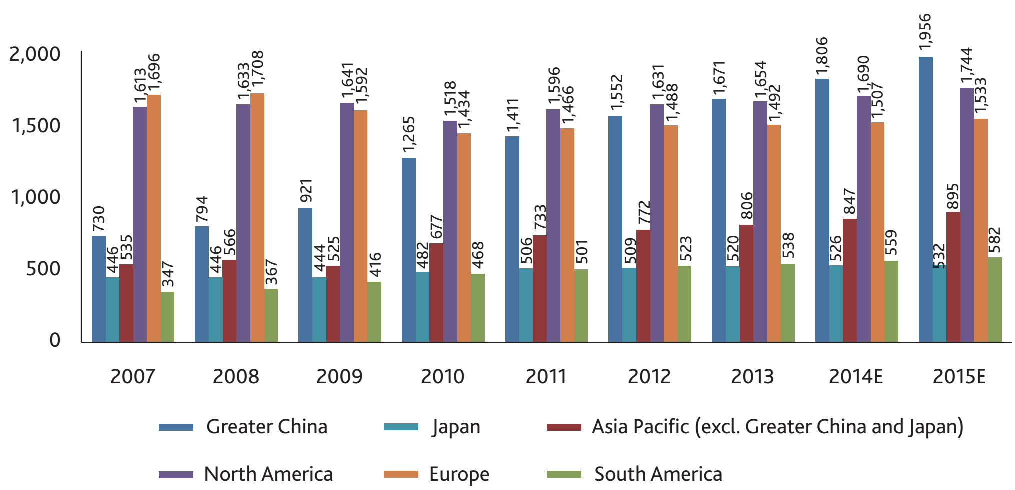


In terms of logistics spend as a percentage of GDP, developing economies normally run 11% to 15%, while Greater China is at 17%. The distribution of logistics spend percentages is similar to that for logistics performance index (LPI) numbers developed by The World Bank.

Logistics Spend Growth (CAGR by Major Region)



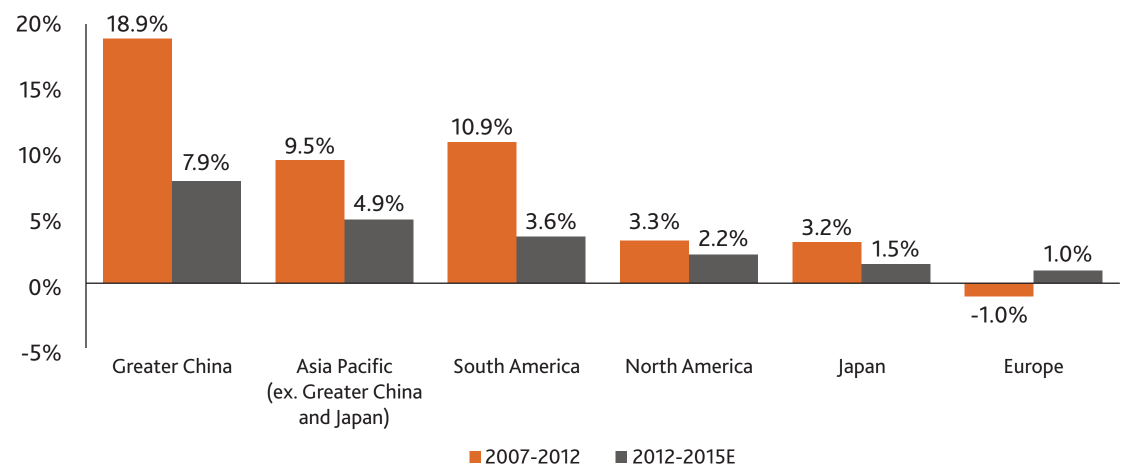
2007-2015E Logistics Spend by Major Region (US$ in Billions)



Greater China and the Asia Pacific (excluding Greater China and Japan) are expected to be the fastest growing regions in terms of logistics spend during the period from 2012 to 2015. This will primarily be driven by strong growth in private domestic consumption on general merchandise, including a range of fast-moving consumer goods for daily consumption, as well as luxury items. This growth reflects a number of factors including strong economic growth, encouraging demographics, sustained urbanisation and growth of the middle-class.

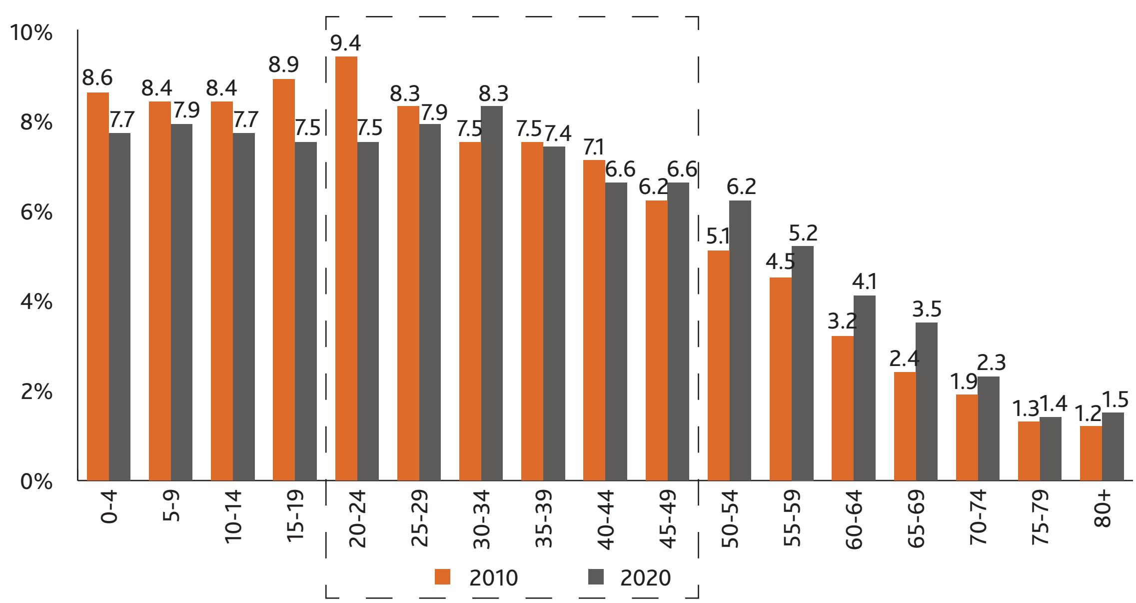
Key Drivers of Greater China and Asia Pacific Growth

GDP Growth (CAGR by Major Region)



As illustrated in the graph above, Greater China and Asia Pacific (excluding Greater China and Japan) are expected to enjoy the strongest economic growth globally during the period from 2012 to 2015.

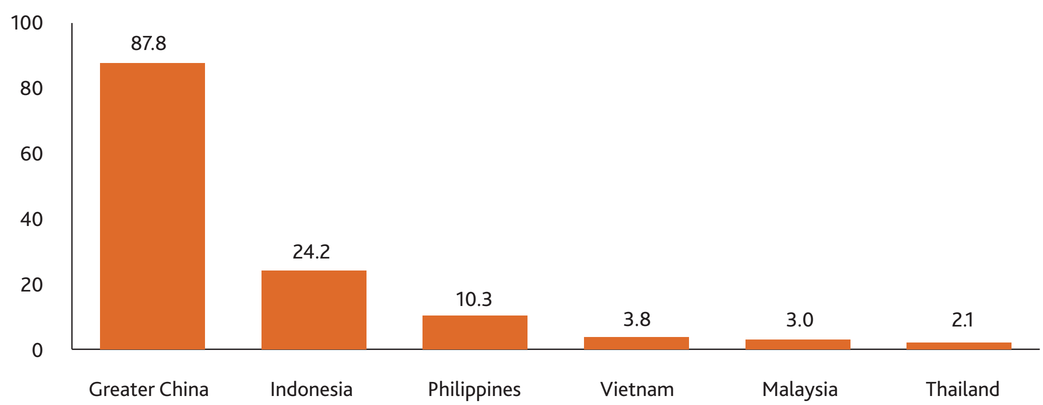
2010 and 2020 Asia Population Distribution (% of Total Population)



Source: United Nations, Development of Economics and Social Affairs

Economic growth and demand for logistics will be supported by spending momentum from Asia which has a young population. In 2010, approximately 45% of Asia's 4.2 billion people were aged 20-49, an age group that tends to have the highest disposable income and spending capacity. This percentage will remain largely unchanged between 2010 and 2020. Within Asia, China is a key market given its large population and government policies aimed at ongoing economic and infrastructure development to promote internal consumption.

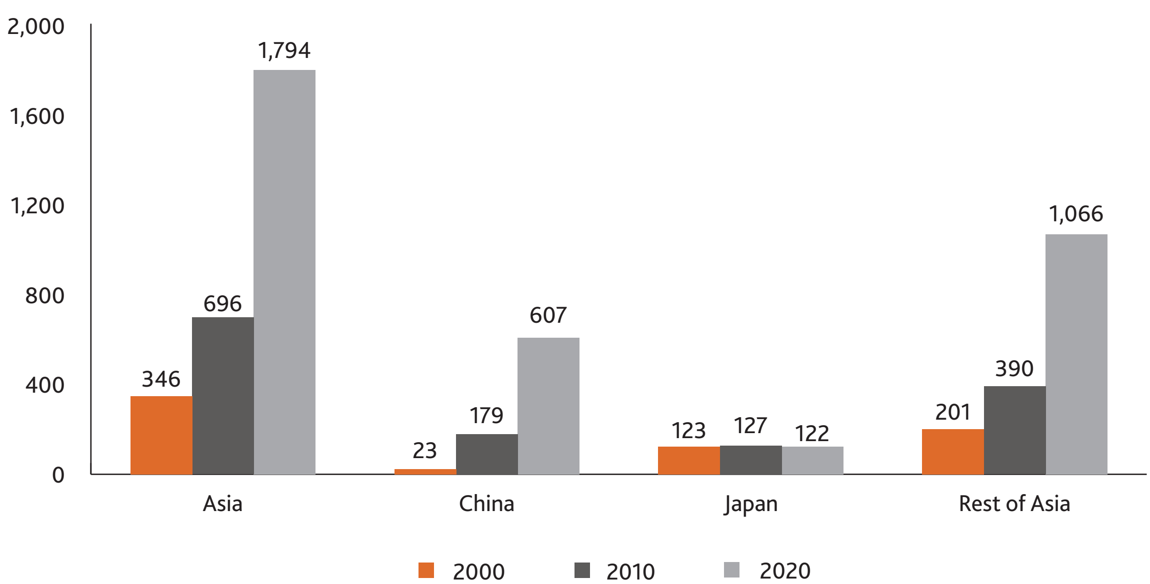
2012-2017E Growth in Urban Population (Number of People in Millions)



Source: EIU

Economic growth, demand for labor in cities and improvements in infrastructure are expected to drive the ongoing trend to urbanisation in Asia. It is estimated that approximately 87.8 million more people will move from rural to urban centers in Greater China between 2012 and 2017. Other Asian countries are also expected to experience an ongoing migration from rural to urban locations.

Middle Class Population in Asia (Number of People in Millions)



Source: The Boao Review

Note: Middle class is defined as those households with daily expenditure between US$10 and US$100 per person in constant 2005 purchasing power parity terms.

Asia and China have experienced rapid growth of the middle class. In 2000, approximately 346 million people in Asia and 23 million people in China were considered middle class. By 2010, the middle class had grown to 696 million people and 179 million people in Asia and China respectively. Going forward, an additional 1,098 million people will be expected to enter the middle class in China and Asia over the next ten years. This is expected to drive sales volumes in retail markets and increase the number of people who can afford to buy high-end luxury products.

THIRD-PARTY LOGISTICS (3PL) MARKET

Overview

Logistics involves the movement and storage of goods between different locations from origin suppliers to intermediate points, and eventually to end users. In the logistics industry, logistics service providers generally focus on two primary service functions transportation by different modes (ground, ocean, air, rail) and warehousing (storage, consolidation/deconsolidation, cross docking).

The breadth of value-added services and capabilities a logistics provider can offer customers differentiates third-party logistics providers (3PLs) from transactional transportation companies and basic warehousing operations. The figure below includes some of the primary 3PL value-added services and capabilities. The major changes since 1995 have been an increase in the complexity and clustering of these services. Several of the largest 3PLs (DB Schenker Logistics, DHL Supply Chain & Global Forwarding, Kerry Logistics, Kuehne + Nagel and UTi Worldwide) offer a wide array of these services to their largest customers.

Third-Party Logistics Value-Added Services

Both – 3PL/4PL
4PL/Lead Logistics Provider
Call Centers
Consolidation/Deconsolidation
Consulting/Process Reengineering
EDI Handling
Exception Handling
Financial Services
Food Grade/Temperature Controlled
Hazmat Skills
ISO Certification
Inventory/Vendor Management
Lean Management Skills
Order Management
Pool Distribution/Cross-docking
Radio Frequency/RFID
Security Processes
Sourcing/Procurement Skills
Supply Chain systems

Domestic and International Transportation Mgmt.
Cargo Insurance
Carrier contracting/Brokering/Freight Payment
Customs Brokerage
Duty Drawback Processing
Freight Forwarding/NVOCC
Incoterms Management – EXW to DDP
Letters of Credit/Negotiable BOLs
Merge-In Transit
Multimodal Transportation
Project Logistics
Transportation Execution
Transportation Network Planning/Optimization

Value-Added Warehousing & Distribution
Bonded Facilities
Easily Deployable IT and Work Processes
Installation/Removal
JIT/Kanban
Kitting/Pick & Pack
L.ight Manufacturing/Assembly
Order fulfillment
Reverse Logistics
Subassembly

The key competitive differentiators between 3PLs include supply chain management systems capabilities, operations management skills, and logistics engineering expertise. Most tier-one 3PLs have implemented integrated systems platforms to support global transportation and warehouse management operations. These platforms offer internet visibility and exception handling capabilities combined with transportation management functionality for the daily management of orders, customer inventory, and the optimisation of thousands of shipments across large geographical areas. The same 3PLs can run value-added warehousing operations, perform supply chain network analysis and design, and manage call center and fulfillment operations. Several 3PLs have expanded their global scope to provide significant coverage, often via acquisition, and integrating operational pieces they have is a significant initiative.

Select 3PL Acquisitions (US$ Millions)

Target Company	Acquirer	Acquisition Date	Purchase Price	Target Company Yearly Revenue	Target Company EBIT or EBITDA	EBIT* or EBITDA** Multiplier
American Backhaulers	C.H. Robinson Worldwide	12/1999	100 cash/ 36 stock	280	13	10.5*
Tibbett & Britten	Exel	12/2004	598	2,600	87.9	6.8**
Ozburn-Hessey Logistics	Welsch, Carson, Anderson & Stone	6/27/2005	396	302	43	9.2**
BAX Global	Deutsche Bahn	1/31/2006	1,210	2,734	113	10.7*
Barthco International	Ozburn-Hessey Logistics	7/7/2006	90	120	10	9*
Jacobson Companies	Oak Hill Capital	6/1/2007	500	375	45	11**
EGL	Apollo Management/CEVA	7/2007	2,200	3,200	152	14.5**
Geodis	SNCF	7/1/2008	1,735	7,043	181	9.6*
Express Logistics Group	Toll Holdings	10/23/2009	45	113	5.6	8*
Summit Logistics International	Toll Holdings	2/2/2010	70.3	261	7.6	9.3**
ATC Technology Corporation	GENCO Distribution System	7/2010	512.6	476	77.7	6.6**
Total Logistic Control	Ryder	12/31/2010	200	250	36	7**
TDG	Norbert Dentressangle	3/2011	320	1,100	55	5.8**
Exel Transportation Services/Mode Transportation	Hub Group	4/4/2011	83	717	4	20.8*
Caterpillar Logistics Services	Platinum Equity	5/11/2012	700	660	60	11*
Turbo Logistics	XPO Logistics	10/24/2012	50	124	6.2	8*
Phoenix International	C.H. Robinson Worldwide	11/1/2012	635	807	50.8	12.5**

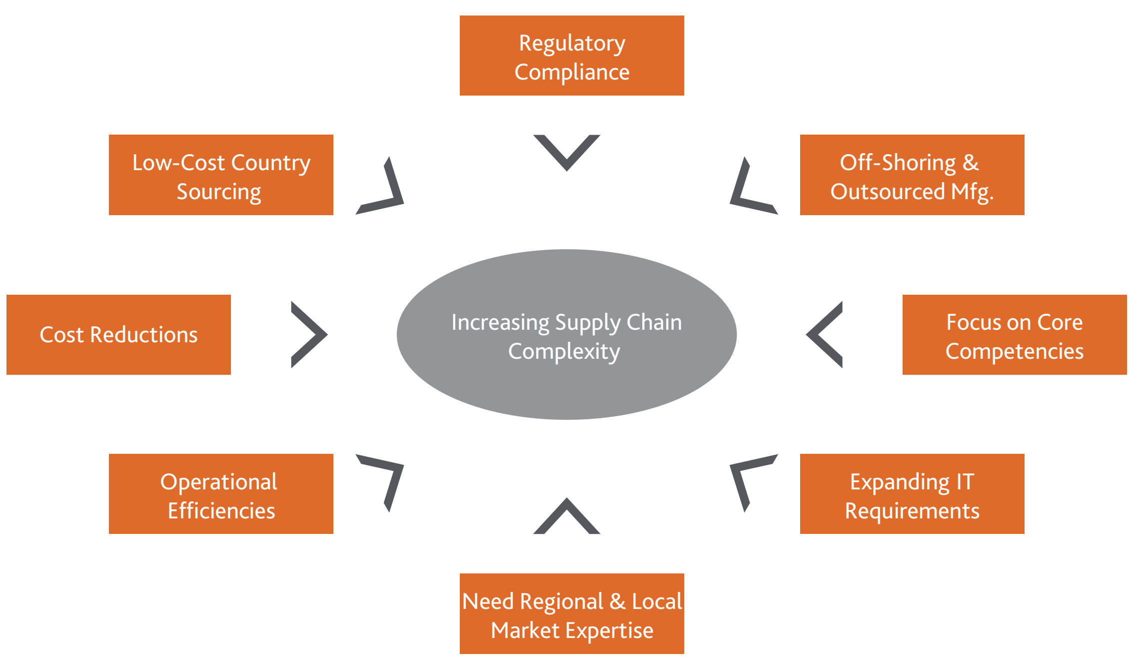
Source: Primary, Company Information; Secondary, Armstrong & Associates, Inc. Estimates

Key to this report is a basic understanding of International Transportation Management (freight forwarding) and Value-Added Warehousing & Distribution 3PLs.

International Transportation Management (ITM) 3PLs have a core competency in freight forwarding and often offer a host of additional value-added services. They traditionally act as intermediaries arranging for international and related domestic transportation between their customers and transportation providers. ITM 3PLs arrange and oversee all aspects of the transportation of products and materials, from origin to destination, by ground, ocean, air and rail. An ITM 3PL will typically arrange to pick up goods from a shipper, consolidate shipments, procure transportation, and provide ancillary value-added services including preparation and submission of documentation, customs and other clearance processes, and warehousing and auditing of shipments. In addition, they will have systems for tracking and tracing shipments and automating processes with customs officials. Typically, ITM is non-asset based.

Value-Added Warehousing & Distribution (VAWD) 3PLs manage customers warehousing and related transportation management needs. These services are typically performed under multi-year contracts in which the 3PLs systems and staff take over responsibility of critical logistics functions. Responsibilities often include managing and optimising warehousing operations, transport routes and providers-whether inbound, outbound or dealing with aftermarket returns-kitting and sequencing unassembled parts, providing support during manufacturing, picking and packing finished goods, and providing quality control and other value-added services. Our European colleagues tend to lump the VAWD and related outbound transportation into "contract logistics", and Kerry Logistics refers to it as "integrated logistics". Traditionally, this 3PL segment is asset-based.

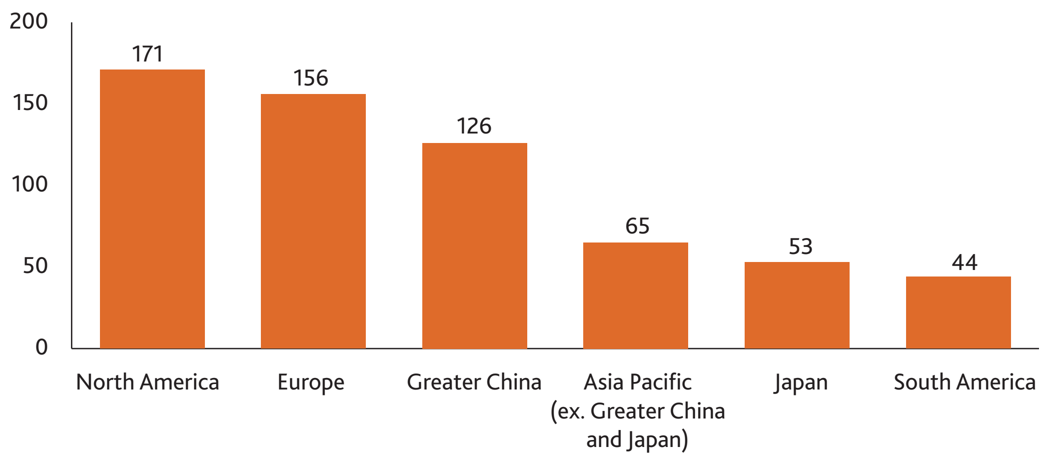
The Key Drivers of 3PL Market Growth



Traditionally companies outsourced functions to 3PLs in order to reduce costs, gain operational efficiencies, and focus on core competencies in manufacturing. Starting in the early 1990s there was a significant increase in off-shoring of manufacturing operations and a shift from domestic supply chains with domestic logistics management needs to global supply chains with international logistics needs. Doing business globally is more complex and requires increased regional and local market expertise in managing transportation and warehousing, and adhering to governmental regulations. These increases in supply chain complexity have driven many companies to engage the help of 3PLs as logistics and regulatory specialists. In turn, 3PLs with expertise in international transportation management and warehousing & distribution are providing economies with the operational "backbone" for global trade.

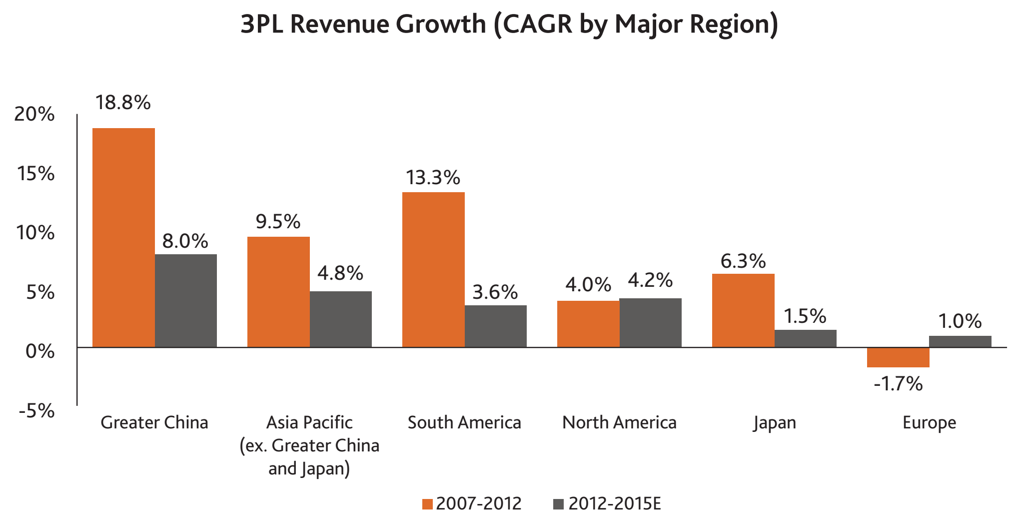
3PL Revenue and Growth Rates Analysis

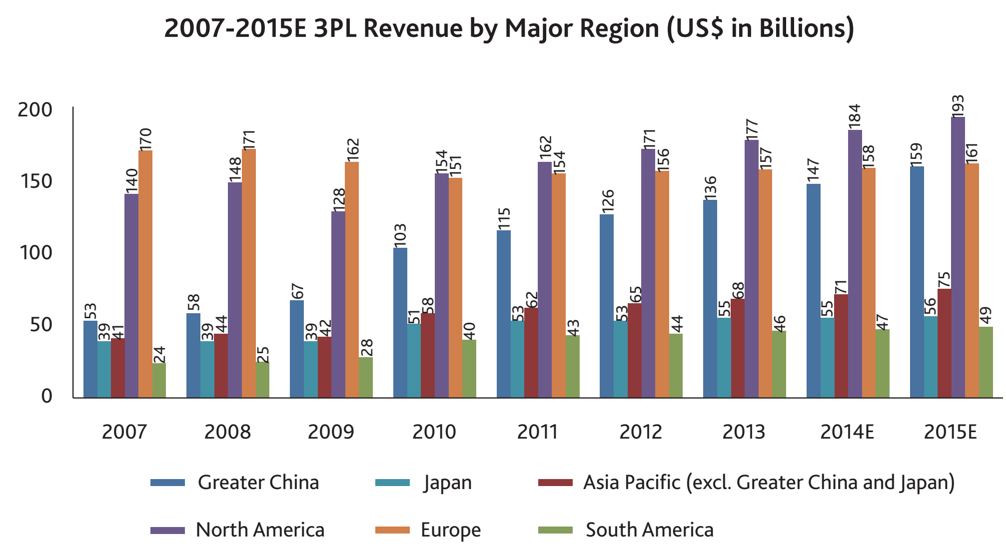
2012 3PL Revenue by Major Region (US$ in Billions)



Europe continues to fluctuate in and out of recession with ongoing economic austerity which is negatively impacting its output. Based upon its 2012 regional revenue, we estimate that 3PLs operating in the Europe region have penetrated 22% of the total potential market, so the trend to outsource logistics functions to 3PLs continues to provide for growth over and above the overall economy. The best Europe-based 3PLs have made acquisitions to globalise their operations and participate in developing and developed markets with higher rates of growth.

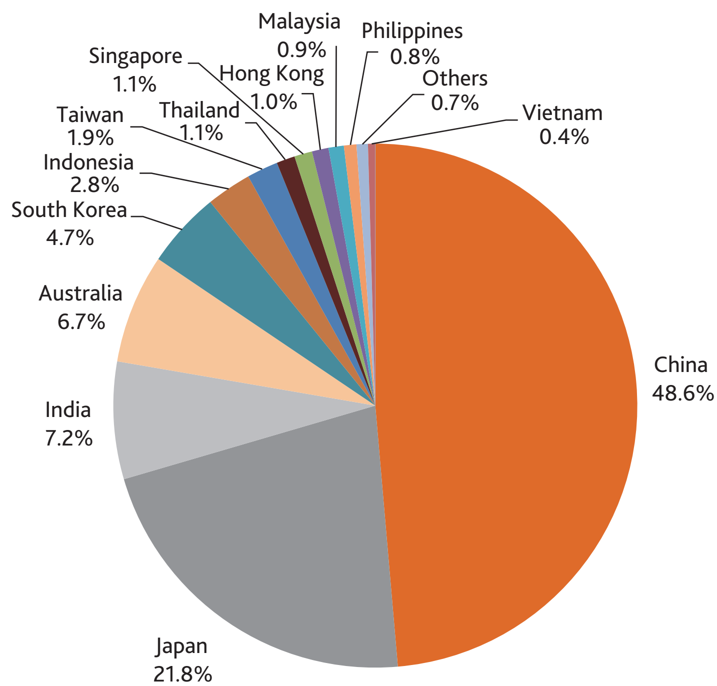
North America is benefiting from a slowly improving U.S. economy with increasing manufacturing levels, the near-shoring of some manufacturing to Mexico, and newly addressable oil and gas operations in Canada and the U.S. Consumers in the U.S. bounced back from the great recession of 2009 and started to spend more. All of these factors are driving a slightly improved 3PL market.





The geographic region with the highest 3PL revenue spend and the highest 3PL growth rates is the Asia Pacific, where the growth has traditionally been driven by companies outsourcing or off-shoring manufacturing to lower cost countries. While this trend still continues in Myanmar, Malaysia, Indonesia, Vietnam, Cambodia, and to a lesser extent in China, Thailand, the Philippines, and Singapore, increasing domestic consumption and demand for products are driving the need for modern distribution networks in the Asia Pacific region. The emphasis is shifting away from export trade and ocean or air freight forwarding to intra-regional ground distribution. 3PLs providing value-added warehousing and distribution services in these countries are experiencing significant growth.

2012 Asia Pacific 3PL Revenue Breakdown (%)

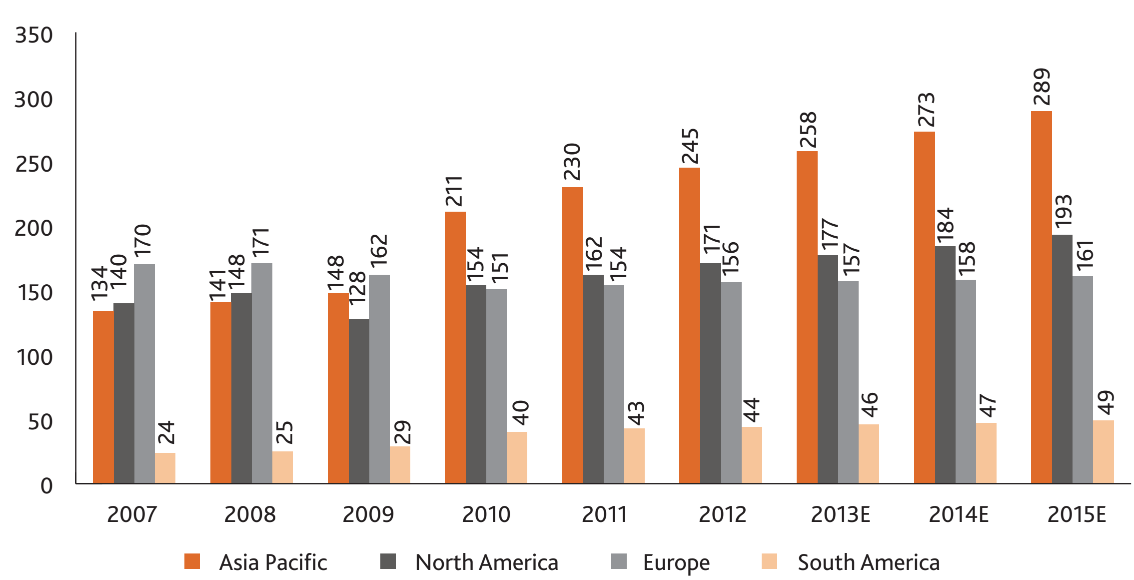


The graph above shows the 3PL revenue by Asia Pacific countries in 2012. As demonstrated, China accounts for 48.6% of all Asia Pacific 3PL revenues.

Our estimate of 3PL penetration of the total potential U.S. 3PL market is 21%, up from 10% in 2002. This compares to current 3PL market penetration rates of 22% in Europe and only 16% in the Asia Pacific. As a result, the underlying structural market dynamics are good and will support the trend for continued outsourcing to 3PLs in Asia. In combination with its above-average economic growth, we anticipate Asia to continue to realise above-average growth rates for third-party logistics.

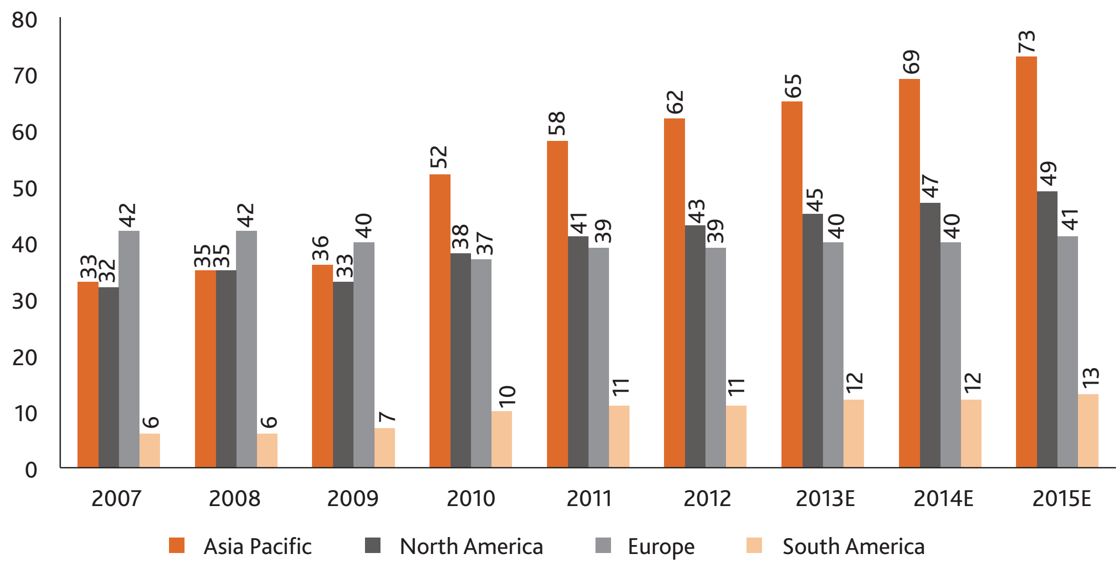
Major Region 3PL Market Growth Trends

3PL Revenue by Major Region (US$ in Billions)



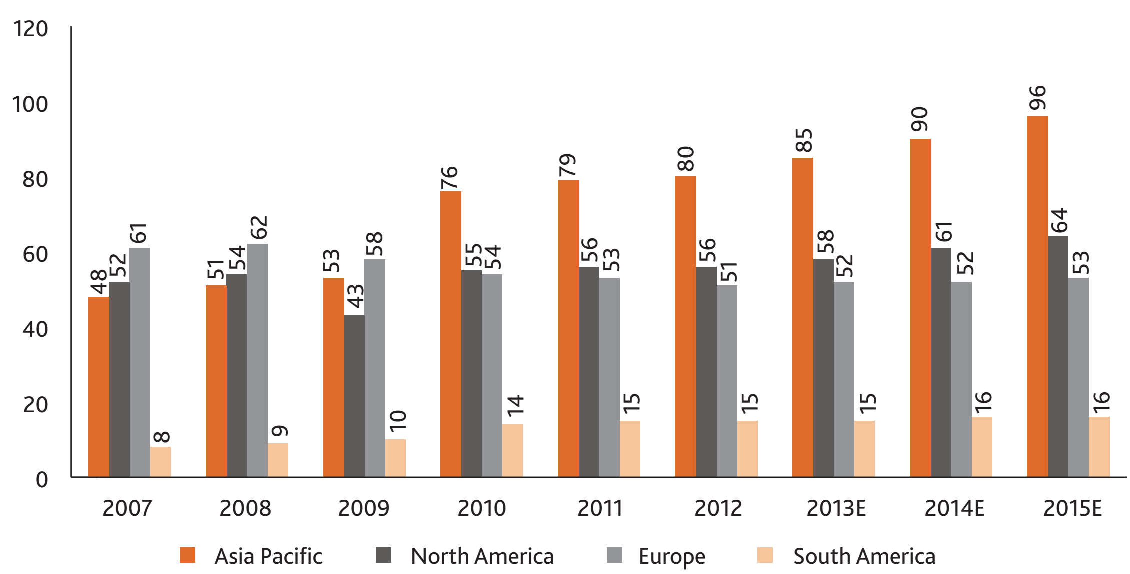
In 2012, the Asia Pacific 3PL market, at US$245 billion was 40% larger than the 3PL markets in North America and Europe. We estimate that it will surpass US$289 billion in 2015. When we look at regions for future 3PL market growth through 2015, the chart above highlights the Asia Pacific with a projected above-average compound annual growth rate of 10.1% from 2007 through 2015E. Its growth exceeds North America at 4.1%, South America at 9.4%, and Europe which is in decline with a rate of -0.7%.

Value-Added Warehousing & Distribution Revenues by Major Region (US$ in Billions)



Within the specific 3PL market segment of Value-Added Warehousing & Distribution (VAWD), the Asia Pacific VAWD market grew to US$61.6 billion in 2012 and will surpass US$73 billion in 2015. With increased regional and interregional consumer demand for goods, VAWD is the fastest growing 3PL segment within the Asia Pacific. Segment growth through 2015, has the Asia Pacific with a projected above-average compound annual growth rate of 10.4% from 2007 through 2015E. Furthermore, its VAWD growth exceeds North America at 5.4%, South America at 10.4%, and Europe which is in decline with a rate of -0.3%.

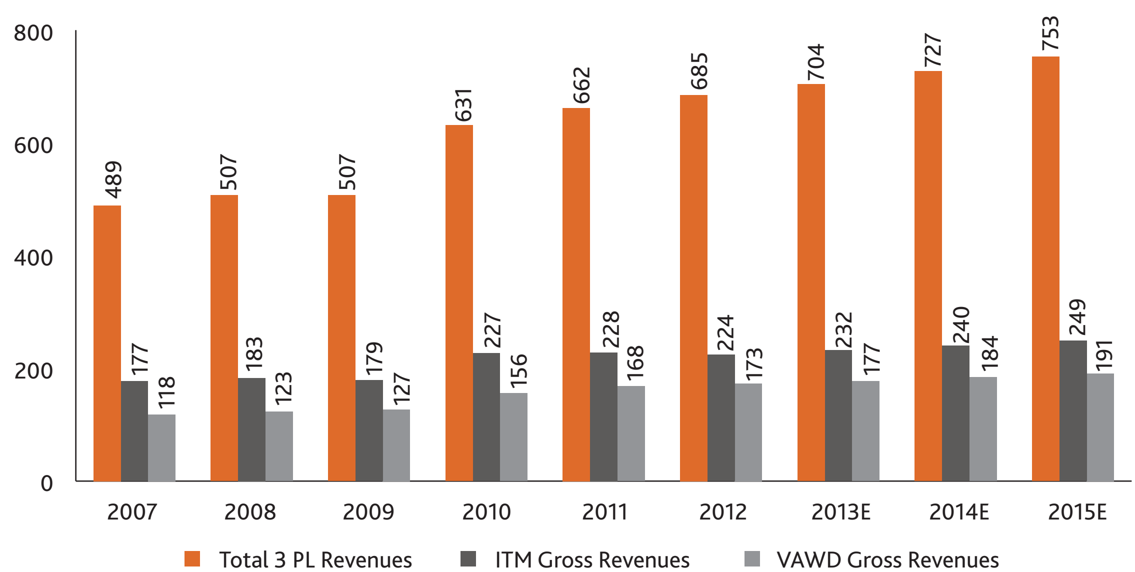
International Transportation Management Revenue by Major Region (US$ in Billions)



International Transportation Management (ITM) is the 3PL segment focused on freight forwarding activities from point of origin to the point of delivery. It often includes significant pieces of domestic ground transportation in conjunction with international air or ocean freight moves.

In the Asia Pacific, ITM grew to US$80 billion in 2012 and will surpass US$95 billion in 2015. Even with more recent moderate growth in exports from Asia to the U.S. and Europe, the Asia Pacific has a projected above-average compound annual growth rate of 9.1% from 2007 through 2015E. Its ITM segment growth exceeds North America at 2.6%, South America at 8.4%, and Europe which is in decline with a rate of -1.8%.

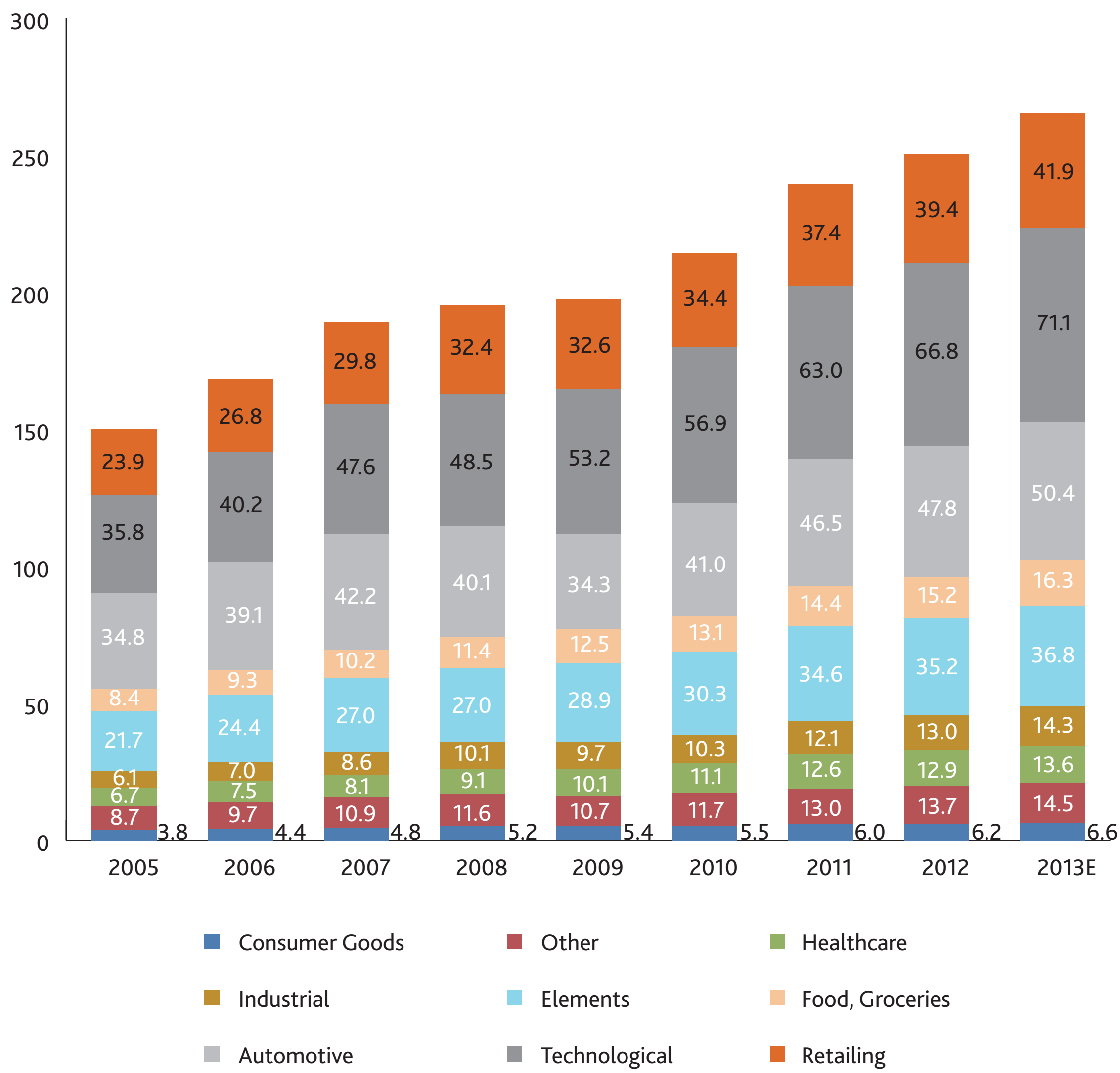
Total and Segment 3PL Global Revenues (US$ in Billions)



Our estimate of the 2012 3PL revenues from the Global Fortune 500 is US$250.2 billion, a 67% increase from 2005. For 2012 these companies accounted for 37% of the US$685.1 billion global 3PL market.

In the Asia Pacific, third-party logistics has been growing at over 14% annually since 2006. Throughout the 1990s and early 2000s, the growth tended to be ITM (freight forwarding) focused. However, in the last five years there has been increased focus on domestic distribution (VAWD) to address consumer spending growth and the resultant demand for goods in developing countries including China, Indonesia, India, Singapore, and Thailand.

3PL Gross Revenue by Industry 2005-2013E – Fortune 500 Global (US$ in Billions)



Compound Annual Growth Rates by Industry for the Fortune 500 Global

Major Industry	2005-2012 CAGR	2005-2013E CAGR
Industrial	11.4%	11.1%
Healthcare	9.7%	9.3%
Technological	9.3%	8.9%
Food, Groceries	8.9%	8.7%
Retailing	7.4%	7.3%
Consumer Goods	7.2%	7.0%
Elements	7.2%	6.8%
Other	6.8%	6.7%
Automotive	4.6%	4.7%

PEOPLE'S REPUBLIC OF CHINA LOGISTICS AND THIRD-PARTY LOGISTICS (3PL) TRENDS

China's 12th Five-Year plan approved in March, 2011 includes the following objectives which support third-party logistics market growth:

- To accelerate the establishment of a social, professional, information-based modern logistics system, aggressively develop third-party logistics, prioritise the integration and use of existing logistics resources, support the construction and linking-up of the logistics infrastructure, improve logistics efficiency, and reduce logistics costs.

- To promote agricultural products, bulk mineral products, key industrial areas, and other fields important to the development of logistics.

- To optimise the development of regional distribution systems and support the orderly development of logistics parks and other cluster areas of logistics.

- To promote the development of modern logistics management and improve the sophistication and standardisation of logistics.

In developed countries such as the U.S., Hong Kong, Japan, and Singapore transportation infrastructure is relatively homogenous allowing goods to be efficiently transported throughout the country. By contrast, China's vast disparity in the quality of urban versus rural transportation infrastructure makes managing logistics more complicated and costly.

Without good transportation infrastructure, transportation costs are higher. In addition, warehousing and inventory carrying costs are higher due to the need to maintain higher levels of inventory closer to demand because of longer delivery cycle times.

In the long-term with governmental support, improved road and rail infrastructure should greatly reduce China's overall logistics costs as a percentage of GDP from its current 18% to the 8.5-9% range seen in developed countries. In addition, improved transportation infrastructure will increase asset and labor productivity within large 3PLs such as Sinotrans and Kerry Logistics who already have significant domestic Chinese distribution networks. Less time spent navigating poor roads, or having to utilise alternative transportation modes (sea, inland waterway, air), will improve transportation routings, reduce operating costs, and allow for shorter origin to delivery cycle times. Being able to be quicker to market for retailers, healthcare and other companies will greatly benefit consumers with improved food and grocery product quality, more efficient pharmaceutical and healthcare supply chains, and reduced product shelf times.

By our estimates, there are over 10,000 3PLs operating in China. Many are small and mid-sized providers operating in only one province. As China's 3PL market continues to develop, we anticipate increased mergers and acquisition activity and further 3PL market consolidation. As we have seen in the U.S. and Europe, those large 3PLs with established networks will most likely be the acquirers where they can identify a strategic fit.

THE GREATER CHINA AND ASEAN LOGISTICS MARKET COMPETITIVE ANALYSIS

Kerry Logistics Greater China and ASEAN Market Distribution Service Capabilities

In the Asia Pacific, the last five years have seen a shift in focus from an export economy to regional and interregional distribution to address increased consumer spending growth and demand for goods in developing countries including China, Indonesia, Malaysia, Thailand, and Vietnam.

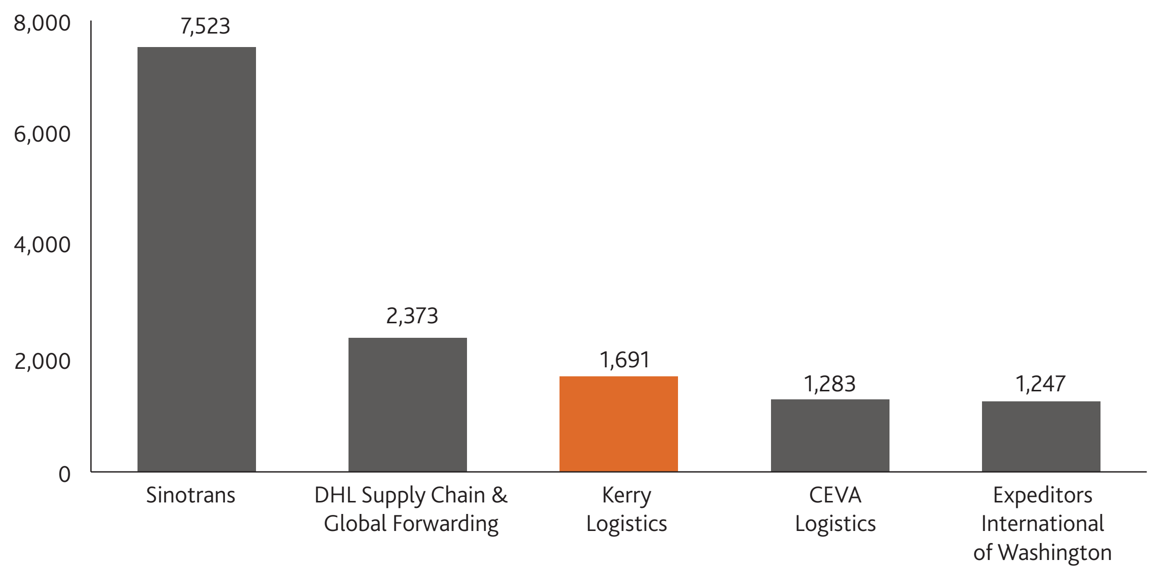
In addition, within these countries, buyers of 3PL services tend to trust providers with their own assets versus contracted warehousing or transportation capacity. This preference has limited the growth of 3PLs who have been unwilling to invest capital in trucking, which accounts for approximately 44% of total logistics spend in Asia Pacific, and warehouses, which accounts for approximately 9% of total logistic spend in Asia Pacific. By comparison, companies such as Kerry Logistics, CEVA Logistics, and DHL Supply Chain & Global Forwarding have experienced significant growth via an asset-based model.

With transportation assets of over 6,000 trucks operating in its Greater China and ASEAN market and 29.3 million sq.ft. of warehouse space as at 31 December 2012, Kerry Logistics has built a significant leading warehousing and distribution footprint. The 29.3 million sq.ft. under management represents the largest warehouse network in Greater China and ASEAN — the next largest are CEVA Logistics, Sinotrans, DHL Supply Chain & Global Forwarding, and Yusen Logistics with 20.0 million, 18.9 million, 17.1 million and 13.1 million sq.ft. respectively. Moreover the majority of its warehousing footprint is owned versus leased which plays well with customers in Asia who tend to trust providers with assets more than those who rely on contracted capacity. As such, Kerry Logistics has built a significant competitive advantage being able to effectively warehouse and distribute product within the region from China to Hong Kong, Vietnam, Thailand, and Singapore. Most of its major competitors have lesser regional distribution capabilities and are often limited to distributing goods within a country, or subcontracting significant volumes of carrier (trucking) capacity to facilitate transportation which decreases the amount of control over end-to-end transportation performance. In terms of gross and net revenues, we estimate that Kerry Logistics ranks as one of the five largest.

Greater China

Greater China accounts for over half of Asia Pacific 3PL revenues. With an annual compound growth rate of 14.6% from 2007 through 2015E, it has the fastest rate of growth versus other countries within the region.

2012 3PLs Gross Revenue in Greater China (US$ in Millions)

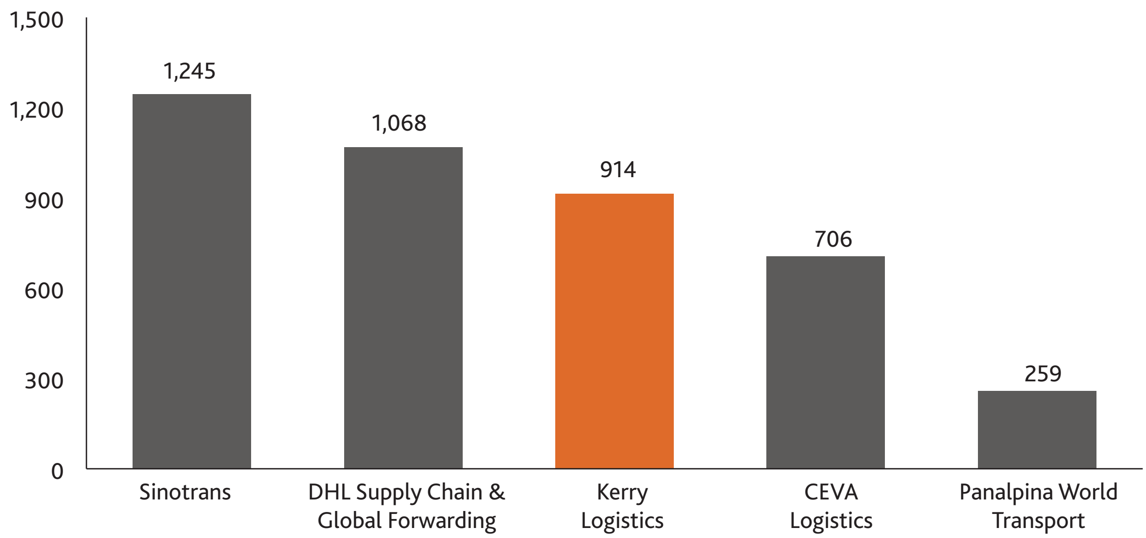


Source: Company Information; Armstrong & Associates, Inc. Estimates

Note: Company supplied revenues in US$, or currency conversion using average yearly exchange rates.

Within the Greater China market, Sinotrans is the largest provider with US$7.5 billion in gross revenue followed by DHL Supply Chain & Global Forwarding, and Kerry Logistics. However, net revenue, which refers to gross revenue less purchased transportation, is a better measure of third-party logistic size and performance because it is not inflated by pass-through transportation spend amounts.

2012 3PLs Net Revenue in Greater China (US$ in Millions)

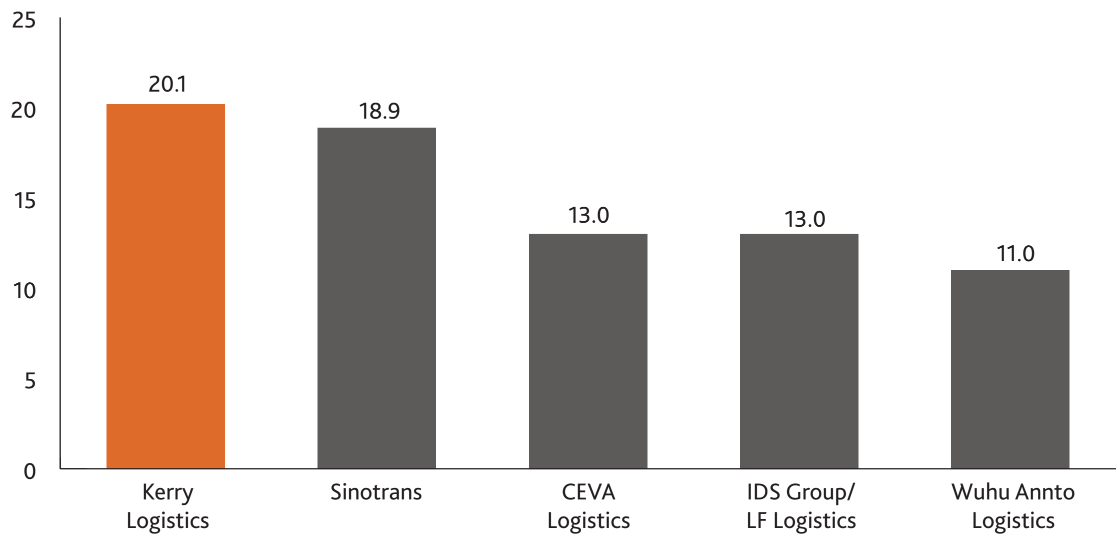


Source: Company Information; Armstrong & Associates, Inc. Estimates

Note: Company supplied revenues in US$, or currency conversion using average yearly exchange rates.

In terms of net revenue, Sinotrans is the largest provider with US$1.2 billion, followed by DHL Supply Chain & Global Forwarding and Kerry Logistics. Each has significant international transportation and domestic distribution capabilities within the People's Republic of China. Kerry Logistics' large net revenue as a percentage of gross revenue was due to a significant self-owned warehouse network and self-owned trucking fleet where every dollar of gross revenue equals a dollar of net revenue. Kerry Logistics is the largest international 3PL headquartered in Hong Kong and manages the largest portfolio of logistics facilities among 3PLs based on warehouse square footage.

2012 3PLs Warehousing in Greater China (Square Feet in Millions)



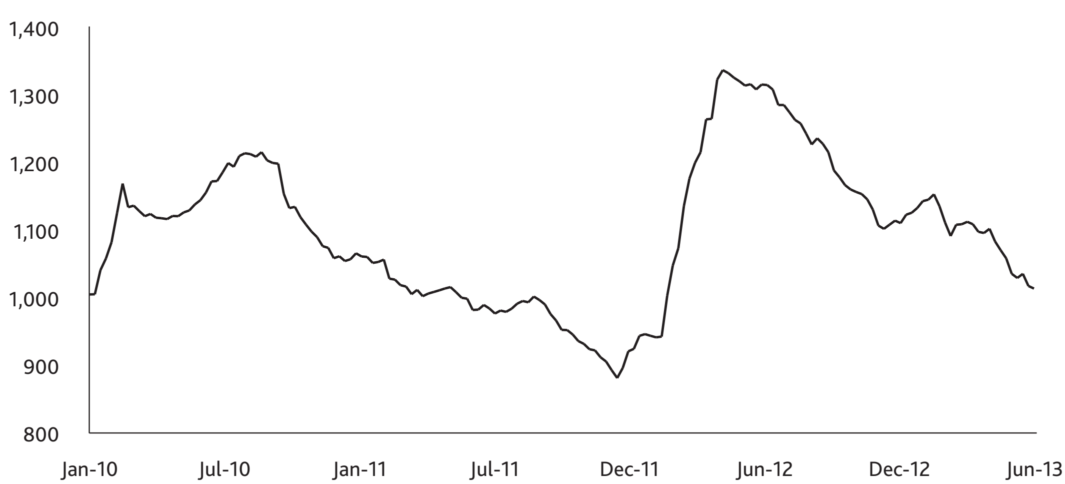
Source: Company Information; Armstrong & Associates, Inc. Estimates

Note: Excludes Global Logistics Properties, which is primarily engaged in the development of logistics facilities as a facilities provider and is not considered a third-party logistics service provider.

In terms of warehousing network, Kerry Logistics is the largest player with 20.1 million sq.ft. followed by Sinotrans and CEVA Logistics.

The following chart shows the ocean freight rate index in China.

China Export Ocean Freight Rate Index



Source: Shanghai Shipping Exchange – China Containerised Freight Composite Index

3PL Value-Added Services Terms and Definitions

Carrier Mgmt and Contracting	Handles carrier management, negotiations, and contracting.
Consulting/Reengineering	Provides consulting and process reengineering services.
Cross Docking	Performs cross dock operations by consolidating and deconsolidating shipments and loads.
EDI	Electronic Data Interchange.
Factoring/Financial Services	Provides banking, factoring, credit and other financial services.
Food Grade/Sterile	Provides facilities or equipment that are food grade quality or sterile conditions such as those for pharmaceuticals.
Freight Brokerage	Is licensed as a freight broker.
Freight Pay Outsourced	Offers freight bill payment services through a third party.
Freight Pay Performed In-house	Provides freight bill payment services through internal operations.
Hazardous Materials	Handles substances or materials that are capable of posing a risk to health, safety, and property when stored or transported.
Installation/Removal	Can perform installations or take-downs.
Inventory Control/Vendor Mgmt	Controls inventory including performance of physical audits and controls raw material inflows from vendors.
ISO Certified	Has achieved ISO certification for quality in at least one location.
KanBan	Can replenish manufacturing/assembly lines in a JIT environment.
Manufacturing Support	Can support manufacturing operations in other ways.
Merge in Transit	Merges shipments from multiple origins into one large shipment prior to delivery at the final destination.
Order Management	Takes customer orders and manages order statuses through the supply chain.
Pick/Pack	Can pick and package orders from locations within a warehouse.

Pool Distribution	Can "pool" small shipments into truckload quantities.
Project Logistics.	Can handle logistics functions of entire projects such as trade shows or oil well construction.
Radio Frequency	Uses radio frequency technology to identify goods in the system.
Reverse Logistics	Performs reverse logistics; e.g. recycling, used asset disposition, repossession, etc.
Sub-Assembly	Performs sub-assembly services for manufacturing operations.
Temperature Controlled	Handles items requiring temperature-controlled conditions including protect from heat or freezing and/or maintaining temperature.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the British Virgin Islands on 9 July 1991 and continued into Bermuda as an exempted company with limited liability in 2000. Accordingly, our Company's corporate structure and Bye-laws are subject to the relevant laws of Bermuda. A summary of our Bye-laws is set out in Appendix IV to this prospectus.

Our head office and principal place of business in Hong Kong is at 16/F, Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, Hong Kong. Our Company was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 27 October 2000. LEE Pui Nee, our Company Secretary, has been appointed as our authorised representative for the acceptance of service of process in Hong Kong. The address for service of process is 16/F, Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, Hong Kong. The telephone number of the head office is +852 24103600.

Our Company's registered office is located as at the date of this prospectus at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

2. Changes in the share capital of our Company

At the date of our incorporation, our authorised share capital was US$50,000 divided into 50,000 Shares of par value of US$1.00 each. On 3 April 2000, our authorised share capital was changed to HK$500,000, divided into 500,000 Shares of par value of HK$1.00 each.

On 25 November 2013, our Company underwent a subdivision of Shares whereby one Share of par value of HK$1.00 each was subdivided into two Shares of par value of HK$0.50 each. Upon the completion of the subdivision, our authorised share capital was HK$500,000 divided into 1,000,000 Shares of par value of HK$0.50 each.

Subsequent to the subdivision of Shares, on the same day, our Company underwent an increase of authorised share capital whereby the authorised share capital was increased from HK$500,000 divided into 1,000,000 Shares of par value of HK$0.50 each, to HK$3,000,000,000 divided into 6,000,000,000 Shares of par value of HK$0.50 each, by the creation of 5,999,000,000 Shares of par value of HK$0.50 each.

Assuming that the Global Offering becomes unconditional and the Offer Shares and the Shares pursuant to the RSU Scheme are issued (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options), the number of Shares issued by us will be 1,657,364,112 Shares fully paid, with 4,342,635,888 Shares remaining unissued.

On the basis that the Over-allotment Option is exercised in full and the Shares pursuant to the RSU Scheme are issued (without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options), a total of 1,689,774,612 Shares will have been allotted and issued as fully paid and 4,310,225,388 Shares will remain unissued.

Except as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our principal subsidiaries

Our principal subsidiaries as at 30 June 2013 are set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of our principal subsidiaries have taken place within two years immediately preceding the date of this prospectus:

a) Albini & Pitigliani Sverige AB (incorporated in Sweden)

On 14 May 2013, Albini & Pitigliani Sverige AB was acquired, with issued share capital of SEK500,000 divided into 5,000 shares.

b) Beijing Tengchang International Transportation Service Co., Ltd. (incorporated in the PRC)

On 28 May 2012, Beijing Tengchang International Transportation Service Co., Ltd. was acquired, with a registered capital of RMB30,000,000.

c) Braservice — Assessoria em Comercio Exterior Ltda (incorporated in Brazil)

On 22 April 2013, Braservice — Assessoria em Comercio Exterior Ltda was acquired, with authorised and issued share capital of BRL288,487 divided into 288,487 ordinary shares of BRL1 each.

d) Chengdu Kerry Shudu Logistics Co., Ltd. (incorporated in the PRC)

On 24 May 2012, Chengdu Kerry Shudu Logistics Co., Ltd. was incorporated, with a registered capital of RMB50,000,000.

e) Chongqing Lingxian Industry Development Limited (incorporated in the PRC)

On 28 February 2012, Chongqing Lingxian Industry Development Limited increased its registered capital from RMB38,000,000 to RMB112,500,000.

f) KART (China) Co., Ltd (Formerly known as Shenzhen Dong Meng Logistics Limited) (incorporated in the PRC)

On 10 August 2011, KART (China) Co., Ltd was incorporated, with a registered capital of RMB1,000,000.

On 23 July 2013, KART (China) Co., Ltd increased its registered capital to RMB5,000,000.

g) KART (THAILAND) LIMITED (incorporated in Thailand)

On 12 April 2012, KART (THAILAND) LIMITED was incorporated, with authorised and issued share capital of THB40,000,000 divided into 400,000 ordinary shares of THB100 each.

h) KART (VIET NAM) COMPANY LIMITED (incorporated in Vietnam)

On 30 December 2011, KART (VIET NAM) COMPANY LIMITED was incorporated, with a registered capital of VND4,173,000,000.

i) KERRY FREIGHT MYANMAR LIMITED (incorporated in Myanmar)

On 10 August 2012, KERRY FREIGHT MYANMAR LIMITED was incorporated, with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each.

On 28 September 2012, 25,000 shares of US$1 each were allotted and issued.

j) Kerry Logistics (Bangna) Limited (incorporated in Thailand)

On 18 February 2013, Kerry Logistics (Bangna) Limited was incorporated with authorised and issued share capital of THB5,000,000 divided into 50,000 ordinary shares of THB100 each.

On 29 March 2013, Kerry Logistics (Bangna) Limited increased its authorised and issued share capital to THB500,000,000 divided into 5,000,000 ordinary shares of THB100 each.

k) KERRY LOGISTICS (BELGIUM) BVBA (incorporated in Belgium)

On 28 June 2012, KERRY LOGISTICS (BELGIUM) BVBA increased its registered capital from EUR18,600 to EUR5,450,000.

l) Kerry Logistics (China) Investment Limited (incorporated in the PRC)

On 20 July 2011, Kerry Logistics (China) Investment Limited increased its registered capital from US$30,000,000 to US$80,000,000.

On 20 June 2012 and 24 August 2012, Kerry Logistics (China) Investment Limited further increased its registered capital to US$100,000,000 and US$120,000,000 respectively.

On 28 January 2013 and 13 August 2013, Kerry Logistics (China) Investment Limited further increased its registered capital to US$135,000,000 and US$167,500,000 respectively.

m) Kerry Logistics (Kunshan) Ltd. (incorporated in the PRC)

On 17 January 2012, Kerry Logistics (Kunshan) Ltd. increased its registered capital from HK$50,000,000 to HK$120,000,000.

On 18 April 2012, Kerry Logistics (Kunshan) Ltd. further increased its registered capital to HK$178,000,000.

n) Kerry Logistics (Zhengzhou) Limited (incorporated in the PRC)

On 6 July 2011, Kerry Logistics (Zhengzhou) Limited was incorporated, with a registered capital of RMB50,000,000.

o) Kerry Logistics Anhui Co., Ltd. (incorporated in the PRC)

On 12 January 2012, Kerry Logistics Anhui Co., Ltd. was acquired, with a registered capital of RMB36,000,000.

p) KERRY LOGISTICS CENTRE (TAMPINES) PTE. LTD. (incorporated in Singapore)

On 25 July 2013, KERRY LOGISTICS CENTRE (TAMPINES) PTE. LTD. increased its authorised and issued share capital from SGD1 divided into one ordinary share of SGD1 each to SGD400,000 divided into 400,000 ordinary shares of SGD1 each.

q) KERRY MALSHIP LOGISTICS LANKA (PRIVATE) LIMITED (incorporated in Sri Lanka)

On 6 June 2012, KERRY MALSHIP LOGISTICS LANKA (PRIVATE) LIMITED was incorporated, with authorised share capital of US$250,000 divided into 250,000 ordinary shares of US$1 each.

On 10 August 2012, 250,000 ordinary shares of US$1 each were allotted and issued.

r) KERRY TTC EXPRESS JOINT STOCK COMPANY (incorporated in Vietnam)

On 19 April 2012, KERRY TTC EXPRESS JOINT STOCK COMPANY was acquired, with authorised and issued share capital of VND86,000,000,000 divided into 8,600,000 ordinary shares of VND10,000 each.

s) Shandong D-Express Logistics Co., Ltd. (incorporated in the PRC)

On 1 July 2011, Shandong D-Express Logistics Co., Ltd. was incorporated, with a registered capital of RMB10,000,000.

On 6 December 2011, Shandong D-Express Logistics Co., Ltd. increased its registered capital to RMB20,000,000.

t) Shanghai TCI Freight Forwarding Co., Ltd. (incorporated in the PRC)

On 18 April 2012, Shanghai TCI Freight Forwarding Co., Ltd. was acquired, with a registered capital of RMB70,000,000.

u) Taiwan Kerry Logistics Company Limited (incorporated in Taiwan)

On 15 June 2012, Taiwan Kerry Logistics Company Limited was incorporated, with authorised share capital of TWD200,000,000 divided into 20,000,000 ordinary shares of TWD10 each and issued share capital of TWD100,000,000 divided into 10,000,000 ordinary shares of TWD10 each.

v) TOP GUN EXPRESS CENTRE LIMITED (incorporated in Hong Kong)

On 1 July 2012, TOP GUN EXPRESS CENTRE LIMITED was acquired, with authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each and issued share capital of HK$1,000 divided into 1,000 ordinary shares of HK$1 each.

w) Transmode Overseas Transportgesellschaft mbH (incorporated in Germany)

On 25 August 2011, Transmode Overseas Transportgesellschaft mbH was acquired, with a registered capital of EUR25,564.59 (formerly in DEM50,000).

4. Written Resolutions of the Shareholder Passed on 25 November 2013

Written resolutions of the Shareholder were passed on 25 November 2013 approving, among others, the following:

(a) each of the 500,000 Shares with a par value of HK$1 be subdivided into two Shares with a par value of HK$0.5 each, such that thereafter, the total number of issued shares shall in aggregate be 1,000,000 Shares with a par value of HK$0.5 each (the "Subdivision of Shares");

(b) subsequent to the Subdivision of Shares, the authorised share capital of our Company be increased from HK$500,000 divided into 1,000,000 Shares with a par value of HK$0.5 each, to HK$3,000,000,000 divided into 6,000,000,000 Shares of par value of HK$0.5 each, by the creation of 5,999,000,000 Shares of par value of HK$0.5 each;

(c) capitalising HK$1,381.6 million so that 1,439,477,612 Shares will be issued to KPL with the remaining balance to be credited to our share premium account prior to the Listing;

(d) conditional upon the Listing Committee granting listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and upon the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the International Underwriters under the International Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators (on behalf of the Underwriters)) and not being terminated in accordance with the terms thereof or otherwise:

(i) the Listing and the implementation of the arrangements relating thereto;

(ii) the issue and allotment of the Hong Kong Offer Shares as stated in and upon the terms set out in this prospectus and in the relevant application forms, not exceeding 21,607,500 Shares, pursuant to the Hong Kong Public Offering;

(iii) the issue and allotment of the International Placing Shares as stated in and upon the terms set out in this prospectus, not exceeding 194,464,000 Shares, pursuant to the International Placing;

(iv) the issue and allotment of such number of Shares, not exceeding 32,410,500 Shares, pursuant to the Over-allotment Option;

(v) a general unconditional mandate was given to the Directors to allot, issue and deal with (including the power to make and grant offers, agreements and options, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to the grant of Pre-IPO Share Options or Post-IPO Share Options under the Pre-IPO Share Option Scheme or Post-IPO Share Option Scheme, respectively, or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the aggregate of the total nominal value of our share capital immediately following completion of the Spin-off (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of any Pre-IPO Share Options and Post-IPO Share Options), such mandate to remain in effect until the conclusion of our next annual general meeting unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or the expiration of the period within which our next annual general meeting is required by the Bye-laws or any applicable laws of Bermuda to be held, or when revoked or varied by an ordinary resolution of the Shareholders in general meeting, which occurs first;

(vi) a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorising them to exercise all powers to repurchase on the Hong Kong Stock Exchange or on any other approved stock exchange on which our securities may be listed and which is recognised by the SFC and Hong Kong Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the Listing Rules or of any other stock exchange on which our securities may be listed, as amended from time to time such number of Shares will represent up to 10% of the aggregate nominal amount of our share capital immediately following completion of the Spin-off Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of any Pre-IPO Share Options and Post-IPO Share Options), such mandate to remain in effect until the conclusion of our next annual general meeting unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or the expiration of the period within which our next annual general meeting is required by the Bye-laws or any applicable laws of Bermuda to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(vii) the adoption of the Pre-IPO Share Option Scheme, the granting of options to subscribe for Shares under the Pre-IPO Share Option Scheme, allotting, issuing and dealing with Shares pursuant to the exercise of the Pre-IPO Share Options;

(viii) the adoption the Post-IPO Share Option Scheme, the granting of options to subscribe for Shares under the Post-IPO Share Option Scheme, allotting, issuing and dealing with Shares pursuant to the exercise of the Post-IPO Share Options;

(ix) the adoption the RSU Scheme, the granting of awards of RSU under the RSU Scheme, and allotting, issuing and dealing with Shares underlying the RSUs pursuant to the RSU Scheme; and

(x) approving and adopting the amended and restated Bye-laws of the Company.

B. REPURCHASE OF OUR SHARES

This section sets out information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

1. Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their own securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(a) Shareholder's approval

All proposed repurchase of securities (which, under the Listing Rules and the Companies Ordinance, must be fully paid up in the case of shares) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Continuance, the Bye-laws and the Listing Rules and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Subject to the foregoing, any repurchases by us may be made out of our funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

(c) Trading Restrictions

The total number of shares which a listed company may repurchase on the Hong Kong Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Hong Kong Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

(d) Status of Repurchased Shares

All repurchased securities (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(e) Suspension of Repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Hong Kong Stock Exchange other than in exceptional circumstances. In addition, the Hong Kong Stock Exchange may prohibit a repurchase of securities on the Hong Kong Stock Exchange if a listed company has breached the Listing Rules.

(f) Reporting Requirements

Certain information relating to repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(g) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

2. Reasons for Repurchase

The Directors believe that it is in the best interest of our Company and our Shareholders for the Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

3. Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Bye-laws, the Listing Rules and the applicable laws of Hong Kong. On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for us.

4. General

Exercise in full of the Repurchase Mandate, on the basis of 1,657,364,112 Shares in issue after completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of the Pre-IPO Share Options or Post-IPO Share Options), could accordingly result in up to 165,736,411 Shares being repurchased by us during the period prior to the earliest of:

(a) the conclusion of our next annual general meeting;

(b) the expiration of the period within which our next annual general meeting is required by the Bye-laws or the Companies Act or any other applicable laws of Bermuda to be held; or

(c) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries. The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum of Continuance, the Bye-laws, the Companies Act or any other applicable laws of Bermuda.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of us is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Hong Kong Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

C. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) securities purchase agreement dated 6 March 2012 entered into between Pham Trinh Phuong, Pham Dinh Loi, Pham Trinh Phong, Pham Van Dai, Nguyen Cong Cat, Pham Thanh Hieu, KLN (Singapore) Pte. Ltd., Gia Ly Services Company Limited and Kerry Integrated Logistics (Hung Yen) Joint Stock Company, pursuant to which KLN (Singapore) Pte. Ltd., Gia Ly Services Company Limited and Kerry Integrated Logistics (Hung Yen) Joint Stock Company purchased 37%, 21% and 12%, respectively, of the issued and paid shares in Tin Thanh Express Joint Stock Company (now known as Kerry TTC Express Joint Stock Company) for a Vietnamese Dong amount equivalent to US$17,855,072 in aggregate;

(b) sale and purchase agreement dated 10 April 2013 entered into between Kerry Logistics Holding (Europe) Limited, Albini & Pitigliani SPA, Mikael Lindskog and Anders Svensson, pursuant to which Kerry Logistics Holding (Europe) Limited agreed to purchase 50% of the issued share capital of Albini & Pitigliani Sverige AB for Swedish Krona 88,600,000;

(c) put and call option agreement dated 14 May 2013 entered into between Kerry Logistics Holding (Europe) Limited, Albini & Pitigliani SPA, Mikael Lindskog and Anders Svensson, pursuant to which Kerry Logistics Holding (Europe) Limited granted put options to, and was granted a call option by, each of Albini & Pitigliani SPA, Mikael Lindskog and Anders Svensson with regard to the shares held by Albini & Pitigliani SPA, Mikael Lindskog and Anders Svensson in Albini & Pitigliani Sverige AB;

(d) shareholders' agreement dated 14 May 2013 entered into between Kerry Logistics Holding (Europe) Limited, Albini & Pitigliani SPA, Mikael Lindskog and Anders Svensson, setting out the rights and obligations of the parties as shareholders of Albini & Pitigliani Sverige AB;

(e) sale and purchase agreement dated 20 June 2013 entered into between Thomas Kroger Finner, Manfred Willi Jakel Werner, Magda Alicia Lopez Lena Barrios and Kerry Freight Services (Mexico) Limited, pursuant to which Kerry Freight Services (Mexico) Limited purchased a 70% equity interest in each of Cargo Master's Internacional, S.A. de C.V. and Servicios Corporativos Cargo Master's, S.A. de C.V.;

(f) shareholders' agreement dated 20 June 2013 entered into between Kerry Freight Services (Mexico) Limited, Thomas Kroger Finner, Manfred Willi Jakel Werner, Magda Alicia Lopez Lena Barrios, Cargo Master's Internacional, S.A. de C.V. and Servicios Corporativos Cargo Master's, S.A. de C.V., setting out the rights and obligations of the parties as shareholders of Cargo Master's Internacional, S.A. de C.V. and Servicios Corporativos Cargo Master's, S.A. de C.V.;

(g) agreement for sale and purchase dated 29 November 2013 entered into between Goldash Holdings Limited and Kerry Warehouse (HK) Holdings Limited in relation to the transfer of the entire issued share capital of Nettlefold Limited for a consideration of HK$400.0 million; and

(h) the Hong Kong Underwriting Agreement.

2. Our material intellectual property rights

(a) Trademarks

(i) As at the Latest Practicable Date, our Group is the owner of the following trademarks which are registered or applied for registration and are considered material in relation to our business:

Trademark	Territory of Registration/Application
	China, Hong Kong and Thailand
	Hong Kong
NINE TO FIVE	China, Hong Kong, Singapore, Taiwan
9to5	China, Hong Kong, Singapore, Taiwan
午膳 九至五飲食有限公司	Hong Kong
午膳 九至五飲食有限公司	Hong Kong
TGX 精英速運	Hong Kong
TG送	Hong Kong

(ii) As at the Latest Practicable Date, our Group has been granted a non-exclusive right to use the following trade names and trademarks, that are registered or applied for registration, in our operations and are considered material in relation to our business:

Trade name/trademark	Territory of Registration/Application
KERRY	Australia, Bangladesh, Brazil, Cambodia, China, European Community, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, Mexico, Myanmar, Philippines, Singapore, South Korea, Russia, Spain, Sri Lanka, Taiwan, Thailand, USA and Vietnam
嘉里	Australia, China, Hong Kong, Indonesia, Japan, Macau, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, USA and Vietnam
케리	South Korea
เคอรี่	Thailand
KERRY LOGISTICS	Australia, Bangladesh, Cambodia, China, European Community, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, Philippines, Singapore, South Korea, Switzerland, Taiwan, Thailand, USA and Vietnam
KERRY LOGISTICS	Australia, Bangladesh, Hong Kong, India, Malaysia and Singapore
KERRY LOGISTICS 嘉 里 物 流	China, Hong Kong, Macau and Taiwan
KERRY LOGISTICS 嘉 里 物 流	Hong Kong
KERRY TJ LOGISTICS	Taiwan
嘉里大榮物流	Taiwan
KERRY EXPRESS	China, Hong Kong, Macau, Philippines, Taiwan, Thailand and Vietnam
KERRY EXPRESS	Hong Kong

Trade name/trademark	Territory of Registration/Application
KERRY EXPRESS	Hong Kong
Kerry Express	Hong Kong
KERRY TTC EXPRESS	Vietnam
KERRY TTC EXPRESS	Vietnam
KART KERRY ASIA ROAD TRANSPORT	Cambodia, China, Laos, Malaysia, Singapore, Thailand and Vietnam
KART KERRY ASIA ROAD TRANSPORT	Cambodia, China, Laos, Malaysia, Singapore, Thailand and Vietnam

(b) Domain Names

As at the Latest Practicable Date, we are the registrant of, or applications have been made by our Group to become the registrant of, the following domain names which are considered material in relation to our business:

kerrylogistics.com
kerryeas.com
kerrytj.com
kerry-its.com
kerry-intra.com
kerry-ats.com
klntib.com
tgxpress.com
tcihk.com.hk
wisdom-log.net

D. FURTHER INFORMATION ABOUT DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors and chief executives in our share capital and our associated corporations following the Global Offering

The following table sets out the interests of the Directors immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options) in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed:

Shares and underlying shares of our Company and associated corporations

KGL[(1)]

	Shares in KGL					
Directors	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	Approximate percentage of issued share capital
MA Wing Kai William[(2)]	1,810,620	–	–	–	1,810,620	0.12%
ERNI Edwardo[(3)]	650,000	–	–	–	650,000	0.04%
KUOK Khoon Hua[(4)]	2,000,000	–	–	178,262,262	180,262,262	11.77%
QIAN Shaohua[(5)]	2,000,000	–	500,000	–	2,500,000	0.16%

Notes:

(1) All interests in shares in KGL were as at the Record Date.

(2) Mr. Ma is interested in (i) 1,310,620 shares in KGL as beneficial owner; and (ii) options granted under the share option scheme of KGL to subscribe for 500,000 shares in KGL.

(3) Mr. Erni is interested in (i) 350,000 shares in KGL as beneficial owner; and (ii) options granted under the share option scheme of KGL to subscribe for 300,000 shares in KGL.

(4) Mr. Kuok is interested in (i) 5,000 shares in KGL as beneficial owner; (ii) options granted under the share option scheme of KGL to subscribe for 1,995,000 shares in KGL; and (iii) 178,262,262 shares in KGL held through discretionary trusts of which Mr. Kuok is a contingent beneficiary.

(5) Mr. Qian is interested in (i) 1,000,000 shares in KGL as beneficial owner; (ii) options granted under the share option scheme of KGL to subscribe for 1,000,000 shares in KGL; and (iii) 500,000 shares in KGL held through his controlled corporation.

KPL[1]

Directors	Shares in KPL: Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	Approximate percentage of issued share capital
YEO George Yong-boon[2]	–	10,000	–	–	10,000	0.01%
MA Wing Kai William[3]	1,881,020	–	–	50,000	1,931,020	0.13%
ERNI Edwardo[4]	630,000	16,000	–	–	646,000	0.04%
KUOK Khoon Hua[5]	1,494,688	–	–	7,670,310	9,164,998	0.63%
QIAN Shaohua[6]	1,800,000	–	–	50,000	1,850,000	0.13%

Notes:

(1) All interests in shares in KPL were as at the Record Date.

(2) Mr. Yeo is interested in 10,000 shares in KPL held by his spouse.

(3) Mr. Ma is interested in (i) 581,020 shares in KPL as beneficial owner; (ii) options granted under the share option scheme of KPL to subscribe for 1,300,000 shares in KPL; and (iii) 50,000 shares in KPL held through a discretionary trust of which Mr. Ma is a contingent beneficiary.

(4) Mr. Erni is interested in (i) options granted under the share option scheme of KPL to subscribe for 630,000 shares in KPL; and (ii) 16,000 shares in KPL held through by his spouse.

(5) Mr. Kuok is interested in (i) 202,000 shares in KPL as beneficial owner; (ii) options granted under the share option scheme of KPL to subscribe for 300,000 shares in KPL; (iii) 992,688 shares in KPL jointly held with another person as beneficial owner; and (iv) 7,670,310 shares in KPL held through discretionary trusts of which Mr. Kuok is a contingent beneficiary.

(6) Mr. Qian is interested in (i) options granted under the share option scheme of KPL to subscribe for 1,800,000 shares in KPL; and (ii) 50,000 shares in KPL held through a discretionary trust of which Mr. Qian is a contingent beneficiary.

SCMP Group Limited ("SCMP")[1]

Director	Capacity/nature of interest	Total interest	Approximate percentage of issued share capital
KUOK Khoon Hua	Other interest	620,000[2]	0.04%

Notes:

(1) SCMP is a subsidiary of KGL, which is the holding company of our Company, therefore SCMP is an associated corporation of our Company. All interests in shares in SCMP were as at the Record Date.

(2) Mr. Kuok is interested in 620,000 shares in SCMP held through a discretionary trust of which Mr. Kuok is a contingent beneficiary.

The Company

Director	Capacity/nature of interest	Number of Shares immediately after the Spin-off	Approximate percentage of shareholding in the total issued share capital of our Company after the Spin-off
YEO George Yong-boon(1)	Beneficial interest	2,000,000	0.12%
MA Wing Kai William(2)	Beneficial interest	3,000,000	0.18%
ERNI Edwardo(3)	Beneficial interest	2,000,000	0.12%
KUOK Khoon Hua(4)	Beneficial interest	800,000	0.05%
QIAN Shaohua(5)	Beneficial interest	200,000	0.01%
WONG Yu Pok Marina(6)	Beneficial interest	200,000	0.01%
WAN Kam To(7)	Beneficial interest	200,000	0.01%
YEO Philip Liat Kok(8)	Beneficial interest	200,000	0.01%

Notes:

(1) Mr. Yeo is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 2,000,000 Shares.

(2) Mr. Ma is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 3,000,000 Shares.

(3) Mr. Erni is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 2,000,000 Shares.

(4) Mr. Kuok is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 800,000 Shares.

(5) Mr. Qian is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Shares.

(6) Ms. Wong is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Shares.

(7) Mr. Wan is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Shares.

(8) Mr. Philip Yeo is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Shares.

Interest in debentures of associated corporation

Wiseyear Holdings Limited ("Wiseyear")(1)

	Amount of debentures of Wiseyear					
Directors	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total amount of debenture	Approximate percentage of total debenture of Wiseyear
MA Wing Kai William(2)	–	–	US$1,000,000 5% Notes due 2017	–	US$1,000,000 5% Notes due 2017	N/A
QIAN Shaohua(3)	US$1,000,000 5% Notes due 2017	–	–	–	US$1,000,000 5% Notes due 2017	N/A

Notes:

(1) Wiseyear is a wholly-owned subsidiary of KPL and is therefore an associated corporation of our Company. All interests in shares in Wiseyear were as at the Record Date.

(2) Mr. Ma is interested in a debenture in the amount of US$1,000,000 5% Notes due 2017, held through his controlled corporation.

(3) Mr. Qian is interested in a debenture in the amount of US$1,000,000 5% Notes due 2017 as beneficial owner.

(b) Interests of the substantial shareholders in the Shares which are disclosable under Divisions 2 and 3 of Part XV of the SFO

Immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options), so far as the Directors are aware, the following persons (not being a Director or a chief executive of us) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

(i) The Company:

See the section headed "Substantial Shareholders".

(ii) Other members of our Group as referred to in the Accountant's Report:

Member of our Group	Person with 10% or more interest (other than us)		Percentage of the substantial shareholder's interest
Albini & Pitigliani Sverige AB	(a) Albini & Pitigliani SPA	(a)	25%
	(b) Mikael Lindskog	(b)	12.5%
	(c) Anders Svensson	(c)	12.5%
Arie van Donge & Co. Holding B.V.	Aartco Holding B.V. (formerly known as Adcoint B.V.)		10.45%
Beijing Tengchang International Transportation Service Co., Ltd.	Liu Yugang		39.2%
Braservice – Assessoria em Comercio Exterior Ltda	Vincenzo Carlo Grippo		44.25%
E.A.E. Freight & Forwarding Sdn. Bhd.	(a) Tan Yau Soon	(a)	20%
	(b) Syed Omar Bin Syed Jaafar	(b)	25%
F.D.I COMMERCIAL AND FORWARDING SERVICES COMPANY LIMITED	(a) Tran Huu Nghia	(a)	20%
	(b) Tran Thi Phuong Lien	(b)	10%
INDEV LOGISTICS PRIVATE LIMITED	Xavier Britto Swamikannu[(1)]		70%
KART (THAILAND) LIMITED	Tan Yau Soon		45%
Kerry EAS Logistics Limited	Huatong Industrial Development Co., Ltd. (華通實業發展有限責任公司)		30%
Kerry Far East Logistics (Bangladesh) Limited	Hossain Alamgir[(2)]		30%
Kerry Freight (Korea) Inc.	Hong Sungho		49.001%
KERRY FREIGHT MYANMAR LIMITED	STARLINE LOGISTICS PTE. LTD.		40%
KERRY LOGISTICS (MACAU) LIMITED	(a) Vicente Chan	(a)	16.6%
	(b) Sio Hon Meng	(b)	16.2%
	(c) Abilio Jose Vivanco Do Rosario Fong	(c)	16.2%
Kerry Logistics (Thailand) Limited	Maris Pakdeetaveevivat		20%
KERRY MALSHIP LOGISTICS LANKA (PRIVATE) LIMITED	MALSHIP (CEYLON) LIMITED		49%
KERRY TTC EXPRESS JOINT STOCK COMPANY	Pham Trinh Phuong		15.3%
KERRY-ATS LOGISTICS, INC.	2GO Express, Inc.		49%
KERRY-INTRATAINER PTE. LTD.	Loh Sing Seet William		40%
KERRY-ITS TERMINAL PTE. LTD.	Loh Sing Seet William		40%
PT. KERRY LOGISTICS INDONESIA	PT Maju Nusantara Prima		10%

Member of our Group	Person with 10% or more interest (other than us)	Percentage of the substantial shareholder's interest
Shandong D-Express Logistics Co., Ltd.	Zhai Haitao[3]	30%
Shanghai Hui Cheng Logistics Co., Ltd.	Lu Long Xiang	12%
Shanghai TCI Freight Forwarding Co., Ltd.	Wu Jian	39.2%
Shanghai Wisdom Global Logistics Co., Ltd. (Formerly known as Shanghai Wisdom International Freight Agency Co., Ltd.)	Tan Heng Meng	30%
Shenzhen Kerry Yantian Port Logistics Company Limited	Shenzhen Yantianport Group Co., Ltd. (深圳市鹽田港集團有限公司)	45%
TOP GUN EXPRESS CENTRE LIMITED	Ip Choi Fung Ann	40%

Notes:

(1) Xavier Britto Swamikannu is deemed interested in the 20.84% interest in INDEV LOGISTICS PRIVATE LIMITED held by his spouse.

(2) Hossain Alamgir is deemed interested in the 15% interest in Kerry Far East Logistics (Bangladesh) Limited held by his spouse.

(3) Zhai Haitao is deemed interested in the 9% interest in Shandong D-Express Logistics Co., Ltd. held by his spouse.

(c) Negative statements regarding interests in securities

None of the Directors or our chief executives will immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options) have any disclosure interests (as referred to in (a) above), other than as disclosed at (a) above.

The Directors are not aware of any persons who will immediately following the completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options) have a notifiable interest (for the purposes of the SFO) in the Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in the Shares, other than as disclosed at (b) above.

2. Particulars of Directors' letters of appointment

Each of our Executive Directors has signed a letter of appointment with us for an initial term commencing from 25 November 2013 until the next general meeting of our Company, after which shall be renewed as determined by the Board or the Shareholders of our Company. The office of a Director is liable to be vacated in certain circumstances pursuant to the Bye-laws.

Our Non-executive Director has signed a letter of appointment with us for an initial term commencing from 25 November 2013 until the next general meeting of our Company, after which shall be renewed as determined by the Board or the Shareholders of our Company. The office of a Director is liable to be vacated in certain circumstances pursuant to the Bye-laws.

Each of the Independent Non-executive Directors has signed a letter of appointment with us for an initial term commencing from 25 November 2013 until the next general meeting of our Company, after which shall be renewed as determined by the Board or the Shareholders of our Company. The office of a Director is liable to be vacated in certain circumstances pursuant to the Bye-laws.

Except as disclosed in this prospectus, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Agency fees or commission

Except as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries.

4. Related party transactions

For details of the Related Party Transactions, see Note 37 of the Accountant's Report set out in Appendix I to this prospectus. Our Directors confirm that all Related Party Transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

E. DISCLAIMERS

Except as disclosed in this prospectus:

(a) none of the Directors or our chief executives has any interest or short position in the shares, underlying shares or debentures of us or any of our associated corporation (within the meaning of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO of which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

(b) none of the Directors or experts referred to in the section headed "Other Information — 7. Qualifications of Experts" in this Appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of the Directors or experts referred to in the section headed "Other Information — 7. Qualifications of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of Shares which may be taken up under the Global Offering or upon the exercise of the Over-allotment Option and any Pre-IPO Share Options or Post-IPO Share Options and any Shares to be issued pursuant to the RSU Scheme, none of the Directors knows of any person (not being a Director or chief executive of us) who will, immediately following completion of the Global Offering, have an interest or short position in the shares or underlying shares of us which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(f) no part of the equity or debt securities of our company is presently listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;

(g) none of the experts referred to under the section headed "Other Information — 7. Qualifications of Experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(h) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our share capital have any interests in the five largest customers or the five largest suppliers of our Group.

F. PRE-IPO SHARE OPTION SCHEME

The purpose of Pre-IPO Share Option Scheme is to motivate Eligible Persons (as set out in paragraph 2 in sub-section headed "G. Post-IPO Share Option Scheme") to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. The principal terms of the Pre-IPO Share Option Scheme approved and adopted by (i) written resolutions of all the Shareholders of the Company on 25 November 2013; and (ii) ordinary resolutions of the shareholders of KPL on 1 November 2013, are substantially the same as the terms of the Post-IPO Share Option Scheme (where applicable) except for the following principal terms:

(i) the subscription price of the options granted under the Pre-IPO Share Option Scheme will be the Offer Price;

(ii) no adjustment will be allowed to such effect that the subscription price of any options granted under the Pre-IPO Share Option Scheme is lower than the Offer Price;

(iii) the Pre-IPO Share Option Scheme will expire on the Listing Date and no options shall be further granted after the commencement of dealings in Shares on the Main Board of the Stock Exchange;

(iv) any options granted under the Pre-IPO Share Option Scheme will lapse automatically if the Listing does not take place by 31 December 2014; and

(v) any exercise of the options granted under the Pre-IPO Share Option Scheme will be subject to (a) the Listing Approval being granted in respect of the Shares to be issued upon the exercise of the options which may be granted under the Proposed Share Option Schemes; and (b) the commencement of dealings in Shares on the Main Board of the Stock Exchange.

Outstanding options

As at the Latest Practicable Date, options to subscribe for an aggregate of 42,770,000 Shares, representing approximately 2.58% of the issued share capital of our Company upon completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (excluding all Shares which may be issued upon the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme), or approximately 2.52% of the enlarged issued share capital of our Company upon full exercise of all the outstanding options granted under the Pre-IPO Share Option Scheme on completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options), at an exercise price equal to the Offer Price, are expected to be conditionally granted by our Company to a total of eight Directors, nine members of the senior management, 60 connected persons of our Group and 201 Other Grantees under the Pre-IPO Share Option Scheme.

As such, assuming full exercise of the outstanding options granted under the Pre-IPO Share Option Scheme (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options), the shareholding of our Shareholders immediately following the Spin-off and issuance of Shares pursuant to the RSU Scheme will be diluted by approximately 2.52% and earnings per share will be reduced by approximately 3.2% (unaudited).

If calculated based on 1,700,134,112 Shares, the assumed number of Shares to be in issue and outstanding throughout the year ending 31 December 2013 solely for purposes of this calculation, comprising 1,657,364,112 Shares to be in issue immediately after the Spin-off and issuance of Shares pursuant to the RSU Scheme, and 42,770,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options) and we believe our estimated share based expenses to be recorded for the year ending 31 December 2013 for the options granted on 2 December under the Pre-IPO Share Option Scheme is insignificant.

(a) Directors, senior management and connected persons of our Group

Our Directors, senior management and certain directors of our subsidiaries, who are considered as connected persons of our Group, are granted options under the Pre-IPO Share Option Scheme to subscribe for a total of 28,640,000 Shares, representing approximately 1.73% of the issued share capital of our Company upon completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme and assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options. None of the Directors was granted Pre-IPO Share Options for more than 3,000,000 Shares under the Pre-IPO Share Option Scheme.

Below is a list of our Directors, senior management and connected persons of our Group who are Grantees under the Pre-IPO Share Option Scheme:

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Spin-off(2)
Directors							
YEO George Yong-boon	Flat 1, 6/F, Tavistock 10 Tregunter Path Hong Kong	HK$1.0	Offer Price	2,000,000	2 December 2013	10 years	0.12%
MA Wing Kai William	1/F, 89 Tai Hang Road Jardine's Lookout Hong Kong	HK$1.0	Offer Price	3,000,000	2 December 2013	10 years	0.18%
ERNI Edwardo	Flat H, 27/F, Tower 12 Carmel Cove 1 Kin Tung Road Caribbean Coast Tung Chung New Territories Hong Kong	HK$1.0	Offer Price	2,000,000	2 December 2013	10 years	0.12%
KUOK Khoon Hua	35A Deep Water Bay Road Hong Kong	HK$1.0	Offer Price	800,000	2 December 2013	10 years	0.05%
QIAN Shaohua	Flat A, 17/F Victoria Heights 43A Stubbs Road Wanchai Hong Kong	HK$1.0	Offer Price	200,000	2 December 2013	10 years	0.01%

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Spin-off(2)
WONG Yu Pok Marina	Flat 3B, Tower 2 1 Po Shan Road Hong Kong	HK$1.0	Offer Price	200,000	2 December 2013	10 years	0.01%
WAN Kam To	Flat A, 23/F, The Colonnade 152 Tai Hang Road Hong Kong	HK$1.0	Offer Price	200,000	2 December 2013	10 years	0.01%
YEO Philip Liat Kok	55 West Coast Park Singapore 0512	HK$1.0	Offer Price	200,000	2 December 2013	10 years	0.01%
Senior Management							
ANG Keng Lam	4F, Woodland Heights, No. 2 Wong Nei Chung Gap Road, Hong Kong	HK$1.0	Offer Price	3,000,000	2 December 2013	10 years	0.18%
BENJAATHONSIRIKUL Kledchai	51/60 Soi Sukhumwit 23, North Klongtuey, Klongtuey, Bangkok, 10110 Thailand	HK$1.0	Offer Price	1,000,000	2 December 2013	10 years	0.06%
CHENG Chi Wai	Flat G, 5/F., Block 10, Royal Ascot, 1 Tsun King Road, New Territories, Hong Kong	HK$1.0	Offer Price	2,000,000	2 December 2013	10 years	0.12%
HUNG Wai Shing	Flat C, 24/F., Block 4, Bayview Garden, Tsuen Wan, New Territories, Hong Kong	HK$1.0	Offer Price	500,000	2 December 2013	10 years	0.03%
KO Fuk Yuen Kenneth	Flat G, 30/F., Tower 17, Ocean Shores, Tseung Kwan O, New Territories, Hong Kong	HK$1.0	Offer Price	250,000	2 December 2013	10 years	0.02%
LEE Wai Shun Wilson	9B, Park Horizon, 78 Waterloo Road, Kowloon, Hong Kong	HK$1.0	Offer Price	400,000	2 December 2013	10 years	0.02%
SHEN Chung-kui	A4, 11F, No. 311, Sec. 1, Dunhua South Road, Da'an District, Taipei City, 106, Taiwan	HK$1.0	Offer Price	1,000,000	2 December 2013	10 years	0.06%
TAN Kai Whatt Robert	No 19, Kew Walk, Singapore 465999	HK$1.0	Offer Price	1,000,000	2 December 2013	10 years	0.06%
WILCOCK Gary	23 The Firs, Bowdon, Altrincham, Cheshire WA14 2TF, United Kingdom	HK$1.0	Offer Price	800,000	2 December 2013	10 years	0.05%

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Spin-off(2)
Connected Persons							
ALAMGIR Hossain	Flat No.B-5, Akota Nibash, Shamoly R/A, Chittagong, Bandar Main Post Office, Halisahar, Chittagong, Bangladesh	HK$1.0	Offer Price	50,000	2 December 2013	10 years	0.01%
CHENG Suet Ling	Flat D, 4/F., Block 4, New Jade Gardens, 233 Chai Wan Road, Chai Wan, Hong Kong	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
CHEUNG Hiu Lung Alan	Flat 39, 12/F., Man King Building, Man Ying Street, Ferry Point, Yau Ma Tei, Kowloon, Hong Kong	HK$1.0	Offer Price	200,000	2 December 2013	10 years	0.01%
CHONG Chin Hung	Flat 36D, Block 5, Seaview Crescent, Tung Chung, Hong Kong	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
CHONG Chun Fai Jeffrey	Room 1506, Kiu Fai Building, No. 413 King's Road, North Point, Hong Kong	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%
DODSWORTH Ian Fowler	13 Overhill Lane, Wilmslow, Cheshire, SK9 2BG, UK	HK$1.0	Offer Price	250,000	2 December 2013	10 years	0.02%
DU Rosa Tu-Thuc	Flat C, 17/F, Mei Foo Sun Chuen, 56 Broadway Street, Mei Foo, Kowloon, Hong Kong	HK$1.0	Offer Price	500,000	2 December 2013	10 years	0.03%
DU Xiaoming	Room 504 Block 1# Xin Yang Garden, Yu Shan Town, Kunshan City, Jiangsu Province, China	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%
FREITAS Marcio Roberto De	8305 NW 116th Ave, Doral, FL 33178, USA	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Spin-off[(2)]
GENG Hao	Room 902, No.12, Lane 688, Tongpu Road, Shanghai 200062, China	HK$1.0	Offer Price	500,000	2 December 2013	10 years	0.03%
GRIPPO Vincenzo Carlo	Marflm 398, Alphaville, Camplnas CEP 13098-354 – Est SP	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%
HO Chi Wing	Flat E, 22/F, Tower 3, Tsing Yung Terrace, 8 Tsing Yung Street, Tuen Mun, New Territories, Hong Kong	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
HONG Sungho	B-401, 1 Samsung Cherevil, 318-10 Shinjeong-Dong, Yangcheon-Gu, Seoul, Korea	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%
HU Cheng Chih Paul	Unit D, 27/F., Tower West, Chelsea Court, No. 100 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
HU Jun	B-802, 15 Yanwu Rd., Xiamen, FJ, China	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
JIANG Heping	Rm 26-1-1001, No. 1 Yinchuan East Road, Qingdao, Shandong, China 266071	HK$1.0	Offer Price	80,000	2 December 2013	10 years	0.01%
JIANG Tao	Unit 2 Room 301, Building 10#, Avenue 3, Taiyanggong 2nd Street, Chaoyang District, Beijing, China	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
JITGOMOOT Prapat	99/159 Casaville Village, Ratchapruek Road, Amphur Muang, Nonthaburi 11000, Thailand	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Spin-off[(2)]
JOSEPH Antony Gnanasekar	Flat No. 1, # 1, Josier Street, Thirumoorthy Nagar, Nungambakkam, Chennai 600 034. Tamil Nadu, India	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%
KAEWMANEE Somchai	90/51 Soi Ladpraw 41, Khwang Chankrasem, Khet Jatujak, Bangkok, Thailand	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%
KARNJANAKIT Somboon	275/14 Soi Meesuwan 3, Khwang Phrakhanong Nua, Khet Wattana, Bangkok, Thailand	HK$1.0	Offer Price	40,000	2 December 2013	10 years	0.01%
KARSTENS Johann Peter	Merseburger Str. 6, 28215 Bremen, Germany	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%
KONSTANTARAS Ioannis	Alte Bruecke 13b, D-65207 Wiesbaden, Germany	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%
KRUIMER Aart	Iep 7, 3248 XN, Melissant, The Netherlands	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%
LAU Kin Pui	Flat A, 10/F., Yat Wing Mansion, Lei King Wan, Sai Wan Ho, Hong Kong	HK$1.0	Offer Price	400,000	2 December 2013	10 years	0.02%
LAU Wai Ming	Flat D, 13/F, Bella Vista, No. 3 Ying Fai Terrace, Hong Kong	HK$1.0	Offer Price	280,000	2 December 2013	10 years	0.02%
LEUNG Chi Man	Flat A, 14/F, Block 13, Laguna City, Lam Tin, Hong Kong	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%
LI Zhimin	Rm 1-102, Bldg 223, WanXiangXinTian Residence Community, Chaoyang District, Beijing 100024, China	HK$1.0	Offer Price	600,000	2 December 2013	10 years	0.04%
LIM Lawrence Cheong Kok	218 Pasir Ris Street 21, 08-156, Singapore 510218	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%
LING Ho Sing Lawrence	Unit SD, 48th Floor, Festival City, Phase 3, Tower 2, 1 Mei Tin Road, Tai Wai, Shatin, New Territories, Hong Kong	HK$1.0	Offer Price	90,000	2 December 2013	10 years	0.01%

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Spin-off[(2)]
LIU Xiaoping	Room 1703, B1 Tower, NO. 253, West Jianguo Road, Shanghai, P.R.C.200031	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
LIU Yugang	Room 502, Building 25, No 2580 JinXiu Rd, Pudong, Shanghai, China	HK$1.0	Offer Price	400,000	2 December 2013	10 years	0.02%
LO Chau Ping Stephen	Flat B, 1/F., Block 11, 18 Pak Lok Path, Pristine Villa, Tai Wai, New Territories, Hong Kong	HK$1.0	Offer Price	200,000	2 December 2013	10 years	0.01%
LOH Sing Seet William	15 Kew Heights, Singapore 466013	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%
LOMBARDI Bruno	Baiergasse 33 A, CH-4162, Bettingen, Switzerland	HK$1.0	Offer Price	50,000	2 December 2013	10 years	0.01%
LU Long Xiang	No. 1024, Lane 2727, Hu Nan Rd, PuDong, Shanghai, China	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
MEENSUK Pavinee	64/215 Moo 1, Khwang Bangramard, Khet Talingchan, Bangkok, Thailand	HK$1.0	Offer Price	200,000	2 December 2013	10 years	0.01%
NARKAUM Sanlaya	50 Soi Prachanukul 3, Khwang Wongsawang, Khet Bangsue, Bangkok, Thailand	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
NG Kin Hang	Room 803, Block 2, Hong Lee Court, 22 Hong Lee Road, Kwun Tong, Kowloon, Hong Kong	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%
NG Ping Kwan	Flat C, 13/F, Block 4, Alpine Garden, 350 Castle Peak Road, Tuen Mun, New Territories, Hong Kong	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
ONG Tiong Yan	51 Jln Setia Impian u13/6e Setia Alam Seksyen u13 40170, Shah Alam, Malaysia	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Spin-off[(2)]
PHAN Van Chau	86/4B Thich Quang Duc street, Ward 5, Phu Nhuan District, HCMC, Viet Nam	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%
RODRIGUEZ AVELLO Juan Florencio	Pasaje Villa Alemana 7961, Jardin Alto, La Florida, Santiago, Chile	HK$1.0	Offer Price	50,000	2 December 2013	10 years	0.01%
RYSER Christian	2127 Brickell Ave, Apt #1105, Miami, FL 33129, USA	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%
SABA Paul Abdulah	9 Fisken Place, Kensington, Victoria, 3031, Australia	HK$1.0	Offer Price	40,000	2 December 2013	10 years	0.01%
SEREGOVA Ing. Gabriela	Legerskeho 6, SK-83102, Bratislava, Slovakia	HK$1.0	Offer Price	50,000	2 December 2013	10 years	0.01%
SHUM Man Kiu Peters	Flat 16H, Block 30, Laguna City, Kwun Tong, Kowloon, Hong Kong	HK$1.0	Offer Price	50,000	2 December 2013	10 years	0.01%
SIMON Alexander	Bismarckstrasse 41, 28203 Bremen, Germany	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%
SWAMIKANNU Xavier Britto	New No. 13, Old No. 5, 3rd Main Road, Kasturba Nagar, Adyar, Chennai 600020, Tamil Badu, India	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
TAN Yau Soon	No 81, Jalan Tambun Indah 1, Taman Tambun Indah, 14100 Simpang Ampat, Seberang Prai Selatan, Pulau Pinang, Malaysia	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%
TRIMBOLI Ian Charles	2 Leane Court, Salisbury Heights, South Australia, 5109	HK$1.0	Offer Price	100,000	2 December 2013	10 years	0.01%
TSE Ka Keung	No. 12 Lily Path, Monterey, Palm Springs, Yuen Long, New Territories, Hong Kong	HK$1.0	Offer Price	200,000	2 December 2013	10 years	0.01%
WARMENHOVEN Johan	Primulastraat 38, 1171 Mr Badhoevedorp, The Netherlands	HK$1.0	Offer Price	50,000	2 December 2013	10 years	0.01%

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Spin-off[(2)]
WONG Kah Piau	16,Jalan BU12/6, Bandar Utama, 47800, Petaling Jaya, Selangor, Malaysia	HK$1.0	Offer Price	120,000	2 December 2013	10 years	0.01%
WONG Yuk Wan Ivy	G/F., Block B, 11 San Uk Ka, Wun Yiu, Tai Po, New Territories, Hong Kong	HK$1.0	Offer Price	350,000	2 December 2013	10 years	0.02%
WU Zhefu	No.402, Unit 1, Building 7, Changan Huayuan Jinxinglu, Futong Dongdajie, Chaoyang District, Beijing	HK$1.0	Offer Price	500,000	2 December 2013	10 years	0.03%
XIANG Xi	702 Room1, Unit B5 Building, Kunchuan Group Company, Eight Kilometers, Guandu District, Kunming, Yunnan, China	HK$1.0	Offer Price	150,000	2 December 2013	10 years	0.01%
YIP Kam Sang Alan	Unit C, 27/F, Tower North, Chelsea Court, No. 100 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong	HK$1.0	Offer Price	180,000	2 December 2013	10 years	0.01%
ZANON Daniel	28 Stockdade Avenue, Coburg, Victoria, 3058 Australia	HK$1.0	Offer Price	60,000	2 December 2013	10 years	0.01%
ZHANG Wei	No 1002, Unit 3, Zone 1, No 5 Wanshou Road "A", Haidian District, Beijing, China	HK$1.0	Offer Price	500,000	2 December 2013	10 years	0.03%

Notes:

1. Each Grantee, upon accepting the Pre-IPO Share Options, is deemed to have undertaken to our Company that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her option, the holding and exercise of his/her option in accordance with the rules of the Pre-IPO Share Option Scheme, the allotment and issue of Share to him/her upon the exercise of his/her option and the holding of such Shares.

2 These percentages are calculated on the basis of 1,657,364,112 Shares in issue immediately following completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme and assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options and Post-IPO Share Options.

(b) Other Grantees

Among the Grantees, other than our Directors, members of our senior management, and connected persons of our Group, approximately 201 Other Grantees are granted options under the Pre-IPO Share Option Scheme to subscribe for a total of 14,130,000 Shares, representing approximately 0.85% of the issued share capital of our Company upon completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme but assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of Pre-IPO Share Options or the Post-IPO Share Options, with the number of Shares to be issued upon exercise of the relevant options ranging from 30,000 Shares to 350,000 Shares individually. None of the Other Grantees will be granted Pre-IPO Share Options for more than 350,000 Shares under the Pre-IPO Share Option Scheme.

The table below shows the details of options granted to Other Grantees:

Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Spin-off[(1)]
HK$1.0	Offer Price	14,130,000	2 December 2013	10 years	0.85%

Note:

1 These percentages are calculated on the basis of 1,657,364,112 Shares in issue immediately following completion of the Spin-off and issuance of Shares pursuant to the RSU Scheme and assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options.

Assuming that the Over-allotment Option is not exercised, the shareholding in the Company before and after the full exercise of all the options granted under the Pre-IPO Share Option Scheme for the Grantees under the Pre-IPO Share Option Scheme (without taking into account any Shares to be issued upon the exercise of Post-IPO Share Options) will be as follows:

Name of Shareholder	Immediately following the Completion of the Spin-off and Prior to the Exercise in Full of Unexercised Options Granted pursuant to our Pre-IPO Share Option Scheme[(1)]		Immediately following the Completion of the Spin-off and the Exercise in Full of Unexercised Options Granted pursuant to our Pre-IPO Share Option Scheme[(1)]	
	Number of Shares	%	Number of Shares	%
Directors				
YEO George Yong-boon	2,000,000	0.12%	2,000,000	0.12%
MA Wing Kai William	3,000,000	0.18%	3,000,000	0.18%
ERNI Edwardo	2,000,000	0.12%	2,000,000	0.12%
KUOK Khoon Hua	800,000	0.05%	800,000	0.05%
QIAN Shaohua	200,000	0.01%	200,000	0.01%
WONG Yu Pok Marina	200,000	0.01%	200,000	0.01%
WAN Kam To	200,000	0.01%	200,000	0.01%
YEO Philip Liat Kok	200,000	0.01%	200,000	0.01%

Name of Shareholder	Immediately following the Completion of the Spin-off and Prior to the Exercise in Full of Unexercised Options Granted pursuant to our Pre-IPO Share Option Scheme[(1)]		Immediately following the Completion of the Spin-off and the Exercise in Full of Unexercised Options Granted pursuant to our Pre-IPO Share Option Scheme[(1)]	
	Number of Shares	%	Number of Shares	%
Senior Management				
ANG Keng Lam	3,000,000	0.18%	3,000,000	0.18%
BENJAATHONSIRIKUL Kledchai	1,000,000	0.06%	1,000,000	0.06%
CHENG Chi Wai	2,000,000	0.12%	2,000,000	0.12%
HUNG Wai Shing	500,000	0.03%	500,000	0.03%
KO Fuk Yuen Kenneth	250,000	0.02%	250,000	0.01%
LEE Wai Shun Wilson	400,000	0.02%	400,000	0.02%
SHEN Chung-kui	1,000,000	0.06%	1,000,000	0.06%
TAN Kai Whatt Robert	1,000,000	0.06%	1,000,000	0.06%
WILCOCK Gary	800,000	0.05%	800,000	0.05%
Connected Persons				
ALAMGIR Hossain	50,000	0.01%	50,000	0.01%
CHENG Suet Ling	150,000	0.01%	150,000	0.01%
CHEUNG Hiu Lung Alan	200,000	0.01%	200,000	0.01%
CHONG Chin Hung	150,000	0.01%	150,000	0.01%
CHONG Chun Fai Jeffrey	100,000	0.01%	100,000	0.01%
DODSWORTH Ian Fowler	250,000	0.02%	250,000	0.01%
DU Rosa Tu-Thuc	500,000	0.03%	500,000	0.03%
DU Xiaoming	100,000	0.01%	100,000	0.01%
FREITAS Marcio Roberto De	100,000	0.01%	100,000	0.01%
GENG Hao	500,000	0.03%	500,000	0.03%
GRIPPO Vincenzo Carlo	100,000	0.01%	100,000	0.01%
HO Chi Wing	150,000	0.01%	150,000	0.01%
HONG Sungho	100,000	0.01%	100,000	0.01%
HU Cheng Chih Paul	150,000	0.01%	150,000	0.01%
HU Jun	150,000	0.01%	150,000	0.01%
JIANG Heping	80,000	0.01%	80,000	0.01%
JIANG Tao	150,000	0.01%	150,000	0.01%
JITGOMOOT Prapat	120,000	0.01%	120,000	0.01%
JOSEPH Antony Gnanasekar	100,000	0.01%	100,000	0.01%
KAEWMANEE Somchai	120,000	0.01%	120,000	0.01%
KARNJANAKIT Somboon	40,000	0.01%	40,000	0.01%
KARSTENS Johann Peter	120,000	0.01%	120,000	0.01%
KONSTANTARAS Ioannis	100,000	0.01%	100,000	0.01%
KRUIMER Aart	120,000	0.01%	120,000	0.01%
LAU Kin Pui	400,000	0.02%	400,000	0.02%
LAU Wai Ming	280,000	0.02%	280,000	0.02%
LEUNG Chi Man	120,000	0.01%	120,000	0.01%
LI Zhimin	600,000	0.04%	600,000	0.04%
LIM Lawrence Cheong Kok	100,000	0.01%	100,000	0.01%
LING Ho Sing Lawrence	90,000	0.01%	90,000	0.01%
LIU Xiaoping	150,000	0.01%	150,000	0.01%
LIU Yugang	400,000	0.02%	400,000	0.02%
LO Chau Ping Stephen	200,000	0.01%	200,000	0.01%
LOH Sing Seet William	120,000	0.01%	120,000	0.01%

Name of Shareholder	Immediately following the Completion of the Spin-off and Prior to the Exercise in Full of Unexercised Options Granted pursuant to our Pre-IPO Share Option Scheme[(1)]		Immediately following the Completion of the Spin-off and the Exercise in Full of Unexercised Options Granted pursuant to our Pre-IPO Share Option Scheme[(1)]	
	Number of Shares	%	Number of Shares	%
LOMBARDI Bruno	50,000	0.01%	50,000	0.01%
LU Long Xiang	150,000	0.01%	150,000	0.01%
MEENSUK Pavinee	200,000	0.01%	200,000	0.01%
NARKAUM Sanlaya	150,000	0.01%	150,000	0.01%
NG Kin Hang	120,000	0.01%	120,000	0.01%
NG Ping Kwan	150,000	0.01%	150,000	0.01%
ONG Tiong Yan	100,000	0.01%	100,000	0.01%
PHAN Van Chau	100,000	0.01%	100,000	0.01%
RODRIGUEZ AVELLO Juan Florencio	50,000	0.01%	50,000	0.01%
RYSER Christian	120,000	0.01%	120,000	0.01%
SABA Paul Abdulah	40,000	0.01%	40,000	0.01%
SEREGOVA Ing. Gabriela	50,000	0.01%	50,000	0.01%
SHUM Man Kiu Peters	50,000	0.01%	50,000	0.01%
SIMON Alexander	120,000	0.01%	120,000	0.01%
SWAMIKANNU Xavier Britto	150,000	0.01%	150,000	0.01%
TAN Yau Soon	120,000	0.01%	120,000	0.01%
TRIMBOLI Ian Charles	100,000	0.01%	100,000	0.01%
TSE Ka Keung	200,000	0.01%	200,000	0.01%
WARMENHOVEN Johan	50,000	0.01%	50,000	0.01%
WONG Kah Piau	120,000	0.01%	120,000	0.01%
WONG Yuk Wan Ivy	350,000	0.02%	350,000	0.02%
WU Zhefu	500,000	0.03%	500,000	0.03%
XIANG Xi	150,000	0.01%	150,000	0.01%
YIP Kam Sang Alan	180,000	0.01%	180,000	0.01%
ZANON Daniel	60,000	0.01%	60,000	0.01%
ZHANG Wei	500,000	0.03%	500,000	0.03%
Other Grantees				
Employees of the Group	14,130,000	0.85%	14,130,000	0.83%
Total	42,770,000	2.58%	42,770,000	2.52%

Note:

(1) Shareholdings of less than 0.01% are rounded up to 0.01%.

Except as set out above, no other options are granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme.

Assuming that the Over-allotment Option is not exercised, the shareholding in the Company before and after the full exercise of all the options granted under the Pre-IPO Share Option Scheme for the Grantees and those who will exercise, or control the exercise of, 5% or more of voting power at general meetings of our Company upon completion of the Spin-off and issuance of shares pursuant to the RSU Scheme but before the exercise of the options granted under the Pre-IPO Share Option Scheme (without taking into account any Shares to be issued upon the exercise of Post-IPO Share Options) will be as follows:

	Before any Exercise[3]	**After Full Exercise[3]**
Kerry Group Limited[1]	67.65%[2]	65.95%[2]
Kerry Properties Limited	43.34%	42.25%
Caninco Investments Limited	9.42%	9.18%
Darmex Holdings Limited	7.75%	7.56%

Notes:

(1) KGL is deemed to be interested in the shareholding interest of each of KPL, Caninco Investments Limited and Darmex Holdings Limited in the Company pursuant to the disclosure requirements under the SFO.

(2) Includes approximately 0.15% of Shares attributable to corporations in each of which KGL holds less than 50% of its share capital and accordingly KGL does not have beneficial ownership of these Shares.

(3) All interests in shares in KPL were as at the Record Date. Fractional entitlements of the Shares under the Distribution are taken into account in the calculation of the shareholding percentages shown above, and accordingly such shareholding percentages are approximate only.

We will ensure compliance with the minimum public float requirement of Rule 8.08 of the Listing Rules. Our Directors, members of senior management and our connected persons confirm that they will not exercise any options granted under the Pre-IPO Share Option Scheme if as a result of the exercise of the Pre-IPO Share Options our Company would not be able to comply with the minimum public float requirement of the Listing Rules.

Waiver and exemption

Our Company has applied for and has been granted a waiver from (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance. Please refer to the section headed "Waiver from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies Ordinance" for details.

G. POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by (i) written resolutions of the Shareholder of the Company on 25 November 2013; and (ii) ordinary resolutions of the shareholders of KPL on 1 November 2013. The following summary does not form, nor is intended to be, part of the Post-IPO Share Option Scheme nor should it be taken as affective the interpretation of the rules of the Post-IPO Share Option Scheme.

1. Purpose

The purpose of the Post-IPO Share Option Scheme is to motivate Eligible Persons (as set out in paragraph 2 below) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Eligible Persons

The board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of the Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group (an "Employee"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (an "Executive"), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group, or an Associate (as defined under the Listing Rules) of any of the foregoing persons (together, the "Eligible Persons" and each an "Eligible Person").

3. Conditions and administration

The Post-IPO Share Option Scheme shall come into effect on the Listing Date, subject to:

(a) the Listing Approval being granted in respect of the Shares to be issued upon the exercise of the options which may be granted under the Pre-IPO Share Option Scheme and the Post-Share Option Scheme; and

(b) the commencement of dealings in the Shares on the Main Board of the Stock Exchange.

The Post-IPO Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Post-IPO Share Option Scheme or its interpretation or effect shall (except as otherwise provided in the rules of Post-IPO Share Option Scheme) be final and binding on all parties thereto. The Board may delegate any or all of its powers in relation to the Post-IPO Share Option Scheme to any of its committees.

4. Determination of eligibility

(a) The Board may, at its absolute discretion, offer to grant to any Eligible Person (a "Grantee") an option to subscribe for Shares under the Post-IPO Share Option Scheme.

(b) The basis of eligibility of any Eligible Person to the grant of any options shall be determined by the Directors from time to time on the basis of their contributions to the development and growth of the Group.

(c) For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless the Directors otherwise determine, be construed as a grant of options under the Post-IPO Share Option Scheme.

(d) An Eligible Person or Grantee shall provide the Board such information and supporting evidence as the Board may in its absolute discretion request from time to time (including, without limitation, before the offer of a grant of option, at the time of acceptance of a grant of option, and at the time of exercise of an option) for the purpose of assessing and/or determining his eligibility or continuing eligibility as an Eligible Person and/or Grantee or that of his Associates or for purposes in connection with the terms of an option (and the exercise thereof) or the Post-IPO Share Option Scheme and the administration thereof.

5. Duration

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. However, the Shareholders in general meeting may by resolution at any time terminate the Post-IPO Share Option Scheme. Upon the expiry or termination of the Post-IPO Share Option Scheme as aforesaid, no further options shall be offered but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect. All options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Post-IPO Share Option Scheme.

6. Grant of options

On and subject to the terms of the Post-IPO Share Option Scheme, the Board shall be entitled at any time within a period of 10 years commencing on the Listing Date to offer the grant of any option to any Eligible Person as the Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the option as accepted to the Eligible Person.

Subject to the provisions of the Post-IPO Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Post-IPO Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by and/or the Grantee, the satisfactory performance or maintenance by the Grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the Shares which the option relates shall vest.

An offer of the grant of an option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by within the period specified in the letter containing the offer of the grant of the option. Once such acceptance is made, the option shall be deemed to have been granted and to have taken effect from the offer date.

7. Subscription price of Shares

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of Share;

(b) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with paragraph 13 of this section.

8. Exercise of options

(a) An option shall be exercised in whole or in part by the Grantee according to the procedures for the exercise of options established by our Company from time to time. Every exercise of an option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such option.

(b) An option shall be personal to the Grantee and shall not be and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do so. Any breach of the foregoing shall entitle the Company to cancel, revoke or terminate any outstanding option or part thereof granted to such Grantee without any compensation.

(c) Subject to paragraph 8(e) and any conditions, restrictions or limitations imposed in relation to the particular option pursuant to the provisions of paragraphs 6, 10 or 12 and subject as hereinafter provided, an option may be exercised at any time during the option period, provided that:

(i) if the Grantee (being an individual) dies or becomes permanently disabled before exercising an option (or exercising it in full), he (or his legal representative(s)) may exercise the option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;

(ii) in the event of the Grantee ceasing to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to the Group at the relevant time, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant Option Period;

(iii) in the event of the Grantee ceasing to be an Executive by reason of his transfer of employment to an affiliate company of the Company, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;

(iv) in the event of the Grantee ceasing to be an Executive for any reason (including his employing company ceasing to be a member of the Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to the Group at the relevant time, transfer of employment to an affiliate company or the termination of his employment with the relevant member of the Group by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(v) in the event of the Grantee ceasing to be an Executive by reason of the termination of his employment by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the Grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification. A resolution of the Board resolving that the Executive's option has lapsed pursuant to this sub-paragraph shall be final and conclusive;

(vi) (1) if a Grantee being an executive director of ceases to be an Executive but remains a non-executive director, his option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless the Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or (2) if a Grantee being a non-executive director of the Company ceases to be a director (aa) by reason of non-executive director retirement, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless the Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or (ab) for reasons other than non-executive director retirement, the option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(vii) if (1) the Board in its absolute discretion at any time determines that a Grantee has ceased to be an Eligible Person; or (2) a Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the option or which were the basis on which the option was granted, the option (to the extent not already exercised) shall lapse on the date on which the Grantee is notified thereof (in the case of (1)) or on the date on which the Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (2)) and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such notification or the date of such failure/non-satisfaction/non-compliance. In the case of (1), a resolution of the Board resolving that the Grantee's option has lapsed pursuant to this sub-paragraph shall be final and conclusive;

(viii) if a Grantee (being a corporation) (1) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the Grantee; or (2) has suspended ceased or threatened to suspend or cease business; or (3) is unable to pay its debts (within the meaning of section 178 of the Companies Ordinance or any similar provisions under the Companies Act 1981 of Bermuda as amended from time to time); or (4) otherwise becomes insolvent; or (5) suffers a change in its constitution, directors, shareholding or management which in the opinion of the Board is material; or (6) commits a breach of any contract entered into between the Grantee or his Associate and any member of the Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the Grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by the Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the Grantee's option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

(ix) if a Grantee (being an individual) (1) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent; or (2) has made any arrangements or compositions with his creditors generally; or (3) has been convicted of any criminal offence involving his integrity or honesty; or (4) commits a breach of any contract entered into between the Grantee or his Associate and any member of the Group, the option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the Grantee's option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

(x) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(xi) in the event of an effective resolution being passed for the voluntary winding-up of the Company, and if the Grantee immediately prior to such event had any subsisting option which had not been fully exercised, the Grantee may by notice in writing to the Company within one month after the date of such resolution elect to be treated as if the option had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation, pari passu with the holders of Shares, such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the Subscription Price which would otherwise have been payable in respect thereof; and

(xii) if a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the Grantees who have unexercised options at the same time as it despatches notices to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of: (1) the option period; (2) the period of two months from the date of such notice; and (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his option. Except insofar as exercised in accordance with this paragraph 8(c)(xii), all options outstanding at the expiry of the relevant period referred to in this paragraph 8(c)(xii) shall lapse. The Company may thereafter require each Grantee to transfer or otherwise deal with the Shares issued on exercise of the option to place the Grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any Grantee to exercise an option at any particular date, the Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional conditions, restrictions or limitations imposed in relation to the particular option pursuant to the provisions of paragraph 6 and/or deem the right to exercise the option in respect of the Shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular option such right shall not have then vested.

(d) The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the memorandum of continuance and the bye-laws of and the laws of Bermuda in force from time to time and shall rank pari passu in all respects with then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. Subject as aforesaid, no Grantee shall enjoy any of the rights of a shareholder by virtue of the grant of an option pursuant to the Post-IPO Share Option Scheme.

(e) The Company is entitled to refuse any exercise of an option if such exercise is not in accordance with the terms of the Post-IPO Share Option Scheme or the procedures for exercise of options established by from time to time or if such exercise may cause to contravene or breach any laws, enactment or regulations for the time being in force in Hong Kong and Bermuda or other jurisdiction where applicable or the Listing Rules or any rules governing the Listing of the Shares on a Stock Exchange.

9. Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise relaxed or waived (conditionally or unconditionally) by the Company:

(a) the expiry of the option period;

(b) the expiry of any of the periods referred to in paragraph 8(c);

(c) (subject to paragraph 8(c)(xi)) the date of the commencement of the winding-up of the Company;

(d) there is an unsatisfied judgment, order or award outstanding against the Grantee or the Board has reason to believe that the Grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts within the meaning of the Bankruptcy Ordinance;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraphs 8(c)(viii), 8(c)(ix) or paragraph 9(d); or

(f) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any option, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

10. Maximum number of shares available for subscription

The maximum number of Shares to be issued upon exercise of all options which may be granted under the Post-IPO Share Option Scheme (and under any other share option schemes) shall not in aggregate exceed 10% of the Shares in issue immediately after completion of the Global Offering and as at the Listing Date (the "Scheme Mandate Limit"), provided that the Company may at any time as the Board may think fit seek approval from the Shareholders to refresh the scheme mandate limit, except that the maximum number of

Shares to be issued upon exercise of all options which may be granted under the Post-IPO Share Option Scheme (and under any other share option schemes of the Company) shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes (including those outstanding, cancelled, and lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other share option schemes or exercised options under the said schemes of the Company) shall not be counted for the purpose of calculating the limit as refreshed. The Company shall send a circular containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to the Shareholders. In addition, the Company may seek separate approval from the Shareholders in general meeting for granting options beyond the scheme mandate limit, provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is sought and for whom specific approval is obtained. The Company shall issue a circular to the Shareholders containing the information required under Rule 17.03(3) of the Listing Rules.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme (and under any other share option schemes of the Company) shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his Associates abstaining from voting. The applicable requirements of Rule 17.03(4) of the Listing Rules shall be complied with.

The maximum numbers set out in this paragraph 10 above shall be subject to adjustment in accordance with paragraph 12 but shall not in any event exceed the limits imposed by Chapter 17 of the Listing Rules.

11. Maximum number of shares per grantee who is a connected person

Each grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates under the Post-IPO Share Option Scheme shall be approved by independent non-executive directors of the Company (excluding the independent non-executive director of the Company who is the proposed Grantee of the option). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates would result in the securities issued and to be issued upon exercise of all options already granted and which may be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by the Shareholders.

The Company shall send a circular to the Shareholders containing the information required under Rule 17.04 of the Listing Rules. All connected persons of the Company shall abstain from voting in favour at such general meeting and may be entitled to vote against the relevant resolution provided that his or her intention to do so has been stated in the circular to be sent to the Shareholders. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

12. Cancellation of options

The Board shall be entitled for the following causes to cancel any option in whole or in part by giving notice in writing to the Grantee stating that such option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

(a) the Grantee commits or permits or attempts to commit or permit a breach of paragraphs 4(d) or 8(b) of this Appendix or any terms or conditions attached to the grant of the option;

(b) the Grantee makes a written request to the Board for, or agrees to, the option to be cancelled; or

(c) if the Grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of the Company or its subsidiary.

The option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case. Where the Company cancels an option held by a Grantee and issues new options to the same Grantee, the issue of such new options may only be made under the Post-IPO Share Option Scheme with available unissued options (excluding the cancelled option) within the limit approved by the Shareholders set out in paragraph 10 of this section (so long as the Company remains a Subsidiary of the Company) and, subject to the maximum number of Shares available for subscription referred to in paragraph 10 of this section.

13. Reorganisation of capital structure

In the event of any change in the capital structure of the Company while any option may become or remains exercisable, whether by way of a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the number of Shares subject to outstanding options;

(b) the subscription price of each outstanding option; and/or

(c) the number of Shares subject to the Post-IPO Share Option Scheme.

Where the Board determines that adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors or the independent financial advisors (as the Board may select) shall certify in writing to the Board that any such adjustments to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules (as amended from time to time) and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes, provided that:

(a) the aggregate percentage of the issued share capital of the Company available for the grant of options shall remain as nearly as possible the same as it was before such change but shall not be greater than the maximum number prescribed by the Listing Rules from time to time;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and

(d) any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes) for which any Grantee is entitled to subscribe pursuant to the options held by him shall remain the same as (but shall not be greater than) that to which he was previously entitled (as interpreted in accordance with the supplementary guidance as amended from time to time).

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring an adjustment.

The capacity of the auditors or the independent financial advisors (as the case may be) in this paragraph 13 is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on the Company and the Grantees. The costs of the auditors or the independent financial advisors (as the case may be) shall be borne by the Company.

14. Distributions

Upon distribution by the Company to holders of the Shares of any cash or in specie of assets (other than dividends in the ordinary course) ("Distribution"), may make a downward adjustment to the subscription price of any option granted but not exercised as at the date of such Distribution by an amount which the Board considers as reflecting the impact such Distribution will have or will likely to have on the trading price of the Shares provided that (a) the Board's determination of any adjustments shall be final and binding on all Grantees; (b) the amount of adjustment shall not exceed the amount of such Distribution to be made to the Shareholders; (c) such adjustment shall take effect on or after the date of such Distribution by the Company; (d) any adjustment provided for in this paragraph 14 shall be cumulative to any other adjustments contemplated under paragraph 13 or approved by the Shareholders in general meeting; and (e) the adjusted Subscription Price shall not, in any case, be less than the nominal value of the Shares.

15. Share capital

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of options.

16. Disputes

Any dispute arising in connection with the Post-IPO Share Option Scheme (whether as to the number of Shares, the subject of an option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisors (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

17. Alteration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Post-IPO Share Option Scheme);

(b) any alteration to the provisions of the Post-IPO Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules;

(c) any change to the authority of the Directors in relation to any alteration to the terms of the scheme; and

(d) any alteration to this paragraph 17,

provided always that the amended terms of the Post-IPO Share Option Scheme shall comply with the applicable requirements of Chapter 17 of the Listing Rules.

18. Termination

Our Company by resolution in general meeting may at any time terminate the operation of the Post-IPO Share Option Scheme. Upon the expiry or termination of the Post-IPO Share Option Scheme as aforesaid, no further options shall be offered but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect. All options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Post-IPO Share Option Scheme.

H. RSU SCHEME

The Company has conditionally adopted an RSU Scheme by a resolution of our Shareholder on 25 November 2013 and a resolution of our Board on 25 November 2013. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) Purpose of the RSU Scheme

The purpose of the RSU Scheme is to reward the RSU Participants (as defined below) for their contribution to the success of the Group, and to provide incentives to them to further contribute to the Group.

(b) RSU Awards

An award of RSUs under the RSU Scheme ("Award(s)") gives an RSU Participant (as defined below) a conditional right to obtain, from the date of grant up to the third anniversary of the Listing Date, as determined by the Board in its absolute discretion, cash in an amount which is equivalent to the value of the Shares at the date of the exercise of the RSU. Any granted RSU not exercised by the third anniversary of the Listing Date shall be deemed to be cancelled.

An RSU may include, if so specified by the Board in its entire discretion, rights to cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those underlying Shares from the date that the Award is granted to the date of exercise of the RSU.

For the purposes of the RSU Scheme, "Board" means the board of directors of the Company or a duly authorised administration committee thereof or such other committee as the Board may authorise.

(c) Participants in the RSU Scheme

Participants of the RSU Scheme ("RSU Participants") include the following:

(i) the full-time employees or officers of the Company;

(ii) the full-time employees or officers of any of the subsidiaries of the Company; and

(iii) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company or any of its subsidiaries.

No RSUs will be awarded to connected persons of our Company.

(d) Status of the RSU Scheme

The RSU Scheme is conditional upon:

(i) the passing of an ordinary resolution by the Shareholder to approve and adopt the RSU Scheme, and to authorise the Directors to grant Awards and to allot and deal with Shares in connection with the RSU Scheme (which occurred on 25 November 2013);

(ii) the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares that are the subject of Awards that may be granted pursuant to the RSU Scheme; and

(iii) the commencement of dealings in the Shares on the Stock Exchange (collectively, the "RSU Conditions").

(e) Term of the Scheme

Subject to the RSU Conditions being satisfied and the termination clause in paragraph (p), the RSU Scheme shall be valid and effective from the date of adoption up to the third anniversary of the Listing Date (the "RSU Scheme Period"), after which period no further Awards will be granted. The provisions of the RSU Scheme shall be in full force and effect during the RSU Scheme Period and Awards that are granted during the RSU Scheme Period shall be exercisable in accordance with their terms of issue.

(f) Grant of Award

On and subject to the terms of the RSU Scheme and the terms and conditions that the Board imposes, the Board shall be entitled at any time during the RSU Scheme Period to grant an Award to any RSU Participant as the Board may in its absolute discretion determine. For the avoidance of doubt, no RSUs will be granted prior to the Listing.

Awards may be granted on such terms and conditions as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the RSU Scheme.

A grant shall be made to an RSU Participant by a letter and/or any such notice or document in such form as the Board may from time to time determine ("RSU Grant Letter") and such grant shall be subject to the terms as specified in the RSU Scheme. The RSU Participant shall undertake to hold the Award on the terms on which it is granted and be bound by the provisions of the RSU Scheme.

(g) Acceptance of Award

An offer of the grant of any Award shall be deemed to be accepted by the RSU Participant (the "RSU Grantee") when our Company receives from the RSU Grantee an acceptance notice in accordance with any instructions from the Company. The offer shall remain open for acceptance by the RSU Participant to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after the RSU Scheme has been terminated in accordance with the provisions of the RSU Scheme.

(h) Restrictions on Grants

The Board may not grant any Awards to any RSU Participant in any of the following circumstances:

(i) the requisite approvals for that grant from any applicable regulatory authorities have not been obtained;

(ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect of the RSU Scheme, unless the Board determines otherwise; or

(iii) where granting the Award would result in a breach by the Company, our subsidiaries or any of our or their directors of any applicable securities laws, rules or regulations.

(i) RSU Scheme Limit

The maximum aggregate number of Shares that may underlie the RSUs granted pursuant to the RSU Scheme shall be 815,000 Shares (excluding Shares underlying the Awards that have lapsed or been cancelled in accordance with the rules of the RSU Scheme), representing 0.05% of the number of Shares in issue on the Listing Date (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme).

(j) Rights Attached to the Awards

The RSUs do not carry any right to vote at general meetings of the Company. No RSU Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award pursuant to the RSU Scheme. Notwithstanding the foregoing, if so specified by the Board in its entire discretion, the RSU may include rights to cash or non-cash income, scrip dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSU from the date the Award is granted to the date of exercise of the RSU.

(k) Awards to be Personal to the RSU Grantee

An Award shall be personal to the RSU Grantee and shall not be assignable or transferable by the RSU Grantee provided that following the RSU Grantee's death, RSUs may be transferred by will or by the laws of testacy and distribution.

The terms of the RSU Scheme and the RSU Grant Letter shall be binding upon the executors, administrators, heirs, successors and assigns of the RSU Grantee.

Subject to the above, no RSU Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favor of any third party over or in relation to any RSU.

(l) Appointment of RSU Trustee

The Company has appointed Lion Trust (Hong Kong) Limited (the "RSU Trustee") to assist with the administration of RSUs granted pursuant to the RSU Scheme. Our Company shall provide sufficient funds to the RSU Trustee by whatever means as the Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of RSUs granted pursuant to the RSU Scheme.

The Company shall allot and issue an aggregate of 815,000 Shares to the RSU Trustee on the Listing Date to be held by the RSU Trustee pending the exercise of the RSU by the RSU Grantee. Such Shares shall carry rights to vote at a general meeting of our Company, and no person other than the RSU Trustee shall have rights to vote with respect to such Shares held on trust by the RSU Trustee. However, the RSU Trustee shall not exercise any voting rights in respect of such Shares held on trust by the RSU Trustee. For the avoidance of doubt, such Shares underlying the RSUs shall form part of the public float of the Company.

The exercise of RSUs by the RSU Participants shall be satisfied at the Company's absolute discretion, by our Company paying, or directing and procuring the RSU Trustee to pay, to the RSU Participant in cash an amount which is equivalent to the value of the Shares on the date of exercise of the RSU (and, if applicable, the cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from time to time).

In the event of an open offer, bonus warrant or rights issue of Shares, the RSU Trustee shall not contribute to subscribe for such Shares but shall instead sell such right to subscribe and the net proceeds from such sale shall, at our Company's discretion be disbursed to the RSU Grantee as appropriate.

(m) Lapse or Cancellation of RSU

An unexercised RSU shall be cancelled automatically upon the earliest of:

(i) the date of the termination of RSU Grantee's employment or service by the Company or any of its subsidiaries for Cause (as defined below);

(ii) the date of the commencement of the winding-up of the Company;

(iii) the date on which the RSU Grantee commits a breach of paragraph (k); or

(iv) 31 December 2014 in the event the Listing has not proceeded by such date.

If the RSU Grantee's employment or service with the Company or the subsidiaries is terminated for any reason other than for Cause (as defined below) (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for Cause), the Board shall determine at its absolute discretion and shall notify the RSU Grantee whether any unexercised RSU granted to such RSU Grantee shall be exercised immediately. If the Board determines that such RSU shall not be exercised, such RSU shall be cancelled automatically with effect from the date on which the RSU Grantee's employment or service is terminated.

For the purpose of the RSU Scheme, "Cause" means, with respect to a RSU Grantee, the termination of employment or office on any one or more of the following grounds: the RSU Grantee has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in our Group would be entitled to terminate his employment or office summarily at common law or pursuant to any applicable laws or under the RSU Grantee's service contract with the relevant company in our Group. Notwithstanding the foregoing, a resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment or office of an RSU Grantee has or has not been terminated on one or more of the grounds specified herein shall be conclusive.

The Board may at any time cancel any unexercised RSUs granted to a RSU Grantee. Where our Company cancels unexercised RSUs and makes a grant of new RSUs to the same RSU Grantee, such grant may only be made with available RSUs to the extent not yet granted (excluding the cancelled RSUs) within the limits prescribed by paragraph (i) above.

(n) Reorganisation of Capital Structure

In the event of an alteration in the capital structure of the Company whilst any RSU has not been exercised by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction to which the Company or the subsidiary is a party or in connection with any share option, restricted share or other equity incentive schemes of the Group), such corresponding adjustments (if any) shall be made to the number or nominal amount of Shares subject to the RSU so far as unexercised as the auditors or an approved independent financial adviser shall certify in writing to have, in their opinion, fairly and reasonably satisfied that such adjustments give an RSU Participant the same proportion (or rights in respect of the same proportion) of the underlying share capital as that to which that RSU Grantee was previously entitled. In respect of such adjustments, our auditors or an independent financial adviser to our Company (as the case may be) shall confirm to the Directors in writing that the adjustments are in their opinion fair and reasonable.

(o) Amendment of the RSU Scheme

Save for any material amendments to the RSU Scheme, the RSU Scheme may be altered in any respect by a resolution of the Board. The Board's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme is material shall be conclusive.

Any alteration to the terms and conditions of the RSU Scheme, which is of a material nature, or any change to the terms of any RSU granted or agreed to be granted must be approved by an ordinary resolution by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the RSU Scheme.

Shareholders of the Company in general meeting must approve any change to the authority of the Board in relation to any alteration to the terms of the RSU Scheme.

(p) Termination of the RSU Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the RSU Scheme and in such event no further RSUs will be offered but in all other respects the provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted during the life of the RSU Scheme and which remain unexercised immediately prior to the termination of the operation of the RSU Scheme.

(q) Administration of the RSU Scheme

The RSU Scheme shall be subject to the administration of the Board or a duly authorised administration committee thereof or such other committee as the Board may authorised and the decision of the Board or the authorised administration committee, as the case may be, shall be final and binding on all parties. The Board shall have the right to:

(i) interpret and construe the provisions of the RSU Scheme;

(ii) determine the persons who will be granted Awards under the RSU Scheme, the terms on which Awards are granted and when the RSUs granted pursuant to the RSU Scheme may be exercised;

(iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Scheme as it deems necessary; and

(iv) make such other decisions or determinations as it shall deem appropriate in the administration of the RSU Scheme.

(r) General

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying any Awards which may be granted pursuant to the RSU Scheme.

As of the Latest Practicable Date, no RSU had been granted by our Company to RSU Participants pursuant to the RSU Scheme.

Each Award to be granted pursuant to the RSU Scheme will have the same terms and conditions. The RSUs which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

Our Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the date of grant, number of Shares involved will and comply with Chapter 14A of the Listing Rules where applicable. Details of the RSU Scheme, including particulars and movements of the RSUs granted during each financial year of our Company will be disclosed in our annual report.

I. OTHER INFORMATION

1. Litigation

Except as disclosed in this prospectus, as at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

2. Preliminary expenses

Our preliminary expenses are estimated to be HK$35,000 and will be payable by us.

3. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

4. Application for Listing

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option on the Hong Kong Stock Exchange or and any Share to be issued pursuant to the exercise of the Pre-IPO Share Options and Post-IPO Share Options. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

5. No material adverse change

The Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 30 June 2013, the date of the latest audited consolidated financial statements of our Group.

6. Agency fees and commissions received

The Underwriters will receive an underwriting commission as referred to in the section headed "Underwriting — Underwriting Arrangements and Expenses — Commissions and Expenses."

7. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

Name	Qualifications
BOCI Asia Limited	a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Citigroup Global Markets Asia Limited	a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities as defined under the SFO
HSBC Corporate Finance (Hong Kong) Limited	a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities as defined under the SFO.
Morgan Stanley Asia Limited	a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 8 (asset management) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified public accountants
Tian Yuan Law Firm	Qualified PRC lawyers
Appleby	Bermuda legal adviser
Armstrong & Associates, Inc.	Independent industry consultant
DTZ Debenham Tie Leung Limited	Chartered Surveyors

8. Consents

Each of the experts listed in the preceding paragraph has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Taxation of Holders of our Shares

Dealings in Shares registered on our Hong Kong Share Register will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax.

11. Miscellaneous

Except as otherwise disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or of any of our principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of the principal subsidiaries;

(iii) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;

(iv) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(v) no share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(vi) none of the parties (except in connection with the Underwriting Agreement) listed in the sub-paragraph headed "Consents" under the paragraph headed "Other information" in this Appendix VII to this prospectus:

 (aa) is interested legally or beneficially in any securities of any member of our Group; or

 (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

12. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under Section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Independence of the Joint Sponsors

Each of BOCI Asia Limited, Citigroup Global Markets Asia Limited, HSBC Corporate Finance (Hong Kong) Limited and Morgan Stanley Asia Limited (in alphabetical order) satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW**, **GREEN** and **PINK** Application Forms; (ii) copies of each of the material contracts referred to in paragraph (k) of this Appendix; and (iii) the written consents referred to in paragraph (m) of this Appendix.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell, The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Continuance and the Bye-laws;

(b) the accountant's report from PricewaterhouseCoopers, the text of which is included in Appendix I to this prospectus;

(c) the report from PricewaterhouseCoopers on the unaudited pro forma financial information, the text of which is included in Appendix II to this prospectus;

(d) our audited consolidated financial statements for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013;

(e) the letters prepared by PricewaterhouseCoopers and the Joint Sponsors relating to the profit forecast respectively, the texts of which are included in Appendix III to this prospectus;

(f) the letter issued by Appleby, our legal adviser on Bermuda law, summarising certain aspects of Companies Act referred to in Appendix IV to this prospectus;

(g) the Companies Act;

(h) the PRC legal opinions issued by Tian Yuan Law Firm, our legal adviser on PRC law in respect of our general matters and property interests;

(i) the property valuation report received from DTZ Debenham Tie Leung Limited, the text of which is included in Appendix V to this prospectus;

(j) the industry report received from Armstrong & Associates, Inc., the text of which is included in Appendix VI to this prospectus;

(k) the material contracts referred to in the section headed "Appendix VII — Statutory and General Information — C. Further Information About the Business of our Company — 1. Summary of Material Contracts";

(l) the appointment letters of Directors referred to in the section headed "Appendix VII — Statutory and General Information — D. Further Information about Directors, Chief Executive and Substantial Shareholders — 2. Particulars of Directors' letters of appointment";

(m) the written consents referred to in the section headed "Appendix VII — Statutory and General Information — H. Other Information — 7. Qualification of Experts";

(n) the rules of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme;

(o) the rules of the RSU Scheme; and

(p) the full list of all the Grantees of the Pre-IPO Share Option Scheme, containing all the details in respect of each option required under paragraph 10 of the Third Schedule of the Companies Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules.

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

www.kerrylogistics.com

Information contained in this website does not form part of this prospectus