ANNUAL REPORT 2013

ENERGISED FOR GREATER GROWTH

KERRY LOGISTICS

ASIA SPECIALIST

CHINA FOCUS

GLOBAL NETWORK

40+
top 100 global brands customers

39 mil sqft
logistics facilities

19,000+
employees worldwide

400+
service locations

6,500+
self-owned trucks

35
countries & territories

QUICK FACTS

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Mr YEO George Yong-boon (Chairman)
Mr MA Wing Kai William (Group Managing Director)
Mr ERNI Edwardo
Mr KUOK Khoon Hua

Non-executive Director
Mr QIAN Shaohua

Independent Non-executive Directors
Ms WONG Yu Pok Marina
Mr WAN Kam To
Mr YEO Philip Liat Kok

AUDIT AND COMPLIANCE COMMITTEE
Ms WONG Yu Pok Marina (Chairman)
Mr WAN Kam To
Mr QIAN Shaohua

REMUNERATION COMMITTEE
Mr WAN Kam To (Chairman)
Mr YEO George Yong-boon
Mr MA Wing Kai William
Ms WONG Yu Pok Marina
Mr YEO Philip Liat Kok

NOMINATION COMMITTEE
Mr YEO George Yong-boon (Chairman)
Ms WONG Yu Pok Marina
Mr YEO Philip Liat Kok

FINANCE COMMITTEE
Mr YEO George Yong-boon (Chairman)
Mr MA Wing Kai William
Mr ERNI Edwardo

COMPANY SECRETARY
Ms LEE Pui Nee

AUDITOR
PricewaterhouseCoopers

LEGAL ADVISER
Davis Polk & Wardwell

COMPLIANCE ADVISER
Guotai Junan Capital Limited

REGISTERED OFFICE
Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

CORPORATE HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
16/F, Kerry Cargo Centre, 55 Wing Kei Road
Kwai Chung, 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 BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

INVESTOR RELATIONS
T 852 2410 3600
F 852 2480 5958
E ir@kerrylogistics.com

WEBSITE
www.kerrylogistics.com

STOCK CODE
Stock Exchange of Hong Kong: 636

1. FINANCIAL HIGHLIGHTS

CORE NET PROFIT (HK$)
886 million
up **8.7%** from 2012

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS (HK$)
1,835 million
up **71.5%** from 2012

TURNOVER (HK$)
19,969 million
up **3.5%** from 2012

GEARING
31.2%
decreased from 49.2% in 2012

EARNINGS PER SHARE (HK$)
1.4
up **68.7%** from 2012

KEY DATES

Annual General Meeting
12 May 2014

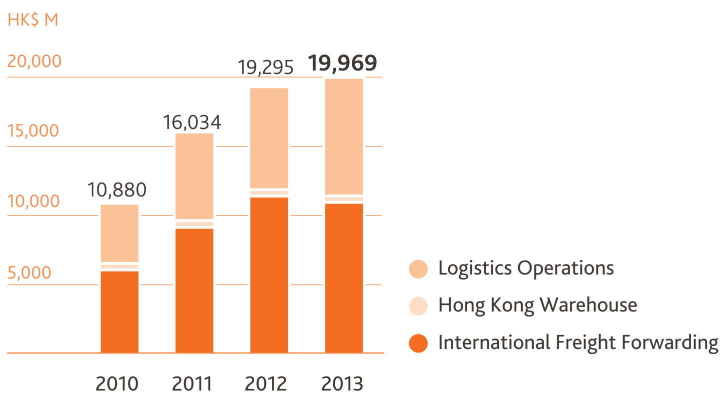
Closure of Registers of Members
9, 12 & 16 May 2014

Proposed Payment of Final Dividend
30 May 2014

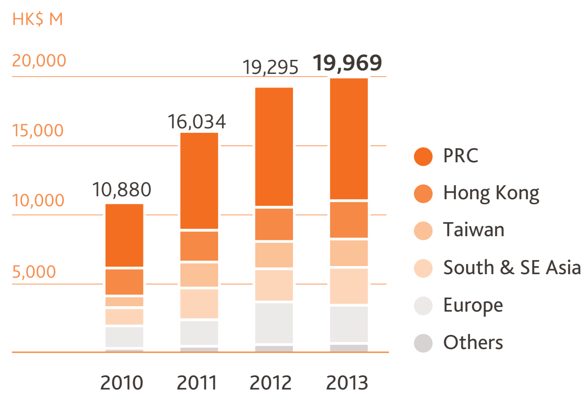
NET ASSET VALUE PER SHARE (HK$/share)
8.1

INTEREST COVER
20 times
26 times in 2012

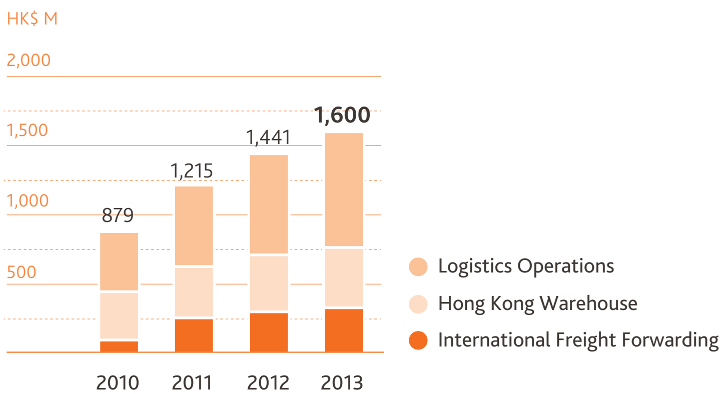
1.1 TURNOVER BY SEGMENT



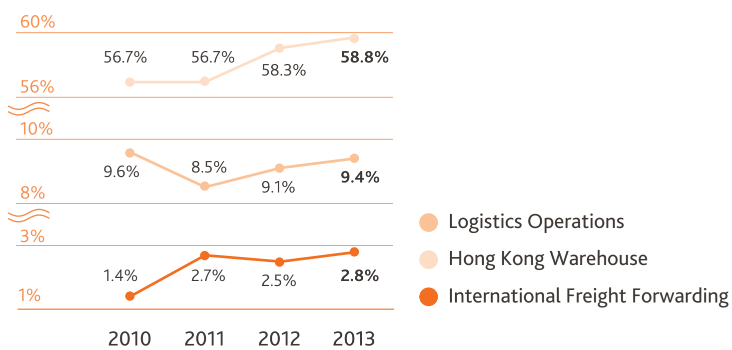
1.2 TURNOVER BY REGION



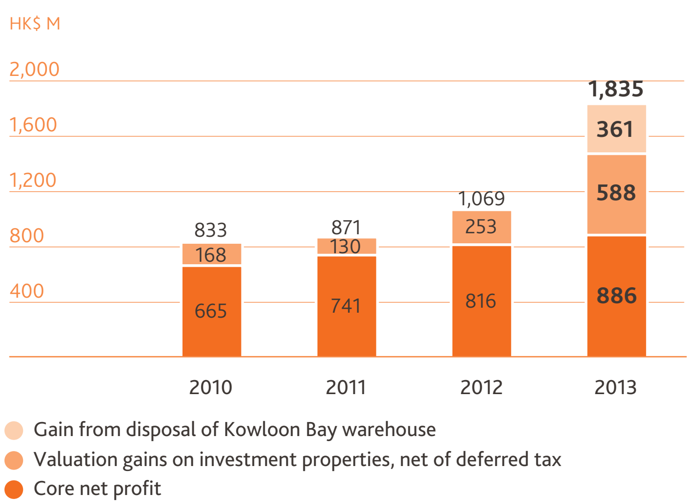
1.3 SEGMENT PROFIT



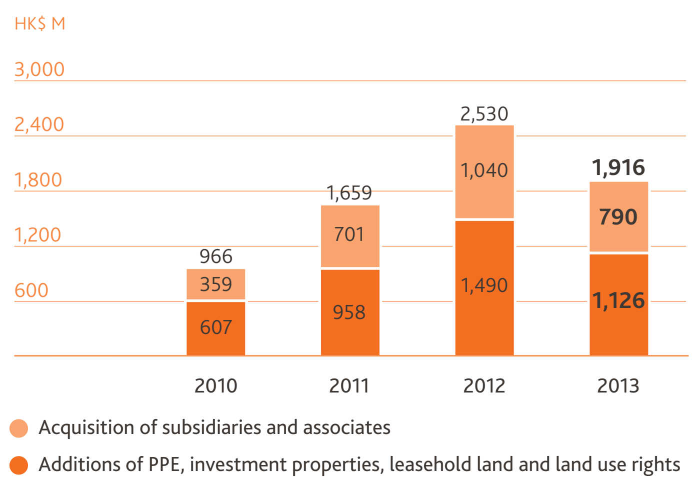
1.4 SEGMENT PROFIT MARGIN



1.5 PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS



1.6 CAPEX



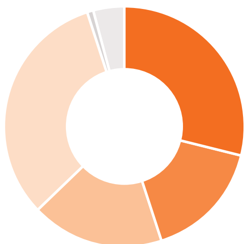
2. 2010-2013 FINANCIAL SUMMARY

Income statement	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Turnover	19,968,743	19,294,775	16,034,311	10,879,909
Operating profit	2,406,557	1,583,503	1,282,301	992,400
Finance costs	(93,668)	(63,124)	(55,394)	(23,066)
Share of results of associates	128,368	136,421	148,464	208,821
Profit before taxation	2,441,257	1,656,800	1,375,371	1,178,155
Taxation	(304,844)	(304,928)	(253,939)	(200,074)
Profit after taxation	2,136,413	1,351,872	1,121,432	978,081
Non-controlling interests	(301,891)	(282,496)	(250,688)	(144,824)
Profit attributable to the Shareholders	1,834,522	1,069,376	870,744	833,257
Represented by:				
Core net profit	886,372	815,720	740,748	665,182
Valuation gains in investment properties, net of deferred tax	587,834	253,656	129,996	168,075
Gain from disposal of Kowloon Bay Warehouse	360,316	–	–	–
Profit attributable to the Shareholders	1,834,522	1,069,376	870,744	833,257

Assets and liabilities	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Non-current assets	16,603,198	15,079,249	12,948,715	11,614,414
Net current assets/(liabilities)	3,606,674	(1,528,270)	(1,745,420)	(1,580,066)
Total assets less current liabilities	20,209,872	13,550,979	11,203,295	10,034,348
Long-term liabilities and non-controlling interests	(6,783,486)	(5,192,914)	(3,805,191)	(3,492,615)
Shareholders' equity	13,426,386	8,358,065	7,398,104	6,541,733

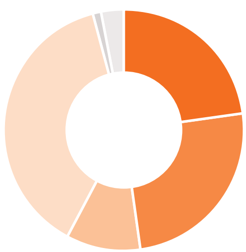
3. LOGISTICS FACILITIES

3.1 FACILITIES BY REGION



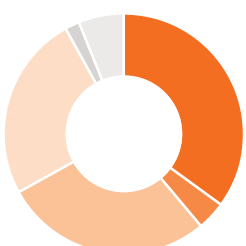
PRC	29%
Hong Kong	16%
Taiwan	18%
South & SE Asia	32%
Europe	1%
Others	4%

3.2 OWNED FACILITIES BY REGION



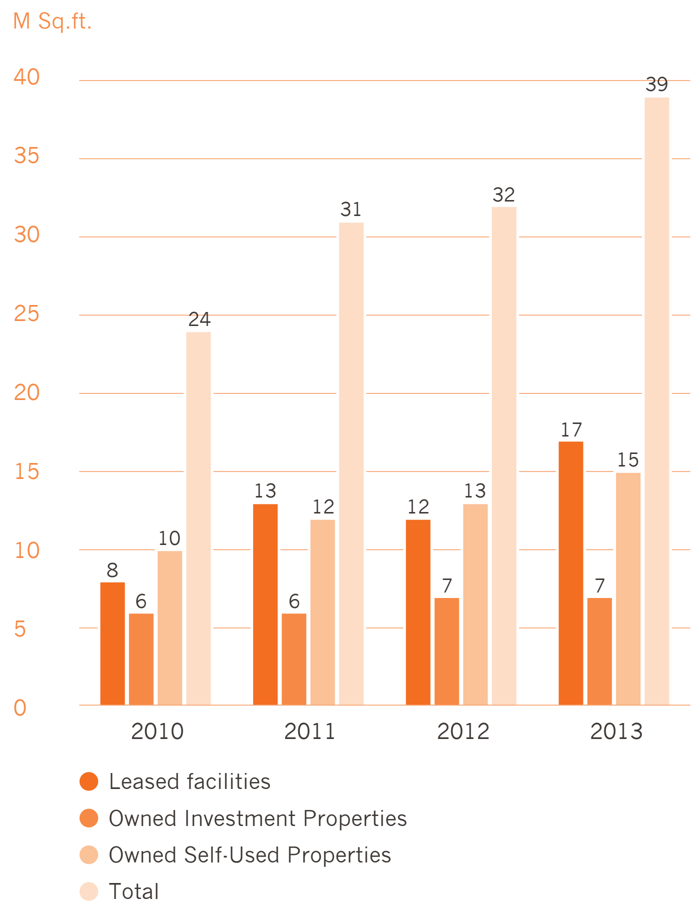
PRC	23%
Hong Kong	25%
Taiwan	10%
South & SE Asia	38%
Europe	1%
Others	3%

3.3 LEASED FACILITIES BY REGION



PRC	35%
Hong Kong	4%
Taiwan	28%
South & SE Asia	25%
Europe	2%
Others	6%

3.4 GFA GROWTH



PARTICULARS OF MATERIAL LOGISTICS FACILITIES

	Usage type	Approximate GFA owned Total (sq.ft.)	Approximate GFA owned Attributable (sq.ft.)	(%)
A. Properties classified as Investment Properties				
1. Kerry Cargo Centre 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong	Warehouse	1,443,356	1,443,356	100.0
2. 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	100.0
3. Kerry TC Warehouse 1 3 Kin Chuen Street, Kwai Chung, New Territories, Hong Kong	Warehouse	659,783	659,783	100.0
4. Kerry Warehouse (Tsuen Wan) 3 Shing Yiu Street, Kwai Chung, New Territories, Hong Kong	Warehouse	591,973	591,973	100.0
5. Kerry Warehouse (Chai Wan) 50 Ka Yip Street, Chai Wan, Hong Kong	Warehouse	535,037	535,037	100.0
6. Kerry TC Warehouse 2 35 Wing Kei Road, Kwai Chung, New Territories, Hong Kong	Warehouse	490,942	490,942	100.0
7. Kerry Warehouse (Shatin) 36-42 Shan Mei Street, Shatin, New Territories, Hong Kong	Warehouse	431,530	431,530	100.0
8. Kerry Warehouse (Sheung Shui) 2 San Po Street, Sheung Shui, New Territories, Hong Kong	Warehouse	356,253	356,253	100.0
9. Kerry Warehouse (Kwai Chung) 4-6 Kwai Tai Road, Kwai Chung, New Territories, Hong Kong	Warehouse	286,628	286,628	100.0

	Usage type	Approximate GFA owned		
		Total (sq.ft.)	Attributable (sq.ft.)	(%)
A. Properties classified as Investment Properties (continued)				
10. Kerry Warehouse (Fanling 1) 39 On Lok Mun Street, On Lok Tsuen, Fanling, New Territories, Hong Kong	Warehouse	283,580	283,580	100.0
11. Shenzhen Kerry Futian Logistics Centre No. 15 Tao Hua Road, Futian Free Trade Zone, Shenzhen, China	Logistics centre	268,656	268,656	100.0
12. Kerry Chongqing Logistics Centre Phase 1 No. 69 Baohuan Road, Huixing Street Block, Yubei District, Chongqing, China	Logistics centre	224,976	224,976	100.0
13. Kerry Hefei Logistics Centre No. 2346 Shixin Road, Taohua Industrial Park, Hefei, China	Logistics centre	204,383	204,383	100.0
14. EAS Building No. 21 Xiao Yun Road, Chaoyang District, Beijing, China	Office building	149,610	104,727	70.0
15. Vietnam Danang Logistics Centre Street No. 3, Hoa Khanh Industrial Zone, Lien Chieu District, Da Nang City, Vietnam	Logistics centre	114,529	114,529	100.0
16. Kerry Fuzhou Logistics Centre No. 24-1 Mawei Free Trade Zone, Fuzhou Economic & Technological Development Zone, Mawei District, Fuzhou, China	Logistics centre	108,946	108,946	100.0
17. Kerry Hung Yen Logistics Centre Minh Duc Ward, My Hao District, Hung Yen Province, Vietnam	Logistics centre	107,586	107,586	100.0

	Usage type	Approximate GFA owned Total (sq.ft.)	Attributable (sq.ft.)	(%)
B. Properties classified as Warehouse, Logistics Centres and Port Facilities				
1. Kerry Siam Seaport 113/1 Moo, 1 Silo Road, Tungsukha sub-district, Sriracha District, Chonburi Province, Thailand	Warehouse & Port facilities	5,325,554 (site area)	4,234,880 (site area)	79.5
2. Kerry Chongqing Logistics Centre Phase 2 No. 69 Baohuan Road, Huixing Street Block, Yubei District, Chongqing, China	Logistics centre	707,148	707,148	100.0
3. Shenzhen Kerry Yantian Port Logistics Centre Lot No. 26, South Area of Yantian Port Free Trade Zone, Shenzhen, China	Logistics centre	464,741	255,607	55.0
4. Kerry Xiamen Logistics Centre No. 18 Haijing South Road, Export Processing Zone, Haicang District, Xiamen, China	Logistics centre	449,746	449,746	100.0
5. Kerry Tampines Logistics Centre 19 Greenwich Drive, Tampines Logistics Park, Singapore 534021	Logistics centre	371,466	371,466	100.0
6. Kerry Wuxi Logistics Centre No. 2 Xinxiang Road, Wuxi, China	Logistics centre	337,660	337,660	100.0
7. Tai Po Product Customisation and Consolidation Centre 12 Dai Kwai Street, Tai Po Industrial Estate,Tai Po, New Territories, Hong Kong	Logistics centre	275,593	275,593	100.0

	Usage type	Approximate GFA owned Total (sq.ft.)	Attributable (sq.ft.)	(%)
B. Properties classified as Warehouse, Logistics Centres and Port Facilities (continued)				
8. Kerry Chengdu Logistics Centre No. 1239 Xi Hanggang Street, Wuliuda Road, Shuangliu County, Chengdu, China	Logistics centre	264,182	264,182	100.0
9. Thailand Laem Chabang Logistics Centre Highway No. 7, (Bypass Laem Chabang) Nong-kham Sub-District, Sriracha District, Chonburi Province, Thailand	Logistics centre	212,912	161,600	75.9
10. Kerry Kunshan Logistics Centre No. 118 Yuxi Middle Road, Qiandeng Town, Kunshan, China	Logistics centre	203,990	203,990	100.0
11. Kerry Tianjin Logistics Centre No. 168 Jinbinda Road, Tianjin Port Free Trade Zone, Tianjin, China	Logistics centre	172,885	172,885	100.0
12. Thailand Eastern Seaboard Logistics Centre Hemaraj Eastern Seaboard Industrial Estate, Land Plot B13 Tambon Tasith Amphur Plukdaeng, Rayong, Thailand	Logistics centre	172,224	130,718	75.9
13. Kerry Waigaoqiao Logistics Centre No. 268 De Lin Road, Waigaoqiao Free Trade Zone, Shanghai, China	Logistics centre	153,446	153,446	100.0
14. Kerry Beijing Chaoyang Inland Port Logistics Centre No. 1 South Road Jia, Fourth Ring Road East, Chaoyang District, Beijing, China	Logistics centre	124,147	124,147	100.0


PC3
KERRY
LOGISTICS
KERR

4. CHAIRMAN'S STATEMENT

ENERGISED FOR GREATER GROWTH

2013 was a good year for Kerry Logistics, ending with our IPO before Christmas. We raised US$327 million, the largest by market capitalisation for a Hong Kong company last year. The success of the IPO reflected the capital market's confidence in our growth prospects in Greater China and ASEAN.

Our results for 2013 met the commitment we made at our listing. In 2013, Kerry Logistics recorded core net profit of HK$886.4 million and turnover of HK$19,968.7 million. These were up 8.7% over HK$815.7 million and up 3.5% over HK$19,294.8 million respectively in 2012.

These results are only possible because of the many years of investment in our people and in a wide range of capabilities in Greater China, ASEAN and beyond. Going forward, we will continue to emphasise people and capabilities. In this way, we will continue to serve our customers well, helping them improve the efficiency and effectiveness of their global supply chains.

Our tagline is Asia Specialist, China Focus, Global Network. Our origin and deep strength in Asia position us uniquely for future growth as Asia's leading 3PL service provider.

George Yeo
Chairman

KERRY
WARNING

5. MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

The Group recorded an increase in turnover of 3.5% to HK$19,968.7 million for the year ended 31 December 2013 (2012: HK$19,294.8 million). Core net profit of the Group for the year ended 31 December 2013 was HK$886.4 million (2012: HK$815.7 million), which represents an increase of 8.7% year-on-year. Profit attributable to the Company's shareholders (the "Shareholders") increased by 71.5% to HK$1,834.5 million (2012: HK$1,069.4 million).

Segment turnover generated from integrated logistics ("IL") in the year amounted to HK$9,666.5 million (2012: HK$8,756.2 million), representing an increase of 10.4% from 2012. The amount comprises HK$740.0 million (2012: HK$704.7 million) contributed by Hong Kong warehouse operation and HK$8,926.5 million (2012: HK$8,051.5 million) by logistics operation. Segment profit for the year ended 31 December 2013 was HK$1,271.9 million (2012: HK$1,140.7 million), of which HK$435.6 million (2012: HK$411.1 million) was from Hong Kong warehouse operation and HK$836.3 million (2012: HK$729.6 million) from logistics operation. The growth was mainly attributable to the expansion of the Group's IL business in China and Southeast Asia.

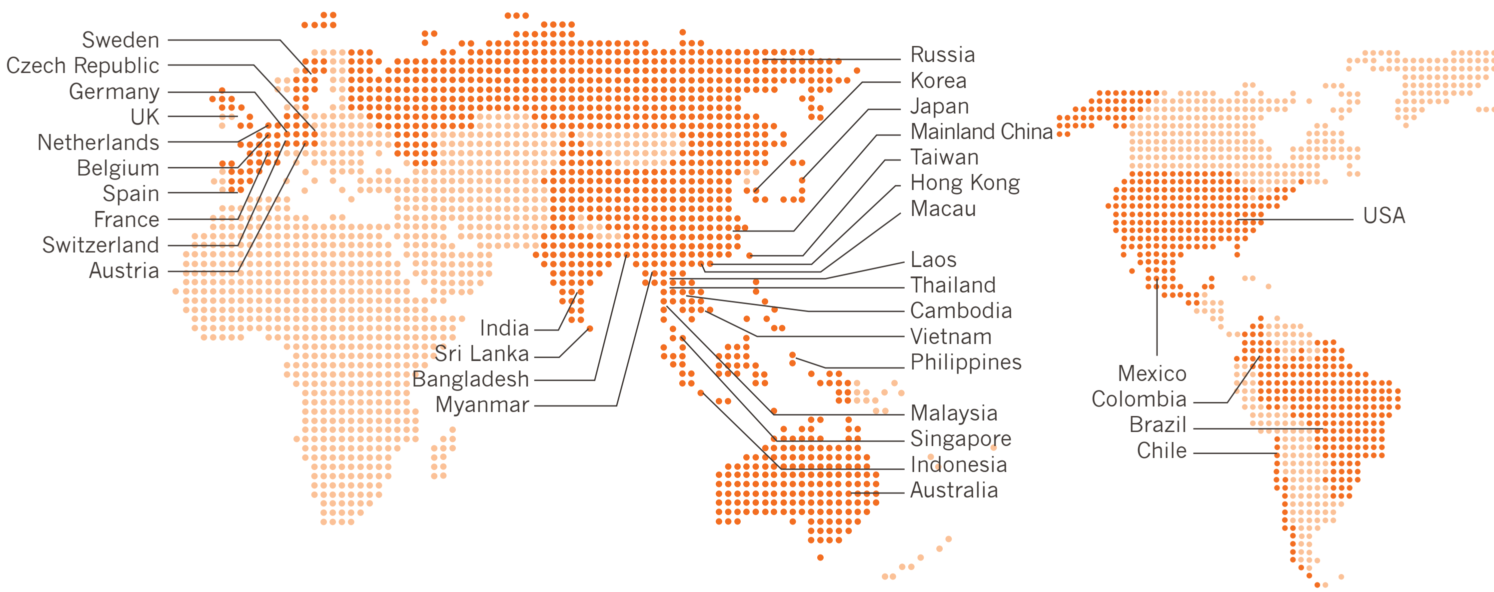
International freight forwarding ("IFF") segment reported turnover of HK$11,893.9 million (2012: HK$11,908.5 million) and profit of HK$328.5 million (2012: HK$300.2 million) for the year ended 31 December 2013. The Group managed to maintain a growth in its profit during 2013 despite the plummeting yields experienced by the global freight industry due to slower-than-expected trade growth and overall drop in freight rates.

Earnings per share for the year ended 31 December 2013 were HK$1.40, representing an increase of 68.7% compared with HK$0.83 per share in 2012.

The following table reconciles core net profit to profit attributable to the Shareholders for the year ended 31 December 2013:

HK$ M	**2013**	2012
Core net profit	886.4	815.7
Valuation gains on investment properties, net of deferred tax	587.8	253.7
Gain from disposal of Kowloon Bay warehouse	360.3	–
Profit attributable to the Shareholders	1,834.5	1,069.4

The Board has recommended the payment of a final dividend of HK$0.11 per share for the year ended 31 December 2013.



2013 – A YEAR OF SUCCESS IN THE CAPITAL MARKET

The Company raised gross proceed of approximately HK$2,535 million (US$327 million) (including the over-allotment option) in its Global Offering. This was the largest initial public offering in 2013 by market capitalisation for a home-grown company based in Hong Kong, representing a strong vote of confidence by the capital market.

While global demand has softened in recent years, the Group maintained stable growth. In 2013, turnover and core net profit rose 3.5% and an 8.7% year-on-year to HK$19,968.7 million and HK$886.4 million respectively. Including the gain from the disposal of Kowloon Bay warehouse to KPL upon listing and the valuation gains on investment properties, profit attributable to the Shareholders increased 71.5% from HK$1,069.4 million in 2012 to HK$1,834.5 million in 2013.

A WELL-DEVELOPED BUSINESS MODE

The Group's business comprises two major segments: IL and IFF. Under IL, there are two divisions, namely logistics operations and Hong Kong warehouse. The Group also maintains strategic investments in several associates.

DISTINCT COMPETITIVE ADVANTAGE IN INTEGRATED LOGISTICS

Under its IL services segment, Kerry Logistics offers highly customised and competitive supply chain solutions to its customers. As at 31 December 2013, the Group managed a logistics centre portfolio of 39 million square feet, of which 22 million square feet are self-owned.

Kerry Logistics has a distinct competitive advantage in IL, due to its comprehensive network, extensive hub-and-spoke operations and sophisticated business models, which are not easily replicable in the region. The Group currently serves more than 40 of the Top 100 Brands ranked by global brand consultancy Interbrand.

In 2013, the IL segment recorded healthy growth on the back of growth in the PRC and Southeast Asia, and with more higher-margin value-added services and new customer wins.

HK$ M	**2013**	2012	
Turnover			
– Logistics operations	8,926.5	8,051.5	10.9%
– Hong Kong warehouse	740.0	704.7	5.0%
Total	9,666.5	8,756.2	10.4%
Segment profit			
– Logistics operations	836.3	729.6	14.6%
– Hong Kong warehouse	435.6	411.1	6.0%
Total	1,271.9	1,140.7	11.5%

IL IN GREATER CHINA – EXPANDING TO FUEL GROWTH

Kerry Logistics has had a long-standing focus on China since 2003. In the PRC, the Group manages 11 million square feet of logistics facilities, which are supported by a network of more than 200 subsidiaries, branches and representative offices, serving more than 2,600 cities and townships.

Kerry Logistics completed construction of three new logistics centres in Chongqing (Phase 2), Wuxi and Xiamen with a combined total gross floor area ("GFA") of 1.5 million square feet. Operations started in the second half of 2013. The second phase of the expansion is ongoing in Kunshan, with new facilities under construction in Zhengzhou and Chengdu.

The Hong Kong logistics operation division secured several major new customers in 2013, which boosted its bottom line for the year.

In Taiwan, Kerry TJ Logistics Company Limited delivered strong results for the year through expanding service offerings, continuous service innovation and enhancement, riding on the growth of the local consumption.

IL IN ASEAN – REAPING A FIRST-MOVER ADVANTAGE

In line with its management philosophy of being ahead of the curve, Kerry Logistics invested in the Association of Southeast Asian Nations ("ASEAN") years ago, becoming a leading third-party logistics (3PL) service provider in this region.

Within ASEAN, Thailand and Vietnam continued to drive growth for the Group. With the third phase of expansion work completed at the Kerry Siam Seaport in Thailand, cargo throughput grew further. The Group intends to further develop the Seaport into a key cargo gateway for ASEAN trade in the coming years.

To target Thailand's automotive industry, the Group built a customised logistics centre in the Eastern Seaboard Industrial Estate in the country's Rayong Province, which was partially completed in the fourth quarter of 2013. The facility will be fully operational in the first half of 2014 and will serve automotive-related factories in the vicinity.

In April 2013, Kerry Logistics acquired an additional plot of land at Bang Na near Suvarnabhum International Airport. It will build a new distribution centre there to serve as the Bangkok hub to support the nationwide distribution network in Thailand.

To keep up the growth in manufacturing in Vietnam, the Group has developed a network of warehouses across the country, offering a total GFA of over 1,000,000 square feet. This includes the 110,000 square feet in GFA newly added to the existing facility in the Song Than area.

The rebranded Kerry TTC Express moved into full gear with its operations. Headquartered in Hanoi, the company has a presence in over 60 cities offering a comprehensive range of nationwide less-than-truck-load and international express services.

In early 2013, Kerry Logistics' new 371,000 square feet regional headquarters and logistics hub in Singapore became fully operational, supporting regional clients with a full range of IL services. It is designed to handle complex supply chain operations for customers in the fashion and electronics industries.

HONG KONG WAREHOUSE BUSINESS – MAINTAINING A HEALTHY LEAD

At the end of 2013, Kerry Logistics recorded nearly full occupancy for its warehouse portfolio, comprising nine warehouses with a combined GFA of 5.1 million square feet.

The Hong Kong warehouse business maintained steady growth in 2013 in its turnover and segment profit. However, growth was slower than expected as several warehouses were under renovation and/or remodeling.

INTERNATIONAL FREIGHT FORWARDING – RESILIENT AGAINST MARKET TRENDS

Kerry Logistics' IFF business transports cargo globally through air, ocean and cross-border road and rail freight. The IFF operations remained stable in 2013 despite the weak performance in its major trade lanes, and an overall decrease in air/sea freight rates due to over-capacity of the carriers in general.

HK$ M	2013	2012	
Turnover	11,893.9	11,908.5	(0.1%)
Segment profit	328.5	300.2	9.4%

In 2013, the performance of Kerry Logistics' European operations was dragged down by the economic slowdown in the euro zone. In response, the Group has restructured its operations in Continental Europe, while refocusing on niche segments and locations. The weak China-Japan trade lane performance also impacted the performance of this segment in 2013.

Overall, the profit margin of this segment is below the industry average as the network is still under development. To strengthen this network, Kerry Logistics acquired majority stakes in companies in Sweden, Brazil and Mexico in 2013. The Group believes having a stronger network will boost the performance of the IFF business.

CONTINUED CONTRIBUTIONS FROM LOGISTICS INVESTMENTS

The Group's investments in associates contributed profit of HK$128.4 million (2012: HK$136.4 million) in 2013. Most of the profit stemmed from the 25% interest in Chiwan Container Terminal in China, and a 15% interest in the Asia Airfreight Terminal in Hong Kong.

BRIGHT OUTLOOK FOR LOGISTICS INDUSTRY

The medium and longer-term outlook for Asia's logistics industry remains bright, as the region will continue to grow for many years. Urban middle-class consumption in Asia is rapidly becoming a major engine of growth for the global economy.

In the shorter term, however, there are challenges in the global economy. China has slowed down while Europe is still struggling; the U.S. is seeing some recovery but of uncertain strength. Despite these challenges, Kerry Logistics sees opportunities for expansion and growth as there are numerous changes in manufacturing and consumption across Greater China and ASEAN, which will drive demand for complex logistics solutions.

With its positioning of "Asia Specialist, China Focus, Global Network", Kerry Logistics is well placed for success in the region. The Group will continue to step up its regional presence in IL across Asia, as well as in IFF capabilities across the globe.

Looking ahead, e-commerce logistics is expected to play a more important part in the Group's IL business. Leveraging its extensive ground network, strong order fulfillment capabilities and innovative supply chain technologies, Kerry Logistics is ready to ride on the rapid growth of e-commerce and drive faster growth for the IL business.

All these strategies and initiatives will ensure that Kerry Logistics remains on track to deliver solid growth and returns to the Shareholders, as the leading Asia-based logistics service provider.

FINANCIAL REVIEW

On 19 December 2013, the Company was listed on the Stock Exchange. The net proceeds from the Global Offering, including the over-allotment option exercised subsequently, was approximately HK$2,378 million, after deducting underwriting fees and relevant listing expenses. HK$822.2 million was used for repaying part of the loans from a fellow subsidiary controlled by KPL, the remaining net proceeds will be used for the development of logistics facilities, potential acquisitions and general corporate purpose.

The Group has centralised financing policies and control over all its operations which enables the Group having a tight control of treasury operations and lower average cost of funds.

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2013, total foreign currency borrowings amounted to the equivalence of HK$1,742.4 million, which represented approximately 41.8% of the Group's total bank loans of HK$4,169.6 million as at 31 December 2013.

Out of the Group's total bank loans as at 31 December 2013, HK$1,305.2 million (representing approximately 31.3%) was repayable within one year, HK$239.8 million (representing approximately 5.8%) was repayable in the second year, HK$2,571.5 million (representing approximately 61.7%) was repayable in the third to fifth years and HK$53.1 million (representing approximately 1.2%) was repayable over five years. The Group maintains most of its bank loans on an unsecured basis, with unsecured debt accounted for approximately 84.3% of total bank loans.

As at 31 December 2013, the gearing ratio for the Group was 31.2% (2012: 49.2%). The ratio was calculated as total bank loans, overdrafts and loans from fellow subsidiaries, excluding the loans capitalised as share capital and share premium on 2 December 2013, totalling HK$4,190.0 million, dividing by equity attributable to the Shareholders and loans capitalised of HK$13,426.4 million. As at 31 December 2013, the Group was in a net cash position.

As at 31 December 2013, the Group had total undrawn bank loan and overdraft facilities of HK$2,817.6 million. The Group will continue to secure financing as and when the need arises.

6. CORPORATE SOCIAL RESPONSIBILITY REPORT

WHERE CARING COMES NATURALLY

As Asia's leader in logistics services, Kerry Logistics has stepped up to the challenge in all areas of corporate responsibility. Corporate social responsibility, sustainable development and employee engagement are all tightly integrated into the Group's management and daily operations.

Kerry Logistics' people are the backbone of its operations and are key to differentiating it as a leading company. The Group is committed to creating opportunities for employees to grow and achieve their full potential. It also strives to instill knowledge in the next generation through its comprehensive management trainee programme.

Across the many regions where the Group conducts business, it aims to have a positive influence on both the local environment and its community. Its goal is to achieve environmentally-friendly logistics solutions by improving the quality of supply chain management. In addition to its green initiatives, Kerry Logistics has contributed to numerous charitable causes, such as caring for the less privileged, providing equal opportunities for children, as well as services for the elderly.

CSR FOCUSES

Kerry Logistics cares. Whether it is the environment, community, or our employees, we know that we have a responsibility to demonstrate our commitment to these three areas and bring positive changes for current and future generations.

PEOPLE

Logistics is a people business, and people are Kerry Logistics' most important asset. We are committed to creating real value for employees through rewarding careers, workplace quality and work-life balance. At Kerry Logistics, we believe in true openness and transparency throughout the Group, and our management actively encourages open communication and dialogue at every level of the organisation. We respect our people and understand their perspectives. From there, we build trust and find ways to work together and deliver win-win solutions. We believe in excellence and practise a continuous process of improvement and innovation.

REWARDING CAREERS

Having good, well-motivated people is everything. Kerry Logistics recruits at various levels. The Group has a management trainee programme to attract bright young graduates in Hong Kong and China, exposing them early to various responsibilities.

Training and induction are very important to the Group. Kerry Logistics provides a comprehensive range of training programmes in areas such as leadership, customer service, safe and green distribution services, logistics operations, as well as orientation and corporate culture for new staff.


KERRY
LOGISTICS
嘉里物流

WORKPLACE QUALITY

Occupational health and safety is an integral part of Kerry Logistics' operations and it aims high to provide a safe and healthy workplace for all employees. The Group provides occupational health and safety programmes that focus on safe operations, the safe use of equipment, fire safety and prevention, first aid training as well as healthy lifestyle for all staff. A series of on-site influenza vaccination and health screening programmes is also available to complement the corporate health plan.

WORK-LIFE BALANCE

Maintaining a work-life balance is crucial to the quality of life for all individuals, ensuring that they have enough space and time for their personal and family commitments, so that they can be happy and productive at the workplace. Throughout the year, Kerry Logistics organised a number of activities for employees to spend quality time outside the workplace. These ranged from physical activities such as a badminton competition, running for charitable causes and hiking, to the tasting of fine French food and culinary classes for the baking of cakes, mooncakes and cookies. The Group also conducted a series of health talks during lunch hours to promote positive thinking, a healthy lifestyle and team spirit. These activities were well-received by staff and underscored the importance of pursuing interests outside work for a more balanced lifestyle.

ENVIRONMENT

Kerry Logistics regards environmental sustainability as a tenet of its business. The Group has put green ideas into practice by adopting environmentally-friendly and energy-efficient designs in its office renovation. These include building a 'living wall' and a podium with a grass lawn to offer employees a pleasant touch of greenery, adding natural light to meeting rooms with clear glass panels, and implementing energy-saving measures for lobby lifts.

In Hong Kong and Singapore, Kerry Logistics manages two green logistics facilities – Tai Po Product Customisation and Consolidation Centre (PC^3) and Kerry Tampines Logistics Centre respectively, as part of its effort to support greener supply chains. Both facilities are LEED Gold certified while PC^3 is also the first industrial building in Hong Kong to be HK-BEAM (Gold) certified.

EARTH HOUR 2013

This is the Group's second year of participation in Earth Hour organised by the WWF. On 23 March 2013, Kerry Logistics switched off outdoor billboard lighting at five locations across Hong Kong, and encouraged its staff to turn off all non-essential lights in offices and at home for one hour to support global sustainability.

FIRST HYBRID ELECTRIC VEHICLES

On 1 April 2013, Kerry Logistics deployed three hybrid electric vehicles (HEVs) in Hong Kong as part of the Group's green initiatives across the globe. This deployment is the first phase of the Pilot Green Transport Fund scheme backed by the Hong Kong Government, aiming to improve roadside air quality in Hong Kong. Kerry Logistics will evaluate the research findings of the Hong Kong Polytechnic University due in Q2 2015, to decide whether to expand the use of HEVs in its fleet.

GREEN VOLUNTEER WORK

In May 2013, ten staff participated in the Green Volunteer Work hosted by Kerry Logistics' client, Hong Kong Disneyland, to promote a green lifestyle. They participated in a number of interesting educational activities such as organic farming and herbal soap making.

COMMUNITY

When it comes to community services, Kerry Logistics' key target groups include the less-privileged, the children and the elderly. The Group is committed to supporting local non-governmental organisations and those in need directly or through partnership with its customers and partners, whenever opportunities arise.

RURAL TEACHERS IN POVERTY ALLEVIATION AREAS

In January 2013, Kerry Logistics made a donation to rural teachers at 11 poverty-stricken areas in China. This was in support of the Kerry Group Kuok Foundation's education projects.

THE 2013 COMMUNITY CHEST CORPORATE CHALLENGE

On 13 January 2013, Kerry Logistics staff participated in the 10Km Run and Half Marathon for the 10th consecutive year, to raise funds for the development of rehabilitation and aftercare services in Hong Kong.

GREEN POWER HIKE 2013

This is the Group's seventh year of participation in this annual fund-raising walkathon for Green Power. On 2 February 2013, 28 staff joined the event to support environmental education in schools and the community.

STANDARD CHARTERED HONG KONG MARATHON 2013

On 5 February 2013, ten teams comprising 40 Kerry Logistics staff joined the full and half marathons, as well as the 10-km races for the third time.

FUNDRAISING GALA DINNER

In March 2013, the Group sponsored a fundraising gala dinner at the Shangri-La Hotel, Bangkok for the construction of a utility building for the needy.

RACE FOR WATER 2013

On 10 March 2013, the Group participated in the event for the fourth consecutive year. This is an annual charity event organised by A Drop of Life Ltd to raise funds for the construction of water cellars in arid areas of China.

SICHUAN YA'AN EARTHQUAKE RESCUE

In April 2013, Kerry Logistics supported emergency relief work in Ya'an Prefecture, Sichuan Province, China by delivering communication devices, food, potable water and other necessities to the affected area. A donation was also made to the China Charity Federation to rebuild Ya'an.

HONG KONG 24-HR CHARITY PEDAL KART GRAND PRIX

On 4 and 5 May 2013, the Group sponsored the annual Pedal Kart race organised by the Association of Round Tables in Hong Kong to raise funds for various community service projects. This was in support of the underprivileged and disabled in our society.

BIG FRIEND SCHEME

On 25 May 2013, 15 staff from Kerry Logistics accompanied children from Dandelion School on a visit to the Hanshiqiao Wetland Park in Shunyi District, Beijing, China. This was part of the Kerry Group Kuok Foundation's Big Friend Scheme.

THE COMMUNITY CHEST GREEN DAY

On 16 and 17 June 2013, Kerry Logistics staff made a donation in support of the Green Day organised by The Community Chest of Hong Kong for the ninth year. This initiative aims to encourage the public to "Act Green & Live Green".

SHARING FOR A CAUSE 2013

From March to July 2013, Kerry Logistics offered logistics support to Kids4Kids' Sharing for a Cause by collecting over 1,300 used sports items and distributing them to eight beneficiaries in Hong Kong.

WORLD SIGHT DAY – PIN CAMPAIGN

In October 2013, the Group's staff supported the Campaign organised by ORBIS for the fourth consecutive year by making a donation to bring hope to those at risk of preventable blindness across the world.

THE SINGAPORE ASSOCIATION OF HONG KONG

On 26 October 2013, the Group sponsored the 38th Anniversary Charity Ball of The Singapore Association of Hong Kong to raise funds for the Viva Foundation for Children with Cancer and Make-A-Wish® Hong Kong.

FOOD BANK FOUNDATION

In December 2013, the Group made a donation to the Food Bank Foundation in Spain and participated in the distribution of food to families in need.

END CHILD SEXUAL ABUSE FOUNDATION

For the eighth consecutive year, Kerry Logistics supported the End Child Sexual Abuse Foundation ("ECSAF") by offering two covered parking spaces at the Kerry Cargo Centre in Hong Kong for its mobile classrooms.

CARING COMPANY

In recognition of our charitable contributions and participation in community service, we have been named a "Caring Company" by the Hong Kong Council of Social Service for the third consecutive year.

7. AWARDS AND CITATIONS

BEST LOGISTICS SERVICE PROVIDER – SEA FREIGHT

BEST ROAD HAULIER – ASIA

ASIAN FREIGHT & SUPPLY CHAIN AWARDS

Kerry Logistics won the awards following a vote by shippers from Asia who first nominated and then selected the winners. This is the first time Kerry Logistics has been honoured with two awards at a single international logistics event. These awards for sea freight and road haulier demonstrate the comprehensive range of solutions the Group provides in Asia across all modes of transport.

The Asian Freight & Supply Chain Awards (AFSCA) voting process requires that only shippers can vote for their service providers including freight forwarders and logistics companies.

Organised by Cargonews Asia Magazine, the AFSCA awards are designed to honour the respective winning organisations for demonstrating leadership as well as consistency in service quality, innovation, customer relationship management and reliability. AFSCA voters and winners comprise leading global shippers, freight and logistics companies.

REGIONAL FREIGHT FORWARDER OF THE YEAR

PAYLOAD ASIA AWARDS 2013

To win this award, Kerry Logistics had to satisfy the judges in a range of stringent criteria including demonstrating the Group's global network and coverage, growth and development strategy, 2012 operational performance, customer service and product innovations.

Votes came from Kerry Logistics' customers, readers of Payload Asia and the professional panel of judges.

The Payload Asia Awards are organised by Payload Asia Magazine, a recognised voice of the air freight industry in the Asia-Pacific region since 1985.

SUPPLY CHAIN PARTNER OF THE YEAR

SUPPLY CHAIN ASIA AWARDS 2013

This award is the highest possible compliment that the Industry can bestow, being a 'Best of the Best' award voted by Kerry Logistics' peers.

To win this award, Kerry Logistics had to satisfy stringent criteria, including demonstrating the Group's global network and coverage, growth and development strategy, 2012 operational performance, customer service and product innovations.

Organised by Supply Chain Asia Magazine, the Supply Chain Asia Awards brings recognition to corporations and individuals in the fields of supply chain and logistics.

LOCATION	AWARD	ORGANISER
Hong Kong	The 13th CAPITAL Outstanding Enterprise Awards – Best Logistics Company	CAPITAL Magazine
	Certificate of Appreciation	Canon Hongkong
	Asian Freight and Supply Chain Awards – Best Logistics Service Provider – Sea Freight – Best Road Haulier – Asia	Cargonews Asia Magazine
	The Outstanding Brand Awards 2013 – Best Logistics Company	Economic Digest Magazine
	The 7th Prime Award for Eco Business 2013 – Green Logistics Service Provider	MetroBox Magazine & Metro Daily
	Supply Chain Asia Awards 2013 – Supply Chain Partner of the Year	Supply Chain Asia Magazine
	The Hong Kong RFID Awards – Certificate of Merits	GS1 Hong Kong
	The Hong Kong Green Awards 2013 – Green Management Award (Service Provider) – Bronze Corporation	Green Council
PRC	Best Logistics Partner in China 2012	Sony Supply Chain Solutions (China)
	A Rating Enterprise Credit Evaluation 2013	Beijing Entry-Exit Inspection and Quarantine Bureau
	Best Supporting Agent – Top 3 Partner 2012	Lufthansa Cargo
	Ranked No 9 in Logistics of Top 100 China IFF & Logistics Enterprises 2012 Ranked No 3 in Warehousing of Top 100 China IFF & Logistics Enterprises 2012 Ranked No 3 in Air Freight of Top 100 China IFF & Logistics Enterprises 2012 Ranked Top 50 in Sea Freight of China IFF & Logistics Enterprises 2012	China International Freight Forwarders Association & International Business Daily
	China Quality Credit Enterprise Award	China Entry-Exit Inspection and Quarantine Association
	Excellent Supplier of 2013	Herbalife (China) Health Products
	Best Partner Award	International Cleaning Solutions Holdings (Godfreys)
	Best Logistics Partner Award	ZTE Corporation
	Excellent Vendor Certificate	AstraZeneca Pharmaceutical
	Ranked Top 50 in China Logistics Enterprises 2013	China Federation of Logistics & Purchasing
Singapore	Payload Asia Awards 2013 – Regional Freight Forwarder of the Year	Payload Asia Magazine
India	Best CHA Agent (Custom Broker) of the Year in South East India Best ICD of the Year in South East India	EXIM India
Netherlands	Agent of the Year	Qatar Airways

8. CORPORATE GOVERNANCE REPORT

The Board of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2013.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Directors consider that since 19 December 2013, the date on which dealings in the Shares first commence on the Stock Exchange (the "Listing Date"), and up to 31 December 2013 (the "Review Period"), the Company has complied with the code provisions as set out in the CG Code, save for the following:

Under Code Provision A.1.1 of the CG Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Company has not held any Board meeting during the short period since the Listing Date to 31 December 2013. The Board intends to meet at least four times per year in the future, and the Chairman intends to hold at least one meeting per year with the Non-executive Directors (including the Independent Non-executive Directors) without the Executive Directors present.

The Company regularly reviews its corporate governance practices and save for the above, the Company was in compliance with the code provisions of the CG Code during the Review Period.

A. THE BOARD

1. RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the Company and is responsible for promoting the success of the Company by directing and supervising its affairs. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. All relevant terms of reference (except for the Finance Committee) are published on the websites of the Stock Exchange and the Company.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its shareholders at all times. The biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against the Directors.

2. DELEGATION OF MANAGEMENT FUNCTION

The Board is responsible for making all major matters of the Company including: the approval and monitoring of all major policies of the Group, overall strategies and budgets, internal control and risk management systems, notifiable and connected transactions, nomination of directors, Company Secretary and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

3. BOARD COMPOSITION

The Board of the Company comprises the following Directors:

Executive Directors

Mr YEO George Yong-boon (Chairman)
Mr MA Wing Kai William (Group Managing Director)
Mr ERNI Edwardo
Mr KUOK Khoon Hua

Non-executive Director

Mr QIAN Shaohua

Independent Non-executive Directors

Ms WONG Yu Pok Marina
Mr WAN Kam To
Mr YEO Philip Liat Kok

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Save as disclosed in our prospectus dated 6 December 2013 and in this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.

4. APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of Independent Non-executive Directors.

Each of the Directors (including Non-executive Director and Independent Non-executive Directors) has signed an appointment letter with the Company for an initial term commencing from his/her respective date of appointment until the next general meeting of the Company, at which he/she will be eligible for re-election. Upon being re-elected, the appointment of the director shall continue for a period of three years and until the conclusion of the third annual general meeting of the Company or such earlier date pursuant to the Company's Bye-laws. The appointments are subject to the provisions of retirement and rotation of directors in accordance to the Company's Bye-laws.

In accordance with the Company's Bye-laws, all Directors of the Company are subject to retirement by rotation no later than the third annual general meeting after he/she was last elected or re-elected.

5. INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually provided with information related to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefing and professional development for Directors were arranged by the Company and its legal adviser.

According to records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2013 is as follows:

Name of Director	Trainings*
Mr YEO George Yong-boon	✓
Mr MA Wing Kai William	✓
Mr ERNI Edwardo	✓
Mr KUOK Khoon Hua	✓
Mr QIAN Shaohua	✓
Ms WONG Yu Pok Marina	✓
Mr WAN Kam To	✓
Mr YEO Philip Liat Kok	✓

* *Each of our Directors has attended training sessions arranged by the Company on the continuing obligations of listed companies and its directors, disclosure obligations of listed companies and amendments to the Listing Rules and Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) in relation to "inside information".*

6. BOARD MEETINGS AND GENERAL MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Code Provision A.1.1 prescribes that at least four regular board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Board had not met during the period from the Listing Date to 31 December 2013. From 2014 onwards, the Board will meet at least four times per year.

The Company has not held any general meeting during the period from the Listing Date to 31 December 2013.

PRACTICES AND CONDUCT OF MEETINGS

From 2014 onwards, annual meeting schedules and draft agenda of each meeting will be made available to Directors in advance.

Notices of regular Board meetings will be served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice will generally be given.

Board papers together with all appropriate, complete and reliable information will be sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management, where relevant, will attend regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes will normally be circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Company's Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

7. INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board and at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the Independent Non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the Independent Non-executive Directors in respect of their independence. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules.

The Independent Non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgment in various aspects. They will take lead when potential conflicts of interest arise. They are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

B. CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Chairman of the Board is Mr YEO George Yong-boon, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for setting the strategic vision, direction and goals of the Group and he participated in the Group's strategic and key operational decision-making processes. He is the primary responsible person for ensuring that good corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with shareholders and that their view are communicated to the Board as a whole. He will hold meetings with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present at least annually.

The Group Managing Director is Mr MA Wing Kai William, who performs the functions of the chief executive and is responsible for overseeing the operations, investment as well as exploring new business opportunities for the Group.

To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the Chairman of the Board co-ordinates with the senior management to provide adequate, complete and reliable information to all Directors for consideration and review.

C. BOARD COMMITTEES

The Board has established four committees, namely, the Remuneration Committee, Audit and Compliance Committee, Nomination Committee and Finance Committee, for overseeing particular aspects of the Company's affairs. All of these four committees of the Company are established with defined written terms of reference.

The majority of the members of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee are Independent Non-executive Directors. The members of the Finance Committee are Executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

1. REMUNERATION COMMITTEE

We have established a remuneration committee with written terms of reference in compliance with paragraph B.1 of the CG Code. The Remuneration Committee consists of three Independent Non-executive Directors, being Mr WAN Kam To, Ms WONG Yu Pok Marina and Mr YEO Philip Liat Kok, and two Executive Directors, being Mr YEO George Yong-boon and Mr MA Wing Kai William. The chairman of the Remuneration Committee is Mr WAN Kam To.

The primary duties of the Remuneration Committee include, but are not limited to: (i) making recommendations to the 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 policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate; and (iii) determining the terms of the remuneration package of our Directors and senior management with reference to their time commitment and responsibilities, and employment condition in the Group, and comparable companies.

As the Company was listed on 19 December 2013, no Remuneration Committee meeting was held during the Review Period and there was no change in the policy and structure of the remuneration of the Directors and senior management. From 2014 onwards, the Remuneration Committee will meet at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the Executive Directors and the senior management and other related matters.

2. AUDIT AND COMPLIANCE COMMITTEE

We have established an audit and compliance committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. The Audit and Compliance Committee consists of two Independent Non-executive Directors, being Ms WONG Yu Pok Marina and Mr WAN Kam To and one Non-executive Director, being Mr QIAN Shaohua. The chairman of the Audit and Compliance Committee is Ms 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: (i) reviewing and monitoring the relationship of the external auditor and the Group, particularly the independence and objectivity and effectiveness of the external auditor; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of our Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board; (iv) developing, reviewing and monitoring our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; (v) reviewing the financial information of the Company and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; and (vi) developing, reviewing and monitoring the code of conduct applicable to our employees and Directors.

As at the date of this annual report, the Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit and Compliance Committee considers that the financial results for the year ended 31 December 2013 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

As the Company was listed on 19 December 2013, no Audit and Compliance Committee meeting was held during the Review Period. However, the Audit and Compliance Committee has held a meeting on 16 December 2013 to discuss (i) the audit strategy particularly on the role and responsibilities of the auditor, audit approach and assessment of fraud risk; and (ii) policy for inside information disclosure. All members of the committee attended that meeting. From 2014 onwards, the Audit and Compliance Committee will meet at least twice a year to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management review and processes, and the re-appointment of the external auditor.

The Company's results for the year ended 31 December 2013 have been reviewed by the Audit and Compliance Committee on 5 March 2014.

3. NOMINATION COMMITTEE

We have established a nomination committee with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee consists of one Executive Director, being Mr YEO George Yong-boon, and two Independent Non-executive Directors, being Ms WONG Yu Pok Marina and Mr YEO Philip Liat Kok. The chairman of the Nomination Committee is Mr YEO George Yong-boon. The Nomination Committee reviews the structure, size and composition at least annually and make recommendations on any proposed changes (if any) to the Board.

The primary duties of the nomination committee include, but are not limited to (i) identifying, selecting and recommending to our Board appropriate candidates to serve as directors and general manager of our Company, and identify candidates for succession planning; (ii) overseeing the process for evaluating the performance of the Board; (iii) developing, recommending to the Board and monitoring nomination guidelines for our Company; and (iv) assess the independence of Independent Non-executive Directors.

As the Company was listed on 19 December 2013, the Nomination Committee considered that it was not necessary to review the size and composition of the Board or identify any new Board member during the Review Period, and no Nomination Committee meeting was held during the Review Period. From 2014 onwards, the Nomination Committee will conduct meeting at least once a year.

Prior to the Listing, the composition and diversity of the Board were considered by taking into account the Board Diversity Policy including the necessary balance of skills and experience appropriate for the requirements of the business development of the Company and for effective leadership. All the Executive Directors possess extensive and diversified experience in management and broad industrial experience such as the logistics industry, government authorities and other companies. The Non-executive Director and the three Independent Non-executive Directors possess professional knowledge in management, finance, accountancy and science and technology, respectively with broad and extensive experience in business advisory and management, respectively.

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process in accordance with the Board Diversity Policy of the Company and by making reference to a range of diversity perspectives, including but not limited to the skills, professional experience, knowledge and length of service of the proposed candidates, cultural and educational background, the Company's needs and other relevant statutory requirements and regulations.

4. FINANCE COMMITTEE

We have recently established a finance committee with written terms of reference in March 2014. The Finance Committee consists of three Executive Directors, being Mr YEO George Yong-boon, Mr MA Wing Kai William and Mr ERNI Edwardo. The chairman of the Finance Committee is Mr YEO George Yong-boon.

The primary duties of the Finance Committee include, but not limited to: (i) review and approve all significant acquisitions, investments, disposal of assets, contracts and variations, and new project commitments, (ii) review and approve all major treasury policies and products on financing, derivatives and financial risk management; and (iii) review and approve the banking facilities and the granting of guarantees and indemnities; whereby the financial impact of each of the incidents/activities stated above falls under certain threshold as specified in the terms of reference.

D. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code since the listing of the Company on 19 December 2013 up to the date of this annual report.

The Company's employees, who are likely to be in possession of inside information of the Company, have also subjected to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company.

E. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013, and for ensuring the financial statements are published in a timely manner.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities for the financial statements is set out under the section headed "Independent Auditor's Report" in this annual report.

The external auditor of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

During the year, the remuneration paid to the external auditor of the Company in respect of audit services, including the remuneration paid for the Company's initial public offering, and non-audit services (that is, internal control review and taxation services) for the year ended 31 December 2013 amounted to HK$20,862,000 and HK$2,340,000, respectively.

G. INTERNAL CONTROLS

During the year, the Board has conducted a review of the effectiveness of the internal control system of the Group. The review has covered the financial, operational, compliance and risk management aspects of the Group.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and Company's assets, and reviewing the effectiveness of such on an annual basis through the Audit and Compliance Committee.

H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company are expected to provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee and, in their absence, other members of the respective committees are available to answer questions at shareholders' meetings.

To promote effective communication, the Company maintains a website at www.kerrylogistics.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

The Company has established the Shareholders Communication Policy since 19 December 2013 and will review it on a regular basis to ensure its effectiveness.

I. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, namely, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary who will ensure these enquiries to be properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting and state the purpose therefor at the Company's registered office in Bermuda at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Shareholders who wish to put forward proposals for the Company's consideration at the general meetings can send their proposals to the Company Secretary.

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules. Shareholders who are unable to attend the general meeting can appoint proxies to attend and vote at the general meeting. The Chairman of the general meeting will provide explanation of the detailed procedures for conducting a poll and then answer questions (if any) from the shareholders regarding voting by way of poll. In addition, the poll results will be posted on the websites of the Company and of the Stock Exchange after the shareholders' meeting.

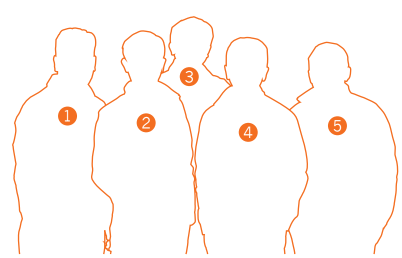
J. COMPANY SECRETARY

Ms LEE Pui Nee, our Company Secretary, is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. She is reporting to the Chairman, Group Managing Director and Chief Financial Officer. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

From the financial year ended 31 December 2013, the Company Secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

K. CONSTITUTIONAL DOCUMENTS

There are no changes in the Memorandum of Continuance and Bye-laws of the Company during the Review Period.



1. WILCOCK Gary 2. MA Wing Kai William 3. CHENG Chi Wai Ellis
4. ERNI Edwardo 5. TAN Kai Whatt Robert

Global Executive Committee

9. DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

YEO George Yong-boon

age 59, has been the Chairman of the Company since August 2012 and became the Executive Director of the Company in November 2013. Mr Yeo is also deputy chairman and a director of Kerry Group Limited ("KGL"), a controlling shareholder of the Company. 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. In August 2013, Mr Yeo was appointed by Pope Francis as a member of the Pontifical Commission for Reference on the Economic-Administrative Structure of the Holy See and recently became a member of the newly-formed Vatican Council for the Economy. Mr Yeo has been an independent non-executive director of AIA Group Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "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 the Executive Director of the Company and re-designated as Group Managing Director of the Company since November 2013. Mr Ma has been a Director of the Company since June 1999 and designated as Deputy Chairman and Managing Director of the Company since April 2004. Mr Ma joined the group of Kerry Holdings Limited ("KHL") (a subsidiary of KGL) in September 1990 and served as an executive director of Kerry Properties Limited ("KPL") (a company listed on the Stock Exchange with stock code 683), a controlling shareholder of the Company, from March 2004 to November 2013. Mr Ma has also been a director of Kerry TJ Logistics Company Limited ("Kerry TJ") (a company listed on Taiwan Stock Exchange Corporation with stock code 2608), a deemed subsidiary of the Company, since November 2008. Mr Ma currently serves in 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. He had served the Logistics Development Council of the Hong Kong Government and the Logistics Services Advisory Committee of the Hong Kong Trade Development Council for 6 years. 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 the Executive Director of the Company since November 2013. Mr Erni has been a Director of the Company since 2011 and is also the Managing Director of the China region. He is also a director of Kerry TJ. Mr Erni manages a portfolio of logistics and warehousing companies in China. He joined the 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.

KUOK Khoon Hua

age 35, has been the Executive Director of the Company since 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.

NON-EXECUTIVE DIRECTOR

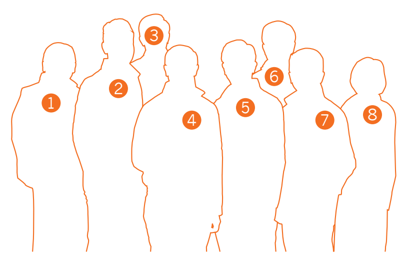
QIAN Shaohua

age 57, has been the Non-executive Director of the Company since November 2013. Mr Qian has been a director of KPL since September 2007, was re-designated as an executive director of KPL in July 2009 and 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 (a company listed on the Stock Exchange with stock code 69) from February 2004 to September 2007 and as general manager of Zhongshan City 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 the Independent Non-executive Director of the Company since 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 ("PwC") 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 PwC 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 Stock Exchange with stock code 50) and Luk Fook Holdings (International) Limited (a company listed on the Stock Exchange with stock code 590), and an independent director of China World Trade Center Co., Ltd. ("CWTC") (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.



1. WAN Kam To 2. KUOK Khoon Hua 3. YEO Philip Liat Kok
4. YEO George Yong-boon 5. MA Wing Kai William
6. QIAN Shaohua 7. ERNI Edwardo 8. WONG Yu Pok Marina

Board of Directors

WAN Kam To

age 61, has been the Independent Non-executive Director of the Company since November 2013. He was a former partner of PwC 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 as an independent non-executive director of several companies listed on the Stock Exchange, including China Resources Land Limited (stock code: 1109) since March 2009, Dalian Port (PDA) Company Limited ("PDA") (stock code: 2880) since June 2011, Fairwood Holdings Limited (stock code: 52) since September 2009, Huaneng Renewables Corporation Limited (stock code: 958) since August 2010, KFM Kingdom Holdings Limited (stock code: 3816) since September 2012, Shanghai Pharmaceuticals Holding Co., Ltd. ("SPH") (stock code: 2607) since June 2013 and S. Culture International Holdings Limited (stock code: 1255) since May 2013. PDA and SPH also listed on the Shanghai Stock Exchange with stock code 601880 and 601607 respectively. He also serves as an independent non-executive director of Mindray Medical International Limited (a company listed on the New York Stock Exchange with stock code MR) since September 2008 and RDA Microelectronics, Inc. (a company listed on NASDAQ with stock code RDA) since November 2010. Mr Wan has served as an independent non-executive director of GreaterChina Professional Services Limited (a company listed on the Stock Exchange with stock code 8193) from May 2011 to November 2013 and Real Gold Mining Limited (a company listed on the Stock Exchange with stock code 246) from July 2011 to August 2011. Mr Wan is a Fellow Member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He 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

age 67, has been the Independent Non-Executive Director of the Company since November 2013. He is the chairman and independent director of Ascendas India Trust (a trust listed on the Singapore Stock Exchange with stock code CY6U) since June 2007 and an independent non-executive director of City Developments Limited (a company listed on the Singapore Stock Exchange with stock code C09) since May 2009. He is also an independent director of Hitachi Ltd (a company listed on the Tokyo Stock Exchange with stock code 6501) since June 2012. Mr Yeo is the chairman of Economic Development Innovations Singapore Pte Ltd, Hexagon Development Advisors Pte Ltd and SPRING Singapore, a Singapore Government agency for enterprise development. He is currently an independent director of the supervisory board of Baiterek National Managing Holding in Kazakhstan. From 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 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 ("NUS")) 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 2006, an honorary doctor of science degree from Imperial College London, United Kingdom in 2007, an honorary doctor of letters degree from NUS in 2011 and an honorary doctor of law degree from Monash University of Australia in 2011.

ANG Keng Lam

age 67, has been a Senior Advisor of the Company since he resigned as Chairman of the Company in August 2012. Mr Ang was the Chairman of the Company from July 2000 to August 2012 and a Director of the Company from December 1991 to August 2012. He has been a director of KHL since September 1999 and the chairman of CWTC 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 company listed on the Stock Exchange) ("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 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 the Group in July 2000 and is currently an executive director of Thailand in charge of logistics operations of the Group in Thailand, Cambodia and Myanmar. He is also a director of Kerry Logistics (Thailand) Limited, a subsidiary of the 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 company listed on The Stock Exchange of Thailand). He has over 20 years of experience in port logistics and transport-related businesses. Mr Benjaathonsirikul manages a fully integrated logistics operation in Thailand ranging from freight forwarding to distribution and transport and port logistics. He obtained a bachelor of laws degree from the University of Birmingham, United Kingdom in 1978.

CHENG Chi Wai Ellis

age 49, joined the 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 Stock Exchange. He also served as an independent non-executive director of a company listed on the Main Board of the Stock Exchange 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 Jeffrey

age 48, joined the Group in September 1999, and is currently the group financial controller of the Company. Mr Hung joined the warehouse division of the group of KHL in May 1991. He was transferred to the Hong Kong properties division of the group of KHL in August 1993 before joining the 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 the 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 the Company, and responsible for the development of the global freight forwarding business of the Group. He has over 20 years of experience in the logistics industry. 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 47, joined the Group in April 2004. Mr Lee is the Director of Information Technology and is responsible for overseeing the global information technology development of the Group. He has over 20 years of experience in information system development and technology management in a number of multinational listed companies. 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 71, has been the Chairman of Kerry TJ since November 2008. He has over 40 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 the Group. 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 57, joined the Group in January 2004 as a director of a subsidiary of the Company. Mr Tan is the managing director in charge of the South East Asia logistics operation of the Group and is responsible for the development and expansion of the Group's network in South and South East Asia, including Singapore, Malaysia, Indonesia, Thailand, Vietnam, Cambodia, India, Bangladesh, the Philippines, Sri Lanka and Myanmar. He has 19 years of experience in the logistics industry. Mr Tan obtained his master's degree from the Asian Institute of Management in the Philippines in 2003.

WILCOCK Gary

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

10. REPORT OF DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The Group operates as a leading logistics service provider in Asia principally engaged in the integrated logistics and international freight forwarding businesses. The principal activities of the Company are as follows:

(i) integrated logistics services, including storage and value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia;

(ii) leasing of warehousing space in Hong Kong; and

(iii) international freight forwarding services intra-Asia and between Asia and Europe to transport cargo using air freight, ocean freight and cross-border road freight forwarding services.

Details of the principal activities of the principal subsidiaries are set out in note 41 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the reporting period.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the section headed "Statement of Accounts" of this annual report.

FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting on Monday, 12 May 2014 (the "AGM") for the distribution of a final dividend of HK$0.11 per share for the year ended 31 December 2013 payable to the Shareholders whose names are listed in the registers of members of the Company (the "Registers of Members") on Friday, 16 May 2014. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM of the Company.

SHARE CAPITAL

Details of the share capital of the Company during the reporting period are set out in note 26 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the reporting period are set out in note 28 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company has distributable reserves of HK$1,256 million in total available for distribution, of which HK$182 million has been proposed as final dividend for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years is set out in the section headed "2010-2013 Financial Summary" of this annual report.

DONATIONS

The Group made a donation of HK$388,660 to charity projects or organisations for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the reporting period are set out in note 17 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the reporting period are set out in notes 29 to 31 to the Financial Statements.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group as at 31 December 2013 are set out in note 40 to the Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of our Directors, the Company has maintained the amount of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") or the laws of Bermuda.

DIRECTORS

The Directors of the Company during the reporting period and up to the date of this annual report are:

Executive Directors
Mr YEO George Yong-boon (Chairman)
Mr MA Wing Kai William (Group Managing Director)
Mr ERNI Edwardo
Mr KUOK Khoon Hua

Non-executive Director
Mr QIAN Shaohua

Independent Non-executive Directors
Ms WONG Yu Pok Marina
Mr WAN Kam To
Mr YEO Philip Liat Kok

The Directors, Mr PANG David Jung and Mr GAW Bryan Pallop, resigned on 25 November 2013.

In accordance with bye-law 102 of the Bye-laws, all Directors of the Company will retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out in the section headed "Directors and Senior Management" of this annual report.

DIRECTORS' LETTER OF APPOINTMENT

Each of the Directors has signed an appointment letter with the Company for an initial term commencing from his/her respective date of appointment until the next general meeting of the Company, at which he/she will be eligible for re-election. Upon being re-elected, the appointment of the Director shall continue for a period of three years and until the conclusion of the third AGM of the Company or such earlier date pursuant to the Bye-laws. The appointments of the Directors are subject to the provisions of retirement and rotation of Directors in accordance to the Bye-laws.

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors, namely Ms WONG Yu Pok Marina, Mr WAN Kam To and Mr YEO Philip Liat Kok, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. The Company considers that the Independent Non-executive Directors have been independent from the date of their appointment to 31 December 2013 and remain so as at the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of our Directors and chief executives in the Shares, underlying Shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, were as follows:

Shares and underlying Shares of the Company and associated corporations

(i) The Company

Directors	Ordinary Shares in the Company: 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(1)	2,000,000	5,000	–	–	2,005,000	0.12%
MA Wing Kai William(2)	3,291,510	–	–	25,000	3,316,510	0.20%
ERNI Edwardo(3)	2,000,500	8,000	–	–	2,008,500	0.12%
KUOK Khoon Hua(4)	1,397,344	–	–	3,835,155	5,232,499	0.32%
QIAN Shaohua(5)	200,000	–	–	25,000	225,000	0.01%
WONG Yu Pok Marina(6)	200,000	–	–	–	200,000	0.01%
WAN Kam To(7)	200,000	–	–	–	200,000	0.01%
YEO Philip Liat Kok(8)	200,000	–	–	–	200,000	0.01%

Notes:

(1) Mr Yeo is interested in (i) options granted under the Pre-IPO Share Option Scheme to subscribe for 2,000,000 Ordinary Shares; and (ii) 5,000 Ordinary Shares held by his spouse.

(2) Mr Ma is interested in (i) 291,510 Ordinary Shares as beneficial owner; (ii) options granted under the Pre-IPO Share Option Scheme to subscribe for 3,000,000 Ordinary Shares; and (iii) 25,000 Ordinary Shares held through a discretionary trust of which Mr Ma is a contingent beneficiary.

(3) Mr Erni is interested in (i) 500 Ordinary Shares as beneficial owner; (ii) options granted under the Pre-IPO Share Option Scheme to subscribe for 2,000,000 Ordinary Shares; and (iii) 8,000 Ordinary Shares held by his spouse.

(4) Mr Kuok is interested in (i) 101,000 Ordinary Shares as beneficial owner; (ii) options granted under the Pre-IPO Share Option Scheme to subscribe for 800,000 Ordinary Shares; (iii) 496,344 Ordinary Shares jointly held with another person as beneficial owner; and (iv) 3,835,155 Ordinary Shares held through discretionary trusts of which Mr Kuok is a contingent beneficiary.

(5) Mr Qian is interested in (i) options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Ordinary Shares; and (ii) 25,000 Ordinary Shares held through a discretionary trust of which Mr Qian is a contingent beneficiary.

(6) Ms Wong is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Ordinary Shares.

(7) Mr Wan is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Ordinary Shares.

(8) Mr Philip Yeo is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Ordinary Shares.

(ii) Associated Corporations

Kerry Group Limited ("KGL") [(1)]

Directors	Ordinary shares in KGL					
	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	11.78%
QIAN Shaohua[(5)]	2,000,000	–	500,000	–	2,500,000	0.16%

Notes:

(1) All interests in ordinary shares in KGL were as at 31 December 2013.

(2) Mr Ma is interested in (i) 1,310,620 ordinary shares in KGL as beneficial owner; and (ii) options granted under the share option scheme of KGL to subscribe for 500,000 ordinary shares in KGL.

(3) Mr Erni is interested in (i) 350,000 ordinary shares in KGL as beneficial owner; and (ii) options granted under the share option scheme of KGL to subscribe for 300,000 ordinary shares in KGL.

(4) Mr Kuok is interested in (i) 5,000 ordinary shares in KGL as beneficial owner; (ii) options granted under the share option scheme of KGL to subscribe for 1,995,000 ordinary shares in KGL; and (iii) 178,262,262 ordinary 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 ordinary shares in KGL as beneficial owner; (ii) options granted under the share option scheme of KGL to subscribe for 1,000,000 ordinary shares in KGL; and (iii) 500,000 ordinary shares in KGL held through his controlled corporation.

Kerry Properties Limited ("KPL") (1)

Directors	Ordinary 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	0.00%
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 ordinary shares in KPL were as at 31 December 2013.

(2) Mr Yeo is interested in 10,000 ordinary shares in KPL held by his spouse.

(3) Mr Ma is interested in (i) 581,020 ordinary shares in KPL as beneficial owner; (ii) options granted under the share option scheme of KPL to subscribe for 1,300,000 ordinary shares in KPL; and (iii) 50,000 ordinary 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 ordinary shares in KPL; and (ii) 16,000 ordinary shares in KPL held by his spouse.

(5) Mr Kuok is interested in (i) 202,000 ordinary shares in KPL as beneficial owner; (ii) options granted under the share option scheme of KPL to subscribe for 300,000 ordinary shares in KPL; (iii) 992,688 ordinary shares in KPL jointly held with another person as beneficial owner; and (iv) 7,670,310 ordinary 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 ordinary shares in KPL; and (ii) 50,000 ordinary 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) All interests in ordinary shares in SCMP were as at 31 December 2013.

(2) Mr Kuok is interested in 620,000 ordinary shares in SCMP held through a discretionary trust of which Mr Kuok is a contingent beneficiary.

Vencedor Investments Limited ("Vencedor")[1]

Director	Capacity/nature of interest	Total interest	Approximate percentage of issued share capital
KUOK Khoon Hua	Personal interest	5[2]	5.00%

Notes:

(1) *All interests in ordinary shares in Vencedor were as at 31 December 2013.*

(2) *Mr Kuok is interested in 5 ordinary shares in Vencedor as beneficial owner.*

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 the Company. All interests in shares in Wiseyear were as at 31 December 2013.*

(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.*

Save as disclosed above, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as at 31 December 2013.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital
Kerry Group Limited	Interest of controlled corporation	1,121,178,932(1)	67.65%
Kerry Holdings Limited	Interest of controlled corporation	1,090,758,684(1)	65.81%
Kerry Properties Limited	Beneficial owner	718,340,998(1)	43.34%
Caninco Investments Limited	Beneficial owner	156,124,097(1)	9.42%
Darmex Holdings Limited	Beneficial owner	128,449,630(1)	7.75%

Note:

(1) KPL is a subsidiary of Kerry Holdings Limited ("KHL"). Caninco Investments Limited ("Caninco") and Darmex Holdings Limited ("Darmex") are wholly-owned subsidiaries of KHL. KHL is a wholly-owned subsidiary of KGL. Accordingly, KHL is deemed to be interested in the shareholding interest of each of KPL, Caninco and Darmex in the Company and KGL is deemed to be interested in the shareholding interest of each of KHL, KPL, Caninco and Darmex in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at 31 December 2013, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the reporting period was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group, none of the Directors and controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended 31 December 2013 and up to the date of this annual report.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 39 to the Financial Statements, the following transactions constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and is required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited ("KHK") is an associate of KPL, which is a substantial shareholder and a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. In the ordinary and usual course of business, we have entered into and have continued to enter into transactions with KHK on normal commercial terms for KHK to provide leased premises to the Group (the "KHK Transactions") for use as warehouses and car parking spaces and to provide related building management services. The amounts paid by the Group 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. Please refer to the section headed "Connected Transactions" in our prospectus dated 6 December 2013 for details.

The Group has 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. The annual caps on the rental payable under the KHK Transactions for the year ended 31 December 2013 and each of the years ending 31 December 2014 and 2015 are HK$39.0 million, HK$42.0 million and HK$46.0 million, respectively. During the year ended 31 December 2013, the rental paid by the Group under the KHK Transactions amounted to HK$37.1 million.

The Independent Non-executive Directors have confirmed that the above continuing connected transaction for the year ended 31 December 2013 were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules, confirming that (i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Company's board of directors, (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company, (iii) nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of the KHK Transactions, nothing has come to their attention that causes the auditor to believe that the amounts have exceeded the maximum aggregate annual value disclosed in the prospectus of the Company dated 6 December 2013. A copy of the auditor's letter has been provided by auditor to the Stock Exchange.

In addition, certain transactions disclosed in note 39 to the Financial Statements also constitute continuing connected transactions under the Listing Rules. The applicable percentage ratios (except profits ratio) for the transactions are under 0.1% and therefore the transaction is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

Save for the above, during the reporting period, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.45 and 14A.46 of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in relation to the KHK Transactions in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2013 and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period and up to the date of this annual report.

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2013, we had 19,700 employees. The remuneration to our employees includes salaries, which maintain at competitive levels while bonuses are granted on a discretionary basis. We provide training to our staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Other employee benefits include provident fund, insurance, medical, sponsorship for educational or training programmes and share option schemes.

The Group offers competitive remuneration packages to the Directors, and the Directors' fees are subject to the Shareholders' approval at general meeting. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Details of the Directors' remuneration during the reporting period are set out in note 13 to the Financial Statements.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") by a resolution of its Shareholder on 25 November 2013 and an ordinary resolution of the shareholders of KPL on 1 November 2013. No further options will be granted under the Pre-IPO Share Option Scheme.

On 2 December 2013, pursuant to the Pre-IPO Share Option Scheme, the Company had granted options to subscribe for 42,770,000 Shares to directors, executives and employees of the Group, representing 2.58% of the issued share capital as at 19 December 2013.

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme:

Category	Date of grant (Note a)	Tranche	Exercise price HK$	Exercise period	Granted during the year and outstanding as at 31/12/2013 (Note b)
1. Directors					
YEO George Yong-boon	02/12/2013	I	10.20	19/12/2013 – 01/12/2023	1,000,000
	02/12/2013	II	10.20	02/12/2014 – 01/12/2023	1,000,000
MA Wing Kai William	02/12/2013	I	10.20	19/12/2013 – 01/12/2023	1,500,000
	02/12/2013	II	10.20	02/12/2014 – 01/12/2023	1,500,000
ERNI Edwardo	02/12/2013	I	10.20	19/12/2013 – 01/12/2023	1,000,000
	02/12/2013	II	10.20	02/12/2014 – 01/12/2023	1,000,000
KUOK Khoon Hua	02/12/2013	I	10.20	19/12/2013 – 01/12/2023	400,000
	02/12/2013	II	10.20	02/12/2014 – 01/12/2023	400,000
QIAN Shaohua	02/12/2013	I	10.20	19/12/2013 – 01/12/2023	100,000
	02/12/2013	II	10.20	02/12/2014 – 01/12/2023	100,000
WONG Yu Pok Marina	02/12/2013	I	10.20	19/12/2013 – 01/12/2023	100,000
	02/12/2013	II	10.20	02/12/2014 – 01/12/2023	100,000
WAN Kam To	02/12/2013	I	10.20	19/12/2013 – 01/12/2023	100,000
	02/12/2013	II	10.20	02/12/2014 – 01/12/2023	100,000
YEO Philip Liat Kok	02/12/2013	I	10.20	19/12/2013 – 01/12/2023	100,000
	02/12/2013	II	10.20	02/12/2014 – 01/12/2023	100,000

Category	Date of grant (Note a)	Tranche	Exercise price HK$	Exercise period	Granted during the year and outstanding as at 31/12/2013 (Note b)
2. Continuous Contract Employees	02/12/2013	I	10.20	19/12/2013 – 01/12/2023	16,935,000
	02/12/2013	II	10.20	02/12/2014 – 01/12/2023	16,935,000
3. Others	02/12/2013	I	10.20	19/12/2013 – 01/12/2023	150,000
	02/12/2013	II	10.20	02/12/2014 – 01/12/2023	150,000
				Total:	42,770,000

Notes:

a. *The vesting period of the options is from the date of grant until the commencement of the exercise period.*

b. *During the year, no option was exercised, cancelled or lapsed under the Pre-IPO Share Options Scheme.*

For further details of the Pre-IPO Share Option Scheme, please refer to note 38 to the Financial Statements.

POST-IPO SHARE OPTION SCHEME

The Company has approved and adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme") by a resolution of its Shareholder on 25 November 2013 and an ordinary resolution of the shareholders of KPL on 1 November 2013. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules. No options had been granted under the Post-IPO Share Option Scheme from the date of its adoption to the date of this Annual Report.

For further details of the Post-IPO Share Option Scheme, please refer to note 38 to the Financial Statements.

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1.	Purpose	To motivate eligible persons 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 participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group	
2.	Participants	Eligible persons include (i) 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; (ii) a director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (iv) 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; (v) an associate (as defined under the Listing Rules) of any of the foregoing persons	
3.	Maximum number of Shares	As at 6 December 2013, options to subscribe for an aggregate of 42,770,000 Shares were outstanding, representing approximately 2.58% of the issued share capital of the Company as at 19 December 2013. No further option could be granted under the Pre-IPO Share Option Scheme	As at 6 December 2013, the maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme is 122,966,411 Shares, representing approximately 7.42% and 7.28% of the issued share capital of the Company as at 19 December 2013 and the date of this annual report, respectively. No option has been granted under the Post-IPO Share Option Scheme The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time

	Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
4.	Maximum entitlement of each participant	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant	
5.	Option period	The option period is determined by the Board provided that it is not longer than 10 years commencing on the date of grant. There is no minimum period for which an option must be held before it can be exercised The Board may in its absolute discretion specify any conditions, restrictions or limitations, including continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company 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 to which the option relates	
6.	Acceptance of offer	Options granted must be accepted within the period as stated in the offer of the grant, upon payment of HK$1.0 per grant	
7.	Exercise price	Exercise price is HK$10.2, the offer price of the Shares for the IPO	Exercise price shall be at least the highest of (i) the nominal value of Share; (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant; and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the grant
8.	Remaining life of the scheme	It expired on 19 December 2013	It shall be valid and effective for a period of ten years commencing on 19 December 2013

THE RESTRICTED SHARE UNIT ("RSU") SCHEME

The Company has approved and adopted a RSU Scheme by a resolution of its Shareholder on 25 November 2013 and a resolution of the 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 the Company to subscribe for new Shares.

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 of RSUs (the "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.

On 19 December 2013, the Company had allotted and issued an aggregate of 815,000 Shares to the RSU trustee, Lion Trust (Hong Kong) Limited. During the reporting period, 815,000 Awards representing 815,000 underlying Shares were granted on 24 December 2013 to 815 grantees pursuant to the RSU Scheme. None of the RSU grantees are Directors or connected persons of the Company. Details of the grant of Awards are as follows:

Date of grant	Number of Shares awarded during the year ended 31/12/2013	Number of Shares vested during the year ended 31/12/2013	Number of Shares lapsed during the year ended 31/12/2013	Number of Shares as at 31/12/2013	Vesting period
24/12/2013	815,000	34,000	–	781,000	24/12/2013 – 18/12/2016

For further details of the RSU Scheme, please refer to the section headed "Statutory and General Information" of our prospectus dated 6 December 2013.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the percentage of the aggregate sales attributable to the Group's five largest customers and suppliers accounted for less than 30% of the Group's sales and purchases, respectively.

None of our Directors or any of their associates or any Shareholders (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and suppliers.

PROPERTY INTERESTS

Details of the revaluation and movements of the investment properties of the Group during the year are set out in note 15 to the Financial Statements. As at 31 December 2013, the Group have three properties (namely Kerry Cargo Centre, Kerry Warehouse (Chai Wan) and Kerry TC Warehouse 2) held for investments where one or more of the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) exceed 5%. Such three properties are held on medium term leases, and the details of which are set out in the section headed "Logistics Facilities".

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 19 December 2013 to 31 December 2013.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period requiring disclosure in this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules. Throughout the reporting period, save as disclosed in the section headed "Corporate Governance Report", the Company has complied with the mandatory code provisions in the CG Code.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers, certified public accountants.

PricewaterhouseCoopers shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming AGM.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed on Friday, 9 May 2014 and Monday, 12 May 2014, and on Friday, 16 May 2014, during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Thursday, 8 May 2014. In order to qualify for the proposed final dividend (subject to the approval by the Shareholders at the forthcoming AGM), unregistered holders of shares of the Company shall lodge share transfer documents with Tricor Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on Thursday, 15 May 2014.

By Order of the Board
YEO George Yong-boon
Chairman

Hong Kong, 14 March 2014

11. INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF KERRY LOGISTICS NETWORK LIMITED (incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kerry Logistics Network Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 65 to 143, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 March 2014

12. STATEMENT OF ACCOUNTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Turnover	5	19,968,743	19,294,775
Direct operating expenses	7	(17,090,773)	(16,601,460)
Gross profit		2,877,970	2,693,315
Other income and net gains	6	397,465	28,334
Administrative expenses	7	(1,469,088)	(1,403,301)
Operating profit before fair value change of investment properties		1,806,347	1,318,348
Change in fair value of investment properties		600,210	265,155
Operating profit		2,406,557	1,583,503
Finance costs	8	(93,668)	(63,124)
Share of results of associates	19(b)	128,368	136,421
Profit before taxation		2,441,257	1,656,800
Taxation	9	(304,844)	(304,928)
Profit for the year		2,136,413	1,351,872
Profit attributable to:			
Company's shareholders		1,834,522	1,069,376
Non-controlling interests		301,891	282,496
		2,136,413	1,351,872
Dividend	11	182,310	–
Earnings per share			
– Basic and diluted	12	HK$1.40	HK$0.83

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013 HK$'000**	2012 HK$'000
Profit for the year		2,136,413	1,351,872
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to consolidated income statement			
Defined benefit pension plans			
– Actuarial losses		(3,246)	(46,127)
– Deferred income tax		552	8,978
Transfer from leasehold land and buildings to investment properties	28		
– 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	28	18,642	8,833
Net translation differences on foreign operations		(40,427)	146,290
Other comprehensive (loss)/income for the year (net of tax)		(24,479)	127,572
Total comprehensive income for the year		2,111,934	1,479,444
Total comprehensive income attributable to:			
Company's shareholders		1,827,430	1,183,506
Non-controlling interests		284,504	295,938
		2,111,934	1,479,444

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	**2013 HK$'000**	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets	14	1,968,950	1,773,804
Investment properties	15	6,379,282	5,767,637
Leasehold land and land use rights	16	541,348	538,883
Property, plant and equipment	17	6,531,990	5,998,517
Associates	19	1,122,576	938,949
Available-for-sale investments	20	59,052	61,459
		16,603,198	15,079,249
Current assets			
Inventories	21	164,016	109,913
Accounts receivable, prepayments and deposits	22	4,660,562	4,325,293
Tax recoverable		8,779	9,279
Restricted and pledged bank deposits	24(a)	8,710	4,510
Cash and bank balances	24(b)	4,228,367	2,939,645
		9,070,434	7,388,640
Current liabilities			
Accounts payable, deposits received and accrued charges	25	3,973,359	3,923,029
Loans from fellow subsidiaries	31	–	4,181,600
Amount due to a fellow subsidiary/immediate holding company	23	1,582	64,666
Amounts due to related companies	23	6,202	3,706
Taxation		156,983	117,296
Short-term bank loans and current portion of long-term bank loans	30	1,305,243	600,524
Bank overdrafts	24(b)	20,391	26,089
		5,463,760	8,916,910
Net current assets/(liabilities)		3,606,674	(1,528,270)
Total assets less current liabilities		20,209,872	13,550,979

	Note	**2013 HK$'000**	2012 HK$'000
Non-current liabilities			
Loans from non-controlling interests	29	235,632	222,362
Long-term bank loans	30	2,864,332	1,364,562
Deferred taxation	32	508,138	489,622
Retirement benefit obligations	33	315,238	348,698
Other non-current liabilities	25	70,718	–
		3,994,058	2,425,244
ASSETS LESS LIABILITIES		16,215,814	11,125,735
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	828,682	500
Share premium	27	2,632,661	–
Retained profits			
– Proposed final dividend		182,310	–
– Others		9,018,829	7,361,095
Other reserves	28	763,904	996,470
		13,426,386	8,358,065
Non-controlling interests		2,789,428	2,767,670
TOTAL EQUITY		16,215,814	11,125,735

On behalf of the Board

YEO George Yong-boon
Director

MA Wing Kai William
Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	**2013** **HK$'000**	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Subsidiaries	18	215,337	198,931
Current assets			
Deposits	22	7,035	7,887
Amounts due from subsidiaries	23	6,828,751	5,734,251
Amount due from a related company	23	–	1
Cash and bank balances	24(b)	949,378	187,833
		7,785,164	5,929,972
Current liabilities			
Accrued charges	25	39,754	3,549
Amounts due to subsidiaries	23	1,463,831	1,144,033
Amounts due to related companies	23	138	–
Loan from a fellow subsidiary	31	–	2,606,024
Short-term bank loans	30	164,000	230,000
		1,667,723	3,983,606
Net current assets		6,117,441	1,946,366
Total assets less current liabilities		6,332,778	2,145,297
Non-current liability			
Long-term bank loans	30	1,590,000	877,200
ASSETS LESS LIABILITIES		4,742,778	1,268,097

	Note	2013 HK$'000	2012 HK$'000
EQUITY			
Share capital	26	828,682	500
Share premium	27	2,632,661	–
Retained profits			
– Proposed final dividend		182,310	–
– Others		1,073,486	1,267,597
Share options reserve	28	25,639	–
TOTAL EQUITY		4,742,778	1,268,097

On behalf of the Board

YEO George Yong-boon
Director

MA Wing Kai William
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 HK$'000	2012 HK$'000
Operating activities			
Net cash generated from operations	34(a)	1,694,567	1,178,757
Interest paid	8	(90,551)	(57,691)
Income tax paid		(246,368)	(250,321)
Net cash generated from operating activities		1,357,648	870,745
Investing activities			
Additions of property, plant and equipment	17	(1,113,121)	(1,467,999)
Additions of investment properties	15	–	(18)
Purchase of available-for-sale investments		(1,300)	–
Purchase of leasehold land and land use rights	16	(12,825)	(22,078)
Proceeds from sale of property, plant and equipment and investment properties		84,807	84,091
Proceeds from sale of investment in associates		–	1,267
Proceeds from sale of an available-for-sale investment		3,017	–
Dividend income from available-for-sale investments		3,442	21
Dividends received from associates		10,515	296,054
Increase in balances with associates		(3,040)	(71,374)
Decrease in balances with associates		63,443	31,914
Interest received		33,447	28,330
Acquisition of subsidiaries	34(c)	(399,397)	(492,356)
Increase in investments in associates		(107,536)	(53,109)
(Increase)/decrease in restricted and pledged bank deposits	24(a)	(4,473)	228
Net cash used in investing activities		(1,443,021)	(1,665,029)

	Note	2013 HK$'000	2012 HK$'000
Financing activities			
Increase in loans from fellow subsidiaries		–	285,200
Decrease in loans from fellow subsidiaries		(2,403,137)	–
Repayment of bank loans		(2,852,547)	(926,790)
Drawdown of bank loans		5,075,868	1,761,397
Dividends of subsidiaries paid to non-controlling interests		(123,645)	(80,145)
Capital injection from non-controlling interests		–	12,715
Drawdown of loans from non-controlling interests		25,761	90,128
Repayments of loans from non-controlling interests		(22,940)	–
Settlement of recharge of share based payment with a fellow subsidiary		(22,125)	(103,798)
Acquisition of additional interest in subsidiaries	34(d)	(393,456)	(256,073)
Net proceeds from issuance of ordinary shares	26(c), (d)	2,079,262	–
Net cash generated from financing activities		1,363,041	782,634
Increase/(decrease) in cash and cash equivalents		1,277,668	(11,650)
Effect of exchange rate changes		16,752	33,090
Cash and cash equivalents at beginning of the year		2,913,556	2,892,116
Cash and cash equivalents at end of the year	24(b)	4,207,976	2,913,556

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

		Attributable to shareholders of the Company							
	Note	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2013		500	–	996,470	7,361,095	–	8,358,065	2,767,670	11,125,735
Profit for the year		–	–	–	1,834,522	–	1,834,522	301,891	2,136,413
Defined benefit pension plans									
– Actuarial losses		–	–	–	(1,184)	–	(1,184)	(2,062)	(3,246)
– Deferred taxation		–	–	–	201	–	201	351	552
Share of exchange reserve of associates	28	–	–	18,642	–	–	18,642	–	18,642
Net translation differences on foreign operations	28	–	–	(24,751)	–	–	(24,751)	(15,676)	(40,427)
Total comprehensive income for the year		–	–	(6,109)	1,833,539	–	1,827,430	284,504	2,111,934
Dividends paid		–	–	–	–	–	–	(123,645)	(123,645)
2013 proposed final dividend		–	–	–	(182,310)	182,310	–	–	–
Share issued pursuant to the capitalisation issue	26(b)	719,739	661,842	–	–	–	1,381,581	–	1,381,581
Proceeds from issuance of ordinary shares	26(c)	108,036	1,962,897	–	–	–	2,070,933	–	2,070,933
Proceeds from issuance of ordinary shares under restricted share units scheme	26(d)	407	7,922	–	–	–	8,329	–	8,329
Transfers	28	–	–	8,801	(8,801)	–	–	–	–
Acquisition of subsidiaries	35	–	–	–	–	–	–	8,764	8,764
Acquisition of additional interest in subsidiaries	34(d)	–	–	(245,591)	–	–	(245,591)	(147,865)	(393,456)
Capital contribution from a fellow subsidiary from share option scheme	28	–	–	22,125	–	–	22,125	–	22,125
Cash settlement of recharge of share based payment with a fellow subsidiary	28	–	–	(22,125)	–	–	(22,125)	–	(22,125)
Value of employee services under pre-IPO share option scheme	28	–	–	25,639	–	–	25,639	–	25,639
Release of reserve on disposal of subsidiaries	28	–	–	(15,306)	15,306	–	–	–	–
Total transactions with owners		828,182	2,632,661	(226,457)	(175,805)	182,310	3,240,891	(262,746)	2,978,145
Balance at 31 December 2013		828,682	2,632,661	763,904	9,018,829	182,310	13,426,386	2,789,428	16,215,814

		Attributable to shareholders of the Company					
	Note	Share capital HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'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
Defined benefit pension 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	28						
– Fair value gain		–	12,798	–	12,798	–	12,798
– Deferred taxation		–	(3,200)	–	(3,200)	–	(3,200)
Share of exchange reserve of associates	28	–	8,833	–	8,833	–	8,833
Net translation differences on foreign operations	28	–	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	28	–	7,465	(7,465)	–	–	–
Capital injection from non-controlling interests		–	–	–	–	12,715	12,715
Acquisition of subsidiaries		–	–	–	–	113,385	113,385
Acquisition of additional interest in subsidiaries		–	(176,182)	–	(176,182)	(79,891)	(256,073)
Cash settlement of recharge of share based payment with a fellow subsidiary	28	–	(103,798)	–	(103,798)	–	(103,798)
Capital contribution from a fellow subsidiary from share option scheme	28	–	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

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. On 19 December 2013, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and 216,071,500 new shares of HK$10.20 each were issued by the Company (the "Global Offering").

Upon the full exercise of the over-allotment option granted by the Company in the Global Offering, a total of 32,410,500 additional new shares of the Company were allotted and issued by the Company on 14 January 2014. Prior to the Global Offering, the Company was directly and wholly owned by Kerry Properties Limited ("KPL"), a company incorporated in Bermuda and listed on the Stock Exchange. Upon completion of the Global Offering, Kerry Group Limited, a private company incorporated in Cook Islands, continues to be the ultimate holding company.

The consolidated financial statements is presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 14 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below. Except as described below, these policies have been consistently applied to all the years presented, unless otherwise stated.

(a) BASIS OF PREPARATION

The significant accounting policies applied in the preparation of the consolidated financial statements which are in accordance with the HKFRSs issued by the HKICPA are set out below. The financial statements have 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 statements 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 consolidated financial statements, are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) BASIS OF PREPARATION (CONTINUED)

STANDARDS AND AMENDMENTS WHICH ARE NOT YET EFFECTIVE

The following new or revised standards, amendments to existing standards and interpretation, 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, amendments or interpretation:

	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
Amendments to HKAS 39 'Novation of derivatives and continuation of hedge accounting'	1 January 2014
HKFRS 9, 'Financial instruments'	To be determined
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 standards, amendments and interpretation as and when they become effective. The Group is in the process of making an assessment of the impact of them upon initial application.

(b) CONSOLIDATION

(I) SUBSIDIARIES

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) CONSOLIDATION (CONTINUED)

(I) SUBSIDIARIES (CONTINUED)

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

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 statements 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 statements 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) FOREIGN CURRENCY TRANSLATION (CONTINUED)

(II) TRANSACTIONS AND BALANCES (CONTINUED)

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 end 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	5% to 33.33%
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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) INVESTMENT PROPERTIES (CONTINUED)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) INTANGIBLE ASSETS (CONTINUED)

(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 year 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) FINANCIAL ASSETS (CONTINUED)

(III) RECOGNITION AND MEASUREMENT

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.

(IV) IMPAIRMENT OF FINANCIAL ASSETS

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) EMPLOYEE BENEFITS (CONTINUED)

(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 year in which they arise.

(IV) SHARE-BASED COMPENSATION

KPL operates an equity-settled, share-based compensation plan. Prior to the Global Offering, 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.

Pursuant to the Global Offering, the Group has outstanding options granted under its pre-IPO share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) EMPLOYEE BENEFITS (CONTINUED)

(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) TURNOVER RECOGNITION

Turnover 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. Turnover is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognises turnover when the amount of turnover, 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) Turnover 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) Turnover from general storage and other ancillary services is recognised when the services are rendered. Turnover from leased storage is recognised on a straight-line basis over the periods of the respective leases.

(iii) Turnover 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 operations of the Group, and are charged to the income statement in the year in which they are incurred.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 statements. 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 consolidated financial statements 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 shareholders is recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders 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 related companies, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(I) MARKET RISK (CONTINUED)

(i) FOREIGN EXCHANGE RISK (CONTINUED)

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 year. 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 year ended 31 December 2013, if interest rates had increased/decreased by 25 basis points and all other variables were held constant, the profit of the Group would have decreased/increased by approximately HK$10,424,000 (2012: HK$6,893,000) 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(II) CREDIT RISK (CONTINUED)

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 Company has executed guarantees to banks for facilities granted to certain subsidiaries. The utilised amount of such facilities covered by the guarantees of the Company which also represents the financial exposure as follows:

	Company maximum exposure	
	2013	2012
	HK$'000	HK$'000
Credit risk exposure relating to off-balance sheet items		
Financial guarantees	1,171,462	437,018

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(III) LIQUIDITY RISK (CONTINUED)

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 HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2013					
Bank loans	1,366,411	291,631	2,623,054	53,070	4,334,166
Accounts payable, deposits received and accrued charges	3,973,359	–	–	–	3,973,359
Bank overdrafts	20,391	–	–	–	20,391
Loans from non-controlling interests	–	235,632	–	–	235,632
Amount due to a fellow subsidiary /immediate holding company	1,582	–	–	–	1,582
Amounts due to related companies	6,202	–	–	–	6,202
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 a fellow subsidiary /immediate holding company	64,666	–	–	–	64,666
Amounts due to related companies	3,706	–	–	–	3,706

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(III) LIQUIDITY RISK (CONTINUED)

	Company				
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2013					
Bank loans	191,133	27,133	1,632,942	–	1,851,208
Accrued charges	39,754	–	–	–	39,754
Amounts due to subsidiaries	1,463,831	–	–	–	1,463,831
Amounts due to related companies	138	–	–	–	138
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

(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 shareholders 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 and loans from fellow subsidiaries, excluding the loans capitalised as share capital and share premium on 2 December 2013 (note 26(b)) dividing by equity attributable to the Company's shareholders and loans capitalised.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CAPITAL RISK MANAGEMENT (CONTINUED)

The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013 HK$ million	2012 HK$ million
Bank loans and overdraft	4,190	1,991
Loans from fellow subsidiaries (excluding loans capitalised)	–	2,800
Total loans	4,190	4,791
Equity attributable to the Company's shareholders	13,426	8,358
Loans capitalised	–	1,382
	13,426	9,740
Gearing ratio	31.2%	49.2%

The Group's overall strategy remains unchanged throughout the year. The decrease in the net gearing ratio is mainly attributable to issuance of ordinary shares in connection with its Global Offering and shares issued pursuant to the loan capitalisation issue which increase the capital and reserve attributable to the Company's shareholders.

(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, as 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 the end of each reporting period. There were no transfers between levels during the year (2012: nil).

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 instruments.

AVAILABLE-FOR-SALE INVESTMENTS

	2013 HK$'000	2012 HK$'000
At beginning of year	61,459	51,987
Acquisition of subsidiaries	–	7,479
Additions	1,300	–
Disposals	(2,391)	–
Impairment	–	(82)
Exchange adjustment	(1,316)	2,075
At end of year	59,052	61,459

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 year (2012: nil).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) FAIR VALUE ESTIMATION (CONTINUED)

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 as at 31 December 2013 and 2012:

– 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 period 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 income 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, the qualified valuers 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(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 year 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 14) 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 14.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(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 reporting 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 reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(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 2013 (36.46%) is accounted for and consolidated into the consolidated financial statements 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) Turnover recognised during the year is as follows:

	2013 HK$'000	2012 HK$'000
Integrated Logistics		
Logistics Operations	8,541,739	7,423,720
Hong Kong Warehouse	480,220	474,242
International Freight Forwarding	10,946,784	11,396,813
	19,968,743	19,294,775

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(b) An analysis of the Group's financial results by operating segment is as follows:

	Integrated logistics											
	Logistics operations		Hong Kong warehouse		International freight forwarding		Total		Eliminations		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Turnover	8,541,739	7,423,720	480,220	474,242	10,946,784	11,396,813	19,968,743	19,294,775	–	–	19,968,743	19,294,775
Inter-segment turnover	384,750	627,812	259,761	230,470	947,088	511,675	1,591,599	1,369,957	(1,591,599)	(1,369,957)	–	–
	8,926,489	8,051,532	739,981	704,712	11,893,872	11,908,488	21,560,342	20,664,732	(1,591,599)	(1,369,957)	19,968,743	19,294,775
Segment profit	836,315	729,619	435,604	411,055	328,544	300,228	1,600,463	1,440,902	–	–	1,600,463	1,440,902
Unallocated administrative expenses											(187,879)	(150,884)
Finance income											33,447	28,330
Gain on disposal of subsidiaries											360,316	–
Operating profit before fair value change of investment properties											1,806,347	1,318,348
Change in fair value of investment properties											600,210	265,155
Operating profit											2,406,557	1,583,503
Finance costs											(93,668)	(63,124)
Share of results of associates											128,368	136,421
Profit before taxation											2,441,257	1,656,800
Taxation											(304,844)	(304,928)
Profit for the year											2,136,413	1,351,872
Profit attributable to:												
Company's shareholders											1,834,522	1,069,376
Non-controlling interests											301,891	282,496
Depreciation and amortisation	317,094	250,645	30,069	24,644	102,587	92,063	449,750	367,352	–	–	449,750	367,352
Impairment of goodwill	10,520	3,000	–	–	–	4,000	10,520	7,000	–	–	10,520	7,000

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(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 turnover from provision of logistics services and sales of goods.

Hong Kong warehouse segment derives turnover from provision of warehouse leasing, general storage and other ancillary services.

International freight forwarding segment derives turnover primarily from provision of freight forwarding services.

The executive directors assess the performance of the operating segments based on segment profit.

(d) An analysis of the Group's segment turnover and segment non-current assets by geographical area is as follows:

	Segment turnover*		Segment non-current assets#	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong	2,768,159	2,469,115	6,393,359	5,846,095
PRC	8,944,358	8,745,181	3,914,629	3,463,928
Taiwan	2,052,963	1,978,659	2,700,038	2,701,589
South & South East Asia	2,737,533	2,395,398	2,777,976	2,534,815
Europe	2,761,377	3,083,974	538,660	317,755
Others	704,353	622,448	219,484	153,608
	19,968,743	19,294,775	16,544,146	15,017,790

* *Segment turnover 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

	2013 HK$'000	2012 HK$'000
Interest income from banks	32,472	24,835
Interest income from associates	975	3,495
Dividend income from available-for-sale investments	3,442	21
Impairment of available-for-sale investments	–	(82)
Impairment of goodwill (note 14)	(10,520)	(7,000)
Gain on disposal of property, plant and equipment	10,154	7,065
Gain on disposal of subsidiaries	360,316	–
Gain on sale of an available-for-sale investment	626	–
	397,465	28,334

7 EXPENSES BY NATURE

Expenses included in direct operating expenses and administrative expenses are analysed as follows:

	2013 HK$'000	2012 HK$'000
Auditors' remuneration	17,755	14,870
Business tax	32,400	72,928
Cost of goods sold	844,773	868,595
Freight and transportation costs	13,306,663	13,102,393
Depreciation of property, plant and equipment	396,735	321,355
Amortisation of leasehold land and land use rights	10,727	7,954
Amortisation of intangible assets	42,288	38,043
Provision for impairment of receivables	10,856	22,097
Reversal of provision for impairment of receivables	(1,109)	(479)
Operating leases charges on land and buildings	457,564	349,824
Employee benefit expenses (note 13)	2,924,104	2,597,381
Fair value (gain)/loss on contingent payment for acquisition of subsidiaries	(12,088)	310

8 FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest expenses on loans from fellow subsidiaries (note 31)	3,117	5,433
Interest expenses on bank loans and overdrafts	90,551	57,691
	93,668	63,124

9 TAXATION

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012:16.5%) for the year ended 31 December 2013 on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC ENTERPRISE INCOME TAX

The People's Republic of China ("PRC") enterprise income tax has been provided at the rate of 25% (2012: 25%) on the estimated assessable profit for the year.

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.

	2013 HK$'000	2012 HK$'000
Hong Kong profits tax		
– Current	69,990	61,179
– Overprovision in prior years	(2,916)	(79)
– Deferred	13,732	25,450
	80,806	86,550
PRC taxation		
– Current	95,085	88,284
– Underprovision in prior years	1,407	497
– Deferred	221	5,021
	96,713	93,802
Overseas taxation		
– Current	118,368	114,991
– (Over)/underprovision in prior years	(1,439)	1,618
– Deferred	10,396	7,967
	127,325	124,576
	304,844	304,928

The Group's share of associates' taxation for the year ended 31 December 2013 are HK$23,210,000 (2012: HK$27,629,000) and included in the share of results of associates in the consolidated income statement.

9 TAXATION (CONTINUED)

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:

	2013 HK$'000	2012 HK$'000
Profit before taxation	2,441,257	1,656,800
Less: Share of results of associates	(128,368)	(136,421)
	2,312,889	1,520,379
Calculated at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	381,627	250,863
Tax effect of different taxation rates in other countries	46,094	49,912
Income not subject to taxation	(151,834)	(43,883)
Expenses not deductible in determining taxable profit	3,600	14,089
Tax losses not recognised	13,745	19,246
Utilisation of previously unrecognised tax losses	(4,523)	(5,333)
(Over)/underprovision in prior years	(2,948)	2,036
Withholding tax on undistributed profits	19,083	17,998
Taxation charge	304,844	304,928

10 LOSS ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS

The loss attributable to the Company's shareholders dealt with in the consolidated financial statements of the Company for the year ended 31 December 2013 is HK$11,801,000 (2012: HK$8,225,000).

11 DIVIDEND

A dividend in respect of the year ended 31 December 2013 of HK$0.11 per share, amounting to a total dividend of HK$182,310,000 is to be proposed at the annual general meeting on 12 May 2014. These financial statements do not reflect this dividend payable.

	2013 HK$'000	2012 HK$'000
Proposed final dividend of HK$0.11 per ordinary share	182,310	–

At a meeting held on 14 March 2014, the directors proposed a final dividend of HK$0.11 per ordinary share. This proposed final dividend is not reflected as a dividend payable in these financial statements. The proposed final dividend for the year ended 31 December 2013, as referred to above, is calculated on the basis of 1,657,364,112 ordinary shares in issue as at 31 December 2013, and at a final dividend of HK$0.11 per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2013 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 12 May 2014.

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the Company's shareholders by the adjusted weighted average number of ordinary shares in issue during the year. The adjusted weighted average number of shares have taken into account the impact of the loan capitalisation and the share split as described in note 26.

	2013	2012
Adjusted weighted average number of ordinary shares in issue	1,306,948,732	1,295,048,138
Profit attributable to the Company's shareholders (HK$'000)	1,834,522	1,069,376
Basic earnings per share (HK$)	1.40	0.83

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2013 (2012: nil).

13 EMPLOYEE BENEFIT EXPENSES

	2013 HK$'000	2012 HK$'000
Staff costs, including directors' emoluments	2,650,743	2,344,607
Share option expense	47,764	56,435
Pension costs		
– defined contribution plans	214,147	185,583
– defined benefit plans (note 33)	11,450	10,756
	2,924,104	2,597,381

Out of the total employee benefit expenses for the year ended 31 December 2013 of HK$2,924,104,000 (2012: HK$2,597,381,000), HK$1,941,339,000 (2012: HK$1,750,567,000) was included in direct operating expenses.

13 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) DIRECTORS' EMOLUMENTS

The remuneration of the Directors for the year ended 31 December 2013, excluding share option benefits, is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (notes) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
YEO George Yong-boon[1]	–	2,952	3,000	2,853	12	8,817
MA Wing Kai William*	–	4,380	12,060	–	120	16,560
ERNI Edwardo	–	2,914	4,303	781	120	8,118
PANG David Jung[4]	–	–	–	–	–	–
GAW Bryan Pallop[4]	–	882	1,068	–	36	1,986
ANG Keng Lam[2]	–	–	–	–	–	–
KUOK Khoon Hua[3]	144	–	–	–	–	144
QIAN Shaohua[3]	56	–	–	–	–	56
WONG Yu Pok Marina[3]	68	–	–	–	–	68
WAN Kam To[3]	64	–	–	–	–	64
YEO Philip Liat Kok[3]	48	–	–	–	–	48

13 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

The remuneration of the Directors for the year ended 31 December 2012, excluding share option benefits, is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (notes) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
YEO George Yong-boon[1]	–	600	125	725	20	1,470
MA Wing Kai William*	–	4,020	9,560	–	120	13,700
ERNI Edwardo	–	2,219	4,022	1,161	120	7,522
PANG David Jung[4]	–	–	–	–	–	–
GAW Bryan Pallop[4]	–	788	1,187	713	34	2,722
ANG Keng Lam[2]	–	1,435	2,333	–	70	3,838
KUOK Khoon Hua[3]	–	–	–	–	–	–
QIAN Shaohua[3]	–	–	–	–	–	–
WONG Yu Pok Marina[3]	–	–	–	–	–	–
WAN Kam To[3]	–	–	–	–	–	–
YEO Philip Liat Kok[3]	–	–	–	–	–	–

Notes:

Other benefits represent housing allowance or personal income tax borne by the Group.

* *Group Managing Director*
[1] *Appointed on 1 August 2012*
[2] *Resigned on 1 August 2012*
[3] *Appointed on 25 November 2013*
[4] *Resigned on 25 November 2013*

13 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) SENIOR MANAGEMENT'S EMOLUMENTS

The Group considers a team of nine (2012: ten) senior executives who report to the Board of Directors as senior management. The emoluments of these nine (2012: ten) individuals, excluding share option benefits, are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other short-term benefits	36,419	30,524

(c) SHARE OPTIONS GRANTED BY KPL TO THE DIRECTORS OF THE COMPANY

Certain directors of the Company held share options of KPL during the year presented as follows:

During the year ended 31 December 2013, 400,000 shares were issued to a director of the Company pursuant to exercise of the share options (2012: nil).

As at 31 December 2013, certain directors held the following share options to acquire shares of KPL:

No. of share options held	Exercise price	Exercise period
525,000	HK$47.70	02/04/2009 – 01/04/2018
525,000	HK$47.70	02/04/2010 – 01/04/2018
1,050,000	HK$47.70	02/04/2011 – 01/04/2018
965,000	HK$35.45	31/10/2012 – 29/04/2022
965,000	HK$35.45	31/10/2013 – 29/04/2022

As at 31 December 2012, certain directors held the following share options to acquire shares of KPL:

No. of share options held	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 2013 was HK$26.9 (2012: HK$40.25).

13 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(d) SHARE OPTIONS GRANTED BY THE COMPANY TO THE DIRECTORS OF THE COMPANY

Certain directors of the Company held pre-IPO share options of the Company during the year presented as follows:

As at 31 December 2013, certain directors held the following share options to acquire shares of the Company:

No. of share options held	Exercise price	Exercise period
4,300,000	HK$10.20	19/12/2013 – 01/12/2023
4,300,000	HK$10.20	02/12/2014 – 01/12/2023

The closing market price of the Company's shares as at 31 December 2013 was HK$11.02.

(e) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 included 3 Directors (2012: 3). The emoluments payable to the remaining 2 highest paid individuals during the years are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	5,663	5,575
Discretionary bonuses	7,092	5,089
Pension contributions	–	253
	12,755	10,917

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
HK$4,500,001 – HK$5,000,000	–	1
HK$5,000,001 – HK$5,500,000	1	–
HK$6,000,001 – HK$6,500,000	–	1
HK$7,000,001 – HK$7,500,000	1	–
	2	2

(f) REMUNERATION PAYABLE TO SENIOR MANAGEMENT

The remuneration payable to the senior management during the year fall within the following bands:

	Number of individuals	
	2013	2012
HK$1,500,001 – HK$2,000,000	–	1
HK$2,000,001 – HK$2,500,000	2	1
HK$2,500,001 – HK$3,000,000	–	3
HK$3,000,001 – HK$3,500,000	2	1
HK$3,500,001 – HK$4,000,000	1	1
HK$4,000,001 – HK$4,500,000	1	–
HK$4,500,001 – HK$5,000,000	–	1
HK$5,000,001 – HK$5,500,000	2	–
HK$6,000,001 – HK$6,500,000	–	1
HK$7,000,001 – HK$7,500,000	1	–
HK$7,500,001 – HK$8,000,000	–	1
	9	10

14 INTANGIBLE ASSETS

	Group				
	Goodwill HK$'000	Customer relationships HK$'000	Non-compete agreements HK$'000	Trademark HK$'000	Total HK$'000
At 1 January 2012	1,099,021	38,967	35,592	12,134	1,185,714
Acquisition of subsidiaries	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 35)	183,322	48,118	4,143	–	235,583
Impairment	(10,520)	–	–	–	(10,520)
Amortisation	–	(32,666)	(6,247)	(3,375)	(42,288)
Exchange adjustment	8,642	1,901	1,676	152	12,371
At 31 December 2013	1,806,819	103,683	37,800	20,648	1,968,950
At 31 December 2013					
Cost	1,889,559	168,798	52,704	27,008	2,138,069
Accumulated amortisation and impairment	(82,740)	(65,115)	(14,904)	(6,360)	(169,119)
	1,806,819	103,683	37,800	20,648	1,968,950

The amortisation of intangible assets was charged to administrative expenses.

14 INTANGIBLE ASSETS (CONTINUED)

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:

	2013 HK$'000	2012 HK$'000
Logistics operations		
Hong Kong	32,837	32,837
PRC	210,893	215,512
Taiwan	350,457	327,009
South and South East Asia	193,766	195,848
Others	12,283	14,089
	800,236	785,295
International freight forwarding		
Hong Kong	16,894	16,894
PRC	427,538	406,994
South and South East Asia	135,332	171,371
Europe	359,922	244,821
Others	66,897	–
	1,006,583	840,080
	1,806,819	1,625,375

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 2013

Logistics operations

	Hong Kong	PRC	South and South East Asia
Gross margin	4% – 7%	3% – 9%	6% – 40%
Growth rate	2% – 3%	3%	3% – 5%
Discount rate	12%	12% – 13.5%	12% – 20%

International freight forwarding

	Hong Kong	PRC	South and South East Asia	Europe
Gross margin	7%	3% – 6%	5% – 12%	1% – 9%
Growth rate	2%	3%	3% – 5%	2% – 5%
Discount rate	12%	12.5%	15% – 20%	9% – 12.5%

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%

14 INTANGIBLE ASSETS (CONTINUED)

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS (CONTINUED)

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$22,994,000 (2012: HK$5,504,000) would be required for the goodwill at 31 December 2013. In logistics operations, the recoverable amount calculated based on value in use exceeded carrying value by HK$696,347,000 and HK$404,916,000 for PRC and South and South East Asia respectively. In international freight forwarding operations, the recoverable amount calculated based on value in use exceeded carrying value by HK$3,749,000, HK$67,445,000 and HK$970,816,000 for PRC, South and South East Asia and Europe respectively.

15 INVESTMENT PROPERTIES

	Group	
	2013 **HK$'000**	2012 HK$'000
At beginning of year	5,767,637	5,143,118
Additions	–	18
Acquisition of a subsidiary	–	59,048
Change in fair value	600,210	265,155
Transfer from leasehold land and land use right/property, plant and equipment	–	296,685
Exchange adjustment	11,435	3,613
At end of year	6,379,282	5,767,637

(a) Investment properties were valued by independent professional valuers, namely DTZ Debenham Tie Leung Limited as at 31 December 2013; DTZ Debenham Tie Leung Limited, Savills Valuation and Professional Services Limited and ECG Consultancy Pte Ltd as at 31 December 2012, by mainly adopting the investment approach of valuation.

(b) The Group's investment properties at their net book values are analysed as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	5,330,200	4,793,200
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	1,049,082	974,437
	6,379,282	5,767,637

As at 31 December 2013, investment properties amounting to HK$230,168,000 (2012: HK$171,953,000) were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 37).

(c) Amounts recognised in profit and loss for investment properties:

	Group	
	2013 **HK$'000**	2012 HK$'000
Rental income	425,789	319,983
Direct operating expenses from property that generated rental income	(84,900)	(69,492)
Direct operating expenses from property that did not generate rental income	–	(18)
	340,889	250,473

15 INVESTMENT PROPERTIES (CONTINUED)

(d) Valuation of investment properties

Fair value measurement using significant inputs

	Hong Kong HK$'000	PRC HK$'000	Overseas HK$'000	Total HK$'000
At 1 January 2013	4,793,200	571,867	402,570	5,767,637
Change in fair value	537,000	5,760	57,450	600,210
Exchange adjustment	–	16,967	(5,532)	11,435
At 31 December 2013	5,330,200	594,594	454,488	6,379,282

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by DTZ Debenham Tie Leung Limited, independent qualified valuer not related to the Group, who hold a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued at 31 December 2013. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management and the Audit and Compliance Committee. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

– verifies all major inputs to the independent valuation report;

– assesses property valuations movements when compared to the prior year valuation report; and

– holds discussions with the independent valuer.

Valuation techniques

Fair value of investment properties in Hong Kong, PRC and overseas are generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted.

15 INVESTMENT PROPERTIES (CONTINUED)

(d) Valuation of investment properties (Continued)

Significant unobservable inputs used to determine fair value

Capitalisation rates are estimated by valuer based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings for Hong Kong, PRC and overseas investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The capitalisation rates used are as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Capitalisation rate	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	
	2013 HK$'000	2012 HK$'000
Decrease of capitalisation rate by 10%	507,700	496,853
Increase of capitalisation rate by 10%	(417,400)	(417,241)

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	
	2013 HK$'000	2012 HK$'000
Decrease of reversionary income by 10%	(433,700)	(433,509)
Increase of reversionary income by 10%	430,600	434,233

(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 mainly between 1 year and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rates. No contingent rents are recognised during the year (2012: nil).

Minimum lease payments receivable on leases of investment properties are as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Land and buildings:		
Within one year	335,565	246,893
In the second to fifth year, inclusive	319,511	212,338
Over five years	128,161	149,449
	783,237	608,680

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group 2013 HK$'000	Group 2012 HK$'000
At beginning of year	538,883	576,281
Additions	12,825	22,078
Amortisation	(10,727)	(7,954)
Transfer to investment properties	–	(57,444)
Exchange adjustment	367	5,922
At end of year	541,348	538,883

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 2013 HK$'000	Group 2012 HK$'000
Outside Hong Kong, held on:		
Leases of over 50 years	70,819	81,528
Leases of between 10 to 50 years	470,529	457,355
	541,348	538,883

As at 31 December 2013, leasehold land and land use rights amounting to HK$159,923,000 (2012: HK$110,526,000) were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 37).

17 PROPERTY, PLANT AND EQUIPMENT

Group

	Warehouse and logistics centres HK$'000	Staff quarters HK$'000	Freehold land and buildings HK$'000	Port facilities HK$'000	Leasehold improvements HK$'000	Warehouse operating equipment HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Construction in progress HK$'000	Total 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	41,874	–	143,977	10,798	70,069	309,938	123,118	413,347	1,113,121
Acquisition of subsidiaries (note 35)	–	–	50,002	–	405	980	2,987	29,827	84,201
Disposals	(11,052)	(7,024)	(11,991)	–	(74,792)	(194,203)	(107,365)	–	(406,427)
Disposal of subsidiaries	(100,996)	–	–	–	–	(57)	(25)	–	(101,078)
Transfer/ reclassification	451,327	–	163,465	81,147	8,864	19,333	(2,681)	(721,455)	–
Exchange adjustment	(15,435)	294	(119,678)	(19,538)	(14,168)	(56,877)	3,479	1,594	(220,329)
At 31 December 2013	1,861,407	9,356	3,096,843	379,923	449,475	1,415,239	663,509	208,101	8,083,853
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 year	39,819	581	45,031	9,238	67,251	139,345	95,470	–	396,735
Disposals	(1,311)	(4,338)	(78)	–	(65,541)	(169,619)	(90,887)	–	(331,774)
Disposal of subsidiaries	(61,353)	–	–	–	–	(54)	(23)	–	(61,430)
Transfer/ reclassification	9	–	(708)	–	6,067	(6,386)	1,018	–	–
Exchange adjustment	(8,025)	197	(10,016)	(6,593)	(9,232)	(36,476)	2,629	–	(67,516)
At 31 December 2013	228,946	4,666	208,446	98,184	157,094	518,892	335,635	–	1,551,863
Net book value									
As at 31 December 2013	1,632,461	4,690	2,888,397	281,739	292,381	896,347	327,874	208,101	6,531,990

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Warehouse and logistics centres HK$'000	Staff quarters HK$'000	Freehold land and buildings HK$'000	Port facilities HK$'000	Leasehold improvements HK$'000	Warehouse operating equipment HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Construction in progress HK$'000	Total 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	1,801	–	–	–	1,776	42,563	9,174	–	55,314
Disposals	–	(3,273)	(12,355)	–	(17,427)	(86,205)	(79,713)	–	(198,973)
Transfer/ 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/ 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

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) As at 31 December 2013 and 2012, 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 37) with aggregate net book values as follows:

	2013 HK$'000	2012 HK$'000
Freehold land and buildings	1,368,459	1,511,473
Warehouse and logistics centres	431,022	189,026
Port facilities	281,739	211,977
	2,081,220	1,912,476

(b) The Group's warehouse and logistics centres at their net book values are analysed as follows:

	2013 HK$'000	2012 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	418,220	471,061
Outside Hong Kong, held on:		
Leases of over 50 years	76,173	78,727
Leases of between 10 to 50 years	1,138,068	686,094
	1,632,461	1,235,882

(c) The Group's freehold land and buildings and port facilities are located outside Hong Kong.

18 SUBSIDIARIES

	Company	
	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost (note)	215,337	198,931

Note: Details of the subsidiaries are set out in note 41 to the financial statements.

19 ASSOCIATES

	Group	
	2013 HK$'000	2012 HK$'000
Share of net assets (note (b))	1,074,060	874,295
Amounts due from associates (note (c), (d))	48,516	64,654
	1,122,576	938,949

19 ASSOCIATES (CONTINUED)

(a) The Group held interests in the following principal associates:

	Company	Place of incorporation	Principal activities	Class of shares/ registered capital	Interest held indirectly 2013	Interest held indirectly 2012
(3)(4)	Asia Airfreight Terminal Company Limited	Hong Kong	Air cargo terminal	Ordinary	15%	15%
(1)(2)	Beijing Bei Jian Tong Cheng International Logistics Co., Ltd	PRC	Logistics business	RMB500,000,000	24%	24%
(2)	Chiwan Container Terminal Co., Ltd.	PRC	Port operation	US$95,300,000	25%	25%

Notes:

(1) English translation of name only
(2) Sino-foreign equity joint venture enterprise
(3) Companies having a financial accounting period which is not conterminous with the Group
(4) Significant influence is obtained by the Group through participation 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 2013 HK$'000	Group 2012 HK$'000
Aggregate attributable amounts of total assets	1,424,071	1,342,244
Aggregate attributable amounts of total liabilities	350,011	467,949
Aggregate attributable amounts of total turnover	556,392	535,947
Aggregate attributable amounts of net profit after tax	128,368	136,421

(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.

(d) The carrying amounts of the amounts due from associates are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
United States dollar	3,039	–
Renminbi	–	63,304
Hong Kong dollar	45,477	1,350
	48,516	64,654

20 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013 HK$'000	2012 HK$'000
Unlisted equity securities, at fair value	59,052	61,459

21 INVENTORIES

	Group	
	2013 HK$'000	2012 HK$'000
Finished goods	164,016	109,913

The cost of inventories recognised as expense and included in direct operating expenses for the year ended 31 December 2013 amounted to HK$844,773,000 (2012: HK$868,595,000).

22 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Trade receivables	3,742,902	3,436,635	–	–
Less: Provision for impairment of receivables (note (b))	(62,871)	(46,921)	–	–
Trade receivables – net	3,680,031	3,389,714	–	–
Prepayments (note (c))	238,227	172,788	–	–
Deposits (note (d))	130,007	249,680	7,035	7,838
Others (note (e))	612,297	513,111	–	49
	4,660,562	4,325,293	7,035	7,887

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	
	2013 HK$'000	2012 HK$'000
Below 1 month	2,218,348	2,050,915
Between 1 month and 3 months	1,282,114	1,149,776
Over 3 months	179,569	189,023
	3,680,031	3,389,714

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.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2013, trade receivables of HK$973,930,000 (2012:HK$660,885,000) 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	
	2013 HK$'000	2012 HK$'000
Up to 3 months	950,697	624,763
Over 3 months	23,233	36,122
	973,930	660,885

22 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes: (Continued)

(b) As of 31 December 2013, trade receivables of HK$62,871,000 (2012: HK$46,921,000) 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	
	2013 HK$'000	2012 HK$'000
At beginning of year	46,921	30,085
Provision for impairment of receivables	10,856	22,097
Reversal of provisions	(1,109)	(479)
Receivables written off during the year as uncollectible	(3,581)	(8,113)
Exchange adjustment	9,784	3,331
At end of year	62,871	46,921

(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	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Renminbi	1,888,957	1,951,938	–	–
Hong Kong dollar	667,243	533,881	7,035	123
Taiwan dollar	494,009	476,290	–	–
Thai Baht	168,117	237,812	–	–
United States dollar	336,422	223,693	–	7,764
Euro	322,325	222,168	–	–
Pound sterling	167,165	180,269	–	–
Indian Rupee	164,383	138,647	–	–
Malaysian Ringgit	111,604	121,605	–	–
Australian dollar	64,415	67,483	–	–
Vietnamese Dong	75,083	59,624	–	–
Other currencies	200,839	111,883	–	–
	4,660,562	4,325,293	7,035	7,887

(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.

23 BALANCES WITH GROUP COMPANIES

The balances with group companies are unsecured, interest-free and have no fixed terms of repayment. They are denominated mainly in Hong Kong dollars.

24 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) RESTRICTED AND PLEDGED BANK DEPOSITS

As at 31 December 2013, the Group's bank balances amounting to approximately HK$8,710,000 (2012: HK$4,510,000) represented deposits pledged for bank facilities of the Group.

(b) CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Cash at bank and in hand	3,747,145	2,517,210	948,409	63,744
Short-term bank deposits	481,222	422,435	969	124,089
Cash and bank balances	4,228,367	2,939,645	949,378	187,833

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	Group	
	2013 HK$'000	2012 HK$'000
Cash and bank balances	4,228,367	2,939,645
Secured bank overdrafts	(18,981)	(23,960)
Unsecured bank overdrafts	(1,410)	(2,129)
	4,207,976	2,913,556

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Renminbi	1,330,353	1,054,679	3,879	124,089
Hong Kong dollar	1,721,183	872,734	944,651	62,896
United States dollar	259,305	285,387	848	848
Taiwan dollar	333,973	185,652	–	–
Pound sterling	86,201	176,053	–	–
Euro	155,475	121,933	–	–
Vietnamese Dong	123,129	54,579	–	–
Singapore dollar	56,882	47,863	–	–
Other currencies	141,475	114,676	–	–
	4,207,976	2,913,556	949,378	187,833

25 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Trade payables	1,710,545	1,663,301	–	–
Accrued charges (note (c))	868,030	546,498	39,754	3,549
Customer deposits	104,483	97,051	–	–
Consideration payable for acquisition of subsidiaries	286,940	424,827	–	–
Others (note (d))	1,074,079	1,191,352	–	–
	4,044,077	3,923,029	39,754	3,549
Less: non-current consideration payable for acquisition of a subsidiary	(70,718)	–	–	–
	3,973,359	3,923,029	39,754	3,549

25 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES (CONTINUED)

(a) The ageing analysis of trade payables of the Group is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Below 1 month	889,652	848,793
Between 1 month and 3 months	535,522	511,014
Over 3 months	285,371	303,494
	1,710,545	1,663,301

(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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	1,581,657	1,836,048	–	–
Hong Kong dollar	679,840	560,910	39,754	3,549
Taiwan dollar	475,405	408,486	–	–
United States dollar	341,056	383,064	–	–
Euro	341,775	203,179	–	–
Pound sterling	132,813	180,812	–	–
Thai baht	137,890	137,871	–	–
Indian Rupee	61,378	73,613	–	–
Malaysian Ringgit	95,043	28,126	–	–
Other currencies	197,220	110,920	–	–
	4,044,077	3,923,029	39,754	3,549

(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 and value added tax payables.

26 SHARE CAPITAL

	2013	2012
	HK$'000	HK$'000
Authorised, issued and fully paid: 1,657,364,112 ordinary shares of HK$0.5 each (2012: 500,000 ordinary shares of HK$1 each)	828,682	500

	2013		2012	
	No. of shares	**HK$'000**	No. of shares	HK$'000
At 1 January	500,000	500	500,000	500
Share split (note (a))	500,000	–	–	–
Shares issued pursuant to the capitalisation issue (note (b))	1,439,477,612	719,739	–	–
Proceeds from issuance of ordinary shares (note (c))	216,071,500	108,036	–	–
Proceeds from issuance of ordinary shares under restricted share units scheme (note (d))	815,000	407	–	–
At 31 December	1,657,364,112	828,682	500,000	500

Notes:

(a) *As at 25 November 2013, each of the 500,000 shares with a par value of HK$1 was split into two shares with a par value of HK$0.5 each, such that thereafter, the total numbers of issued shares were in aggregate 1,000,000 shares with a par value of HK$0.5 each.*

(b) *On 2 December 2013, the Company issued and allotted 1,439,477,612 ordinary shares at a price of approximately HK$0.96 per share to KPL to settle the outstanding loan through capitalisation. The company has credited HK$719,739,000 to the share capital account at ordinary shares of HK$0.5 each. The excess over the par value of HK$0.5 each was credited to "Share premium (note 27)" with amount of HK$661,842,000.*

26 SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(c) *On 19 December 2013, the Company issued 216,071,500 new ordinary shares at an issue price of HK$10.2 per share in connection with its Global Offering and the commencement of the listing of its shares on the Hong Kong Stock Exchange, and raised gross proceeds of HK$2,203,929,000. The excess over the par value of HK$0.5 for the 216,071,500 ordinary shares issued net of transactions cost of HK$132,996,000 was credited to "Share premium (note 27)" with amount of HK$1,962,897,000.*

(d) *On 25 November 2013, the Company has approved and adopted the Restricted Share Unit ("RSU") Scheme by a resolution of its shareholder and of the Board. Under the RSU Scheme, the Board may, at their absolute discretion, award RSUs to employees and other persons who have contributed or will contribute to the Group.*

The RSUs do not carry any right to vote at general meetings of the Company. On 19 December 2013, the Company has allotted 815,000 new ordinary shares ("RSU shares") to the RSU trustee, Lion Trust (Hong Kong) Limited. On 24 December 2013, the Company granted 815,000 RSUs (representing 815,000 underlying shares of the Company) to 815 grantees pursuant to the RSU Scheme. The fair value of the RSU shares was HK$10.22 per share. The excess over the par value of the RSU shares amounting to HK$7,922,000 was credited to "Share premium (note 27)". As at 31 December 2013, 34,000 RSU shares have been vested.

27 SHARE PREMIUM

	2013 HK$'000
At 1 January	–
Share issued pursuant to the capitalisation issue (note 26(b))	661,842
Proceeds from issuance of ordinary shares (note 26(c))	1,962,897
Issuance of RSU shares (note 26(d))	7,922
At 31 December	2,632,661

28 OTHER RESERVES

	Group						
	Other properties revaluation reserve HK$'000	Share options reserve HK$'000	Capital reserve (note (a)) HK$'000	Enterprise expansion and general reserve funds (note (b)) HK$'000	Exchange fluctuation reserve HK$'000	Acquisition reserve (note (c)) HK$'000	Total HK$'000
At 1 January 2013	41,238	–	593,052	13,238	597,129	(248,187)	996,470
Share of exchange reserve of associates	–	–	–	–	18,642	–	18,642
Net translation differences on foreign operations	–	–	–	–	(24,751)	–	(24,751)
Capital contribution from a fellow subsidiary from share option scheme	–	22,125	–	–	–	–	22,125
Cash settlement of recharge of share based payment with a fellow subsidiary	–	(22,125)	–	–	–	–	(22,125)
Value of employee services under pre-IPO share option scheme	–	25,639	–	–	–	–	25,639
Acquisition of additional interest in subsidiaries	–	–	–	–	–	(245,591)	(245,591)
Transfer from retained profits	–	–	–	8,801	–	–	8,801
Release of reserve on disposal of subsidiaries	–	–	(15,306)	–	–	–	(15,306)
At 31 December 2013	41,238	25,639	577,746	22,039	591,020	(493,778)	763,904

28 OTHER RESERVES (CONTINUED)

	Group						
	Other properties revaluation reserve HK$'000	Share options reserve HK$'000	Capital reserve (note (a)) HK$'000	Enterprise expansion and general reserve funds (note (b)) HK$'000	Exchange fluctuation reserve HK$'000	Acquisition reserve (note (c)) HK$'000	Total HK$'000
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 a fellow subsidiary from share option scheme	–	56,435	–	–	–	–	56,435
Cash settlement of recharge of share based payment with a fellow subsidiary	–	(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

Notes:

(a) *Capital reserve of the Group arose from the Group's reorganisation in preparation for the listing of Kerry Properties Limited, its fellow subsidiary, 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.*

28 OTHER RESERVES (CONTINUED)

Notes: (Continued)

(d) Share options reserves of the Company

	Company
	2013
	HK$'000
At 1 January 2013	–
Value of employee services under pre-IPO share option scheme	25,639
At 31 December 2013	25,639

29 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 interests are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	HK$'000
Renminbi	113,021	100,584
Hong Kong dollar	58,442	60,175
Malaysian Ringgit	11,409	31,917
Other currencies	52,760	29,686
	235,632	222,362

30 BANK LOANS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
– unsecured	2,408,697	918,256	1,590,000	877,200
– secured (note 37)	455,635	446,306	–	–
	2,864,332	1,364,562	1,590,000	877,200
Current				
– unsecured	1,106,351	470,791	164,000	230,000
– secured (note 37)	198,892	129,733	–	–
	1,305,243	600,524	164,000	230,000
Total bank loans	4,169,575	1,965,086	1,754,000	1,107,200

(a) The maturity of bank loans is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	1,305,243	600,524	164,000	230,000
Between 1 and 2 years	239,784	175,754	–	–
Between 3 and 5 years	2,571,478	1,135,483	1,590,000	877,200
Repayable within 5 years	4,116,505	1,911,761	1,754,000	1,107,200
Over 5 years	53,070	53,325	–	–
	4,169,575	1,965,086	1,754,000	1,107,200

30 BANK LOANS (CONTINUED)

(b) The effective annual interest rates of the major bank borrowings at the end of the reporting period were as follows:

	2013				
	HK$	Singapore dollar	Renminbi	Thai baht	Taiwan dollar
Bank loans	1.63%	2.35%	5.93%	4.24%	1.88%

	2012				
	HK$	Singapore dollar	Renminbi	Thai baht	Taiwan dollar
Bank loans	1.49%	2.81%	5.14%	4.31%	1.19%

(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	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Hong Kong dollar	2,427,200	1,128,200	1,754,000	1,045,000
Thai baht	395,593	371,923	–	–
Taiwan dollar	910,520	102,451	–	–
Singapore dollar	194,584	170,124	–	–
Renminbi	124,956	113,993	–	62,200
Other currencies	116,722	78,395	–	–
	4,169,575	1,965,086	1,754,000	1,107,200

(e) A fellow subsidiary has executed guarantees of approximately HK$76,000,000 to banks for facilities granted to certain subsidiaries of the Group for the year ended 31 December 2012. Such guarantees have been released in 2013.

31 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$400,018,000 as at 31 December 2012, which bears interest at prevailing market rates. They are denominated in Hong Kong dollar. Part of the balances is fully repaid while the remaining balances of HK$1,381,581,000 are capitalised by issuance of 1,439,477,612 ordinary shares each at HK$0.96 per share (note 26(b)) and HK$400,000,000 is settled by the disposal of subsidiaries at a consideration of HK$400,000,000 (note 34(b)(iv)).

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. The balance is fully repaid in the year except for the balance of HK$1,381,581,000 which was capitalised as mentioned above.

32 DEFERRED TAXATION

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Deferred tax assets		
– Deferred tax asset to be recovered after more than 12 months	(59,416)	(61,134)
Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	567,554	550,756
Deferred tax liabilities (net)	508,138	489,622

32 DEFERRED TAXATION (CONTINUED)

The movement on the deferred income tax account is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of year	489,622	443,326
Acquisition of subsidiaries	18,293	25,684
Deferred taxation charged to income statement (note 9)	24,349	38,438
Deferred taxation credited to other comprehensive income	(552)	(5,778)
Transfer to tax liabilities upon the distribution of dividends	(8,112)	(12,980)
Exchange adjustment	(15,462)	932
At end of year	508,138	489,622

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 2013, the Group has unrecognised tax losses of HK$397,523,000 (2012: 366,114,000). These tax losses have no expiry dates except for the tax losses of HK$183,520,000 (2012: HK$163,766,000) which can be carried forward up to a maximum period of 9 years.

As at 31 December 2013, the aggregate amount of unrecognised deferred tax liabilities associated with undistributed earnings in subsidiaries totalled approximately HK$36,022,000 (2012: HK$50,938,000), 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.

32 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax (assets) and liabilities during the year were as follows:

	Group					
	Pension obligations HK$'000	Accelerated depreciation allowances HK$'000	Revaluation HK$'000	Tax losses HK$'000	Withholding tax on distributed profits of subsidiaries and associates HK$'000	Total HK$'000
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	–	18,293	–	–	–	18,293
Deferred taxation charged/(credited) to income statement	4,727	(6,646)	11,152	(3,967)	19,083	24,349
Deferred taxation credited to other comprehensive income	(552)	–	–	–	–	(552)
Transfer to tax liabilities upon the distribution of dividends	–	–	–	–	(8,112)	(8,112)
Exchange adjustment	1,510	(16,972)	–	–	–	(15,462)
At 31 December 2013	(53,591)	234,949	297,790	(5,825)	34,815	508,138

33 RETIREMENT BENEFITS

The Group operates various pension schemes. The schemes are funded through payments to independent trustee-administered funds. The Group has both defined contribution and defined benefit plans during the year.

(a) DEFINED CONTRIBUTION PLANS

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,250 (prior to 1 June 2012: HK$1,000) per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is HK$6,500 (prior to 1 June 2012: HK$5,000) per month or more. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the "Fund") which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK$10,000 (2012: HK$10,000) per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. Such forfeited contributions utilised during the year as well as the unutilised forfeited contributions available at the year end to reduce future contributions are minimal.

The subsidiaries operating in the PRC and overseas participate in the defined contribution retirement schemes as required by the relevant local government authorities. The Group is required to make contributions at a certain percentage of employees' salary in accordance with the schemes set up by the PRC and overseas subsidiaries and/or under statutory requirements.

33 RETIREMENT BENEFITS (CONTINUED)

(b) 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 income statement were as follows:

	2013 HK$'000	2012 HK$'000
Current service cost	6,370	4,849
Interest cost, net	5,080	5,907
Total, included in staff costs (note 13)	11,450	10,756

Out of the total charge, for the year ended 31 December 2013, HK$11,000,000 (2012: HK$8,121,000) were included in direct operating expenses, and HK$450,000 (2012: HK$2,635,000) were included in administrative expenses, respectively.

The amounts recognised in the consolidated statement of financial position are as follows:

	2013 HK$'000	2012 HK$'000
Fair value of plan assets	5,566	3,646
Present value of funded obligations	(320,804)	(352,344)
Total pension liabilities	(315,238)	(348,698)

The movements in the fair value of plan assets for the year are as follows:

	2013 HK$'000	2012 HK$'000
At beginning of year	3,646	5,173
Remeasurements	17	40
Employer contributions	39,073	35,501
Benefits paid	(37,077)	(37,698)
Exchange adjustment	(93)	630
At end of year	5,566	3,646

The movements in the present value of defined benefit obligations recognised in the consolidated statement of financial position are as follows:

	2013 HK$'000	2012 HK$'000
At beginning of year	352,344	325,331
Current service cost	6,370	4,849
Interest cost	5,129	5,907
Remeasurements	3,263	46,167
Benefits paid	(37,077)	(37,698)
Exchange adjustment	(9,225)	7,788
At end of year	320,804	352,344

	2013 HK$'000	2012 HK$'000
Actual return on plan assets in the year	17	40

33 RETRIEMENT BENEFITS (CONTINUED)

(b) DEFINED BENEFIT PLANS (CONTINUED)

The principal actuarial assumptions used are as follows:

	2013 HK$'000	2012 HK$'000
Discount rate applied to pension obligations	2.00%	1.50%
Future salary increases	1.00%	1.00%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Unfavourable change	
	2013 HK$'000	2012 HK$'000
Discount rate applied to pension obligations decreases by 0.5%	13,384	27,469
Future salary increases by 0.5%	13,384	27,469

	Favourable change	
	2013 HK$'000	2012 HK$'000
Discount rate applied to pension obligations increases by 0.5%	(12,091)	(24,814)
Future salary decreases by 0.5%	(12,205)	(25,048)

The fair value of plan assets comprised as follows.

	2013 HK$'000	2012 HK$'000
Cash and cash equivalents	1,617	1,148
Debt instruments	560	422
Equity instruments	3,389	2,076
	5,566	3,646

The history of defined benefit plans as at 31 December 2013 and 2012 are as follows:

	2013 HK$'000	2012 HK$'000
Fair value of plan assets	5,566	3,646
Present value of pension obligations	(320,804)	(352,344)
Deficit	(315,238)	(348,698)

The Group will make additional cash contributions towards the deficit when needed.

Expected employer contribution to the plans of the Group for the year ending 31 December 2014 is HK$36,035,000 (2013: HK$35,858,000).

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from operations:

	2013 HK$'000	2012 HK$'000
Profit before taxation	2,441,257	1,656,800
Share of results of associates	(128,368)	(136,421)
Interest income	(33,447)	(28,330)
Dividend income from available-for-sale investments	(3,442)	(21)
Finance costs	93,668	63,124
Change in fair value of investment properties	(600,210)	(265,155)
Gain on sale of an available-for-sale investment	(626)	–
Impairment of available-for-sale investments	–	82
Gain on disposal of subsidiaries	(360,316)	–
Gain on disposal of property, plant and equipment	(10,154)	(7,065)
Impairment of goodwill	10,520	7,000
Provision for impairment of receivables	10,856	22,097
Reversal of provision for impairment of receivables	(1,109)	(479)
Share options expense	47,764	56,435
Fair value (gain)/loss on contingent payment for acquisition of subsidiaries	(12,088)	310
Amortisation of intangible assets	42,288	38,043
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	407,462	329,309
Operating cash flow before working capital changes	1,904,055	1,735,729
Increase in inventories and accounts receivable, prepayments and deposits	(308,633)	(703,223)
Increase in current liabilities, excluding taxation, bank loans, bank overdrafts and loans from fellow subsidiaries	138,218	179,373
Change in net pension liabilities	(39,073)	(24,745)
Decrease in contingent payment for acquisition of subsidiaries	–	(8,377)
Net cash generated from operations	1,694,567	1,178,757

(b) Major non cash transactions

(i) For the year ended 31 December 2013, interest expense of HK$3,117,000 (2012: HK$5,433,000), to fellow subsidiaries was settled through current account with a fellow subsidiary.

(ii) For the year ended 31 December 2013, consideration to be paid of HK$101,362,000 (2012: HK$257,114,000) was deferred from the acquisition of subsidiaries.

(iii) For the year ended 31 December 2013, loan from a fellow subsidiary of HK$1,381,581,000 was settled through capitalisation (note 26 (b)).

(iv) In December 2013, the Group disposed 100% equity interest in the holding company of Kerry D.G. Warehouse (Kowloon Bay) to a subsidiary of KPL at a consideration of HK$400,000,000 for settlement of loan to a fellow subsidiary. Details of net assets of disposed subsidiaries at date of disposal are set out below:

	HK$'000
Net assets disposed	
Property, plant and equipment (note 17)	39,648
Accounts receivable, prepayments and deposits	1,703
Cash and bank balances	10
Accounts payable, deposits received and accrued charges	(1,640)
Taxation	(37)
Book value of net assets disposed	39,684

Analysis of gain on disposal of subsidiaries:

	HK$'000
Consideration net of expenses incurred	400,000
Less: Net assets disposed	(39,684)
Gain on disposal of subsidiaries (note 6)	360,316

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Analysis of the net cash outflow in respect of the acquisition of subsidiaries treated as business combinations

	2013 HK$'000	2012 HK$'000
Cash consideration paid	(187,623)	(414,416)
Cash consideration paid for prior year's acquisition	(235,618)	(125,122)
Cash consideration paid for acquisition of a subsidiary treated as asset acquisition	–	(58,974)
Cash and bank balances acquired	23,844	106,156
Net cash outflow in respect of the acquisition of subsidiaries	(399,397)	(492,356)

(d) Transactions with non-controlling interests

During the year ended 31 December 2013, the Group completed the following transactions with non-controlling interests:

During the year, the Group acquired additional effective interests of 49% in Kerry Freight (USA) Incorporated, 6.04% in Kerry TJ Logistics Company Limited, 2% in K.A.S Services Company Limited, 9% in Kerry Logistics (UK) Limited and 20% in Trust Speed Group.

The effect of these transactions are summarised as follows:

	HK$'000
Consideration paid to non-controlling interests	393,456
Decrease in non-controlling interests	(147,865)
Excess of consideration paid recognised in the acquisition reserve within equity	245,591

35 BUSINESS COMBINATIONS

During the year, the Group completed several acquisitions of subsidiaries as follows:

In May 2013, the Group acquired 50% interest in Albini & Pitigliani Sverige AB which is engaged in road transportation business within the European Continent as well as international freight forwarding business for future network expansion. 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 in four tranches over a period of four years, and the Group was given a call option to purchase the remaining 50% equity interest from the vendors with an unlimited exercise period. The put and call options for the remaining 50% equity interest has been accounted for as a deferred consideration payable. The Directors consider that the Group has effectively assumed all the risks and rewards of the entity and Albini & Pitigliani Sverige AB has been consolidated as a wholly owned subsidiary of the Group accordingly.

In June 2013, the Group acquired 51% interest in Braservice – Transportes Internacionais Ltda and Braservice Cargo – Transportes, Armazenageme Logistica Ltda (collectively as "Braservice") which is engaged in international freight forwarding, customs brokerage and other related logistics services in Brazil.

In July 2013, the Group acquired 70% interest in Cargo Master's Internacional S.A. de C.V. and Servicios Corporativos Cargo Master's S.A. de C.V. ("Cargo Master"), which is engaged in international freight forwarding, customs brokerage and other related logistics services in Mexico.

Aggregate consideration of the above transactions is as follows:

	HK$'000
Cash consideration paid	187,623
Consideration to be paid	101,362
	288,985

35 BUSINESS COMBINATIONS (CONTINUED)

The recognised amounts of identifiable assets acquired and liabilities assumed as at the respective dates of acquisition are as follows:

	HK$'000
Property, plant and equipment	84,201
Intangible assets	
– Customer relationships	48,118
– Non-compete agreements	4,143
Accounts receivable, prepayments and deposits	85,382
Cash and bank balances	23,844
Accounts payable, deposits received and accrued charges	(78,365)
Bank loans	(17,872)
Loans from non-controlling interests	(14,248)
Taxation	(2,483)
Deferred taxation	(18,293)
Total identifiable net assets	114,427
Goodwill	183,322
Non-controlling interests	(8,764)
Total	288,985

The goodwill of HK$183,322,000 arising from these acquisitions is attributable to the future profitability of the acquired businesses.

The acquired businesses contributed turnover of HK$274,964,000 and net profit of HK$12,829,000 to the Company's shareholders for the period from their respective acquisition dates up to 31 December 2013. If the acquisitions had occurred on 1 January 2013, the contributed turnover and profit attributable to Company's shareholders for the year ended 31 December 2013 would have been HK$444,769,000 and HK$19,932,000 respectively.

The fair value of the deferred consideration of HK$101,362,000 has been provided in the consolidated financial statements of the Group and shall be subject to fair value change in the consolidated income statement at the end of each reporting period.

36 COMMITMENTS

(a) At 31 December 2013, the Group had capital commitments in respect of property, plant and equipment and acquisition of subsidiaries not provided for in these financial statements as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for	142,982	520,290
Authorised but not contracted for	175,736	157,521
	318,718	677,811

(b) At 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Land and buildings:		
Within one year	347,781	280,281
In the second to fifth year, inclusive	442,096	377,523
Over five years	181,601	183,517
	971,478	841,321

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are mainly between 1 year and 10 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 15(e).

37 PLEDGE OF ASSETS – GROUP

At 31 December 2013, the Group's total bank loans of HK$4,169,575,000 (2012: HK$1,965,086,000) included an aggregate amount of HK$654,527,000 (2012: HK$576,039,000) which is secured. The Group's total bank overdrafts of HK$20,391,000 (2012: HK$26,089,000) included an aggregate amount of HK$18,981,000 (2012: HK$23,960,000) 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 15, 16 and 17);

(ii) assignments of insurance proceeds of certain properties.

38 SHARE OPTIONS

KPL SHARE OPTIONS SCHEMES

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:

	2013		2012	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	30.44	3,367,500	29.68	3,590,000
Changes due to appointment of directors (note (i))	47.70	1,100,000	N/A	–
Exercised during the year (note (ii))	18.18	(1,787,500)	18.11	(222,500)
At 31 December (note (iii))	45.70	2,680,000	30.44	3,367,500

For the share options exercised during the year ended 31 December 2013, the related weighted average share price at the time of exercise was HK$32.15 (2012: HK$36.29), and the total amount of proceeds received was approximately HK$32,494,000 (2012: HK$4,030,000).

Notes:

(i) Mr Kuok Khoon Hua and Mr Qian Shaohua were appointed as directors of the Company on 25 November 2013.

(ii) Details of share options exercised:

Exercise price per share (HK$)	*Number of share options*	
	2013	*2012*
18.74	*922,500*	*102,500*
17.58	*865,000*	*120,000*
	1,787,500	*222,500*

38 SHARE OPTIONS (CONTINUED)

KPL SHARE OPTIONS SCHEMES (CONTINUED)

(a) 2002 SHARE OPTION SCHEME (CONTINUED)

Notes: (Continued)

(iii) Terms of share options at the end of the reporting period were as follows:

Expiry date	Exercise price share (HK$)	Number of share options 2013	2012
17/03/2006-16/03/2015	18.74	25,000	25,000
17/03/2007-16/03/2015	18.74	35,000	957,500
02/04/2009-01/04/2018	47.70	625,000	350,000
02/04/2010-01/04/2018	47.70	625,000	350,000
02/04/2011-01/04/2018	47.70	1,250,000	700,000
06/02/2010-05/02/2019	17.58	45,000	475,000
06/02/2011-05/02/2019	17.58	75,000	510,000
		2,680,000	3,367,500

(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 its subsidiaries, 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:

	2013		2012	
	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	35.45	6,170,000
Changes due to appointment of directors (note (i))	35.45	1,000,000	–	–
Lapsed during the year	35.45	(100,000)	–	–
At 31 December (note (ii))	35.45	7,070,000	35.45	6,170,000

Notes:

(i) Mr Kuok Khoon Hua and Mr Qian Shaohua were appointed as directors of the Company on 25 November 2013.

(ii) Terms of share options at the end of the reporting period were as follows:

Expiry date	Exercise price share (HK$)	Number of share options 2013	2012
31/10/2012–29/04/2022	35.45	3,485,000	2,985,000
15/02/2013–29/04/2022	35.45	–	50,000
01/04/2013–29/04/2022	35.45	50,000	50,000
31/10/2013–29/04/2022	35.45	3,535,000	3,085,000
		7,070,000	6,170,000

(iii) 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.

38 SHARE OPTIONS (CONTINUED)

KLN SHARE OPTIONS SCHEMES

(a) 2013 PRE-IPO SHARE OPTION SCHEME

The 2013 Pre-IPO Share Option Scheme was adopted by KLN on 25 November 2013. Under the 2013 Pre-IPO Share Option Scheme, the Directors of KLN may, at their absolute discretion, grant share options to motivate executives and key employees and other persons who may make a contribution to the Group, and enables KLN to attract and retain individuals with experience and ability and to reward them for their contributions. The exercise price of the options granted under the Pre-IPO Share Option Scheme is the offer price pursuant the Global Offering of the shares of KLN.

Details of the movement of the share options granted to the Directors and employees of the Group under the 2013 Pre-IPO Share Option Scheme are as follows:

	2013		2012	
	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number
At 1 January	N/A	–	N/A	–
Granted during the year (note (ii))	HK$10.20	42,770,000	N/A	–
At 31 December (note (i))	HK$10.20	42,770,000	N/A	–

Notes:

(i) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price share (HK$)	Number of share options 2013	2012
19/12/2013 – 01/12/2023	10.20	21,385,000	–
02/12/2014 – 01/12/2023	10.20	21,385,000	–
		42,770,000	–

(ii) The weighted average fair value of the share options granted on 2 December 2013 to the directors and employees of the Group was HK$1.19 per share. The valuation was based on a Binomial Model with the following data and assumptions:

Share price at grant date: HK$8.16
Exercise price: HK$10.2
Expected volatility[I]: 30% per annum
Share options life: 10 years
Average risk-free interests rate[II]: 2.11% per annum
Expected dividend yield: 3.35% 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 180% 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.

(b) 2013 POST-IPO SHARE OPTION SCHEME

The 2013 Post-IPO Share Option Scheme was adopted by the Company on 25 November 2013 and became effective on 19 December 2013 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

Under the 2013 Post-IPO Share Option Scheme, the Directors of the Company may, at their absolute discretion, grant share options to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Company to attract and retain individuals with experience and ability and to reward them for their contributions.

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 30% of the total number of shares in issue.

The exercise period of the share options granted is determinable and notified by the directors, and may commerce after the date of grant but shall not be later than 10 years from the date of grant.

38 SHARE OPTIONS (CONTINUED)

KLN SHARE OPTIONS SCHEMES (CONTINUED)

(b) 2013 POST-IPO SHARE OPTION SCHEME (CONTINUED)

The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares on the date of the offer of the share options; and (iii) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. No share options have been granted since the adoption of the Post-IPO Share Option Scheme and the Company had no share options outstanding at the end of the reporting period.

39 RELATED PARTY TRANSACTIONS

Except for the related party transactions disclosed in notes 19, 23, 29 and 31 in the consolidated financial statements, the Group had the following material related party transactions carried out in the normal course of business during the year:

(a) SALES/(PURCHASES) OF SERVICES

	2013 HK$'000	2012 HK$'000
Fellow subsidiaries		
Logistics services income	15,064	7,445
Rental expense	(5,546)	(6,013)
Fellow subsidiary		
Management fee expense	(25,492)	(26,391)
Associates of the Group/Kerry Properties Limited/Kerry Group Limited		
Storage service expense	(12,703)	(37,126)
Rental expense	(26,460)	(1,653)
Interest income	975	3,495

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 (2012: ten) senior executives who report to the Board of Directors.

	2013 HK$'000	2012 HK$'000
Salaries and other short-term benefits	72,280	59,776

(c) OTHER TRANSACTIONS WITH A FELLOW SUBSIDIARY

	2013 HK$'000	2012 HK$'000
Settlement of loan through capitalisation (note 26(b))	1,381,581	–
Consideration from disposal of subsidiaries (note 34(b)(iv))	400,000	–

40 CONTINGENT LIABILITIES

The Company has executed guarantees to banks for facilities granted to certain subsidiaries. The utilised amount of such facilities covered by the guarantees of the Company which also represented the financial exposure of the Company as at 31 December 2013 amounted to approximately HK$1,171,462,000 (2012: HK$437,018,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2013 amounted to approximately HK$1,715,449,000 (2012: HK$1,126,169,000).

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES

At 31 December 2013, the Company held interests in the following principal subsidiaries:

	Name	Place of incorporation/ establishment	Principal activities	Issued share capital[8]/ registered capital Number/Amount	Par value per share	Interest held indirectly 2013	2012
(7)(13)	Albini & Pitigliani Sverige AB	Sweden	Freight forwarding	SEK500,000	–	50%	–
(13)	Arie van Donge & Co. Holding B.V.	Netherlands	Freight forwarding	1,500	EUR46	89.55%	85%
(1)(3)(13)	Beijing Kerry Logistics Ltd.	PRC	Logistics business	US$12,000,000	–	100%	100%
(1)(4)	Beijing Tengchang International Transportation Service Co., Ltd.	PRC	Freight forwarding	RMB30,000,000	–	51%	51%
(1)(3)(13)	Chengdu Kerry Shudu Logistics Co., Ltd.	PRC	Logistics business	RMB50,000,000	–	100%	100%
(3)(13)	Chongqing Lingxian Industry Development Limited	PRC	Logistics business	RMB112,500,000	–	100%	100%
(1)(2)(13)	CV Global Logistics (Beijing) Limited	PRC	Logistics business	RMB50,000,000	–	100%	100%
(13)	E.A.E. Freight & Forwarding Sdn. Bhd.	Malaysia	Road freight	500,000	MYR1	55%	55%
(13)	F.D.I Commercial And Forwarding Services Company Limited	Vietnam	Freight forwarding	VND3,333,330,000	–	70%	70%
(6)(7)(13)	Indev Logistics Private Limited	India	Freight forwarding	142,124	INR100	30%	30%
	International Enterprise Co. Limited	HK	Investment holding	10	HK$1	100%	100%
				10,000[10]	HK$1		
(1)(2)(13)	KART (China) Co., Ltd (Formerly known as Shenzhen Dong Meng Logistics Limited)	PRC	Road freight	RMB5,000,000	–	100%	100%
(1)(13)	KART (Thailand) Limited	Thailand	Road freight	400,000	THB100	55%	55%
(13)	KART (Viet Nam) Company Limited	Vietnam	Road freight	VND4,173,000,000	–	100%	100%
	Kerry Cargo Centre Limited	HK	Warehouse ownership	2	HK$1	100%	100%
	Kerry Cold Store (Hong Kong) Limited	HK	Warehouse operator	2	HK$10	100%	100%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Principal activities	Issued share capital[8]/ registered capital: Number/Amount	Issued share capital[8]/ registered capital: Par value per share	Interest held indirectly 2013	Interest held indirectly 2012
	Kerry Distribution (Hong Kong) Limited	HK	Transportation and distribution services	500,000	HK$1	100%	100%
(1)(13)	Kerry Distribution (Thailand) Limited	Thailand	Transportation and distribution services	250,000[9]	THB100	80%	80%
	Kerry Distribution Services (Hong Kong) Limited	HK	Transportation and distribution services	10,000	HK$1	100%	100%
(4)(13)	Kerry EAS Logistics Limited	PRC	Logistics business	RMB270,000,000	–	70%	70%
(13)	Kerry Far East Logistics (Bangladesh) Limited	Bangladesh	Freight forwarding	100,000	BDT100	70%	70%
	Kerry Far East Logistics (Hong Kong) Limited	HK	Freight forwarding	100	HK$1	100%	100%
(1)(3)(13)	Kerry FFTZ Warehouse (Shenzhen) Ltd.	PRC	Logistics business	HK$70,000,000	–	100%	100%
	Kerry Freight (Australia) Pty Ltd	Australia	Freight forwarding	500,000	AUD1	100%	100%
	Kerry Freight (Hong Kong) Limited	HK	Freight forwarding	100	HK$100	100%	100%
				27,500[10]	HK$100		
(1)(13)	Kerry Freight (Korea) Inc.	South Korea	Freight forwarding	100,000[9]	KRW5,000	50.99%	50.99%
(13)	Kerry Freight (Singapore) Pte. Ltd. (Formerly known as Kerry Logistics (Singapore) Pte. Ltd.)	Singapore	Freight forwarding	SGD500,000	–	100%	100%
(1)(13)	Kerry Freight (Thailand) Limited	Thailand	Freight forwarding	115,000[9]	THB100	100%	100%
(13)	Kerry Freight (USA) Incorporated	United States	Freight forwarding	1,000,000	US$1	100%	51%
(13)	Kerry Freight Myanmar Limited	Myanmar	Freight forwarding	25,000	US$1	60%	60%
(13)	Kerry Integrated Logistics (Viet Nam) Co., Ltd	Vietnam	Logistics business	US$7,900,000	–	100%	100%
	Kerry Logistics (Australia) Pty Ltd	Australia	Logistics business	1,000,000	AUD2	100%	100%
(1)(13)	Kerry Logistics (Bangna) Limited	Thailand	Logistics business	5,000,000	THB100	100%	–
	Kerry Logistics (Belgium) BVBA	Belgium	Freight forwarding	EUR5,450,000	–	100%	100%
(13)	Kerry Logistics (Cambodia) Pte. Ltd.	Cambodia	Freight forwarding	1,000	KHR96,960	100%	100%
(1)(3)(13)	Kerry Logistics (Chengdu) Ltd	PRC	Logistics business	RMB27,000,000	–	100%	100%
(1)(3)(13)	Kerry Logistics (China) Investment Limited	PRC	Investment holding	US$167,500,000	–	100%	100%
(3)(13)	Kerry Logistics (Fuzhou) Co., Ltd.	PRC	Logistics business	US$2,820,000	–	100%	100%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Principal activities	Issued share capital[8]/ registered capital: Number/Amount	Issued share capital[8]/ registered capital: Par value per share	Interest held indirectly: 2013	Interest held indirectly: 2012
	Kerry Logistics (Hong Kong) Limited	HK	Logistics business	10,000,000	HK$1	100%	100%
(6)(13)	Kerry Logistics (India) Private Limited (Formerly known as Kerry Reliable Logistics Private Limited)	India	Freight forwarding	16,000	INR10	100%	100%
(1)(13)	Kerry Logistics (Japan) Limited	Japan	Freight forwarding	2,000	JPY50,000	100%	100%
(1)(3)(13)	Kerry Logistics (Kunshan) Ltd.	PRC	Logistics business	HK$178,000,000	–	100%	100%
(13)	Kerry Logistics (Macau) Limited	Macau	Logistics business	MOP100,000	–	51%	51%
(1)(3)(13)	Kerry Logistics (Shanghai Waigaoqiao) Co., Ltd.	PRC	Logistics business	HK$44,000,000	–	100%	100%
(13)	Kerry Logistics (Spain), S.A.U. (Formerly known as Kerry Salvat Logistics, S.A.)	Spain	Freight forwarding	20,000	EUR6.01	100%	100%
(1)(13)	Kerry Logistics (Thailand) Limited	Thailand	Logistics business	1,600,000	THB100	75.90%	75.90%
(3)(13)	Kerry Logistics (Tianjin) Co., Ltd.	PRC	Logistics business	HK$20,000,000	–	100%	100%
	Kerry Logistics (UK) Limited	United Kingdom	Freight forwarding	20,000	GBP1	100%	91%
(3)(13)	Kerry Logistics (Wuxi) Co., Ltd	PRC	Logistics business	HK$70,000,000	–	100%	100%
(3)(13)	Kerry Logistics (Xiamen) Co., Ltd.	PRC	Logistics business	RMB78,000,000	–	100%	100%
(3)(13)	Kerry Logistics (Zhengzhou) Limited	PRC	Logistics business	RMB50,000,000	–	100%	100%
(1)(3)(13)	Kerry Logistics Anhui Co., Ltd.	PRC	Logistics business	RMB36,000,000	–	100%	100%
(13)	Kerry Logistics Centre (Tampines) Pte. Ltd. (Formerly known as Kerry Logistics Hub (Singapore) Pte. Ltd.)	Singapore	Logistics business	SGD400,000	–	100%	100%
	Kerry Logistics Do Brasil – Transportes Internacionais Ltda (Formerly known as Braservice – Assessoria em Comercio Exterior Ltda)	Brazil	Freight forwarding	288,487	BRL1	51%	–
(13)	Kerry Logistics Management (Asia) Pte. Ltd.	Singapore	Management services	SGD1,000,000	–	100%	100%
	Kerry Logistics Mexico S.A. de C.V. (Formerly known as Cargo Master's Internacional, S.A. de C.V.)	Mexico	Freight forwarding	150,000[11] 100,000[12]	MXN1 MXN1	70%	–
(13)	Kerry Malship Logistics Lanka (Private) Limited	Sri Lanka	Freight forwarding	250,000	LKR131.10	51%	51%
	Kerry PC3 Limited	HK	Logistics business	1	HK$1	100%	100%
(1)	Kerry Siam Seaport Limited	Thailand	Seaport operation	65,000,000	THB10	79.52%	79.52%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Principal activities	Issued share capital[8]/ registered capital: Number/Amount	Issued share capital[8]/ registered capital: Par value per share	Interest held indirectly: 2013	Interest held indirectly: 2012
	Kerry TC Warehouse 1 (Block A) Limited	BVI	Warehouse ownership	1	US$1	100%	100%
	Kerry TC Warehouse 1 (Block B) Limited	BVI	Warehouse ownership	1	US$1	100%	100%
	Kerry TC Warehouse 2 Limited	HK	Warehouse ownership	10,000	HK$1	100%	100%
(1)(5)(7)(13)	Kerry TJ Logistics Company Limited	Taiwan	Logistics business	483,582,498	NTD10	36.46%	30.42%
(13)	Kerry TTC Express Joint Stock Company	Vietnam	Express services	8,600,000	VND10,000	70%	70%
	Kerry Warehouse (Chai Wan) Limited	HK	Warehouse ownership	10,000,000	HK$1	100%	100%
	Kerry Warehouse (Fanling 1) Limited	HK	Warehouse ownership	2	HK$1	100%	100%
	Kerry Warehouse (Hong Kong) Limited	HK	Warehouse operator	25,000,000	HK$1	100%	100%
	Kerry Warehouse (Kwai Chung) Limited	HK	Warehouse ownership	30,000	HK$1	100%	100%
	Kerry Warehouse (Shatin) Limited	HK	Warehouse ownership	10,000,000	HK$1	100%	100%
	Kerry Warehouse (Sheung Shui) Limited	HK	Warehouse ownership	5,000,000	HK$1	100%	100%
	Kerry Warehouse (Tsuen Wan) Limited	HK	Warehouse ownership	2	HK$1	100%	100%
	KerryFlex Supply Chain Solutions Limited	HK	Supply chain solutions	5,000,000	HK$1	100%	100%
(13)	Kerry-ATS Logistics, Inc.	Philippines	Freight forwarding	16,000,000	PHP1	51%	51%
(13)	Kerry-ITS Terminal Pte. Ltd.	Singapore	ISO tank cleaning and repairing	SGD1,800,000	–	60%	60%
(13)	PT. Kerry Logistics Indonesia	Indonesia	Freight forwarding	50,000	US$1	90%	90%
(1)(2)(13)	Shandong D-Express Logistics Co., Ltd.	PRC	Express service	RMB20,000,000	–	70%	70%
(1)(2)(13)	Shanghai Hui Cheng Logistics Co., Ltd.	PRC	Logistics business	RMB10,500,000	–	70%	70%
(1)(4)	Shanghai TCI Freight Forwarding Co., Ltd.	PRC	Freight forwarding	RMB70,000,000	–	51%	51%
(1)(2)	Shanghai Wisdom Global Logistics Co., Ltd. (Formerly known as Shanghai Wisdom International Freight Agency Co., Ltd.)	PRC	Freight forwarding	RMB23,000,000	–	70%	70%
(1)(4)(13)	Shenzhen Kerry Yantian Port Logistics Company Limited	PRC	Logistics business	RMB88,000,000	–	55%	55%
(13)	Taiwan Kerry Logistics Company Limited	Taiwan	Investment holding	10,000,000	TWD10	100%	100%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Principal activities	Issued share capital[8]/ registered capital: Number/Amount	Par value per share	Interest held indirectly 2013	2012
(13)	Top Gun Express Centre Limited	HK	Express services	1,000	HK$1	60%	60%
(13)	Transmode Overseas Transportgesellschaft mbH	Germany	Freight forwarding	EUR25,564.59	–	100%	100%
	Wah Cheong Company, Limited	HK	General merchants	150,000	HK$100	100%	100%

Notes:

(1) English translation of name only

(2) Domestic corporation

(3) Wholly foreign-owned enterprise

(4) Sino-foreign equity joint venture enterprise

(5) Listed company in Taiwan Stock Exchange Corporation. The market value of the Group's investment in Kerry TJ amounted to HK$2,482,711,000 as at 31 December 2013.

(6) Companies having a financial accounting period which is not coterminous with the Group

(7) Control is obtained by the Group through obtaining power to govern the financial and operating policies of these subsidiaries

(8) All being ordinary shares and fully paid up except otherwise stated

(9) Common shares

(10) Non-voting deferred shares

(11) Fixed capital shares

(12) Variable capital shares

(13) Companies not audited by PricewaterhouseCoopers

HK Hong Kong Special Administrative Region

BVI British Virgin Islands


KERRY
LOGISTICS
KERRY
LOGISTICS

CORE VALUES OF KERRY LOGISTICS

VOICE

VALUE CREATION WE CREATE REAL VALUE FOR OUR CLIENTS, EMPLOYEES AND SHAREHOLDERS THROUGH INNOVATIVE SOLUTIONS, REWARDING CAREERS AND FINANCIAL GROWTH. **OPENNESS** WE BELIEVE IN TRUE OPENNESS AND TRANSPARENCY THROUGHOUT OUR COMPANY. OUR MANAGEMENT ACTIVELY ENCOURAGES OPEN COMMUNICATION AND DIALOGUE AT EVERY LEVEL OF THE ORGANISATION. **INTEGRITY** OUR BUSINESS IS BUILT ON INTEGRITY. WE FOLLOW CLEAR ETHICAL GUIDELINES AND STRICTLY ENFORCE THEM THROUGHOUT THE COMPANY. **COMMITMENT** AS A SERVICE PROVIDER WE ARE COMMITTED TO THE SUCCESS OF OUR CLIENTS. WE ARE FULLY DEDICATED TO ALL PROJECTS AND ASSIGNMENTS WE TAKE ON. WE ARE ALSO COMMITTED TO OUR EMPLOYEES' CAREER DEVELOPMENT AND TO MEETING SHAREHOLDERS' EXPECTATIONS. **EXCELLENCE** WE BELIEVE IN EXCELLENCE AND PRACTISE A CONTINUOUS PROCESS OF IMPROVEMENT AND INNOVATION.

ANNUAL REPORT 2013

www.kerrylogistics.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C021898

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

(Incorporated in the British Virgin Islands and continued into Bermuda as an exempted company with limited liability)

Stock Code 636