ANNUAL REPORT 2014

DEEPENING STRENGTHS FOR THE NEW SILK ROAD

KERRY LOGISTICS

ASIA SPECIALIST

CHINA FOCUS

GLOBAL NETWORK

45 mil sqft
logistics facilities

20,000+
employees worldwide

550+
office locations

7,500+
self-owned trucks

39
countries & territories

QUICK FACTS

CONTENTS

1 CORPORATE INFORMATION & KEY DATES

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
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KEY DATES
Annual General Meeting
26 May 2015

Closure of Registers of Members
22 to 26 May 2015 and 1 June 2015

Proposed Payment of Final Dividend
15 June 2015

2 FINANCIAL HIGHLIGHTS

CORE NET PROFIT (HK$)
976 million
+10%

CORE OPERATING PROFIT
+14%

IL SEGMENT PROFIT
+12%

IFF SEGMENT PROFIT
+11%

TURNOVER (HK$)
21,115 million
+6%

DIVIDEND PAYOUT RATIO
24%

FINAL DIVIDEND 8 HK CENTS PER SHARE

NET ASSET VALUE PER SHARE (HK$)
8.67

GEARING
29.3%

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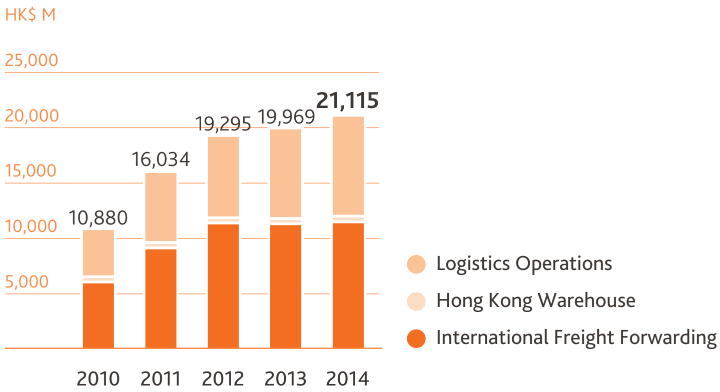
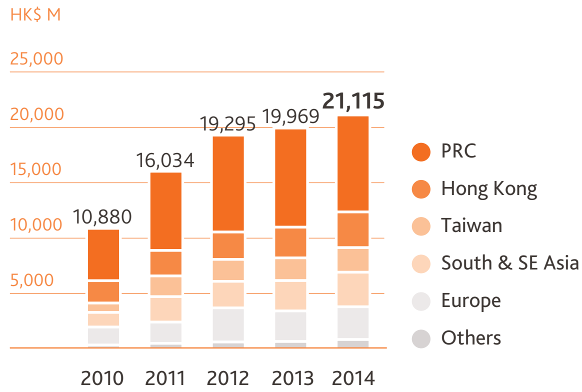
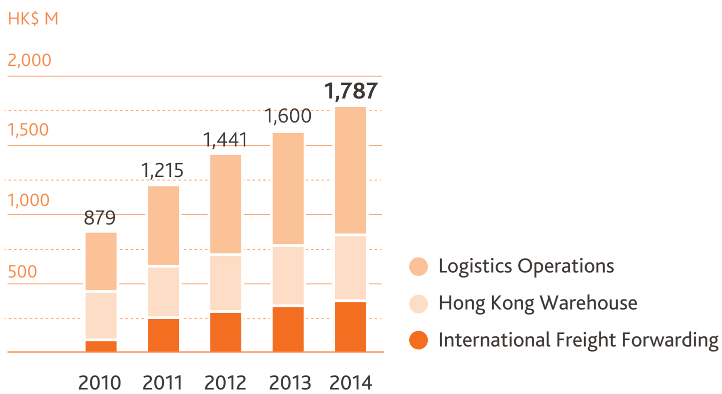
2.1 TURNOVER BY SEGMENT



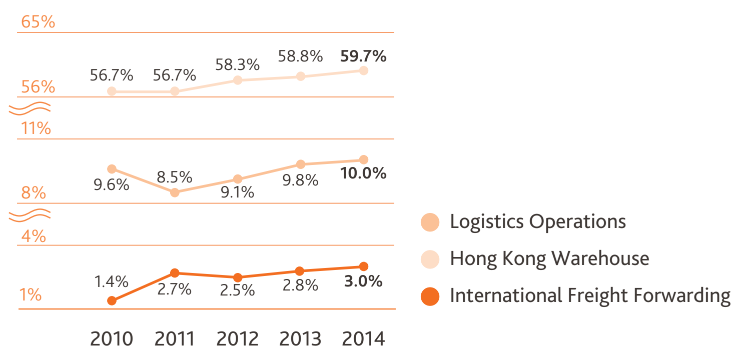
2.2 TURNOVER BY REGION



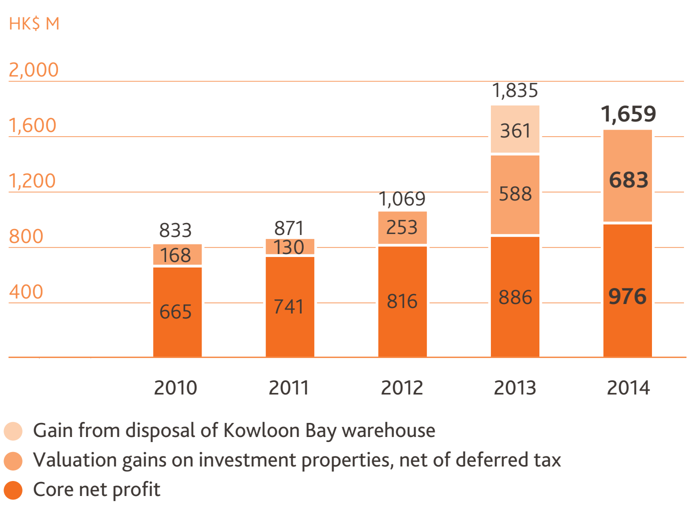
2.3 SEGMENT PROFIT



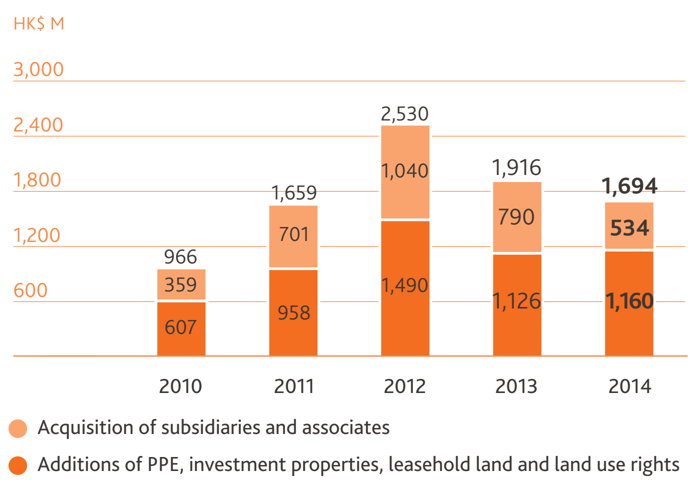
2.4 SEGMENT PROFIT MARGIN



2.5 PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS



2.6 CAPEX



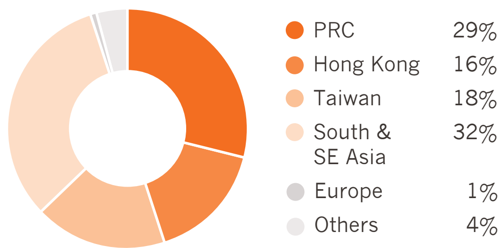
3 2010-2014 FINANCIAL SUMMARY

Income statement	**2014 HK$'000**	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Turnover	21,115,249	19,968,743	19,294,775	16,034,311	10,879,909
Operating profit	2,328,355	2,406,557	1,583,503	1,282,301	992,400
Finance costs	(102,419)	(93,668)	(63,124)	(55,394)	(23,066)
Share of results of associates	91,377	128,368	136,421	148,464	208,821
Profit before taxation	2,317,313	2,441,257	1,656,800	1,375,371	1,178,155
Taxation	(352,981)	(304,844)	(304,928)	(253,939)	(200,074)
Profit after taxation	1,964,332	2,136,413	1,351,872	1,121,432	978,081
Non-controlling interests	(305,502)	(301,891)	(282,496)	(250,688)	(144,824)
Profit attributable to the Shareholders	1,658,830	1,834,522	1,069,376	870,744	833,257
Represented by:					
Core net profit	975,993	886,372	815,720	740,748	665,182
Valuation gains in investment properties, net of deferred tax	682,837	587,834	253,656	129,996	168,075
Gain from disposal of Kowloon Bay warehouse	–	360,316	–	–	–
Profit attributable to the Shareholders	1,658,830	1,834,522	1,069,376	870,744	833,257

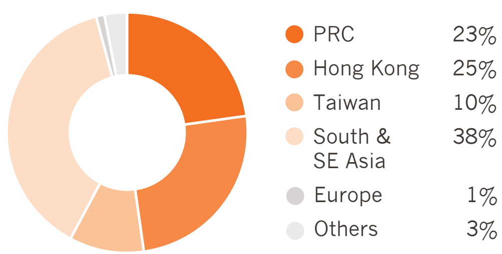
Assets and liabilities	**2014 HK$'000**	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Non-current assets	17,678,987	16,603,198	15,079,249	12,948,715	11,614,414
Net current assets/(liabilities)	3,791,681	3,606,674	(1,528,270)	(1,745,420)	(1,580,066)
Total assets less current liabilities	21,470,668	20,209,872	13,550,979	11,203,295	10,034,348
Long-term liabilities and non-controlling interests	(6,799,879)	(6,783,486)	(5,192,914)	(3,805,191)	(3,492,615)
Shareholders' equity	14,670,789	13,426,386	8,358,065	7,398,104	6,541,733

4 LOGISTICS FACILITIES

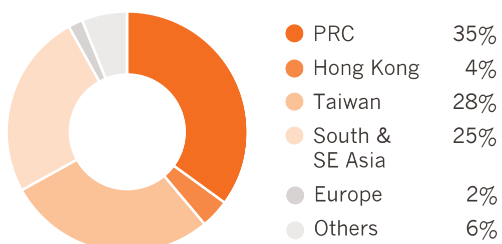
4.1 FACILITIES BY REGION



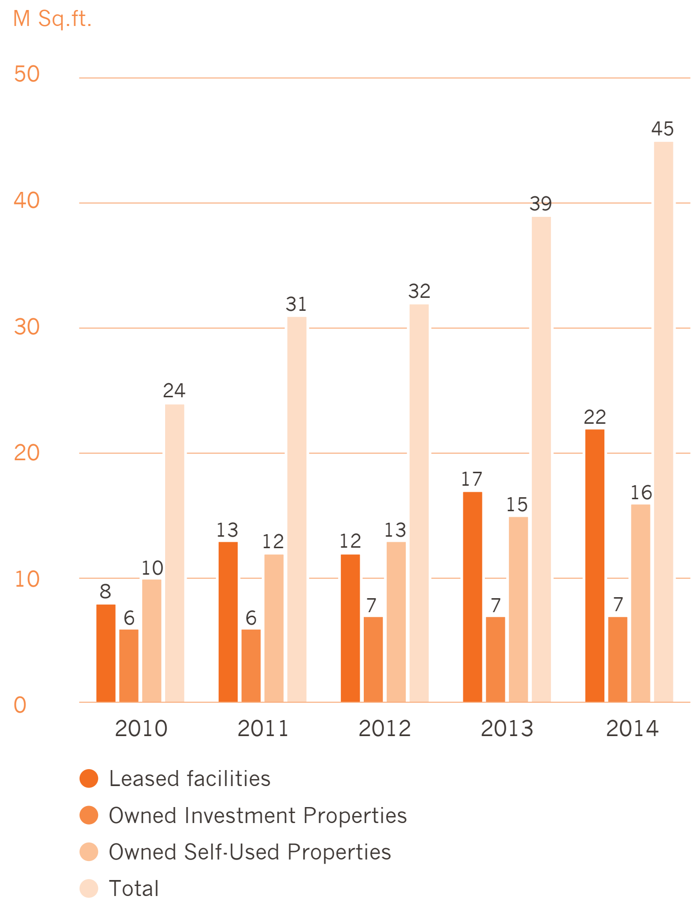
4.2 OWNED FACILITIES BY REGION



4.3 LEASED FACILITIES BY REGION



4.4 GFA GROWTH



PARTICULARS OF MATERIAL LOGISTICS FACILITIES

	Usage type	Approximate GFA owned Total (sq.ft.)	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 Kunshan Logistics Centre Phase 2 No. 118 Yuxi Middle Road, Qiandeng Town, Kunshan, China	Logistics centre	363,092	363,092	100.0
9. Kerry Warehouse (Sheung Shui) 2 San Po Street, Sheung Shui, New Territories, Hong Kong	Warehouse	356,253	356,253	100.0

	Usage type	Approximate GFA owned Total (sq.ft.)	Attributable (sq.ft.)	(%)
A. Properties classified as Investment Properties (continued)				
10. Kerry Warehouse (Kwai Chung) 4-6 Kwai Tai Road, Kwai Chung, New Territories, Hong Kong	Warehouse	286,628	286,628	100.0
11. Kerry Warehouse (Fanling 1) 39 On Lok Mun Street, On Lok Tsuen, Fanling, New Territories, Hong Kong	Warehouse	283,580	283,580	100.0
12. Shenzhen Kerry Futian Logistics Centre No. 15 Tao Hua Road, Futian Free Trade Zone, Shenzhen, China	Logistics centre	268,656	268,656	100.0
13. 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
14. Kerry Hefei Logistics Centre No. 2346 Shixin Road, Taohua Industrial Park, Hefei, China	Logistics centre	204,383	204,383	100.0
15. EAS Building No. 21 Xiao Yun Road, Chaoyang District, Beijing, China	Office building	149,610	104,727	70.0
16. 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
17. 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
18. 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	5,541,307 (site area)	4,428,613 (site area)	79.9
2. Kerry Chongqing Logistics Centre Phase 2 No. 69 Baohuan Road, Huixing Street Block, Yubei District, Chongqing, China	Logistics centre	707,878	707,878	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	449,172	449,172	100.0
5. Thailand Eastern Seaboard Logistics Centre Hemaraj Eastern Seaboard Industrial Estate, Land Plot B13 Tambon Tasith Amphur Plukdaeng, Rayong, Thailand	Logistics centre	374,110	359,071	96.0
6. Kerry Tampines Logistics Centre 19 Greenwich Drive, Tampines Logistics Park, Singapore 534021	Logistics centre	371,466	371,466	100.0
7. Kerry Zhengzhou Logistics Centre No. 137 Yitong Street, Zhengzhou Economic & Technological Development Zone, Zhengzhou, China	Logistics centre	358,979	358,979	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 Wuxi Logistics Centre No. 2 Xinxiang Road, Wuxi, China	Logistics centre	335,237	335,237	100.0
9. 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
10. Kerry Chengdu Logistics Centre No. 1239 Xi Hanggang Street, Wuliuda Road, Shuangliu County, Chengdu, China	Logistics centre	264,182	264,182	100.0
11. Thailand Laem Chabang Logistics Centre Highway No. 7, (Bypass Laem Chabang) Nong-kham Sub-District, Sriracha District, Chonburi Province, Thailand	Logistics centre	213,254	204,681	96.0
12. Kerry Kunshan Logistics Centre Phase 1 No. 118 Yuxi Middle Road, Qiandeng Town, Kunshan, China	Logistics centre	203,990	203,990	100.0
13. Kerry Tianjin Logistics Centre No. 168 Jinbinda Road, Tianjin Port Free Trade Zone, Tianjin, China	Logistics centre	172,885	172,885	100.0
14. Kerry Waigaoqiao Logistics Centre No. 268 De Lin Road, Waigaoqiao Free Trade Zone, Shanghai, China	Logistics centre	153,446	153,446	100.0
15. 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

Song Than Logistics Centre, Binh Duong Province, Vietnam

5 CHAIRMAN'S STATEMENT

DEEPENING STRENGTHS FOR THE NEW SILK ROAD

Despite challenges last year caused mainly by volatility in the global economic environment, Kerry Logistics managed to increase its core net profit by 10% to HK$976 million on turnover of HK$21,115 million.

China's economy is growing at a slower pace which is more sustainable for the longer term. Restructuring continues with coastal China becoming more expensive. This had led to an outflow of manufacturing, on the one hand, to inland provinces and, on the other, to Southeast Asia and beyond. The integration of China's economy with its neighbours is a major trend which can be seen in increased intra-Asian trade and growing cross-border logistics. The combined economy of China and its neighbours is becoming the central growth pole in the world. Kerry Logistics is uniquely positioned as "Asia Specialist, China Focus, Global Network" to embrace this changing trend. We have the ambition to become a major logistics provider for the new Silk Road, both overland and maritime, alongside the 'One Belt One Road' development initiative.

In Greater China, Kerry Logistics is broadening and deepening its capabilities. We have expanded our presence in Western China and are penetrating more third-tier cities. We are improving our links to China's neighbours in all directions. We are moving into new areas like pharmaceutical and healthcare. Across the length and breadth of China, we are adding long hauls giving us a dense network of trunk lines. We are benefiting from the booming growth of e-commerce in China down to order fulfillment at the warehouse level and for last-mile delivery of quality products. In Shanghai, we are constructing our flagship logistics facility.

Southeast Asia is experiencing a second wave of growth. In Mainland Southeast Asia, we are integrating our national operations, filling in gaps in Cambodia, Malaysia and elsewhere. In archipelagic Southeast Asia, we now have a major partner for growth in Indonesia. We intend to expand our presence in the Philippines as well. We are gradually widening our network of express delivery in the entire region.

Under Prime Minister Modi, new opportunities have opened up in India. Kerry Logistics, together with its partner INDEV, will invest more in India to serve our customers better.

In order to strengthen our global network, we are acquiring or investing in companies in different countries, recently in the Middle East, Canada, New Zealand and Senegal. We will continue doing this judiciously. This will help us serve our customers better especially international customers who need regional or global supply chain solutions. A broader international customer base also enables us to ride economic cycles and sustain long-term growth to reward shareholders.

Kerry Logistics' ability to help customers manage complex supply chains depends critically on the ability of our people to work across national and cultural domains with integrity and flexibility. Every year, we recruit a number of promising management trainees from different countries and cultures and imbue them with a common corporate ethos. It is the diversity within Kerry Logistics which enables us to help our customers grapple with the complexities of globalised supply chains.

George Yeo
Chairman


KERRY
LOGISTICS
KERRY
LOGISTICS

6 MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

The Group recorded an increase in turnover of 6% to HK$21,115 million in 2014 (2013: HK$19,969 million). Core operating profit increased by 14% to HK$1,612 million (2013: HK$1,413 million). Core net profit was HK$976 million (2013: HK$886 million), which represents an increase of 10% year-on-year. Valuation gains on investment properties, net of deferred tax and non-controlling interests' share, amounted to HK$683 million (2013: HK$588 million).

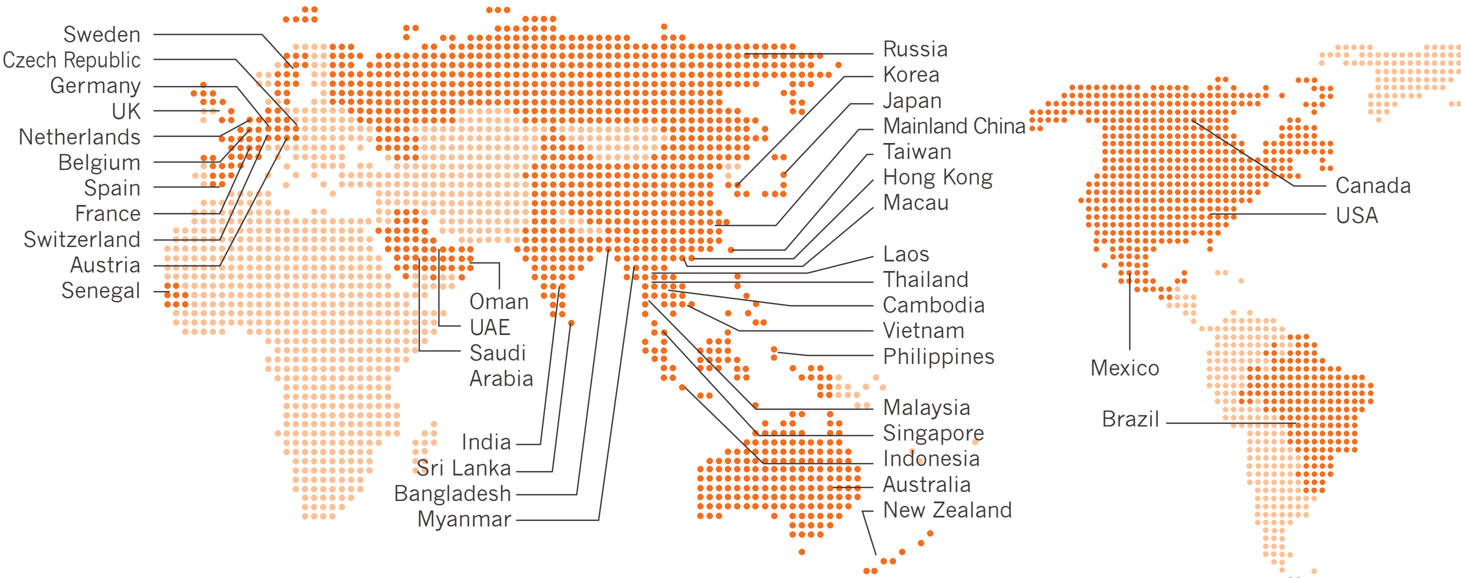
Segment turnover generated from IL in the year amounted to HK$10,141 million (2013: HK$9,180 million), representing an increase of 10% from 2013. The amount comprises HK$797 million (2013: HK$740 million) contributed by Hong Kong Warehouse and HK$9,344 million (2013: HK$8,440 million) by logistics operations. Segment profit for the year was HK$1,409 million (2013: HK$1,258 million), of which HK$476 million (2013: HK$435 million) was from Hong Kong Warehouse and HK$933 million (2013: HK$823 million) from logistics operations. In terms of segment profit margin, Hong Kong Warehouse recorded an increase to 59.7% (2013: 58.8%) and logistics operations reached 10.0% (2013: 9.8%). The growth was mainly attributable to the expansion of the Group's IL business in Greater China and ASEAN countries.

IFF segment reported turnover of HK$12,658 million (2013: HK$12,380 million) and profit of HK$378 million (2013: HK$342 million) for 2014. With the continuous expansion of its IFF network and the strengthening of business in Europe and Americas, the Group successfully achieved an increase in IFF segment profit by 11% year-on-year with segment profit margin reaching 3.0% (2013: 2.8%).

The following table reconciles core net profit to profit attributable to the Shareholders for the year ended 31 December 2014:

	2014 HK$ million	2013 HK$ million
Core net profit	976	886
Valuation gains on investment properties, net of deferred tax	683	588
Gain from disposal of Kowloon Bay warehouse	–	361
Profit attributable to the Shareholders	1,659	1,835

OUR GLOBAL NETWORK



DELIVERING ON THE GROUP'S COMMITMENT

2014 was a year of consolidation and integration for Kerry Logistics. As set out in the Prospectus, the Group has continued its commitment to expand its operating scale, strengthen its service capabilities and extend its network coverage during the year, through organic growth, investments and acquisitions. Resources were deployed to integrate newly acquired businesses into its existing network and system so as to enhance its service offerings and increase efficiencies.

These efforts have yielded solid results. Both core operating profit and core net profit achieved a double digit percentage growth. The Group also reported improved margins in all segments during the year. In Mainland China, it was able to maintain similar profit level despite signs of economic slowdown emerging in the second half of 2014.

UNIQUE BUSINESS MODEL

The Group focuses on two major business segments: IL and IFF, and offers customers total supply chain solutions comprising both elements. The IL segment consists of logistics operations and Hong Kong Warehouse. The Group also holds strategic investments in several associates.

EXPANDING SCALE THROUGH CONTINUED INVESTMENTS

As at 31 December 2014, the Group managed a logistics facility portfolio of 45 million square feet, of which 23 million square feet were self-owned.

The Group continued to enrich its logistics facility portfolio during the year. It completed the development of two new logistics centres in Zhengzhou and Kunshan, and commenced construction of two other facilities in Chengdu and Xi'an. All of these shall add a total of 1.6 million square feet of logistics facilities to the Group's portfolio in Mainland China.

In November 2014, the Group further purchased a parcel of land with a site area of 728,000 square feet in Fengxian District in Shanghai for the development of a new flagship facility of 1.1 million square feet. It will be used to replace partly the Group's current leased facilities in Shanghai and will provide additional room to cope with the expansion of its IL operations in the city. The facility, upon completion, will be the largest logistics facility of the Group in Mainland China.

In Southeast Asia, the Group is building new facilities in Thailand to capture rising opportunities in the dynamic market. Phase 2 of the new logistics centre in Rayong was completed during the year, bringing the total GFA of this centre to 374,000 square feet. Phase 1 of the Kerry Bangna Logistics Centre, which is now under construction, will serve as a new sorting centre for Kerry Express and a fulfilment centre for e-commerce customers upon completion. In addition, to develop Kerry Siam Seaport into a key cargo gateway for the growing trade in ASEAN, the Group added a new warehouse and a new Inland Container Depot during the year.

In Cambodia, the Group is planning to construct a 160,000 square feet bonded warehouse on its newly acquired land at a Free Trade and Special Economic Zone in 2015. Located in Khan Dangkor of Phnom Penh, the site is 26 km and 40 km away from Phnom Penh International Airport and Phnom Penh River respectively.

ENHANCING CAPABILITIES BY SERVICE SCOPE EXTENSION

Kerry Logistics' IL segment provides a wide range of highly customised solutions to enhance supply chain efficiencies of customers across various industries. It operates with an asset ownership model which differentiates its offerings with unparalleled flexibility and reliability to customers. Leveraging its extensive network and proven track record in the region, the Group is able to extend the existing services to its customers from one location to multiple cities.

In 2014, the IL segment maintained solid growth on the back of expanding network and coverage in Greater China and ASEAN countries, with more higher-margin value-added services and new customer wins. Turnover and segment profit of the logistics operations in Hong Kong increased by 22% and 28% year-on-year respectively in 2014.

INDUSTRY-SPECIFIC SOLUTIONS FOR PHARMACEUTICAL SECTOR

During the year, the Group launched Kerry Pharma in Hong Kong to tap into the ever-growing pharmaceutical and healthcare market by setting up a brand-new GMP compliant secondary packaging facility and obtaining the WHO GDP certificate for the provision of warehousing, distribution and secondary packaging services for pharmaceutical products.

Across the Taiwan Strait, the Group has built a service network supported by ten service hubs that covers the whole island. The Group is the only logistics company in Taiwan that has attained SGS WHO GDP international quality accreditation as well as GDP from the Taiwan Food and Drug Administration, offering customers cost-effective and reliable deliveries of medical supplies.

SPECIALISED SERVICES FOR AUTOMOTIVE SECTOR

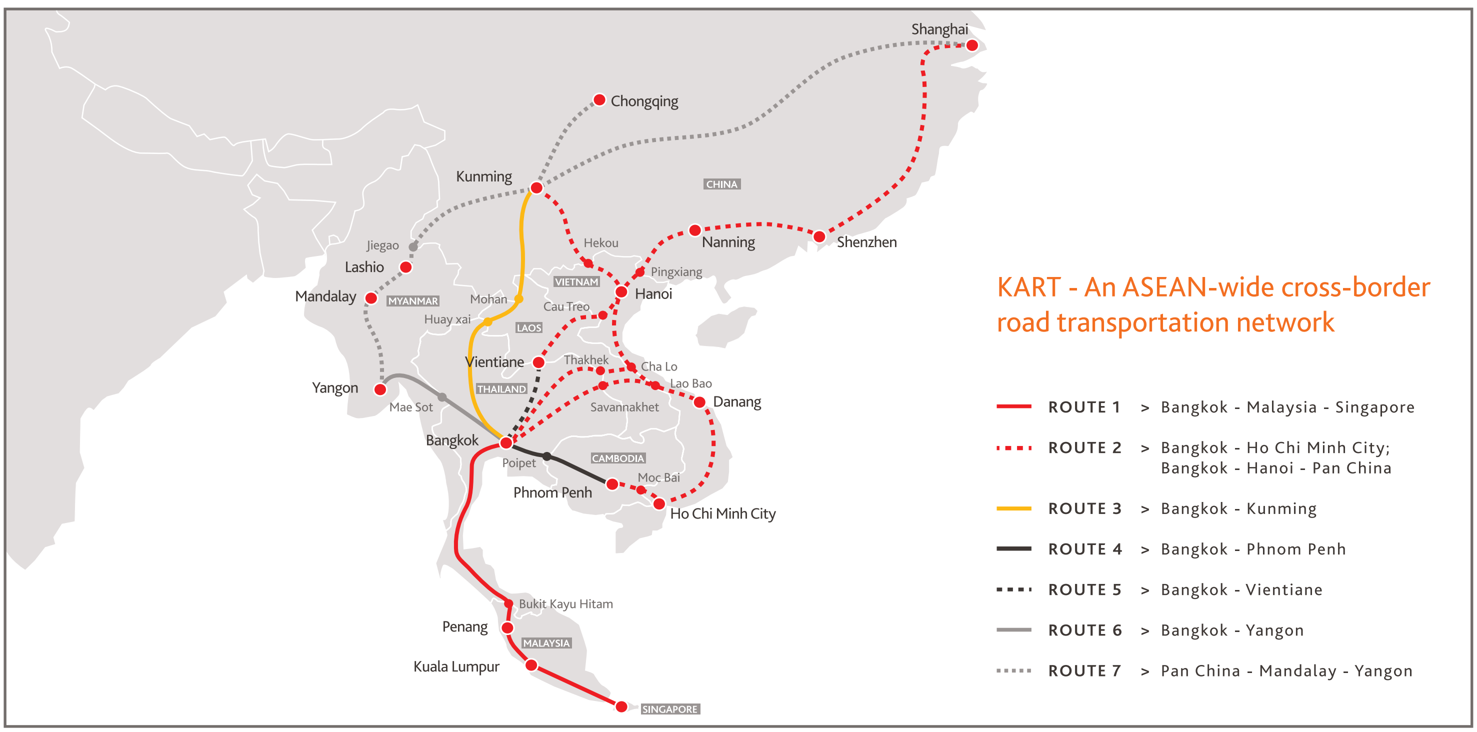
Apart from Mainland China and Thailand, Kerry Logistics expanded into the automotive sector in Hong Kong during the year. It was appointed to provide automotive parts logistics services to several internationally renowned automotive brands.

STRENGTHENING ASEAN-WIDE ROAD TRANSPORTATION NETWORK

Kerry Logistics took full control of the KART business in Malaysia and Thailand by increasing its controlling interests to 100%, further integrating the operations in the two countries into its KART network. KART is a cross-border road transportation network connecting ASEAN countries and Mainland China, providing customers with effective long-haul trucking as well as sea-land and air-land services.

BUILDING A REGIONAL EXPRESS PLATFORM

Kerry Express (Thailand) is one of the fastest-growing business arms of the Group. Its network covers over 80 distribution centres and depots. To ride on the success in Thailand, the Group took further steps to build an ASEAN-wide regional express platform to tap into the increasing intra-ASEAN trade driven by free movement of goods under the AEC to be established in December 2015 and the booming e-commerce market arising from increasing manufacturing activities in Asia. The move included acquiring a local express company in Cambodia as well as expanding the business into Singapore, Malaysia, Indonesia and the Philippines.



DEVELOPING INTER-ISLAND LOGISTICS SERVICES

In March 2015, the Group formed a new joint venture – to be re-branded as Kerry-Puninar Logistics, with the shareholders of PT Puninar Saranaraya, one of Indonesia's largest logistics companies, for business expansion. As an archipelago, Indonesia has a high demand for quality inter-island logistics services, which translates into immense growth opportunities. By enabling customers to optimise their supply chains with its integrated logistics services and highly customised solutions, the Group is well-positioned to capture opportunities in the rapidly growing Indonesian logistics market.

EXTENDING COVERAGE THROUGH NEW MARKET EXPANSION

Kerry Logistics' IFF business transports cargo globally through air, ocean and cross-border road and rail freight. During the year, the Group restructured its business in Europe which contributed to satisfactory results in tandem with the gradual economic recovery in the region. It has also expanded the reach and capacity of its IFF business in various parts of the world, including the Middle East, Canada, New Zealand and Senegal, as part of the Group's long-term IFF strategy to build a global network across six continents.

The stable growth of the IFF business was accompanied by increased profitability and volume. While the segment profit increased by 11%, the segment profit margin rose to 3%, bringing it closer to the international average.

MIDDLE EAST

Kerry Logistics strengthened its IFF capacity and network through acquiring a controlling stake in Able Logistics Group FZCO, an established international freight forwarder headquartered in Dubai with a leading position in the region and offices across UAE, Saudi Arabia, Oman and Mainland China. The investment expands Kerry Logistics' capabilities in the Middle East and enables it to offer global connections through a round-the-clock transit hub linking Asia to the Middle East, Europe and Africa. It also strengthens the Group's service offerings to global customers with comprehensive IFF solutions in the Gulf Cooperation Council region and enhanced supply chain efficiency.

CANADA

Kerry Logistics extended its geographic reach via acquiring majority stakes in Total Logistics Partner (TLP) Ocean Consolidators Inc. and Total Logistics Partner (TLP) Air Express Inc. (collectively "TLP"), two Canadian freight forwarding companies focused on the Asia-Canada trade. The acquisition has added Montreal and Toronto to Kerry Logistics' worldwide network. With the addition of TLP, the Group now operates in four countries in the Americas, comprising USA, Canada, Mexico and Brazil.

OCEANIA

Kerry Logistics also expanded its IFF operations in Oceania with new joint ventures in Australia and New Zealand. Through acquiring a controlling stake in Lead Logistics, an IFF company based in New Zealand, the Group formed Kerry Logistics (Oceania) to tap into the strong trade between Asia and Oceania, as well as the Trans-Tasman trade between Australia and New Zealand. With the new joint ventures, Kerry Logistics has become one of the few logistics companies with the ability to provide daily Trans-Tasman airfreight services in the market.

HONG KONG WAREHOUSE – SUSTAINING LEADERSHIP

The Group's Hong Kong warehouse portfolio comprised nine warehouses with a combined GFA of 5.1 million square feet. It maintained nearly full occupancy and achieved double-digit growth in rentals for successful contract renewals. The Group expects to see continuous stable growth from this business riding on its 9% growth in segment profit in 2014.

UNLOCKING ASSET VALUES AND MAXIMISING RETURNS

Unleashing the potential of its facility portfolio has been one of the key objectives of the Group's Hong Kong Warehouse. The Group has submitted an application to the Town Planning Board of Hong Kong during the first quarter of 2015 to convert one of its warehouse facilities in Chai Wan into a columbarium with 120,000 niches. The proposed investment, excluding any additional land premium to be paid to the government, is estimated to be around HK$2 billion, which shall be financed by the Group's internal resources and/or bank borrowing. It is one of the Group's long-term initiatives to enhance efficiency and productivity, thereby unlocking the values of its assets and improving its return.

CONTINUAL CONTRIBUTIONS FROM ASSOCIATES

The Group's investments in associates contributed profits of HK$91 million (2013: HK$128 million) in 2014. The investments include mainly a 25% interest in Chiwan Container Terminal in Mainland China, and a 15% interest in the Asia Airfreight Terminal in Hong Kong.

LOGISTICS INDUSTRY OUTLOOK REMAINS POSITIVE

Although the global demand for logistics services is expected to remain flat in 2015 as a result of slowing growth across major economies, the Group sees opportunities in the ASEAN and Greater China regions along with increasing intra-ASEAN trade propelled by AEC as well as the 'One Belt One Road' strategy rolled out by the Chinese government. The Group's extensive network and exposure in the region across a wide spectrum of industries will enable it to explore new business opportunities for further service enhancement and market penetration.

While the newly acquired businesses will complement the existing IL capabilities and IFF network of the Group with strengthened resources, a broadened network and an expanded client base thereby increasing resilience against volatile economic impulses in a particular economy, Kerry Logistics will focus on growing its IL and IFF businesses through continuous improvements in operating efficiencies, service offerings, network coverage, and securing suitable acquisition opportunities in target markets.

One of the growth drivers shall come from the building of a regional express delivery platform across the ASEAN region and in Mainland China. Replicating its success in running express delivery services in Thailand, the Group will further tap into the booming intra-ASEAN trade and e-commerce business.

Kerry Logistics' positioning as "Asia Specialist, China Focus, Global Network" gives it a strong foothold in the region, and provides a robust platform for its IL and IFF business to grow globally. Going forward, Kerry Logistics will further consolidate its position as a leading Asia-based logistics service provider, to deliver solid growth and returns to reward Shareholders.

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. The net proceeds were utilised as follows:

	Original planned allocation of net proceeds %	Original planned allocation of net proceeds HK$ million	Actual utilised as at 31 December 2014 HK$ million	Unutilised as at 31 December 2014 HK$ million
To develop logistics facilities and acquire logistics business	34%	809	809	–
To acquire IFF business	17%	404	25	379
To repay part of the loans from a fellow subsidiary	40%	951	951	–
To be used as working capital	9%	214	214	–
	100%	2,378	1,999	379

Given the Group has capital commitment of HK$1,589 million as at 31 December 2014, it is expected that the net proceeds will be fully utilised in 2015.

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.

Most of the Group's assets and liabilities are denominated in different functional currencies of overseas subsidiaries in their relevant countries. The Group generally does not enter into foreign exchange hedges in respect of its long-term equity investments in overseas subsidiaries and associates. For the foreign currency exposure arising from business activities, certain subsidiaries used forward contracts to hedge their foreign exchange exposure from trading transactions during the year, the amount of which was insignificant to the Group. The Group will continue to closely monitor its foreign exchange position and if necessary, hedge its foreign exchange exposure by entering into appropriate hedging instruments. As at 31 December 2014, total foreign currency borrowings amounted to the equivalence of HK$1,835 million, which represented approximately 43% of the Group's total bank loans of HK$4,256 million as at 31 December 2014. It includes HK$1,150 million denominated in New Taiwan Dollar and HK$312 million denominated in Thai Baht.

Out of the Group's total bank loans as at 31 December 2014, HK$1,246 million (representing approximately 29%) was repayable within one year, HK$1,146 million (representing approximately 27%) was repayable in the second year, HK$1,822 million (representing approximately 43%) was repayable in the third to fifth years and HK$42 million (representing approximately 1%) was repayable over five years. The Group maintains most of its bank loans on an unsecured basis, with unsecured debt accounted for approximately 88% of total bank loans. In relation to the secured bank loans of HK$522 million as at 31 December 2014, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK$2,727 million and assignments of insurance proceeds of certain properties. A majority of the bank loans were at floating interest rates and were not held for hedging purposes.

As at 31 December 2014, the gearing ratio for the Group was 29.3% (2013: 31.2%). The ratio was calculated as total bank loans and overdrafts, divided by equity attributable to the Shareholders.

As at 31 December 2014, the Group had total undrawn bank loan and overdraft facilities of HK$3,583 million. The Group will continue to secure financing as and when the need arises.

STAFF AND REMUNERATION POLICIES

As at 31 December 2014, the Group had approximately 20,000 employees. The remuneration to employees includes salaries, which is maintained at competitive levels while bonuses are granted on a discretionary basis. The Group provides training to its staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed by both the Remuneration Committee and independent remuneration consultants. Other employee benefits include provident fund, insurance, medical, sponsorship for educational or training programmes, share option schemes and RSU scheme.

7 CORPORATE SOCIAL RESPONSIBILITY REPORT

CARING FROM THE HEART

As Asia's leading 3PL service provider, Kerry Logistics understands the importance of cultivating a strong corporate responsibility which integrates into its daily operations across its extensive network. At its core, Kerry Logistics places value on employee engagement, sustainable development and community outreach.

People are the backbone of our operations and the key to our success as the leader in providing exceptional services. The Group is committed to creating opportunities for our employees to develop their full potential by considering all aspects of their lives. Kerry Logistics firmly believes in the power and possibility of the next generation and strives to nurture these talents through our comprehensive management trainee programme.

Environment is the foundation of our broad logistics network and the Group strives to provide environmentally conscientious logistics solutions through continuous improvement and streamlined operations. By maximising awareness and minimising disturbance, Kerry Logistics' green initiatives hope to leave our home a better place than when we found it.

Community is the family that Kerry Logistics is fully committed to helping and supporting. The Group has a long history of contributing to numerous worthwhile charitable causes to make the lives of those around us happier and healthier. The Group prides itself on its responsibility to care for the less privileged, provide services and equal opportunities for the youth and elderly and bring positive changes for current and future generations.

PEOPLE

At its core logistics is a people business, and people are Kerry Logistics' most important asset. The Group is committed to creating real value for employees through rewarding career developments, improved workplace quality and an emphasis on work-life balance. We have always been strong proponents of transparency and openness throughout the Group and our management team actively encourages open communication and dialogue across all levels of the organisation. Our employees can be confident that their perspectives will be respected and their voices be heard. This building of trust gives way to a continuous process of delivering results fundamental to the innovation and growth of our organisation.

REWARDING CAREER DEVELOPMENT

Kerry Logistics recruits talents from around the world, creating ample opportunities for them to grow alongside the organisation by unleashing their full potential. Since 2001, the Group has organised a management trainee programme to attract bright young graduates worldwide. Through a 12-month intensive learning programme, trainees are provided with invaluable access and insight into the Group's core teams and gain exposure to all its different business areas.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In 2014, management trainees were recruited from Hong Kong, Mainland China, Mongolia, Indonesia, India, Sri Lanka, Pakistan, and Canada. During the year, the Group also conducted a total of 1,144 hours of training programmes with 3,260 attendees in its Hong Kong head office.

WORKPLACE QUALITY

Kerry Logistics places the health and safety of its employees as the first and foremost priority in its operations. To continue providing a high quality workplace, the Group provides occupational health and safety programmes for all staff. These courses focus on safety in the workplace including proper operations of equipment, fire safety and prevention and first aid training, as well as maintenance of a healthy lifestyle. A series of on-site influenza vaccinations and health screening programmes are also available to complement the corporate medical plan.

WORK-LIFE BALANCE

Kerry Logistics understands that sometimes the high performance from its employees comes at a cost, and that is why the Group encourages all staff maintain a good work-life balance. One of the Group's primary goals is to ensure that all our people are given enough time and space for their personal and family commitments, so that they maintain a high quality of life in their personal well-being and professional productivity.

Throughout the year, Kerry Logistics organised a number of activities to provide employees with the opportunity of spending quality time outside of their workplace. In 2014, the Group formed its first dragon boat team in Hong Kong, joined Community Business' Work-Life Balance Week and organised other well-received activities such as intragroup bowling tournaments, charitable running events, hiking and yoga classes.

ENVIRONMENT

Environmental sustainability is a tenet of Kerry Logistics' business and pillar in its strong corporate social responsibility platform. The Group has successfully built two green logistics facilities in Hong Kong and Singapore – Tai Po Production Customisation and Consolidation Centre (PC^3), and Kerry Tampines Logistics Centre respectively.

In 2014, Kerry Logistics started deploying low-emission trucks in its Hong Kong daily operations as part of the Group's green initiatives across the globe. As at March 2015, 14.1% of its truck fleet (2014: 7%) in Hong Kong complies with Euro V Vehicle Emission Standards.

The Group also launched three hybrid electric vehicles in Hong Kong in 2013 under the Pilot Green Transport Fund scheme backed by the Hong Kong Government.

On top of these green initiatives, Kerry Logistics has also been a strong supporter of many charitable events which focus on environmental protection and sustainability. These include:

EARTH HOUR 2014

This is the Group's third year of participation in Earth Hour organised by the WWF. On 29 March 2014, Kerry Logistics switched off its outdoor billboard lighting at all five locations across Hong Kong, and encouraged its staff to turn off all non-essential lights in the office and at home for one hour to support global sustainability.

GREEN RUN 2014

On 24 August 2014, the Group co-organised the Green Run with the Chinese Taipei Association of Ultrarunners. The race advocates the principles of "Reduce Carbon, Reuse and Recycle".

COMMUNITY

Kerry Logistics understands that as a leader in the region it has the responsibility to give back to its community. The Group feels honoured to step up to the challenge of supporting those in need either directly or by its commitment to local non-governmental organisations and partnerships with its customers and partners. The Group has also made donations to or participated in numerous outreach programmes and functions throughout the year, and in 2014 these included:

THE 2014 COMMUNITY CHEST CORPORATE CHALLENGE

On 19 January 2014, 31 Kerry Logistics staff participated in the 10-km and half marathon races organised by The Community Chest of Hong Kong for the 10th consecutive year. It raised funds to improve the rehabilitation and aftercare services for the elderly in Hong Kong.

STANDARD CHARTERED HONG KONG MARATHON 2014

On 16 February 2014, 57 Kerry Logistics staff joined the full and half marathons, as well as the 10-km races for the fourth time. It is the largest participatory annual sporting event in Hong Kong.

THE 21ST GREEN POWER HIKE

This is the Group's seventh year of participation in this annual fund-raising walkathon for Green Power. On 25 February 2014, a team of 35 Kerry Logistics staff joined the event to support community environmental education programmes in Hong Kong.

RACE FOR WATER 2014

On 16 March 2014, 24 staff of the Group participated in the Race For Water 2014 for the fourth consecutive year. This is an annual charity event organised by A Drop of Life Limited to raise funds for the construction of water cellars in arid areas of Mainland China.

ORBIS PLANE PENDANT SALES 2014

In May 2014, Kerry Logistics staff made a donation in support of plane pendant sales organised by ORBIS. Donations received will be allocated to support the ORBIS Flying Eye Hospital.

DONATION FOR ORPHANS AND ELDERLY

In September 2014, the Group donated to Shepherd's Field Children's Village and Hetong Elderly Nursing Home in Mainland China to support disabled orphans and the elderly in the country.

ORBIS WORLD SIGHT DAY

In October 2014, Kerry Logistics staff donated to the pin campaign organised by ORBIS in Hong Kong for the fifth consecutive year. The campaign aims to bring hope to those at risk of preventable blindness across the world.

CSR-DIW AWARD

On 17 October 2014, the Group received the CSR-DIW Award 2014 organised by the Department of Industrial Works (DIW) of the Thai Ministry of Industry, recognising its community projects such as visiting seniors and the handicapped. The Award aims to encourage enterprises to operate businesses with social responsibility and carry out community projects for sustainable development.

THE COMMUNITY CHEST GREEN DAY

On 16 and 17 November 2014, Kerry Logistics staff donated to support Green Day organised by The Community Chest of Hong Kong for the 10th year. This initiative aims to encourage the public to "Act Green & Live Green", and to benefit the medical and health services supported by the organiser.

HONG KONG 24 HOUR CHARITY PEDAL KART GRAND PRIX

On 22 and 23 November 2014, the Group participated in the event for the second consecutive year. Organised by The Association of Round Tables in Hong Kong, this fundraising event supported the underprivileged and disabled in our society. The Group's food catering arm supported the event by providing catering service on both days.

OPERATION SANTA CLAUS

In December 2014, the Group supported Operation Santa Claus, a charity campaign organised by South China Morning Post and Radio Television Hong Kong by participating in a collective art creation for charity auction. Proceeds will go to 20 beneficiaries to aid people in need, including children, the elderly and the mentally and physically challenged.

FOOD BANK FOUNDATION

In December 2014, the Group donated to the Food Bank Foundation in Spain for the second consecutive year. The foundation secures, stores and distributes food to the needy and educates people on the reasons behind hunger and undernourishment.

CARING COMPANY

In recognition of its charitable contributions and participation in community service, the Group has been named a "Caring Company" by the Hong Kong Council of Social Service for the fourth consecutive year.

END CHILD SEXUAL ABUSE FOUNDATION

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

8 AWARDS AND CITATIONS

- **BEST ROAD HAULIER – ASIA**
- **BEST LOGISTICS SERVICE PROVIDER – PROJECT CARGO**

THE 28TH ASIAN FREIGHT AND SUPPLY CHAIN AWARDS

The Asian Freight and Supply Chain Awards (AFSCA) is one of the industry's top accolades in Asia and the only Asian freight award that selects winners solely based on customer satisfaction. Both voters and winners of AFSCA are globally renowned shipping, freight forwarding and logistics companies. In 2014, more than 40,000 industry players voted in the Awards.

In 2013, Kerry Logistics was named "Best Logistics Service Provider – Sea Freight" and "Best Road Haulier – Asia" at the same event. Winning two awards for the second consecutive year attests to Kerry Logistics' commitment to offer best-in-class integrated logistics services and customised supply chain solutions.

Organised by Cargonews Asia Magazine, AFSCA is designed to honour organisations that demonstrate leadership as well as consistency in service quality, innovation, customer relationship management and reliability.

- **GLOBAL LOGISTICS PROVIDER OF THE YEAR – CUSTOMER CHOICE AWARD**
- **REGIONAL LOGISTICS PROVIDER OF THE YEAR – INDUSTRY CHOICE AWARD**

PAYLOAD ASIA AWARDS 2014

Kerry Logistics is the first company to have won both the global and regional awards in the logistics category, and the first Hong Kong company crowned with this global accolade. The two awards recognise organisations with outstanding achievements in clientele expansion, development strategy, operational performance, customer service, product innovation and overall growth.

Kerry Logistics was among a group of renowned regional and international players shortlisted by an international panel of expert judges, and was selected through online voting by over 20,000 customers, business partners and Payload Asia Magazine readers. Kerry Logistics was named "Regional Freight Forwarder of the Year" at the 2013 Awards.

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

- **BEST THIRD PARTY LOGISTICS PROVIDER**

ASIAN MANUFACTURING AWARDS 2014

The Asian Manufacturing Awards (AMA) honors leaders offering industrial technology solutions and value-added services which enable excellence in Asia's manufacturing industry. Award winners are selected by an independent international panel of judges, including highly regarded manufacturing professionals and distinguished industry leaders. Winning this award reflects the manufacturing community's recognition of Kerry Logistics' dedication to providing quality integrated logistics services and customised supply chain solutions to customers across the region.

The AMA is organised by the manufacturing group of publications at Contineo Media, one of Asia's leading business-to-business information providers. Other leading industry awards organised by Contineo Media include the Payload Asia Awards, Asian Television Awards and EMC Innovation Awards.

LOCATION	AWARD	ORGANISER
Hong Kong	Best Distribution Partner 2013	NETGEAR
	Caring Company Award 2013/2014	The Hong Kong Council of Social Services
	The 14th CAPITAL Outstanding Enterprise Awards – Outstanding Logistics Company	CAPITAL Magazine
	ERB Manpower Developer Award Scheme – Manpower Developer	The Employees Retraining Board in HK
	Best Supply Chain Partner Award 2014	MIELE
	Best Logistics Provider 2014	Viasystems
	Best Distribution Partner 2014	NETGEAR
	Best Logistics Service Provider 2014	Hong Kong Disneyland
	Hang Seng Pan Pearl River Delta Environmental Awards 2013/2014 – Green Medalist	Federation of Hong Kong Industries & Hang Seng Bank
	Best Logistics Service Provider 2014 Long Term Partnership Award 2014	San Miguel Brewery Hong Kong
	Excellence in Logistics Award 2014	Matilda International Hospital
	The 15th CAPITAL Outstanding Enterprise Awards – Outstanding Logistics Company	CAPITAL Magazine
PRC	MITRE 10 Supplier of the Year 2013 MITRE 10 Logistics Supplier of the Year 2013	MITRE 10
	The 28th Asian Freight and Supply Chain Awards • Best Road Haulier – Asia • Best Logistics Service Provider – Project Cargo	Cargonews Asia Magazine
	Ranked No 3 in Warehousing of Top 100 China IFF & Logistics Enterprises 2013 Ranked No 3 in Air Freight of Top 100 China IFF & Logistics Enterprises 2013 Top 50 in Sea Freight of China IFF & Logistics Enterprises 2013 Ranked No 9 in Logistics of Top 100 China IFF & Logistics Enterprises 2013	China International Freight Forwarders Association & International Business Daily
	Enterprise Credit Evaluation AAA	China International Freight Forwarders Association
	Top 3 Partner 2013	Lufthansa Cargo
	Advanced Logistics Enterprises 2014 Top 100 China Logistics Enterprises 2014	China Communication and Transportation Association
	Top 100 Most Valuable China Logistics Brands 2014 Top 10 China Logistics Enterprises 2014 Top 10 Competitive China Logistics Enterprises 2014 China Best Logistics Investment Institutions 2014	Organizing Committee of China International Logistics Week, China Logistics Times, Organizing Committee of China's Logistics Industry Awards
	Outstanding Enterprise of Auto Logistics Industry (2004-2014)	China Automobile Logistics Association of CFLP
Singapore	Asian Manufacturing Awards 2014 – Best Third Party Logistics Provider	Contineo Media
	Payload Asia Awards 2014 • Global Logistics Provider of the Year – Customer Choice Award • Regional Logistics Provider of the Year – Industry Choice Award	Payload Asia Magazine
India	Efficient Logistics Support Award (attained by INDEV Group)	Renault Nissan
	Young Turk Award (attained by INDEV Group)	Maersk Line

9 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 2014.

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 CG Code and its corporate governance practices are based on such principles and code provisions as set out in the CG Code. The Directors consider that for the year ended 31 December 2014, the Company has complied with the code provisions as set out in the CG Code.

The Company recognises the importance of transparency in governance and accountability to Shareholders. The Board believes that Shareholders can maximise their benefits from good corporate governance. Therefore, the Company regularly reviews its corporate governance practices to ensure alignment with generally acceptable practices and standards.

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 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 the Prospectus 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 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 Bye-laws. The appointments are subject to the provisions of retirement and rotation of directors in accordance to the Bye-laws.

In accordance with the 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 2014 is as follows:

Name of Director	Training*
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 the Directors has attended training sessions arranged by the Company on the key proposed changes to the corporate governance code and corporate governance report; environmental, social and governance (ESG) reporting.*

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 met four times during the year ended 31 December 2014 for discussing and approving the overall strategies and policies of the Company, reviewing and approving the audited annual results for the year ended 31 December 2013, unaudited interim results for the six months ended 30 June 2014, discussing the reports and suggestions from all Board committees. The attendance records of each director at the Board meetings are set out below:

Name of Director	Meetings attended/ eligible to attend
Mr YEO George Yong-boon	4/4
Mr MA Wing Kai William	4/4
Mr ERNI Edwardo	4/4
Mr KUOK Khoon Hua	3/4
Mr QIAN Shaohua	4/4
Ms WONG Yu Pok Marina	4/4
Mr WAN Kam To	4/4
Mr YEO Philip Liat Kok	4/4

Other than the above full Board meetings, the Chairman (Mr YEO George Yong-boon) also held an annual meeting with the Directors without the presence of any of the other Executive Directors. The attendance of such Directors at the meeting is as follows:

Name of Director	Meeting attended/ eligible to attend
Mr YEO George Yong-boon	1/1
Mr QIAN Shaohua	1/1
Ms WONG Yu Pok Marina	1/1
Mr WAN Kam To	1/1
Mr YEO Philip Liat Kok	1/1

The Company held one annual general meeting on 12 May 2014 during the year ended 31 December 2014. All proposed Shareholders' resolutions put to the above general meeting were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcement released on the day of the general meeting.

The attendance of the members of the Board and/or each Board committee in the general meeting is as follows:

	Other capacity (during the period of membership)				
	Remuneration Committee	Audit and Compliance Committee	Nomination Committee	Finance Committee	Meeting attended/ eligible to attend
Mr YEO George Yong-boon	✓		✓	✓	1/1
Mr MA Wing Kai William	✓			✓	1/1
Mr ERNI Edwardo				✓	1/1
Mr KUOK Khoon Hua					0/1
Mr QIAN Shaohua		✓			0/1
Ms WONG Yu Pok Marina	✓	✓	✓		1/1
Mr WAN Kam To	✓	✓			1/1
Mr YEO Philip Liat Kok	✓		✓		0/1

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are made available to Directors in advance.

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

Board papers together with all appropriate, complete and reliable information are 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 (including the general manager) attend all regular global executive committee meetings, chaired by the Group Managing Director 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 except for the Remuneration Committee meetings, minutes of which are taken by the Chief Financial Officer of the Company. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The 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.

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

The Board has 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 the 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 the 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 the Directors and senior management with reference to their time commitment and responsibilities, and employment condition in the Group, and comparable companies.

The Remuneration Committee held two meetings during the year ended 31 December 2014 to review the remuneration policy and structure of the Company, to make recommendations to the Board on determining the annual remuneration packages of the Executive Directors and the senior management and other related matters.

The attendance records of the Remuneration Committee are set out below:

Name of Director	Board Capacity (during the period of membership)	Meetings attended/ eligible to attend
Mr YEO George Yong-boon	Chairman	2/2
Mr MA Wing Kai William	Group Managing Director	2/2
Ms WONG Yu Pok Marina	INED	2/2
Mr WAN Kam To (Chairman)	INED	2/2
Mr YEO Philip Liat Kok	INED	2/2

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of the individual Executive Directors and the senior management.

The remuneration for the Executive Directors and senior management comprises salary and discretionary bonus.

Salaries are reviewed annually. Salary increases of Executive Directors and senior management are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

In addition to salary, Executive Directors and senior management are eligible to receive a discretionary bonus, the amount of which shall be reviewed and approved by the Remuneration Committee who shall take into consideration factors such as market conditions as well as corporate and individual performances.

In order to attract, retain and motivate executives and key employees serving any member of the Group, Directors and senior management are also eligible to participate in the Company's Post-IPO Share Option Scheme.

For the year ended 31 December 2014, the Non-executive Directors (including Independent Non-executive Directors) and the members of the Board committees (other than Executive Director(s)), were entitled to the following annual fees:

Annual fee	Amount (HK$)	Basis of pro-rating for the year
As NED/INED	300,000	Period of directorship
As Remuneration Committee member/chairman	40,000/80,000	Period of membership
	5,000	Attendance rate at meetings
As Nomination Committee member	30,000	Period of membership
	5,000	Attendance rate at meetings
As Audit and Compliance Committee member/chairman	100,000/150,000	Period of membership
	5,000	Attendance rate at meetings

Details of the remuneration paid to each of the Directors for the year ended 31 December 2014 are set out in note 13 to the Financial Statements.

The remuneration paid to each of the senior management members of the Group (as named in the section of "Senior Management") by band for the year ended 31 December 2014 is set out in note 13 to the Financial Statements.

2 AUDIT AND COMPLIANCE COMMITTEE

The Board has 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 the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) developing, reviewing and monitoring the Company's 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 the Company's 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 2014 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held four meetings during the year ended 31 December 2014 to review the audited annual results and financial report for the year ended 31 December 2013, the financial reporting and the compliance procedures, the corporate governance policy and practice, the internal audit plan and reports, the unaudited interim results and financial report for the six months ended 30 June 2014, the non-exempt continuing connected transaction for the year ended 31 December 2014, the training for and the continuing professional developments of the Directors and senior management, the policies and practices regarding compliance with laws and regulations, the code of conduct and the compliance manuals for employees and Directors, the financial, operational and compliance monitoring, the risk management control, the work of the internal and external auditor, the service fees due to the external auditor as well as the whistleblowing-related reporting measures.

The attendance records of the Audit and Compliance Committee are set out below:

Name of Director	Board Capacity (during the period of membership)	Meetings attended/ eligible to attend
Mr QIAN Shaohua	NED	4/4
Ms WONG Yu Pok Marina (Chairman)	INED	4/4
Mr WAN Kam To	INED	4/4

The Company's results for the year ended 31 December 2014 have been reviewed by the Audit and Compliance Committee on 16 March 2015.

The Audit and Compliance Committee reported that it had duly performed its duties relating to the corporate governance functions and it was not aware of any terms of corporate governance being violated during the year ended 31 December 2014.

3 NOMINATION COMMITTEE

The Board has 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 primary duties of the nomination committee include, but are not limited to (i) identifying, selecting and recommending to the Board appropriate candidates to serve as Directors and general manager of the 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 the Company; and (iv) assess the independence of Independent Non-executive Directors.

The Nomination Committee held one meeting during the year ended 31 December 2014 to review the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company and to assess the independence of the Independent Non-executive Directors.

The attendance records of the Nomination Committee are set out below:

Name of Director	Board Capacity (during the period of membership)	Meeting attended/ eligible to attend
Mr YEO George Yong-boon (Chairman)	Chairman	1/1
Ms WONG Yu Pok Marina	INED	1/1
Mr YEO Philip Liat Kok	INED	1/1

Prior to the listing of the Company on 19 December 2013, 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

The Board has 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.

The Finance Committee passed resolutions in writing in lieu of meeting by all committee members during the year ended 31 December 2014 to review and approve corporate guarantees, assignment of tenancy within the Group, allotment of shares and lapse of options pursuant to the Pre-IPO Share Option Scheme, general mandate to share registrar for processing dividend payment and opening of securities accounts.

D MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2014 and 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 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 ended 31 December 2014, the remuneration paid to the external auditor (including their other member firms) of the Company in respect of audit services and non-audit services (that is, due diligence work, establishment of medium term note programme, internal control review and taxation services) amounted to HK$12,848,000 and HK$5,810,000, respectively.

The Auditor, PricewaterhouseCoopers, Hong Kong, will retire and offer itself for re-appointment at the forthcoming AGM.

G INTERNAL CONTROLS

During the year ended 31 December 2014, the Board has conducted a review on 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 the listing of the Company on 19 December 2013 and continually reviews 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, the Company Secretary, is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. She reports 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.

During the year ended 31 December 2014, 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 year ended 31 December 2014.

10 DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

YEO George Yong-boon

aged 60, 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 KGL. From 1988 to 2011, Mr Yeo served for 23 years in the Singapore Government, as Minister of State for Finance, then as Minister for Information and the Arts, Health, Trade and Industry, and Foreign Affairs. Prior to 1988, Mr Yeo served in various capacities in the Singapore Armed Forces, Republic of Singapore Air Force and Defence Ministry, including Chief-of-Staff of the Air Staff and Director of Joint Operations and Planning in the Defence Ministry, attaining the rank of Brigadier-General. Mr Yeo chairs the International Advisory Panel of the Nalanda University Governing Board. 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, Economic Development Commission, Hong Kong, the International Advisory Committee of National Graduate Institute for Policy Studies and Mitsubishi Corporation (a company listed on the Tokyo Stock Exchange with stock code 80580) respectively. Mr Yeo became a member of the Vatican Council for the Economy from February 2014 and a member of the Vatican Media Committee from July 2014. Mr Yeo has been an independent non-executive director of AIA Group Limited (a company listed on the Stock Exchange with stock code 1299) since November 2012 and a non-independent non-executive director of Wilmar International Limited (a company listed on the Singapore Stock Exchange with stock code F34) since November 2014. 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

aged 53, has been the 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 KHL in September 1990 and served as an executive director of KPL from March 2004 to November 2013. Mr Ma has also been a director of Kerry TJ 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. Mr Ma is also a member of the Advisory Board of the Asian Institute of Supply Chain and Logistics of the Chinese University of Hong Kong, the Mainland Business Advisory Committee and the Hong Kong-Taiwan Business Cooperation Committee of the Hong Kong Trade Development Council ("HKTDC") and the Nanyang Business School Advisory Board at Nanyang Technological University, Singapore. He had served the Logistics Development Council of the Hong Kong Government and the Logistics Services Advisory Committee of HKTDC 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

aged 53, 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 and North Asia 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 most recently a joint Tsinghua and University of North Carolina Supply Chain Programme in 2014. Others include a training course held by the Harvard Business School in association with the School of Management at Fudan University in 2013; 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

aged 36, 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

aged 58, 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, 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

aged 66, 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. (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.

WAN Kam To

aged 62, has been the Independent Non-executive Director of the Company since November 2013. He was a partner of PricewaterhouseCoopers Hong Kong & China, and has been a practicing accountant in Hong Kong for over 30 years with extensive experience in auditing, finance, advisory and management. Mr Wan also serves 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, Harbin Bank Co., Ltd. (stock code: 6138) since October 2013, 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, S. Culture International Holdings Limited (stock code: 1255) since May 2013 and Target Insurance (Holdings) Limited (stock code: 6161, listed on 15 January 2015) since November 2014. PDA and SPH are also listed on the Shanghai Stock Exchange with stock code 601880 and 601607 respectively. Mr Wan had 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. He has also served as an independent director of Mindray Medical International Limited (a company listed on the New York Stock Exchange with stock code MR) from September 2008 to December 2014 and RDA Microelectronics, Inc. (a company listed on NASDAQ with stock code RDA) from November 2010 to July 2014. 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

aged 68, 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

aged 68, 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 China World Trade Center Co., Ltd. (a company listed on the Shanghai Stock Exchange) 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 was a non-executive director of Allgreen Properties Limited from November 2003 to November 2014. 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

aged 59, joined the Group in July 2000 and is currently the Managing Director of Greater Mekong region in charge of logistics operations of the Group in Thailand, Cambodia, Myanmar and Laos. 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

aged 50, 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 26 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 is an adviser of the Advisory Board to Hong Kong Auxiliary Medical Services Officers' Club. 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

aged 49, 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

aged 43, 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

aged 48, 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 25 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), aged 72, has been the Chairman of Kerry TJ since November 2008. He has over 45 years of experience in the logistics industry, ranging from trucking, container terminal, port operation, warehousing businesses and documentation. 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 and Hong Kong Business Association in Taiwan. He is also a member of the Federation of Hong Kong Business Associations Worldwide. 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

aged 58, joined the Group in January 2004 as a director of a subsidiary of the Company. Mr Tan is the Managing Director of the South Asia region 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 20 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

aged 53, 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 of the European region. 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.


CROWN
KERRY
LOGISTICS

11 REPORT OF DIRECTORS

The Directors are pleased to present this annual report together with the Financial Statements.

PRINCIPAL ACTIVITIES

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

(i) IL 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) IFF 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 year ended 31 December 2014.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the section headed "Statement of Accounts" of this annual report.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders in the forthcoming AGM for the distribution of a final dividend of 8 HK cents per share for the year ended 31 December 2014 payable to the Shareholders whose names are listed in the Registers of Members on Monday, 1 June 2015. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the forthcoming AGM.

SHARE CAPITAL

Details of the share capital of the Company during the year ended 31 December 2014 are set out in note 26 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the year ended 31 December 2014 are set out in note 28 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company has distributable reserves of HK$1,190 million in total available for distribution, of which HK$135 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 five financial years is set out in the section headed "2010-2014 Financial Summary" of this annual report.

DONATIONS

The Group made a donation of HK$2.28 million 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 year ended 31 December 2014 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 year ended 31 December 2014 are set out in notes 29 and 30 to the Financial Statements.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group as at 31 December 2014 are set out in note 39 to the Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under 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 or the laws of Bermuda.

DIRECTORS

The Directors during the year 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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors 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

According to Article 99 of the Bye-laws, the number of Directors retiring at each annual general meeting shall not be less than one-third of the Directors for the time being, and any retiring Director shall be eligible for re-election at the same annual general meeting. 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. Mr YEO George Yong-boon, Mr MA Wing Kai William, and Mr ERNI Edwardo will be retiring and be subject to re-election in forthcoming AGM.

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 2014 and remain so as at the date of this annual report.

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

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of 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, 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	–	–	675,000	3,966,510	0.23%
ERNI Edwardo(3)	2,000,500	8,000	–	–	2,008,500	0.12%
KUOK Khoon Hua(4)	1,397,344	–	–	4,485,155	5,882,499	0.35%
QIAN Shaohua(5)	200,000	–	–	675,000	875,000	0.05%
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) 675,000 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) 4,485,155 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) 675,000 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[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	–	–	179,889,262	181,889,262	11.92%
QIAN Shaohua[5]	1,500,000	–	500,000	–	2,000,000	0.13%

Notes:

(1) All interests in ordinary shares in KGL were as at 31 December 2014.

(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) 179,889,262 ordinary shares in KGL held through discretionary trusts of which Mr Kuok is a contingent beneficiary.

(5) Mr Qian is interested in (i) 500,000 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[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]	1,701,020	–	–	50,000	1,751,020	0.12%
ERNI Edwardo[4]	630,000	16,000	–	–	646,000	0.04%
KUOK Khoon Hua[5]	1,406,688	–	–	7,670,310	9,076,998	0.63%
QIAN Shaohua[6]	3,300,000	–	–	50,000	3,350,000	0.23%

Notes:

(1) All interests in ordinary shares in KPL were as at 31 December 2014.

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

(3) Mr Ma is interested in (i) 401,020 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) 167,000 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) 939,688 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 3,300,000 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[1]

Director	Ordinary shares in SCMP: 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
KUOK Khoon Hua	–	–	–	620,000[2]	620,000	0.04%

Notes:

(1) All interests in ordinary shares in SCMP were as at 31 December 2014.

(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[1]

Director	Ordinary shares in Vencedor					
	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
KUOK Khoon Hua	5[2]	–	–	–	5	5.00%

Notes:

(1) All interests in ordinary shares in Vencedor were as at 31 December 2014.
(2) Mr Kuok is interested in 5 ordinary shares in Vencedor as beneficial owner.

Medallion Corporate Limited[1]

Director	Ordinary shares in Medallion					
	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
KUOK Khoon Hua	48[2]	–	–	–	48	4.80%

Notes:

(1) All interests in ordinary shares in Medallion were as at 31 December 2014.
(2) Mr Kuok is interested in 48 ordinary shares in Medallion as beneficial owner.

INTEREST IN DEBENTURES OF ASSOCIATED CORPORATION

Wiseyear Holdings Limited(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) *All interests in amount of debentures of Wiseyear were as at 31 December 2014.*
(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 the chief executive 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 2014.

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

As at 31 December 2014, the following are the persons, other than the Directors or the chief executive 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)	66.29%
Kerry Holdings Limited	Interest of controlled corporation	1,090,758,684(1)	64.49%
Kerry Properties Limited	Beneficial owner	718,340,998(1)	42.47%
Caninco Investments Limited	Beneficial owner	156,124,097(1)	9.23%
Darmex Holdings Limited	Beneficial owner	128,449,630(1)	7.59%
GIC Private Limited	Investment manager	84,583,924	5.00%

Note:

(1) *KPL is a subsidiary of KHL. Caninco and 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 2014, the Company is not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares 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 Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year ended 31 December 2014 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 2014 and up to the date of this annual report.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 38 to the Financial Statements, the following transactions constitute continuing connected transactions for the Company and is required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

1 FRAMEWORK AGREEMENT WITH KPL

On 28 July 2014, the Company entered into a framework agreement with KPL (the "Framework Agreement") pursuant to which (i) the Group agreed to provide services including delivery, local courier, freight, freight agency, insurance brokerage, and services relating to management and operation of warehouse facilities to KPL and its subsidiaries; and (ii) KPL and its subsidiaries agreed to lease certain properties to the Group (the "KPL Transactions"). KPL is a substantial shareholder and a controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the KPL Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Framework Agreement commenced on 1 August 2014 and will expire on 31 December 2016. The Framework Agreement can be extended for a further term of three years with the mutual written agreement of the Company and KPL. Please also refer to the announcement of the Company dated 28 July 2014 for details.

The annual caps payable by the Group under the KPL Transactions for the year ended 31 December 2014 and each of the years ending 31 December 2015 and 2016 are HK$17.7 million, HK$19.7 million and HK$21.7 million, respectively. During the year ended 31 December 2014, the KPL Transactions payable amounted to HK$12.5 million.

The annual caps receivable by the Group under the KPL Transactions for the year ended 31 December 2014 and each of the years ending 31 December 2015 and 2016 are HK$9.3 million, HK$12.0 million and HK$15.3 million, respectively. During the year ended 31 December 2014, the KPL Transactions receivable amounted to HK$6.1 million.

2 TRANSACTIONS WITH KHK

KHK is an associate of KPL and is therefore a connected person of the Company under the Listing Rules. In the ordinary and usual course of business, the Group has entered into and 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 the Prospectus 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 Rules 14A.34 and 14A.52 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 two years ended 31 December 2013 and 2014 and the year ending 31 December 2015 are HK$39.0 million, HK$42.0 million and HK$46.0 million, respectively. During the two years ended 31 December 2013 and 2014, the rental paid by the Group under the KHK Transactions amounted to HK$37.1 million and HK$36.0 million respectively.

The Independent Non-executive Directors have confirmed that the above continuing connected transactions for the year ended 31 December 2014 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.56 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 Group, (iii) nothing has come to their attention that causes the auditor 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 each of the KPL Transactions and 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 and the previous announcement dated 28 July 2014. A copy of the auditor's letter has been provided by auditor to the Stock Exchange.

In addition, certain transactions disclosed in note 38 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.76(1) of the Listing Rules. Save for the above, during the year ended 31 December 2014, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in relation to each of the KPL Transactions and 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 2014 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 year ended 31 December 2014 and up to the date of this annual report.

DIRECTORS' REMUNERATION

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 year ended 31 December 2014 are set out in note 13 to the Financial Statements.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted 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.

As at 31 December 2014, a total of 40,374,500 options granted under the Pre-IPO Share Option Scheme were outstanding.

Movement of the options, which were granted under the Pre-IPO Share Option Scheme, during the year ended 31 December 2014 are listed below in accordance with Rule 17.07 of the Listing Rules:

			Number of options							
Category	Date of grant (Note c)	Tranche	Outstanding as at 01/01/2014	Transfer from other category during the year	Transfer to other category during the year	Exercised (Notes a and b)	Lapsed	Outstanding as at 31/12/2014	Exercise price HK$	Exercise period
1. Directors										
YEO George Yong-boon	02/12/2013	I	1,000,000	–	–	–	–	1,000,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	1,000,000	–	–	–	–	1,000,000	10.20	02/12/2014 – 01/12/2023
MA Wing Kai William	02/12/2013	I	1,500,000	–	–	–	–	1,500,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	1,500,000	–	–	–	–	1,500,000	10.20	02/12/2014 – 01/12/2023
ERNI Edwardo	02/12/2013	I	1,000,000	–	–	–	–	1,000,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	1,000,000	–	–	–	–	1,000,000	10.20	02/12/2014 – 01/12/2023
KUOK Khoon Hua	02/12/2013	I	400,000	–	–	–	–	400,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	400,000	–	–	–	–	400,000	10.20	02/12/2014 – 01/12/2023
QIAN Shaohua	02/12/2013	I	100,000	–	–	–	–	100,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	100,000	–	–	–	–	100,000	10.20	02/12/2014 – 01/12/2023

Category	Date of grant (Note c)	Tranche	Number of options: Outstanding as at 01/01/2014	Transfer from other category during the year	Transfer to other category during the year	Exercised (Notes a and b)	Lapsed	Outstanding as at 31/12/2014	Exercise price HK$	Exercise period
WONG Yu Pok Marina	02/12/2013	I	100,000	–	–	–	–	100,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	100,000	–	–	–	–	100,000	10.20	02/12/2014 – 01/12/2023
WAN Kam To	02/12/2013	I	100,000	–	–	–	–	100,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	100,000	–	–	–	–	100,000	10.20	02/12/2014 – 01/12/2023
YEO Philip Liat Kok	02/12/2013	I	100,000	–	–	–	–	100,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	100,000	–	–	–	–	100,000	10.20	02/12/2014 – 01/12/2023
2. Continuous Contract Employees	02/12/2013	I	16,935,000	50,000	–	(1,275,500)	(125,000)	15,584,500	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	16,935,000	50,000	–	(190,000)	(805,000)	15,990,000	10.20	02/12/2014 – 01/12/2023
3. Others	02/12/2013	I	150,000	–	(50,000)	–	–	100,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	150,000	–	(50,000)	–	–	100,000	10.20	02/12/2014 – 01/12/2023
Total:			**42,770,000**	**100,000**	**(100,000)**	**(1,465,500)**	**(930,000)**	**40,374,500**		

Notes:

a. *The weighted average closing price of the Ordinary Shares of the Company immediately before the dates on which the options were exercised was HK$12.42.*
b. *During the year, no option was granted/granted for adjustment or cancelled under the Pre-IPO Share Option Scheme.*
c. *The vesting period of the options is from the date of grant until the commencement of the exercise period.*

For further details of the Pre-IPO Share Option Scheme, please refer to note 37 to the Financial Statements.

POST-IPO SHARE OPTION SCHEME

The Company has approved and adopted 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 option had been granted under the Post-IPO Share Option Scheme during the year ended 31 December 2014.

On 9 January 2015, a total of 4,350,000 options were granted under the Post-IPO Share Option Scheme.

For further details of the Post-IPO Share Option Scheme, please refer to note 37 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 31 December 2014, a total of 40,374,500 options were outstanding, representing approximately 2.39% of the issued share capital of the Company as at 31 December 2014. No further option could be granted under the Pre-IPO Share Option Scheme	As at 31 December 2014, 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 7.27% and 7.27% of the issued share capital of the Company as at 31 December 2014 and the date of this annual report, respectively. No option had been granted under the Post-IPO Share Option Scheme during the year ended 31 December 2014 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

RSU SCHEME

The Company has approved and adopted the 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. On 24 December 2013, 815,000 Awards representing 815,000 underlying Shares were granted to 815 grantees pursuant to the RSU Scheme. None of the RSU grantees are Directors or connected persons of the Company.

As at 31 December 2014, a total of 406,000 RSUs remained unexercised under the RSU Scheme.

Movement of the RSUs under the RSU Scheme during the year ended 31 December 2014 are listed below:

	Number of RSUs				
Date of grant	Outstanding as at 01/01/2014	Exercised	Cancelled	Outstanding as at 31/12/2014	Exercise period
24/12/2013	781,000	(369,000)	(6,000)	406,000	24/12/2013 – 18/12/2016

For further details of the RSU Scheme, please refer to the section headed "Statutory and General Information" of the Prospectus.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales, and the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in the Group's 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 2014, the Group have three properties (namely Kerry Cargo Centre, Kerry Warehouse (Tsuen 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 year ended 31 December 2014.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2014

There were no significant events affecting the Company nor any of its subsidiaries after the year ended 31 December 2014 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 CG Code. During the year ended 31 December 2014, the Company has complied with the code provisions as set out in the CG Code.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2014 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, 22 May 2015 to Tuesday, 26 May 2015, and on Monday, 1 June 2015, during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered Shareholders 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, 21 May 2015. 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 Friday, 29 May 2015.

By Order of the Board
YEO George Yong-boon
Chairman

Hong Kong, 26 March 2015

12 INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF KERRY LOGISTICS NETWORK LIMITED (incorporated in the British Virgin Islands and continued into Bermuda as an exempted company 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 67 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 2014, 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, 26 March 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014 HK$'000**	2013 HK$'000
Turnover	5	21,115,249	19,968,743
Direct operating expenses	7	(17,975,806)	(17,090,773)
Gross profit		3,139,443	2,877,970
Other income and net gains	6	89,452	419,629
Administrative expenses	7	(1,587,063)	(1,491,252)
Operating profit before fair value change of investment properties		1,641,832	1,806,347
Change in fair value of investment properties		686,523	600,210
Operating profit		2,328,355	2,406,557
Finance costs	8	(102,419)	(93,668)
Share of results of associates	19(b)	91,377	128,368
Profit before taxation		2,317,313	2,441,257
Taxation	9	(352,981)	(304,844)
Profit for the year		1,964,332	2,136,413
Profit attributable to:			
Company's shareholders		1,658,830	1,834,522
Non-controlling interests		305,502	301,891
		1,964,332	2,136,413
Dividends	11	236,747	182,310
Earnings per share	12		
– Basic		HK$0.98	HK$1.40
– Diluted		HK$0.98	HK$1.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 **HK$'000**	2013 HK$'000
Profit for the year	1,964,332	2,136,413
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to consolidated income statement		
Defined benefit pension plans		
– Actuarial losses	(2,089)	(3,246)
– Deferred income tax	355	552
Transfer from leasehold land and buildings to investment properties		
– Fair value gain	124,534	–
– Deferred income tax	(31,133)	–
Item that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	(392,252)	(21,785)
Other comprehensive loss for the year (net of tax)	(300,585)	(24,479)
Total comprehensive income for the year	1,663,747	2,111,934
Total comprehensive income attributable to:		
Company's shareholders	1,456,904	1,827,430
Non-controlling interests	206,843	284,504
	1,663,747	2,111,934

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	**2014 HK$'000**	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets	14	1,834,776	1,968,950
Investment properties	15	7,456,242	6,379,282
Leasehold land and land use rights	16	580,941	541,348
Property, plant and equipment	17	6,652,889	6,531,990
Associates	19	1,059,662	1,122,576
Available-for-sale investments	20	94,477	59,052
		17,678,987	16,603,198
Current assets			
Inventories	21	333,866	164,016
Accounts receivable, prepayments and deposits	22	4,734,507	4,660,562
Tax recoverable		21,963	8,779
Amounts due from fellow subsidiaries	23	2,117	–
Restricted and pledged bank deposits	24(a)	25,422	8,710
Cash and bank balances	24(b)	3,816,198	4,228,367
		8,934,073	9,070,434
Current liabilities			
Accounts payable, deposits received and accrued charges	25	3,659,485	3,973,359
Amounts due to fellow subsidiaries	23	8,581	1,582
Amounts due to related companies	23	14,646	6,202
Taxation		166,381	156,983
Short-term bank loans and current portion of long-term bank loans	30	1,245,442	1,305,243
Bank overdrafts	24(b)	47,857	20,391
		5,142,392	5,463,760
Net current assets		3,791,681	3,606,674
Total assets less current liabilities		21,470,668	20,209,872

	Note	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Loans from non-controlling interests	29	248,342	235,632
Long-term bank loans	30	3,010,101	2,864,332
Deferred taxation	31	541,527	508,138
Retirement benefit obligations	32	283,032	315,238
Other non-current liabilities	25	34,890	70,718
		4,117,892	3,994,058
ASSETS LESS LIABILITIES		17,352,776	16,215,814
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	845,620	828,682
Share premium	27	2,955,547	2,632,661
Retained profits			
– Proposed final dividend		135,299	182,310
– Others		10,422,922	9,018,829
Other reserves	28	311,401	763,904
		14,670,789	13,426,386
Non-controlling interests		2,681,987	2,789,428
TOTAL EQUITY		17,352,776	16,215,814

On behalf of the Board

YEO George Yong-boon
Director

MA Wing Kai William
Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Subsidiaries	18	231,551	215,337
Current assets			
Prepayments	22	5,640	7,035
Amounts due from subsidiaries	23	7,691,999	6,828,751
Cash and bank balances	24(b)	31,671	949,378
		7,729,310	7,785,164
Current liabilities			
Accrued charges	25	21,268	39,754
Amounts due to subsidiaries	23	1,310,653	1,463,831
Amounts due to related companies	23	–	138
Short-term bank loans	30	–	164,000
		1,331,921	1,667,723
Net current assets		6,397,389	6,117,441
Total assets less current liabilities		6,628,940	6,332,778
Non-current liability			
Long-term bank loans	30	1,590,000	1,590,000
ASSETS LESS LIABILITIES		5,038,940	4,742,778

	Note	2014 HK$'000	2013 HK$'000
EQUITY			
Share capital	26	845,620	828,682
Share premium	27	2,955,547	2,632,661
Retained profits			
– Proposed final dividend		135,299	182,310
– Others		1,054,358	1,073,486
Share options reserve	28	48,116	25,639
TOTAL EQUITY		5,038,940	4,742,778

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 2014

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Net cash generated from operations	33(a)	1,544,044	1,672,403
Interest paid	8	(102,419)	(90,551)
Income tax paid		(331,941)	(246,368)
Net cash generated from operating activities		1,109,684	1,335,484
Investing activities			
Additions of property, plant and equipment	17	(1,023,237)	(1,113,121)
Additions of an investment property	15	(1,494)	–
Purchase of available-for-sale investments		(45,579)	(1,300)
Purchase of leasehold land and land use rights	16	(71,194)	(12,825)
Proceeds from sale of property, plant and equipment		111,172	106,971
Proceeds from sale of an investment property		4,360	–
Proceeds from sale of investment in associates		5,950	–
Proceeds from sale of an available-for-sale investment		7,338	3,017
Proceeds from sale of a subsidiary		12,475	–
Dividend income from available-for-sale investments		1,706	3,442
Dividends received from associates		127,169	10,515
Increase in balances with associates		(38)	(3,040)
Decrease in balances with associates		2,728	63,443
Interest received		30,180	33,447
Acquisition of subsidiaries	33(c)	(221,063)	(399,397)
Increase in investments in associates		(1,157)	(107,536)
Increase in restricted and pledged bank deposits		(16,547)	(4,473)
Net cash used in investing activities		(1,077,231)	(1,420,857)

	Note	2014 HK$'000	2013 HK$'000
Financing activities			
Decrease in loans from fellow subsidiaries		–	(2,403,137)
Repayment of bank loans		(1,534,557)	(2,852,547)
Drawdown of bank loans		1,696,536	5,075,868
Dividends of subsidiaries paid to non-controlling interests		(99,664)	(123,645)
Capital injection from non-controlling interests		3,607	–
Drawdown of loans from non-controlling interests		105,839	25,761
Repayments of loans from non-controlling interests		(92,349)	(22,940)
Settlement of recharge of share based payment with a fellow subsidiary		–	(22,125)
Acquisition of additional interest in subsidiaries	33(d)	(508,188)	(393,456)
Dividends paid		(287,378)	–
Net proceeds from issuance of ordinary shares	26(e)	323,122	2,079,262
Proceeds from pre-IPO share option scheme allotments		14,948	–
Net cash (used in)/generated from financing activities		(378,084)	1,363,041
(Decrease)/increase in cash and cash equivalents		(345,631)	1,277,668
Effect of exchange rate changes		(94,004)	16,752
Cash and cash equivalents at beginning of the year		4,207,976	2,913,556
Cash and cash equivalents at end of the year	24(b)	3,768,341	4,207,976

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Attributable to shareholders of the Company							
		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 2014		828,682	2,632,661	763,904	9,018,829	182,310	13,426,386	2,789,428	16,215,814
Profit for the year		–	–	–	1,658,830	–	1,658,830	305,502	1,964,332
Defined benefit pension plans									
– Actuarial losses		–	–	–	(902)	–	(902)	(1,187)	(2,089)
– Deferred taxation		–	–	–	153	–	153	202	355
Transfer from leasehold land and buildings to investment properties									
– Fair value gain		–	–	116,538	–	–	116,538	7,996	124,534
– Deferred taxation		–	–	(29,134)	–	–	(29,134)	(1,999)	(31,133)
Net translation differences on foreign operations	28	–	–	(288,581)	–	–	(288,581)	(103,671)	(392,252)
Total comprehensive income for the year		–	–	(201,177)	1,658,081	–	1,456,904	206,843	1,663,747
Dividends paid		–	–	–	–	–	–	(99,664)	(99,664)
2013 final dividend paid		–	–	–	(3,620)	(182,310)	(185,930)	–	(185,930)
2014 interim dividend paid		–	–	–	(101,448)	–	(101,448)	–	(101,448)
2014 proposed final dividend		–	–	–	(135,299)	135,299	–	–	–
Transfers	28	–	–	13,771	(13,771)	–	–	–	–
Acquisition of a subsidiary	34	–	–	–	–	–	–	2,387	2,387
Capital injection from non-controlling interests		–	–	–	–	–	–	3,607	3,607
Acquisition of additional interest in subsidiaries	33(d)	–	–	(287,574)	–	–	(287,574)	(220,614)	(508,188)
Proceeds from issuance of ordinary shares under the exercise of the over-allotment option		16,205	306,917	–	–	–	323,122	–	323,122
Value of employee services under pre-IPO share option scheme	28	–	–	25,335	–	–	25,335	–	25,335
Pre-IPO share option scheme allotment		733	15,969	(1,754)	–	–	14,948	–	14,948
Share option lapsed		–	–	(1,104)	150	–	(954)	–	(954)
Total transactions with owners		16,938	322,886	(251,326)	(253,988)	(47,011)	(212,501)	(314,284)	(526,785)
Balance at 31 December 2014		845,620	2,955,547	311,401	10,422,922	135,299	14,670,789	2,681,987	17,352,776

	Note	Attributable to shareholders of the Company							
		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
Net translation differences on foreign operations	28	–	–	(6,109)	–	–	(6,109)	(15,676)	(21,785)
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		–	–	–	–	–	–	8,764	8,764
Acquisition of additional interest in subsidiaries		–	–	(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

1 GENERAL INFORMATION

Kerry Logistics Network Limited was incorporated in the British Virgin Islands in 1991 and migrated to Bermuda to become an exempted company with limited liability in 2000. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of logistics, freight and warehouse leasing and operations services. The Company obtained its primary listing on The Stock Exchange of Hong Kong Limited on 19 December 2013.

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. Kerry Group Limited, a private company incorporated in the Cook Islands, is 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 26 March 2015.

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 HKFRS issued by 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 HKFRS 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)

(I) ADOPTION OF AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATION

The following amendments to existing standards and interpretation have been published that are effective for the Group's accounting period beginning on 1 January 2014:

- HKAS 32 (amendment), 'Financial instruments: Presentation–offsetting financial assets and financial liabilities'
- HKAS 36 (amendment), 'Recoverable amount disclosures for non-financial assets'
- HKAS 39 (amendment), 'Novation of derivatives and continuation of hedge accounting'
- HK(IFRIC) Interpretation 21, 'Levies'
- Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12, 'Investment entities'

The adoption of the above amendments to existing standards and interpretation had no material impact on the Group's results and financial position.

(II) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS WHICH ARE NOT YET EFFECTIVE

The following new standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2015, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
HKAS 1 (amendment), 'Disclosure initiative'	1 January 2016
HKAS 27 (amendment), 'Equity method in separate financial statements'	1 January 2016
HKFRS 9, 'Financial instruments'	1 January 2018
HKFRS 14, ' Regulatory deferral accounts'	1 January 2016
HKFRS 15, 'Revenue from contracts with customers'	1 January 2017
Annual improvements to 2010-2012 cycle	1 July 2014
Annual improvements to 2011-2013 cycle	1 July 2014
Annual improvements to 2012-2014 cycle	1 January 2016
Amendments to HKAS 19 (2011), 'Employee benefits: defined benefit plans–employee contributions'	1 July 2014
Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	1 January 2016
Amendments to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'	1 January 2016
Amendments to HKAS 28 (2011) and HKFRS 10, 'Sales or contribution of assets between an investor and its associate or joint venture'	1 January 2016
Amendments to HKAS 28 (2011), HKFRS 10 and HKFRS 12, 'Investment entities: applying the consolidation exception'	1 January 2016

The Group will adopt the above standards and amendments to existing standards as and when they become effective. The Group is in the process of making an assessment of the impact of them upon initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) FOREIGN CURRENCY TRANSLATION (CONTINUED)

(III) GROUP COMPANIES (CONTINUED)

- income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) PROPERTY, PLANT AND EQUIPMENT

Construction in progress represents logistics centres and warehouses under construction and is stated at cost less impairment losses. It will be reclassified to the relevant property, plant and equipment category upon completion and depreciation begins when the relevant assets are available for use.

Properties comprise mainly warehouses and logistics centres (including leasehold land classified as finance lease), staff quarters, freehold land and buildings and port facilities. All property, plant and equipment are stated at historical cost less aggregate depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Leasehold land	Over their remaining lease term ranging from 20 to 50 years
Port facilities	2.5% to 3.6%
Properties	Shorter of remaining lease term of 20 to 50 years or useful lives
Leasehold improvements	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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) INVESTMENT PROPERTIES

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases, warehouse and office held for long-term rental yields.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at cost, including related transaction costs and borrowing costs.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, except that the land portion is reclassified as leasehold land and land use right if it is operating lease in nature, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any increase from the carrying amount to the fair value of this item at the date of transfer is recognised in equity as a revaluation reserve of property, plant and equipment under HKAS 16, except any increase which reverses a previous impairment loss is recognised in the income statement. Any decrease in the carrying amount of the property is charged to the consolidated income statement. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity.

(g) INTANGIBLE ASSETS

(I) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately as a non-current asset. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill on acquisitions of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) INTANGIBLE ASSETS (CONTINUED)

(II) CUSTOMER RELATIONSHIPS

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate its cost over the expected life of the customer relationships, which range from five to ten years.

(III) NON-COMPETE AGREEMENTS

Non-compete agreements acquired in a business combination are recognised at fair value at the acquisition date. The non-compete agreements have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate its cost over the term of the agreements, which range from five to ten years.

(IV) TRADEMARK

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of five years.

(h) IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the 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).

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) CURRENT AND DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary difference arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

(p) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(q) FINANCIAL GUARANTEES

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated income statement immediately.

(r) LEASES

(I) THE GROUP IS THE LESSEE

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor), including upfront prepayment made for leasehold land and land use rights are charged to the consolidated income statement in accordance with the pattern of benefit provided or on a straight-line basis over the period of the lease term.

(II) THE GROUP IS THE LESSOR

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) LEASEHOLD LAND AND LAND USE RIGHTS

The Group made upfront payments to obtain operating leases of leasehold land and land use rights on which properties will be developed. Other than those classified as finance lease, the upfront payments of the leasehold land and land use rights are recorded as separate assets and amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. The amortisation during the period of construction of the properties is capitalised as the cost of construction in progress. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the consolidated income statement.

(t) EMPLOYEE BENEFITS

(I) EMPLOYEE LEAVE ENTITLEMENTS

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(II) DEFINED CONTRIBUTION PLAN

A defined contribution plan is a pension plan which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(III) DEFINED BENEFIT PLAN

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. When there is significant change to the plan and key assumptions, the defined benefit obligation will be recalculated by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds yield that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and immediately recognised in retained profits in the 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) EMPLOYEE BENEFITS (CONTINUED)

(IV) SHARE-BASED COMPENSATION (CONTINUED)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) TURNOVER RECOGNITION (CONTINUED)

(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.

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

Risk management is carried out by the Group's management under the supervision of the Board of Directors. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board of Directors provides guidance for overall risk management.

(I) MARKET RISK

(i) FOREIGN EXCHANGE RISK

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group entities' functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign exchange risk. Income in foreign currencies are generated from the Group's investments outside Hong Kong and cash in these foreign currencies are maintained in the relevant foreign currencies for operational needs. The Group ensures that its exposure to fluctuations in foreign exchange rates is minimised. 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 appropriate financial instruments 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 2014, 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$10,639,000 (2013: HK$10,424,000) resulting from the change in interest income on bank deposits and borrowing costs of bank borrowings.

(II) CREDIT RISK

The carrying amounts of cash and bank balances, restricted and pledged bank deposits, accounts receivable and amounts due from associates and fellow subsidiaries 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 and fellow subsidiaries on a regular basis and an allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

In order to minimise the credit risk, management of the Company has delegated a team in each business unit responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is adequately covered.

There is no concentration of credit risk with respect to accounts receivable from third party customers as the Group has a large number of customers which are internationally dispersed.

The Group monitors the exposure to credit risk in respect of the financial assistance provided to associates through exercising influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(II) CREDIT RISK (CONTINUED)

The credit risk on bank balances and restricted and pledged bank deposits is limited because the counterparties are banks with high credit rankings.

(III) LIQUIDITY RISK

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The following tables detail the contractual maturity of the Group and the Company for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Group				
	Less than 1 year 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 2014					
Bank loans	1,312,999	1,179,980	1,855,840	42,885	4,391,704
Accounts payable, deposits received and accrued charges	3,659,485	–	–	–	3,659,485
Bank overdrafts	47,857	–	–	–	47,857
Loans from non-controlling interests	–	248,342	–	–	248,342
Amounts due to fellow subsidiaries	8,581	–	–	–	8,581
Amounts due to related companies	14,646	–	–	–	14,646
Other non-current liabilities	–	34,890	–	–	34,890
At 31 December 2013					
Bank loans	1,366,411	291,631	2,623,054	54,656	4,335,752
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	1,582	–	–	–	1,582
Amounts due to related companies	6,202	–	–	–	6,202
Other non-current liabilities	–	70,718	–	–	70,718

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 2014					
Bank loans	27,470	224,600	1,408,850	–	1,660,920
Accrued charges	21,268	–	–	–	21,268
Amounts due to subsidiaries	1,310,653	–	–	–	1,310,653
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

(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 divided by equity attributable to the Company's shareholders.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 HK$ million	2013 HK$ million
Bank loans and overdrafts	4,303	4,190
Equity attributable to the Company's shareholders	14,671	13,426
Gearing ratio	29.3%	31.2%

The Group's overall strategy remains unchanged throughout the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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).

The following table presents the Group's available-for-sale investments that are measured at fair value as at 31 December 2014 and 2013:

At 31 December 2014	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investments	45,579	–	48,898	94,477

At 31 December 2013	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investments	–	–	59,052	59,052

There were no transfers between levels during the year (2013: nil).

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 instruments.

AVAILABLE-FOR-SALE INVESTMENTS

	2014 HK$'000	2013 HK$'000
At beginning of year	59,052	61,459
Additions	–	1,300
Disposals	(7,338)	(2,391)
Exchange adjustment	(2,816)	(1,316)
At end of year	48,898	59,052

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 (2013: nil).

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) FAIR VALUE ESTIMATION (CONTINUED)

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 2014 and 2013:

– Accounts receivable, prepayments and deposits and amounts due from fellow subsidiaries

– Cash and bank balances

– Accounts payable, deposits received and accrued charges and amounts due to related companies

– 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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

(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 2014 (43.17%) 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:

	2014 **HK$'000**	2013 HK$'000 (Reclassified)
Integrated Logistics		
Logistics Operations	9,101,002	8,164,433
Hong Kong Warehouse	519,270	480,220
International Freight Forwarding	11,494,977	11,324,090
	21,115,249	19,968,743

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(b) An analysis of the Group's financial results by operating segment and geographical area for the year ended 31 December:

	For the year ended 31 December									
	Integrated logistics				International freight forwarding		Elimination		Consolidation	
	Logistics operations		Hong Kong warehouse							
	2014 HK$'000	2013 HK$'000 (Reclassified)	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000 (Reclassified)	**2014 HK$'000**	2013 HK$'000 (Reclassified)	**2014 HK$'000**	2013 HK$'000
Turnover										
Turnover	9,101,002	8,164,433	519,270	480,220	11,494,977	11,324,090	–	–	21,115,249	19,968,743
Inter-segment turnover	242,499	275,827	277,625	259,761	1,163,502	1,056,011	(1,683,626)	(1,591,599)	–	–
	9,343,501	8,440,260	796,895	739,981	12,658,479	12,380,101	(1,683,626)	(1,591,599)	21,115,249	19,968,743
Turnover by geographical area:										
Hong Kong	2,280,518	1,867,890	796,895	739,981	733,484	618,913	(589,672)	(458,625)	3,221,225	2,768,159
Mainland China	3,461,493	3,188,719	–	–	6,013,709	6,424,032	(722,139)	(668,393)	8,753,063	8,944,358
Taiwan	2,182,915	2,060,628	–	–	51,885	51,550	(15,674)	(24,157)	2,219,126	2,088,021
South & South East Asia	1,255,941	1,150,350	–	–	2,022,003	1,816,911	(161,247)	(229,728)	3,116,697	2,737,533
Europe	–	–	–	–	3,039,781	2,864,444	(81,175)	(103,067)	2,958,606	2,761,377
Others	162,634	172,673	–	–	797,617	604,251	(113,719)	(107,629)	846,532	669,295
	9,343,501	8,440,260	796,895	739,981	12,658,479	12,380,101	(1,683,626)	(1,591,599)	21,115,249	19,968,743
Segment profit by geographical area:										
Hong Kong	145,327	113,802	475,660	435,604	28,298	22,206	–	–	649,285	571,612
Mainland China	236,114	232,555	–	–	180,516	189,415	–	–	416,630	421,970
Taiwan	307,368	271,210	–	–	2,039	1,718	–	–	309,407	272,928
South & South East Asia	233,588	197,447	–	–	89,339	89,594	–	–	322,927	287,041
Europe	–	–	–	–	72,927	38,960	–	–	72,927	38,960
Others	10,394	8,311	–	–	4,972	(359)	–	–	15,366	7,952
	932,791	823,325	475,660	435,604	378,091	341,534	–	–	1,786,542	1,600,463
Less: Unallocated administrative expenses									(174,890)	(187,879)
Core operating profit									1,611,652	1,412,584
Finance income									30,180	33,447
Finance costs									(102,419)	(93,668)
Share of results of associates									91,377	128,368
Profit before taxation*									1,630,790	1,480,731
Taxation*									(349,863)	(293,692)
Profit for the year*									1,280,927	1,187,039
Non-controlling interests*									(304,934)	(300,667)
Core net profit									975,993	886,372
Change in fair value of investment properties									686,523	600,210
Deferred tax on change in fair value of investment properties									(3,118)	(11,152)
Less: Non-controlling interests' share of after-tax change in fair value of investment properties									(568)	(1,224)
Gain from disposal of Kowloon Bay warehouse									–	360,316
Profit attributable to the Company's shareholders									1,658,830	1,834,522
Depreciation and amortisation	324,508	306,870	32,982	30,069	112,993	112,811			470,483	449,750

* *Excluding the change in fair value of investment properties and its related deferred tax*

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(c) 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, in each geographical area.

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.

Segment turnover and profit derived from geographical areas are based on the geographical location of the operation.

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

The executive directors also assess the performance of the Group based on core operating profit, which is the profit before taxation excluding interest income, finance costs, share of results of associates, and also core net profit, which is the profit attributable to Company's shareholders before the after-tax effect of change in fair value of investment properties and gain from disposal of Kowloon Bay warehouse.

Prior year corresponding segment information that is presented for comparative purposes has been reclassified to conform to reclassification of operations in cross-border logistics business in Malaysia from logistics operations segment to international freight forwarding segment adopted in the current year.

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

	Segment non-current assets#	
	2014 HK$'000	2013 HK$'000
Hong Kong	6,976,055	6,393,359
Mainland China	4,239,847	3,914,629
Taiwan	2,636,897	2,700,038
South & South East Asia	3,038,018	2,777,976
Europe	475,768	538,660
Others	217,925	219,484
	17,584,510	16,544,146

\# *Other than available-for-sale investments.*

6 OTHER INCOME AND NET GAINS

	2014 HK$'000	2013 HK$'000
Interest income from banks	30,108	32,472
Interest income from associates	72	975
Dividend income from available-for-sale investments	1,706	3,442
Impairment of intangible assets (note a)	(2,878)	(10,520)
Gain on disposal of property, plant and equipment	58,781	32,318
Gain on disposal of an investment property	719	–
Gain on disposal of Kowloon Bay warehouse (note b)	–	360,316
Gain on disposal of associates	944	–
Gain on sale of an available-for-sale investment	–	626
	89,452	419,629

Notes:

(a) During the year, the Group disposed of 90% equity interest of a subsidiary which resulted in a gain on disposal of HK$10,018,000. Such gain was netted off against the related impairment of intangible assets of HK$12,896,000.

(b) In December 2013, the Group disposed of 100% equity interest in the holding company of Kowloon Bay warehouse to a subsidiary of KPL.

7 EXPENSES BY NATURE

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

	2014 HK$'000	2013 HK$'000
Auditors' remuneration	19,280	17,755
Business tax	10,321	32,400
Cost of goods sold	1,180,063	844,773
Freight and transportation costs	13,657,426	13,306,663
Depreciation of property, plant and equipment (note 17)	416,088	396,735
Amortisation of leasehold land and land use rights (note 16)	10,127	10,727
Amortisation of intangible assets (note 14)	44,268	42,288
Provision for impairment of receivables	26,361	10,856
Reversal of provision for impairment of receivables	(14,819)	(1,109)
Operating leases charges on land and buildings	532,402	457,564
Employee benefit expenses (note 13)	3,117,096	2,924,104
Fair value gain on contingent payment for acquisition of subsidiaries	–	(12,088)

8 FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest expenses on loans from fellow subsidiaries	–	3,117
Interest expenses on bank loans and overdrafts	102,419	90,551
	102,419	93,668

9 TAXATION

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013:16.5%) for the year ended 31 December 2014 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

PRC enterprise income tax has been provided at the rate of 25% (2013: 25%) on the estimated assessable profit for the year.

WITHHOLDING TAX ON DISTRIBUTED/ UNDISTRIBUTED PROFITS

Withholding tax in the Group's subsidiaries and associates is levied on profit distribution upon declaration/remittance and in respect of the undistributed earnings for the year at the rates of taxation prevailing in the PRC and overseas countries.

	2014 HK$'000	2013 HK$'000
Hong Kong profits tax		
– Current	82,850	69,990
– Overprovision in prior years	(951)	(2,916)
– Deferred	14,189	13,732
	96,088	80,806
PRC taxation		
– Current	104,756	95,085
– Underprovision in prior years	1,100	1,407
– Deferred	3,039	221
	108,895	96,713
Overseas taxation		
– Current	132,320	118,368
– Under/(over)provision in prior years	12,539	(1,439)
– Deferred	3,139	10,396
	147,998	127,325
	352,981	304,844

The Group's share of associates' taxation for the year ended 31 December 2014 are HK$21,583,000 (2013: HK$23,210,000) and included in the share of results of associates in the consolidated income statement.

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:

	2014 HK$'000	2013 HK$'000
Profit before taxation	2,317,313	2,441,257
Less: Share of results of associates	(91,377)	(128,368)
	2,225,936	2,312,889
Calculated at Hong Kong profits tax rate of 16.5% (2013: 16.5%)	367,279	381,627
Tax effect of different taxation rates in other countries	53,843	46,094
Income not subject to taxation	(113,211)	(151,834)
Expenses not deductible in determining taxable profit	8,998	3,600
Tax losses not recognised	16,060	13,745
Utilisation of previously unrecognised tax losses	(1,049)	(4,523)
Under/(over)provision in prior years	12,688	(2,948)
Withholding tax on undistributed profits	8,373	19,083
Taxation charge	352,981	304,844

10 PROFIT/(LOSS) ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS

The profit attributable to the Company's shareholders dealt with in the consolidated financial statements of the Company for the year ended 31 December 2014 is HK$221,089,000 (2013: loss of HK$11,801,000).

11 DIVIDENDS

A final dividend in respect of the year ended 31 December 2014 of 8 HK cents per share, amounting to a total dividend of HK$135,299,000 is to be proposed at the annual general meeting on 26 May 2015. These financial statements do not reflect this dividend payable.

	2014 HK$'000	2013 HK$'000
Interim dividend paid of 6 HK cents (2013: nil) per ordinary share	101,448	–
Proposed final dividend of 8 HK cents (2013: 11 HK cents) per ordinary share	135,299	182,310
	236,747	182,310

At a meeting held on 26 March 2015, the directors proposed a final dividend of 8 HK cents 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 2014, as referred to above, is calculated on the basis of 1,691,240,112 ordinary shares in issue as at 31 December 2014, and at a final dividend of 8 HK cents per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2014 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 1 June 2015.

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 for the year ended 31 December 2013 have taken into account the impact of the loan capitalisation and the share split as described in note 26.

BASIC

	2014	2013
Adjusted weighted average number of ordinary shares in issue	1,689,361,482	1,306,948,732
Profit attributable to the Company's shareholders (HK$'000)	1,658,830	1,834,522
Basic earnings per share (HK$)	0.98	1.40

DILUTED

Diluted earnings per share is calculated by adjusting the profit attributable to the Company's shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential shares.

	2014	2013
Adjusted weighted average number of ordinary shares in issue	1,689,361,482	1,306,948,732
Adjustment for share options	7,482,208	–
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,696,843,690	1,306,948,732
Profit attributable to the Company's shareholders (HK$'000)	1,658,830	1,834,522
Diluted earnings per share (HK$)	0.98	1.40

13 EMPLOYEE BENEFIT EXPENSES

	2014 HK$'000	2013 HK$'000
Staff costs, including directors' emoluments	2,867,940	2,650,743
Share option expense	24,381	47,764
Pension costs		
– defined contribution plans	213,691	214,147
– defined benefit plans (note 32)	11,084	11,450
	3,117,096	2,924,104

Out of the total employee benefit expenses for the year ended 31 December 2014 of HK$3,117,096,000 (2013: HK$2,924,104,000), HK$2,072,772,000 (2013: HK$1,941,339,000) 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 2014, 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	–	3,600	4,000	3,150	17	10,767
MA Wing Kai William	–	4,560	14,000	–	120	18,680
ERNI Edwardo	–	2,678	5,500	1,063	120	9,361
KUOK Khoon Hua[1]	1,200	–	–	–	–	1,200
QIAN Shaohua[1]	440	–	–	–	–	440
WONG Yu Pok Marina[1]	575	–	–	–	–	575
WAN Kam To[1]	530	–	–	–	–	530
YEO Philip Liat Kok[1]	405	–	–	–	–	405

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	–	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[2]	–	–	–	–	–	–
GAW Bryan Pallop[2]	–	882	1,068	–	36	1,986
KUOK Khoon Hua[1]	144	–	–	–	–	144
QIAN Shaohua[1]	56	–	–	–	–	56
WONG Yu Pok Marina[1]	68	–	–	–	–	68
WAN Kam To[1]	64	–	–	–	–	64
YEO Philip Liat Kok[1]	48	–	–	–	–	48

Notes:

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

[1] *Appointed on 25 November 2013*
[2] *Resigned on 25 November 2013*

(b) SENIOR MANAGEMENT'S EMOLUMENTS

The Group considers a team of nine (2013: nine) senior executives who report to the Board of Directors as senior management. The emoluments of these nine (2013: nine) individuals, excluding share option benefits, are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other short-term benefits	34,317	36,419

(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 2014, no share was issued to director of the Company pursuant to exercise of the share options (2013: 400,000).

13 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

As at 31 December 2014, 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
750,000	HK$26.88	08/07/2014 – 07/01/2024
750,000*	HK$26.88	08/01/2015 – 07/01/2024

* *Outstanding options that were not yet exercisable at the end of the reporting period.*

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

The closing market price of the KPL shares as at 31 December 2014 was HK$28.15 (2013: HK$26.9).

(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:

During the year ended 31 December 2014, no shares were issued to a director of the Company pursuant to exercise of the share options (2013: nil).

As at 31 December 2014, 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

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 2014 was HK$12.30 (2013: 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 2014 included three Directors (2013: three). The emoluments payable to the remaining 2 highest paid individuals during the years are as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	6,488	5,663
Discretionary bonuses	6,000	7,092
Pension contributions	120	–
	12,608	12,755

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
HK$5,000,001 – HK$5,500,000	–	1
HK$5,500,001 – HK$6,000,000	1	–
HK$6,500,001 – HK$7,000,000	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	
	2014	2013
HK$1,000,001 – HK$1,500,000	1	–
HK$2,000,001 – HK$2,500,000	2	2
HK$2,500,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$3,500,000	2	2
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	–	–
HK$5,000,001 – HK$5,500,000	–	2
HK$5,500,001 – HK$6,000,000	2	–
HK$6,000,001 – HK$6,500,000	–	–
HK$6,500,001 – HK$7,000,000	1	–
HK$7,000,001 – HK$7,500,000	–	1
HK$7,500,001 – HK$8,000,000	–	–
	9	9

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 2013	1,625,375	86,330	38,228	23,871	1,773,804
Acquisition of subsidiaries	183,322	48,118	4,143	–	235,583
Impairment (note 6)	(10,520)	–	–	–	(10,520)
Amortisation (note 7)	–	(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
At 1 January 2014	1,806,819	103,683	37,800	20,648	1,968,950
Acquisition of a subsidiary (note 34)	22,206	–	–	–	22,206
Impairment (note 6)	(5,961)	(1,219)	(5,716)	–	(12,896)
Amortisation (note 7)	–	(34,614)	(6,413)	(3,241)	(44,268)
Exchange adjustment	(89,015)	(8,161)	(1,717)	(323)	(99,216)
At 31 December 2014	1,734,049	59,689	23,954	17,084	1,834,776
At 31 December 2014					
Cost	1,822,750	152,199	42,954	26,558	2,044,461
Accumulated amortisation and impairment	(88,701)	(92,510)	(19,000)	(9,474)	(209,685)
	1,734,049	59,689	23,954	17,084	1,834,776

The amortisation of intangible assets was charged to direct operating 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:

	2014 HK$'000	2013 HK$'000
Logistics operations		
Hong Kong	32,837	32,837
PRC	202,966	210,893
Taiwan	330,777	350,457
South and South East Asia	153,558	154,797
Others	11,238	12,283
	731,376	761,267
International freight forwarding		
Hong Kong	16,894	16,894
PRC	416,390	427,538
South and South East Asia	169,531	174,301
Europe	319,724	359,922
Others	80,134	66,897
	1,002,673	1,045,552
	1,734,049	1,806,819

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 2014

Logistics operations

	Hong Kong	PRC	South and South East Asia
Gross margin	1% – 3%	4% – 5%	3% – 40%
Growth rate	2% – 3%	3%	3% – 5%
Discount rate	12%	12% – 12.5%	12% – 20%

International freight forwarding

	Hong Kong	PRC	South and South East Asia	Europe
Gross margin	9%	4% – 5%	4% – 12%	4%
Growth rate	2%	3%	3% – 5%	2%
Discount rate	12%	12.5%	15% – 20%	11%

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%

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$22,186,000 (2013: HK$22,994,000) would be required for the goodwill at 31 December 2014.

15 INVESTMENT PROPERTIES

	Group	
	2014 **HK$'000**	2013 HK$'000
At beginning of year	6,379,282	5,767,637
Additions	1,494	–
Change in fair value	686,523	600,210
Disposal	(3,641)	–
Transfer from leasehold land and land use rights and property, plant and equipment	418,908	–
Exchange adjustment	(26,324)	11,435
At end of year	7,456,242	6,379,282

(a) Investment properties were valued by independent professional valuer, namely DTZ Debenham Tie Leung Limited as at 31 December 2014 and 31 December 2013, by mainly adopting the investment approach of valuation.

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

	Group	
	2014 **HK$'000**	2013 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	6,004,250	5,330,200
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	1,451,992	1,049,082
	7,456,242	6,379,282

As at 31 December 2014, investment properties amounting to HK$494,097,000 (2013: HK$230,168,000) were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 36).

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

	Group	
	2014 **HK$'000**	2013 HK$'000
Rental income	493,291	425,789
Direct operating expenses from property that generated rental income	(92,608)	(84,900)
	400,683	340,889

(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 2014	5,330,200	594,594	454,488	6,379,282
Additions	–	1,467	27	1,494
Change in fair value	674,050	16,523	(4,050)	686,523
Disposal	–	(3,641)	–	(3,641)
Transfer from leasehold land and land use rights and property, plant and equipment	–	418,908	–	418,908
Exchange adjustment	–	(15,542)	(10,782)	(26,324)
At 31 December 2014	6,004,250	1,012,309	439,683	7,456,242

15 INVESTMENT PROPERTIES (CONTINUED)

(d) Valuation of investment properties (Continued)

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 2014. 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.

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	
	2014	2013
	HK$'000	HK$'000
Capitalisation rate	5.5% – 10%	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	
	2014	2013
	HK$'000	HK$'000
Decrease of capitalisation rate by 10%	691,400	507,700
Increase of capitalisation rate by 10%	(549,600)	(417,400)

15 INVESTMENT PROPERTIES (CONTINUED)

(d) Valuation of investment properties (Continued)

Significant unobservable inputs used to determine fair value *(Continued)*

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	
	2014	2013
	HK$'000	HK$'000
Decrease of reversionary income by 10%	(569,300)	(433,700)
Increase of reversionary income by 10%	573,700	430,600

(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 (2013: nil).

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

	Group	
	2014	2013
	HK$'000	HK$'000
Land and buildings:		
Within one year	332,590	335,565
In the second to fifth year, inclusive	291,888	319,511
Over five years	185,258	128,161
	809,736	783,237

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of year	541,348	538,883
Additions	71,194	12,825
Acquisition of a subsidiary treated as asset acquisition	64,522	–
Amortisation	(10,127)	(10,727)
Transfer to investment properties	(195,581)	–
Revaluation surplus	124,534	–
Exchange adjustment	(14,949)	367
At end of year	580,941	541,348

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	
	2014	2013
	HK$'000	HK$'000
Outside Hong Kong, held on:		
Leases of over 50 years	66,687	70,819
Leases of between 10 to 50 years	514,254	470,529
	580,941	541,348

As at 31 December 2014, leasehold land and land use rights amounting to HK$151,033,000 (2013: HK$159,923,000) were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 36).

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 2014	1,861,407	9,356	3,096,843	379,923	449,475	1,415,239	663,509	208,101	8,083,853
Additions, at cost	17,384	–	245,466	–	74,857	317,476	131,133	236,921	1,023,237
Acquisition of a subsidiary (note 34)	–	–	–	–	132	506	431	–	1,069
Disposals	–	–	(14,350)	–	(10,224)	(101,051)	(99,106)	–	(224,731)
Transfer/ reclassification	64,130	–	48,573	–	(2,360)	34,026	2,862	(382,337)	(235,106)
Exchange adjustment	(37,733)	(389)	(147,014)	(2,562)	(28,575)	(75,816)	(28,149)	(4,607)	(324,845)
At 31 December 2014	1,905,188	8,967	3,229,518	377,361	483,305	1,590,380	670,680	58,078	8,323,477
Accumulated depreciation									
At 1 January 2014	228,946	4,666	208,446	98,184	157,094	518,892	335,635	–	1,551,863
Charge for the year	46,293	576	43,851	7,324	68,474	150,009	99,561	–	416,088
Disposals	–	–	(2,183)	–	(7,517)	(79,027)	(83,613)	–	(172,340)
Transfer/ reclassification	(11,776)	–	(11,540)	–	2,136	8,747	654	–	(11,779)
Exchange adjustment	(4,565)	(209)	(10,601)	(747)	(19,779)	(55,529)	(21,814)	–	(113,244)
At 31 December 2014	258,898	5,033	227,973	104,761	200,408	543,092	330,423	–	1,670,588
Net book value									
As at 31 December 2014	1,646,290	3,934	3,001,545	272,600	282,897	1,047,288	340,257	58,078	6,652,889

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 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	–	–	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)

(a) As at 31 December 2014 and 2013, 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 36) with aggregate net book values as follows:

	2014 HK$'000	2013 HK$'000
Freehold land and buildings	1,397,510	1,368,459
Warehouse and logistics centres	411,412	431,022
Port facilities	272,600	281,739
	2,081,522	2,081,220

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

	2014 HK$'000	2013 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	405,739	418,220
Outside Hong Kong, held on:		
Leases of over 50 years	71,007	76,173
Leases of between 10 to 50 years	1,169,544	1,138,068
	1,646,290	1,632,461

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

18 SUBSIDIARIES

	Company	
	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost (note)	198,931	198,931
Capital contribution relating to share-based payment	32,620	16,406
	231,551	215,337

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

There is no non-controlling interest that is individually significant to the Group.

The capital contribution relating to share based payment relates to options on 27,370,000 shares granted by the Company to employees of subsidiary undertakings in the Group. Further details on the Group's share option schemes are set out in note 37 to the financial statements.

19 ASSOCIATES

	Group	
	2014 HK$'000	2013 HK$'000
Share of net assets (note (b))	865,128	1,074,060
Amounts due from associates (note (c), (d))	194,534	48,516
	1,059,662	1,122,576

19 ASSOCIATES (CONTINUED)

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

	Name	Place of incorporation/ establishment	Principal activities	Class of shares/ registered capital	Interest held indirectly	
					2014	2013
(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	
	2014 HK$'000	2013 HK$'000
Aggregate attributable amounts of total assets	1,169,962	1,424,071
Aggregate attributable amounts of total liabilities	304,834	350,011
Aggregate attributable amounts of total turnover	439,097	556,392
Aggregate attributable amounts of net profit after tax	91,377	128,368

(c) The amounts due from associates are unsecured, and not expected to be received within twelve months for the respective end of the reporting periods. Except for an amount of HK$1,520,000 (2013: HK$3,040,000) which bears interest at 4% per annum, all the amounts due from associates are interest-free.

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

	2014 HK$'000	2013 HK$'000
United States dollar	1,520	3,039
Renminbi	193,014	–
Hong Kong dollar	–	45,477
	194,534	48,516

(e) There is no associate that is individually significant to the Group.

20 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014 HK$'000	2013 HK$'000
Listed equity securities, at fair value	45,579	–
Unlisted equity securities, at fair value	48,898	59,052
	94,477	59,052

21 INVENTORIES

	Group	
	2014 HK$'000	2013 HK$'000
Finished goods	333,866	164,016

The cost of inventories recognised as expense and included in direct operating expenses for the year ended 31 December 2014 amounted to HK$1,180,063,000 (2013: HK$844,773,000).

22 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Trade receivables	3,750,057	3,742,902	–	–
Less: Provision for impairment of receivables (note (b))	(56,206)	(62,871)	–	–
Trade receivables – net	3,693,851	3,680,031	–	–
Prepayments (note (c))	335,930	238,227	5,640	7,035
Deposits (note (d))	94,057	130,007	–	–
Others (note (e))	610,669	612,297	–	–
	4,734,507	4,660,562	5,640	7,035

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	
	2014 *HK$'000*	*2013* *HK$'000*
Below 1 month	*2,204,590*	*2,218,348*
Between 1 month and 3 months	*1,278,167*	*1,282,114*
Over 3 months	*211,094*	*179,569*
	3,693,851	*3,680,031*

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 2014, trade receivables of HK$1,165,566,000 (2013: HK$973,930,000) 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	
	2014 *HK$'000*	*2013* *HK$'000*
Up to 3 months	*1,120,934*	*950,697*
Over 3 months	*44,632*	*23,233*
	1,165,566	*973,930*

22 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes: (Continued)

(b) *As of 31 December 2014, trade receivables of HK$56,206,000 (2013: HK$62,871,000) 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	
	2014 HK$'000	2013 HK$'000
At beginning of year	62,871	46,921
Provision for impairment of receivables	26,361	10,856
Reversal of provisions	(14,819)	(1,109)
Receivables written off during the year as uncollectible	(15,069)	(3,581)
Exchange adjustment	(3,138)	9,784
At end of year	56,206	62,871

(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	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Renminbi	1,970,715	1,888,957	–	–
Hong Kong dollar	764,940	667,243	5,640	7,035
Taiwan dollar	477,754	494,009	–	–
Thai Baht	180,293	168,117	–	–
United States dollar	338,341	336,422	–	–
Euro	214,912	322,325	–	–
Pound sterling	148,326	167,165	–	–
Indian Rupee	189,362	164,383	–	–
Malaysian Ringgit	106,296	111,604	–	–
Australian dollar	78,543	64,415	–	–
Vietnamese Dong	67,332	75,083	–	–
Other currencies	197,693	200,839	–	–
	4,734,507	4,660,562	5,640	7,035

(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 direct operating 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 2014, the Group's bank balances amounting to approximately HK$25,422,000 (2013: HK$8,710,000) represented deposits pledged for bank facilities of the Group.

(b) CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Cash at bank and in hand	3,538,462	3,747,145	30,703	948,409
Short-term bank deposits	277,736	481,222	968	969
Cash and bank balances	3,816,198	4,228,367	31,671	949,378

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

	Group	
	2014 HK$'000	2013 HK$'000
Cash and bank balances	3,816,198	4,228,367
Secured bank overdrafts	(13,592)	(18,981)
Unsecured bank overdrafts	(34,265)	(1,410)
	3,768,341	4,207,976

24 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Renminbi	1,280,550	1,330,353	3,811	3,879
Hong Kong dollar	1,273,600	1,721,183	27,423	944,651
United States dollar	388,565	259,305	437	848
Taiwan dollar	239,105	333,973	–	–
Pound sterling	91,743	86,201	–	–
Euro	166,694	155,475	–	–
Vietnamese Dong	107,193	123,129	–	–
Singapore dollar	68,704	56,882	–	–
Other currencies	152,187	141,475	–	–
	3,768,341	4,207,976	31,671	949,378

For the Group's subsidiaries incorporated in the PRC, conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

25 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Trade payables	1,847,257	1,710,545	–	–
Accrued charges (note (c))	800,639	1,000,146	21,268	39,754
Customer deposits	126,555	104,483	–	–
Consideration payable for acquisition of subsidiaries	128,508	286,940	–	–
Others (note (d))	791,416	941,963	–	–
	3,694,375	4,044,077	21,268	39,754
Less: non-current consideration payable for acquisition of a subsidiary	(34,890)	(70,718)	–	–
	3,659,485	3,973,359	21,268	39,754

(a) The ageing analysis of trade payables based on the date of the invoice of the Group is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Below 1 month	849,706	889,652
Between 1 month and 3 months	628,866	535,522
Over 3 months	368,685	285,371
	1,847,257	1,710,545

(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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Renminbi	1,392,333	1,581,657	–	–
Hong Kong dollar	700,601	679,840	21,268	39,754
Taiwan dollar	466,628	475,405	–	–
United States dollar	325,615	341,056	–	–
Euro	237,507	341,775	–	–
Pound sterling	93,320	132,813	–	–
Thai baht	159,112	137,890	–	–
Indian Rupee	69,880	61,378	–	–
Malaysian Ringgit	122,796	95,043	–	–
Other currencies	126,583	197,220	–	–
	3,694,375	4,044,077	21,268	39,754

(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

	2014 HK$'000	2013 HK$'000
Authorised, issued and fully paid:		
1,691,240,112 ordinary shares of HK$0.5 each (2013: 1,657,364,112 ordinary shares of HK$0.5 each)	845,620	828,682

	2014		2013	
	No. of shares	HK$'000	No. of shares	HK$'000
At 1 January	1,657,364,112	828,682	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
Proceeds from issuance of ordinary shares under the exercise of over-allotment (note (e))	32,410,500	16,205	–	–
Pre-IPO share option scheme allotment	1,465,500	733	–	–
At 31 December	1,691,240,112	845,620	1,657,364,112	828,682

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.*

(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.

(e) *Upon the full exercise of the over-allotment option granted by the Company in the initial public offering of the shares whereby the shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 19 December 2013 ("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.*

27 SHARE PREMIUM

	2014 HK$'000	2013 HK$'000
At 1 January	2,632,661	–
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
Proceeds from issuance of shares under the exercise of the over-allotment option (note 26(e))	306,917	–
Pre-IPO share option scheme allotment	15,969	–
At 31 December	2,955,547	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 2014	41,238	25,639	577,746	22,039	591,020	(493,778)	763,904
Net translation differences on foreign operations	–	–	–	–	(288,581)	–	(288,581)
Value of employee services under pre-IPO share option scheme	–	25,335	–	–	–	–	25,335
Pre-IPO share option scheme allotment	–	(1,754)	–	–	–	–	(1,754)
Acquisition of additional interest in subsidiaries	–	–	–	–	–	(287,574)	(287,574)
Transfers from retained profits	–	–	–	13,771	–	–	13,771
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties, net of tax	87,404	–	–	–	–	–	87,404
Share option lapsed	–	(1,104)	–	–	–	–	(1,104)
At 31 December 2014	128,642	48,116	577,746	35,810	302,439	(781,352)	311,401

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 2013	41,238	–	593,052	13,238	597,129	(248,187)	996,470
Net translation differences on foreign operations	–	–	–	–	(6,109)	–	(6,109)
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

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 reserve of the Company*

	Company	
	2014	2013
	HK$'000	HK$'000
At 1 January	25,639	–
Value of employee services under pre-IPO share option scheme	25,335	25,639
Pre-IPO share option scheme allotment	(1,754)	–
Share option lapsed	(1,104)	–
At 31 December	48,116	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	
	2014	2013
	HK$'000	HK$'000
Renminbi	65,116	113,021
Hong Kong dollar	59,881	58,442
Malaysian Ringgit	–	11,409
Other currencies	123,345	52,760
	248,342	235,632

30 BANK LOANS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
– unsecured	2,694,136	2,408,697	1,590,000	1,590,000
– secured (note 36)	315,965	455,635	–	–
	3,010,101	2,864,332	1,590,000	1,590,000
Current				
– unsecured	1,039,828	1,106,351	–	164,000
– secured (note 36)	205,614	198,892	–	–
	1,245,442	1,305,243	–	164,000
Total bank loans	4,255,543	4,169,575	1,590,000	1,754,000

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	1,245,442	1,305,243	–	164,000
Between 1 and 2 years	1,146,438	239,784	200,000	–
Between 3 and 5 years	1,822,005	2,571,478	1,390,000	1,590,000
Repayable within 5 years	4,213,885	4,116,505	1,590,000	1,754,000
Over 5 years	41,658	53,070	–	–
	4,255,543	4,169,575	1,590,000	1,754,000

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

	2014				
	HK$	**Singapore dollar**	**Renminbi**	**Thai baht**	**Taiwan dollar**
Bank loans	1.68%	2.45%	6.16%	4.11%	1.79%

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

30 BANK LOANS (CONTINUED)

(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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	2,421,000	2,427,200	1,590,000	1,754,000
Thai baht	311,612	395,593	–	–
Taiwan dollar	1,149,670	910,520	–	–
Singapore dollar	187,726	194,584	–	–
Renminbi	134,475	124,956	–	–
Other currencies	51,060	116,722	–	–
	4,255,543	4,169,575	1,590,000	1,754,000

31 DEFERRED TAXATION

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

	Group	
	2014	2013
	HK$'000	HK$'000
Deferred tax assets		
– Deferred tax asset to be recovered after more than 12 months	(58,994)	(59,416)
Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	600,521	567,554
Deferred tax liabilities (net)	541,527	508,138

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

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of year	508,138	489,622
Acquisition of subsidiaries	–	18,293
Deferred taxation charged to income statement (note 9)	20,367	24,349
Deferred taxation charged/(credited) to other comprehensive income	30,778	(552)
Transfer to tax liabilities upon the distribution of dividends	(5,509)	(8,112)
Exchange adjustment	(12,247)	(15,462)
At end of year	541,527	508,138

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 2014, the Group has unrecognised tax losses of HK$414,097,000 (2013: 397,523,000). These tax losses have no expiry dates except for the tax losses of HK$198,310,000 (2013: HK$183,520,000) which can be carried forward up to a maximum period of 9 years.

As at 31 December 2014, the aggregate amount of unrecognised deferred tax liabilities associated with undistributed earnings in subsidiaries totalled approximately HK$87,014,000 (2013: HK$76,267,000), 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.

31 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 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
At 1 January 2014	(53,591)	234,949	297,790	(5,825)	34,815	508,138
Deferred taxation charged/(credited) to income statement	2,733	8,313	3,118	(2,170)	8,373	20,367
Deferred taxation (credited)/charged to other comprehensive income	(355)	–	31,133	–	–	30,778
Transfer to tax liabilities upon the distribution of dividends	–	–	–	–	(5,509)	(5,509)
Exchange adjustment	214	(12,461)	–	–	–	(12,247)
At 31 December 2014	(50,999)	230,801	332,041	(7,995)	37,679	541,527

32 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$1,500 (prior to 1 June 2014: HK$1,250) per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is HK$7,100 (prior to 1 June 2014: HK$6,500) 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 (2013: 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.

32 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:

	2014 HK$'000	2013 HK$'000
Current service cost	5,151	6,370
Interest cost, net	5,933	5,080
Total, included in staff costs (note 13)	11,084	11,450

Out of the total charge, for the year ended 31 December 2014, HK$10,641,000 (2013: HK$11,000,000) were included in direct operating expenses, and HK$443,000 (2013: HK$450,000) were included in administrative expenses, respectively.

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

	2014 HK$'000	2013 HK$'000
Fair value of plan assets	6,147	5,566
Present value of funded obligations	(289,179)	(320,804)
Total pension liabilities	(283,032)	(315,238)

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

	2014 HK$'000	2013 HK$'000
At beginning of year	5,566	3,646
Remeasurements	105	17
Employer contributions	28,073	39,073
Benefits paid	(27,271)	(37,077)
Exchange adjustment	(326)	(93)
At end of year	6,147	5,566

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

	2014 HK$'000	2013 HK$'000
At beginning of year	320,804	352,344
Current service cost	5,151	6,370
Interest cost	6,038	5,129
Remeasurements	2,076	3,263
Benefits paid	(27,271)	(37,077)
Exchange adjustment	(17,619)	(9,225)
At end of year	289,179	320,804

	2014 HK$'000	2013 HK$'000
Actual return on plan assets in the year	(14)	17

32 RETIREMENT BENEFITS (CONTINUED)

(b) DEFINED BENEFIT PLANS (CONTINUED)

The principal actuarial assumptions used are as follows:

	2014 HK$'000	2013 HK$'000
Discount rate applied to pension obligations	2.25%	2.00%
Future salary increases	1.00%	1.00%

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

	Unfavourable change	
	2014 HK$'000	2013 HK$'000
Discount rate applied to pension obligations decreases by 0.5%	12,633	13,384
Future salary increases by 0.5%	12,633	13,384

	Favourable change	
	2014 HK$'000	2013 HK$'000
Discount rate applied to pension obligations increases by 0.5%	(11,412)	(12,091)
Future salary decreases by 0.5%	(11,520)	(12,205)

The fair value of plan assets comprised as follows.

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	1,786	1,617
Debt instruments	618	560
Equity instruments	3,743	3,389
	6,147	5,566

The history of defined benefit plans as at 31 December 2014 and 2013 are as follows:

	2014 HK$'000	2013 HK$'000
Fair value of plan assets	6,147	5,566
Present value of pension obligations	(289,179)	(320,804)
Deficit	(283,032)	(315,238)

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 2015 is HK$33,993,000.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2014 HK$'000	2013 HK$'000
Profit before taxation	2,317,313	2,441,257
Share of results of associates	(91,377)	(128,368)
Interest income	(30,180)	(33,447)
Dividend income from available-for-sale investments	(1,706)	(3,442)
Finance costs	102,419	93,668
Change in fair value of investment properties	(686,523)	(600,210)
Gain on sale of an available-for-sale investment	–	(626)
Impairment of intangible assets	2,878	10,520
Gain on disposal of associates	(944)	–
Gain on disposal of Kowloon Bay warehouse	–	(360,316)
Gain on disposal of property, plant and equipment	(58,781)	(32,318)
Gain on disposal of an investment property	(719)	–
Provision for impairment of receivables	26,361	10,856
Reversal of provision for impairment of receivables	(14,819)	(1,109)
Share options expense	24,381	47,764
Fair value gain on contingent payment for acquisition of subsidiaries	–	(12,088)
Amortisation of intangible assets	44,268	42,288
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	426,215	407,462
Operating cash flow before working capital changes	2,058,786	1,881,891
Increase in inventories, accounts receivable, prepayments and deposits and amounts due from fellow subsidiaries	(374,953)	(308,633)
(Decrease)/increase in current liabilities, excluding taxation, bank loans, bank overdrafts and loans from fellow subsidiaries	(111,716)	138,218
Change in net pension liabilities	(28,073)	(39,073)
Net cash generated from operations	1,544,044	1,672,403

(b) Major non cash transactions

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

(ii) 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)).

(iii) 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	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 Kowloon Bay warehouse (note 6)	360,316

33 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

	2014 **HK$'000**	2013 HK$'000
Cash consideration paid	(24,689)	(187,623)
Cash consideration paid for prior year's acquisition	(169,296)	(235,618)
Cash consideration paid for acquisition of a subsidiary treated as asset acquisition	(31,752)	–
Cash and bank balances acquired	4,674	23,844
Net cash outflow in respect of the acquisition of subsidiaries	(221,063)	(399,397)

(d) Transactions with non-controlling interests

During the year ended 31 December 2014, the Group completed the following transactions with non-controlling interests:

During the year, the Group acquired additional effective interests of 45% in KART (Thailand) Limited, 6.71% in Kerry TJ Logistics Company Limited, 45% in EAE Holdings (Singapore) Pte. Ltd., 0.4% in Kerry Siam Seaport Ltd., 40% in Able Meridian Logistics Sdn Bhd, 40% in Fast Forward Logistics Sdn Bhd, 20% in Kerry Logistics (Thailand) Limited, 30% in Kerry TTC Express Joint Stock Company.

The effect of these transactions is summarised as follows:

	HK$'000
Consideration paid to non-controlling interests	508,188
Decrease in non-controlling interests	(220,614)
Excess of consideration paid recognised in the acquisition reserve within equity	287,574

(e) Analysis of the net cash outflow in respect of the acquisition of a subsidiary treated as asset acquisition

In November 2014, the Group acquired 100% of the equity interest in Shanghai Feng Jia Warehouse Services Co., Ltd., which owned a land use right in Shanghai.

	HK$'000
Cash Consideration paid	(54,943)
Cash and bank balance acquired	23,191
Net cash outflow in respect of the acquisition of a subsidiary	(31,752)

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

	HK$'000
Leasehold land and land use right	64,522
Accounts receivable, prepayments and deposits	6,399
Cash and bank balances	23,191
Accounts payable, deposits received and accrued charges	(39,169)
Total identifiable net assets	54,943

34 BUSINESS COMBINATIONS

In August 2014, the Group acquired 51% interest in Kerry Logistics (Oceania) Limited which is engaged in international freight forwarding, customs brokerage and other related logistics services in Oceania.

The cash consideration paid for the acquisition is HK$24,689,000.

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

	HK$'000
Property, plant and equipment	1,069
Accounts receivable, prepayments and deposits	16,414
Cash and bank balances	4,674
Accounts payable, deposits received and accrued charges	(16,391)
Taxation	(896)
Total identifiable net assets	4,870
Goodwill	22,206
Non-controlling interests	(2,387)
Total	24,689

The goodwill of HK$22,206,000 arising from this acquisition is attributable to the future profitability of the acquired business.

The acquired business contributed turnover of HK$47,330,000 and net profit of HK$1,037,000 to the Company's shareholders for the period from their respective acquisition date up to 31 December 2014. If the acquisition had occurred on 1 January 2014, the contributed turnover and profit attributable to Company's shareholders for the year ended 31 December 2014 would have been HK$128,300,000 and HK$2,869,000 respectively.

35 COMMITMENTS

(a) At 31 December 2014, the Group had capital commitments in respect of property, plant and equipment and acquisition of subsidiaries and an associate not provided for in these financial statements as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted but not provided for	693,246	142,982
Authorised but not contracted for	895,537	175,736
	1,588,783	318,718

(b) At 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Land and buildings:		
Within one year	376,309	347,781
In the second to fifth year, inclusive	459,063	442,096
Over five years	237,351	181,601
	1,072,723	971,478

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).

36 PLEDGE OF ASSETS

At 31 December 2014, the Group's total bank loans of HK$4,255,543,000 (2013: HK$4,169,575,000) included an aggregate amount of HK$521,579,000 (2013: HK$654,527,000) which is secured. The Group's total bank overdrafts of HK$47,857,000 (2013: HK$20,391,000) included an aggregate amount of HK$13,592,000 (2013: HK$18,981,000) 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); and

(ii) assignments of insurance proceeds of certain properties.

37 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.

37 SHARE OPTIONS (CONTINUED)

KPL SHARE OPTIONS SCHEMES (CONTINUED)

(a) 2002 SHARE OPTION SCHEME (CONTINUED)

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:

	2014		2013	
	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number
At 1 January	45.7	2,680,000	30.44	3,367,500
Changes due to appointment of directors (note (i))	–	–	47.70	1,100,000
Exercised during the year (note (ii))	17.58	(50,000)	18.18	(1,787,500)
At 31 December (note (iii))	46.24	2,630,000	45.70	2,680,000

For the share options exercised during the year ended 31 December 2014, the related weighted average share price at the time of exercise was HK$26.38 (2013: HK$32.15), and the total amount of proceeds received was HK$879,000 (2013: HK$32,494,000).

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 2014*	*2013*
18.74	*–*	*922,500*
17.58	*50,000*	*865,000*
	50,000	*1,787,500*

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

Exercise period	*Exercise price per share (HK$)*	*Number of share options 2014*	*2013*
17/03/2006-16/03/2015	*18.74*	*25,000*	*25,000*
17/03/2007-16/03/2015	*18.74*	*35,000*	*35,000*
02/04/2009-01/04/2018	*47.70*	*625,000*	*625,000*
02/04/2010-01/04/2018	*47.70*	*625,000*	*625,000*
02/04/2011-01/04/2018	*47.70*	*1,250,000*	*1,250,000*
06/02/2010-05/02/2019	*17.58*	*20,000*	*45,000*
06/02/2011-05/02/2019	*17.58*	*50,000*	*75,000*
		2,630,000	*2,680,000*

(b) 2011 SHARE OPTION SCHEME

The 2011 Share Option Scheme was adopted by KPL on 5 May 2011. Under the 2011 Share Option Scheme, the Directors of KPL may, at their absolute discretion, grant share options to motivate executives and key employees and other persons who may make a contribution to KPL and 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:

	2014		2013	
	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number
At 1 January	35.45	7,070,000	35.45	6,170,000
Changes due to appointment of directors (note (i))	–	–	35.45	1,000,000
Granted during the year (note (iii))	26.88	1,500,000	–	–
Lapsed during the year	35.45	(100,000)	35.45	(100,000)
At 31 December (note (ii))	33.93	8,470,000	35.45	7,070,000

37 SHARE OPTIONS (CONTINUED)

KPL SHARE OPTIONS SCHEMES (CONTINUED)

(b) 2011 SHARE OPTION SCHEME (CONTINUED)

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:*

Exercise period	Exercise price per share (HK$)	Number of share options 2014	2013
31/10/2012–29/04/2022	35.45	3,435,000	3,485,000
01/04/2013–29/04/2022	35.45	50,000	50,000
31/10/2013–29/04/2022	35.45	3,485,000	3,535,000
08/07/2014–07/01/2024	26.88	750,000	–
08/01/2015–07/01/2024	26.88	750,000*	–
		8,470,000	7,070,000

* *Outstanding options that were not yet exercisable at the end of the reporting period.*

(iii) *The weighted average fair value of the share options granted on 8 January 2014 to the directors and employees of the Group was HK$5.455 per share. The valuation was based on a Binomial Model with the following data and assumptions:*

Closing share price at grant date: HK$26.65
Exercise price: HK$26.88
Expected volatility[I]: 24% per annum
Share options life: 10 years
Average risk-free interest rate[II]: 2.39% per annum
Expected dividend yield: 3.5% 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 1% 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 of the share options.

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:

	2014 Weighted average exercise price in HK$ per share	2014 Number	2013 Weighted average exercise price in HK$ per share	2013 Number
At 1 January	HK$10.20	42,770,000	–	–
Granted during the year (note (iv))	–	–	HK$10.20	42,770,000
Exercised during the year (note (i))	HK$12.47	(1,465,500)	–	–
Lapsed during the year (note (ii))	–	(930,000)	–	–
At 31 December (note (iii))	HK$10.20	40,374,500	HK$10.20	42,770,000

For the share options exercised during the year ended 31 December 2014, the related weighted average share price at the time of exercise was HK$12.47, and the total amount of proceeds received was approximately HK$14,948,000 (2013: nil).

Notes:

(i) *Details of share options exercised:*

Exercise price per share (HK$)	Number of share options 2014	2013
10.20	1,465,500	–
	1,465,500	–

(ii) *Details of share options lapsed:*

Exercise price per share (HK$)	Number of share options 2014	2013
10.20	930,000	–
	930,000	–

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

Exercise period	Exercise price per share (HK$)	Number of share options 2014	2013
19/12/2013 – 01/12/2023	10.20	19,984,500	21,385,000
02/12/2014 – 01/12/2023	10.20	20,390,000	21,385,000
		40,374,500	42,770,000

37 SHARE OPTIONS (CONTINUED)

KLN SHARE OPTIONS SCHEMES (CONTINUED)

(a) *2013 PRE-IPO SHARE OPTION SCHEME (CONTINUED)*

Notes: (Continued)

(iv) 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 of 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.

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 option had been granted under the Post-IPO Share Option Scheme during the year ended 31 December 2014.

On 9 January 2015, a total of 4,350,000 share options were granted under the Post-IPO Share Option Scheme. All the said outstanding share options were not exerciseable during the year ended 31 December 2014.

38 RELATED PARTY TRANSACTIONS

Except for the related party transactions disclosed in notes 19, 23 and 29 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

	2014 HK$'000	2013 HK$'000
Fellow subsidiaries		
Logistics services income	12,667	15,064
Rental expense	(12,467)	(5,546)
Fellow subsidiary		
Management fee expense	–	(25,492)
Associates of the Group/Kerry Properties Limited/Kerry Group Limited		
Storage service expense	–	(12,703)
Rental expense	(38,214)	(26,460)
Interest income	72	975

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 (2013: nine) senior executives who report to the Board of Directors.

	2014 HK$'000	2013 HK$'000
Salaries and other short-term benefits	76,275	72,280

(c) OTHER TRANSACTIONS WITH A FELLOW SUBSIDIARY

	2014 HK$'000	2013 HK$'000
Settlement of loan through capitalisation (note 26(b))	–	1,381,581
Consideration from disposal of subsidiaries (note 33(b)(iii))	–	400,000

39 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 2014 amounted to approximately HK$1,711,159,000 (2013: HK$1,171,462,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2014 amounted to approximately HK$2,508,858,000 (2013: HK$1,715,449,000).

40 SUBSEQUENT EVENTS

On 29 December 2014, the Group entered into a sale and purchase agreement to acquire 70% interest in Able Logistics Group FZCO ("ALG"), an integrated services provider specialising in freight forwarding and cross-border land transportation company, for a consideration of US$32 million. The acquisition was completed on 19 March 2015 and ALG becomes a subsidiary of the Group.

On 16 January 2015, the Group entered into a sale and purchase agreement to acquire 15% interest in PT Puninar Saranaraya ("PTPS"), a logistics services company, together with a convertible bond that enables the Group to convert up to 40% interest in PTPS, for a consideration of approximately US$61 million. The acquisition was completed on 11 March 2015 and PTPS becomes an associate of the Group.

The Group will assess the fair value of assets acquired and liabilities assumed of the acquired business as at the dates of acquisition and it is impracticable to disclose the amounts and the resulting effect at this stage.

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES

At 31 December 2014, the Company held interests in the following principal subsidiaries:

	Name	Place of incorporation/ establishment	Principal activities	Issued share capital(8)/ registered capital	Interest held indirectly 2014	Interest held indirectly 2013
(7)(13)	Albini & Pitigliani Sverige AB	Sweden	Freight forwarding	SEK500,000	62.56%	50%
(13)	Arie van Donge & Co. Holding B.V.	Netherlands	Freight forwarding	EUR69,000	89.55%	89.55%
(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	MYR500,000	100%	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	INR14,212,400	30%	30%
	International Enterprise Co. Limited	HK	Investment holding	HK$10 HK$10,000(10)	100%	100%
(1)(2)(13)	KART (China) Co., Ltd	PRC	Road freight	RMB5,000,000	100%	100%
(1)(13)	KART (Thailand) Limited	Thailand	Road freight	THB40,000,000	100%	55%
(13)	KART (Viet Nam) Company Limited	Vietnam	Road freight	VND4,173,000,000	100%	100%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Principal activities	Issued share capital[8]/ registered capital	Interest held indirectly 2014	2013
	Kerry Cargo Centre Limited	HK	Warehouse ownership	HK$2	100%	100%
	Kerry Cold Store (Hong Kong) Limited	HK	Warehouse operator	HK$20	100%	100%
	Kerry Distribution (Hong Kong) Limited	HK	Transportation and distribution services	HK$500,000	100%	100%
(1)(13)	Kerry Distribution (Thailand) Limited	Thailand	Transportation and distribution services	THB25,000,000[9]	80%	80%
	Kerry Distribution Services (Hong Kong) Limited	HK	Transportation and distribution services	HK$10,000	100%	100%
(4)(13)	Kerry EAS Logistics Limited	PRC	Logistics business	RMB270,000,000	70%	70%
(1)(13)	Kerry Express (Thailand) Limited	Thailand	Express business	THB120,000,000	100%	–
(13)	Kerry Far East Logistics (Bangladesh) Limited	Bangladesh	Freight forwarding	BDT10,000,000	70%	70%
	Kerry Far East Logistics (Hong Kong) Limited	HK	Freight forwarding	HK$100	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	AUD500,000	100%	100%
	Kerry Freight (Hong Kong) Limited	HK	Freight forwarding	HK$10,000 HK$2,750,000[10]	100%	100%
(1)(13)	Kerry Freight (Korea) Inc.	South Korea	Freight forwarding	KRW500,000,000[9]	50.99%	50.99%
(13)	Kerry Freight (Senegal) Sarl	Senegal	Freight forwarding	XOF1,000,000	100%	100%
(13)	Kerry Freight (Singapore) Pte. Ltd.	Singapore	Freight forwarding	SGD500,000	100%	100%
(1)(13)	Kerry Freight (Thailand) Limited	Thailand	Freight forwarding	THB11,500,000[9]	100%	100%
(13)	Kerry Freight (USA) Incorporated	United States	Freight forwarding	US$1,000,000	100%	100%
(13)	Kerry Freight Myanmar Limited	Myanmar	Freight forwarding	US$50,000	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	AUD2,000,000	100%	100%
(1)(13)	Kerry Logistics (Bangna) Limited	Thailand	Logistics business	THB500,000,000	100%	100%
	Kerry Logistics (Belgium) BVBA	Belgium	Freight forwarding	EUR5,450,000	100%	100%
(13)	Kerry Logistics (Cambodia) Pte. Ltd.	Cambodia	Freight forwarding	KHR96,960,000	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%
	Kerry Logistics (Germany) GmbH	Germany	Freight forwarding	EUR50,000	100%	100%
	Kerry Logistics (Hong Kong) Limited	HK	Logistics business	HK$10,000,000	100%	100%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Principal activities	Issued share capital[8]/ registered capital	Interest held indirectly 2014	Interest held indirectly 2013
(6)(13)	Kerry Logistics (India) Private Limited	India	Freight forwarding	INR200,000	100%	100%
(1)(13)	Kerry Logistics (Japan) Limited	Japan	Freight forwarding	JPY100,000,000	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%
	Kerry Logistics (Oceania) Limited	New Zealand	Freight forwarding	NZD250,000	51%	–
	Kerry Logistics (Oceania) Pty. Ltd.	Australia	Freight forwarding	AUD1,000,000	51%	–
(13)	Kerry Logistics (Phils.), Inc. (Formerly known as Kerry-ATS Logistics, Inc.)	Philippines	Freight forwarding	PHP16,000,000	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.	Spain	Freight forwarding	EUR120,202	100%	100%
(1)(13)	Kerry Logistics (Thailand) Limited	Thailand	Logistics business	THB160,000,000	95.98%	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	GBP20,000	100%	100%
(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.	Singapore	Logistics business	SGD400,000	100%	100%
	Kerry Logistics Do Brasil – Transportes Internacionais Ltda	Brazil	Freight forwarding	BRL288,487	51%	51%
(13)	Kerry Logistics Management (Asia) Pte. Ltd.	Singapore	Management services	SGD1,000,000	100%	100%
	Kerry Logistics Mexico S.A. de C.V.	Mexico	Freight forwarding	MXN150,000[11] MXN100,000[12]	70%	70%
(13)	Kerry Malship Logistics Lanka (Private) Limited	Sri Lanka	Freight forwarding	LKR32,775,000	51%	51%
	Kerry PC3 Limited	HK	Logistics business	HK$1	100%	100%
(1)	Kerry Siam Seaport Limited	Thailand	Seaport operation	THB650,000,000	79.92%	79.52%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Principal activities	Issued share capital[8]/ registered capital	Interest held indirectly	
					2014	2013
	Kerry TC Warehouse 1 (Block A) Limited	BVI	Warehouse ownership	US$1	100%	100%
	Kerry TC Warehouse 1 (Block B) Limited	BVI	Warehouse ownership	US$1	100%	100%
	Kerry TC Warehouse 2 Limited	HK	Warehouse ownership	HK$10,000	100%	100%
(1)(5)(7)(13)	Kerry TJ Logistics Company Limited	Taiwan	Logistics business	NTD4,835,824,980	43.17%	36.46%
(13)	Kerry TTC Express Joint Stock Company	Vietnam	Express services	VND86,000,000,000	100%	70%
	Kerry Warehouse (Chai Wan) Limited	HK	Warehouse ownership	HK$10,000,000	100%	100%
	Kerry Warehouse (Fanling 1) Limited	HK	Warehouse ownership	HK$2	100%	100%
	Kerry Warehouse (Hong Kong) Limited	HK	Warehouse operator	HK$25,000,000	100%	100%
	Kerry Warehouse (Kwai Chung) Limited	HK	Warehouse ownership	HK$30,000	100%	100%
	Kerry Warehouse (Shatin) Limited	HK	Warehouse ownership	HK$10,000,000	100%	100%
	Kerry Warehouse (Sheung Shui) Limited	HK	Warehouse ownership	HK$5,000,000	100%	100%
	Kerry Warehouse (Tsuen Wan) Limited	HK	Warehouse ownership	HK$2	100%	100%
	KerryFlex Supply Chain Solutions Limited	HK	Supply chain solutions	HK$5,000,000	100%	100%
(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	US$50,000	90%	90%
(1)(3)(13)	Shanghai Fengjia Warehouse Services Co., Ltd.	PRC	Logistics business	US$15,000,000	100%	–
(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.	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)(14)	Taiwan Kerry Logistics Company Limited	Taiwan	Investment holding	TWD100,000,000	100%	100%
(13)	Top Gun Express Centre Limited	HK	Express services	HK$1,000	60%	60%
	Wah Cheong Company, Limited	HK	General merchants	HK$15,000,000	100%	100%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

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$1,974,929,000 as at 31 December 2014.

(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

(14) With effect from 13 February 2015, the translated English name of the subsidiary has been changed to "Taiwan Kerry Investment Company Limited".

HK Hong Kong Special Administrative Region

BVI British Virgin Islands

42 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

14 DEFINITIONS

"3PL"	third party logistics
"AEC"	the ASEAN Economic Community
"AGM"	annual general meeting of the Company on Tuesday, 26 May 2015
"ASEAN"	the Association of Southeast Asia Nations
"Board"	the board of Directors
"Bye-laws"	the bye-laws of the Company, as amended from time to time
"Caninco"	Caninco Investments Limited, a wholly-owned subsidiary of KHL
"CAPEX"	capital expenditure
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Controlling Shareholder(s)"	shall have the meaning ascribed to it under the Listing Rules
"Darmex"	Darmex Holdings Limited, a wholly-owned subsidiary of KHL
"Directors"	directors of the Company
"Dividend payout ratio"	the percentage of the Group's core net profit paid to Shareholders as dividends
"Financial Statements"	the audited consolidated financial statements of the Group for the year ended 31 December 2014
"GDP"	good distribution practice
"GFA"	gross floor area
"Global Offering"	the initial public offering of the Shares whereby the Shares were listed on the Main Board of the Stock Exchange on 19 December 2013
"GMP"	good manufacturing practice
"Greater China"	Mainland China, Hong Kong, Macau and Taiwan
"Group" or "Kerry Logistics"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards
"HKFRS"	Hong Kong Financial Reporting Standards

"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	Hong Kong Special Administrative Region of Mainland China
"Hong Kong Warehouse"	Hong Kong warehousing business
"IFF"	international freight forwarding
"IL"	integrated logistics
"INED"	Independent Non-executive Director
"KART"	Kerry Asia Road Transport
"Kerry TJ"	Kerry TJ Logistics Company Limited, incorporated under the laws of Taiwan and listed on Taiwan Stock Exchange (stock code: 2608), is a deemed subsidiary of the Company
"KGL"	Kerry Group Limited, one of the Controlling Shareholders
"KHK"	Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited
"KHL"	Kerry Holdings Limited, a wholly-owned subsidiary of KGL
"KPL"	Kerry Properties Limited, incorporated under the laws of Bermuda as an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 683), and is one of the Controlling Shareholders
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Mainland China" or "PRC"	The People's Republic of China and, for the purpose of this annual report only, excludes Hong Kong, Macau and Taiwan
"Medallion"	Medallion Corporate Limited, a subsidiary of KHL
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NED"	Non-executive Director
"Ordinary Share(s)" or "Share(s)"	share(s) of nominal value of HK$0.50 each of the Company, or, if there has been a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company
"Post-IPO Share Option Scheme"	post-IPO share option scheme of the Company
"PPE"	property, plant and equipment
"Pre-IPO Share Option Scheme"	pre-IPO share option scheme of the Company
"Prospectus"	prospectus of the Company dated 6 December 2013
"Registers of Members"	registers of members of the Company
"RSU"	restricted share unit
"SCMP"	SCMP Group Limited, incorporated under the laws of Bermuda as an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 583)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Shareholders"	the holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UAE"	United Arab Emirates
"Vencedor"	Vencedor Investments Limited, a subsidiary of KHL
"WHO"	World Health Organisation
"Wiseyear"	Wiseyear Holdings Limited, a wholly-owned subsidiary of KPL


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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 2014

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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