

ANNUAL REPORT 2015

RIDING THE WAVES
WITH CLEAR DIRECTION

KERRY
LOGISTICS

ASIA SPECIALIST

CHINA FOCUS

GLOBAL NETWORK




45 mil sqft
logistics facilities



550+
office locations



7,800+
self-owned trucks



22,500+
employees worldwide



40
countries & territories

QUICK FACTS

C O N T E N T S

1	Corporate Information & Key Dates	2
2	Financial Highlights	3
3	2011-2015 Financial Summary	5
4	Logistics Facilities	6
5	Chairman's Statement	12
6	Management Discussion and Analysis	14
	• Overall Results	14
	• Business Review	15
	• Financial Review	20
	• Staff and Remuneration Policies	20
7	Corporate Social Responsibility Report	22
8	Awards and Citations	26
9	Corporate Governance Report	30
10	Directors and Senior Management	42
11	Report of Directors	52
12	Independent Auditor's Report	72
13	Statement of Accounts	74
14	Definitions	141

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 CHIN Siu Wa Alfred

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 CHIN Siu Wa Alfred

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

RISK MANAGEMENT COMMITTEE

Mr MA Wing Kai William (Chairman)

Mr ERNI Edwardo

(plus two members of the senior management, who are non-members of the Board)

COMPANY SECRETARY

Ms LEE Pui Nee

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISER

Davis Polk & Wardwell

REGISTERED OFFICE

Canon's Court, 22 Victoria Street

Hamilton HM12, Bermuda

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Kerry Cargo Centre, 55 Wing Kei Road

Kwai Chung, New Territories, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.

Canon's Court, 22 Victoria Street

Hamilton HM12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East, Hong Kong

INVESTOR RELATIONS

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WEBSITE

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KEY DATES

Annual General Meeting

25 May 2016

Closure of Registers of Members

23 to 25 May 2016 and 31 May 2016

Proposed Payment of Final Dividend

15 June 2016

2 FINANCIAL HIGHLIGHTS

CORE NET PROFIT (HK\$)

1,061
million
+9%



CORE OPERATING PROFIT

+12%



IL
SEGMENT PROFIT

+13%

IFF
SEGMENT PROFIT

+7%

TURNOVER (HK\$)

21,079
million

PROFIT ATTRIBUTABLE TO
THE SHAREHOLDERS (HK\$)

1,804
million
+9%

DIVIDEND
PAYOUT
RATIO

26%

NET ASSET
VALUE PER
SHARE (HK\$)

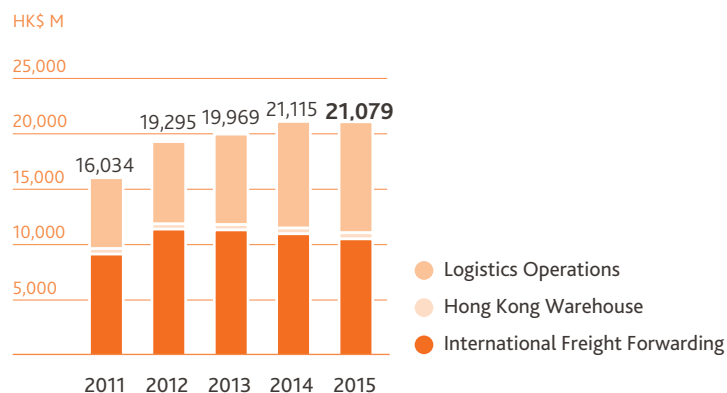
9.11

FINAL
DIVIDEND
10 HK CENTS
PER SHARE

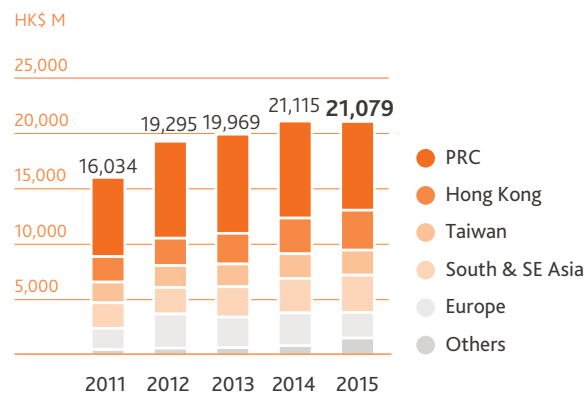
GROSS
GEARING

33.8%

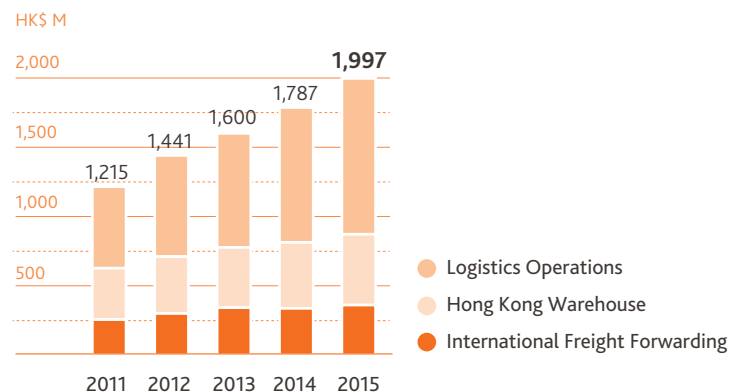
2.1 TURNOVER BY SEGMENT



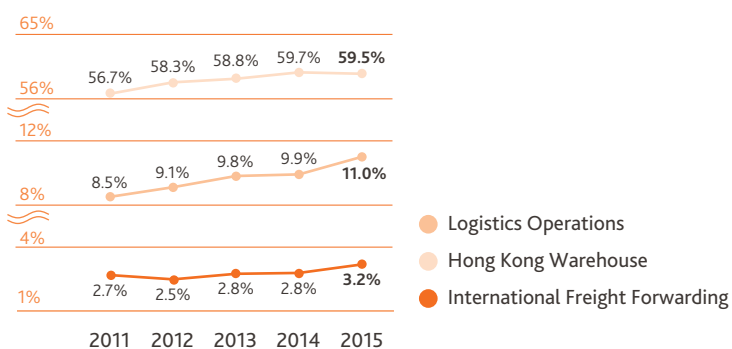
2.2 TURNOVER BY REGION



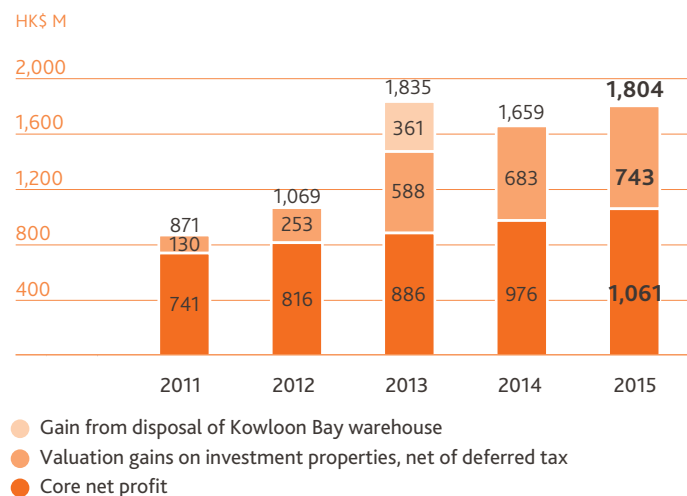
2.3 SEGMENT PROFIT



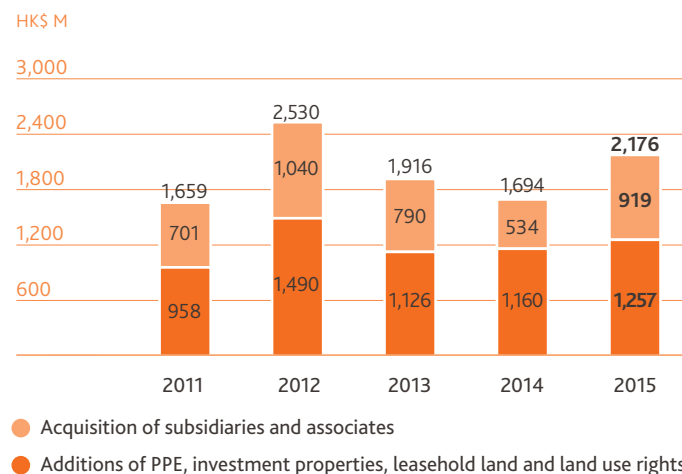
2.4 SEGMENT PROFIT MARGIN



2.5 PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS



2.6 CAPEX

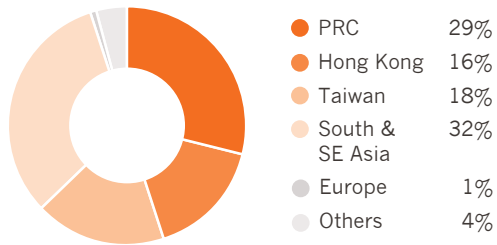


3 2011 - 2015 FINANCIAL SUMMARY

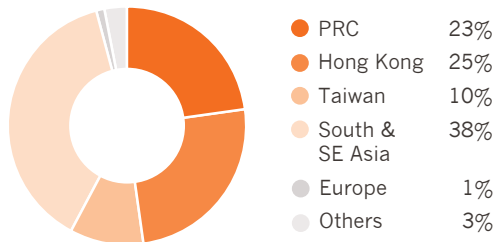
Income statement	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover	21,079,494	21,115,249	19,968,743	19,294,775	16,034,311
Operating profit	2,578,014	2,328,355	2,406,557	1,583,503	1,282,301
Finance costs	(134,650)	(102,419)	(93,668)	(63,124)	(55,394)
Share of results of associates	103,125	91,377	128,368	136,421	148,464
Profit before taxation	2,546,489	2,317,313	2,441,257	1,656,800	1,375,371
Taxation	(401,323)	(352,981)	(304,844)	(304,928)	(253,939)
Profit after taxation	2,145,166	1,964,332	2,136,413	1,351,872	1,121,432
Non-controlling interests	(340,721)	(305,502)	(301,891)	(282,496)	(250,688)
Profit attributable to the Shareholders	1,804,445	1,658,830	1,834,522	1,069,376	870,744
Represented by:					
Core net profit	1,060,678	975,993	886,372	815,720	740,748
Valuation gains in investment properties, net of deferred tax	743,767	682,837	587,834	253,656	129,996
Gain from disposal of Kowloon Bay warehouse	–	–	360,316	–	–
Profit attributable to the Shareholders	1,804,445	1,658,830	1,834,522	1,069,376	870,744
Assets and liabilities	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Non-current assets	19,430,936	17,678,987	16,603,198	15,079,249	12,948,715
Net current assets/(liabilities)	2,540,753	3,791,681	3,606,674	(1,528,270)	(1,745,420)
Total assets less current liabilities	21,971,689	21,470,668	20,209,872	13,550,979	11,203,295
Long-term liabilities and non-controlling interests	(6,542,469)	(6,799,879)	(6,783,486)	(5,192,914)	(3,805,191)
Shareholders' equity	15,429,220	14,670,789	13,426,386	8,358,065	7,398,104

4 LOGISTICS FACILITIES

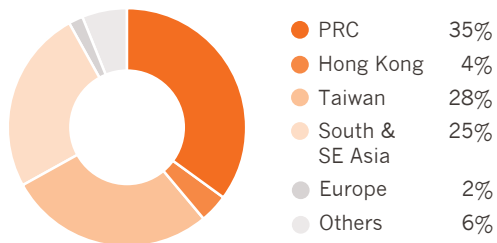
4.1 FACILITIES BY REGION



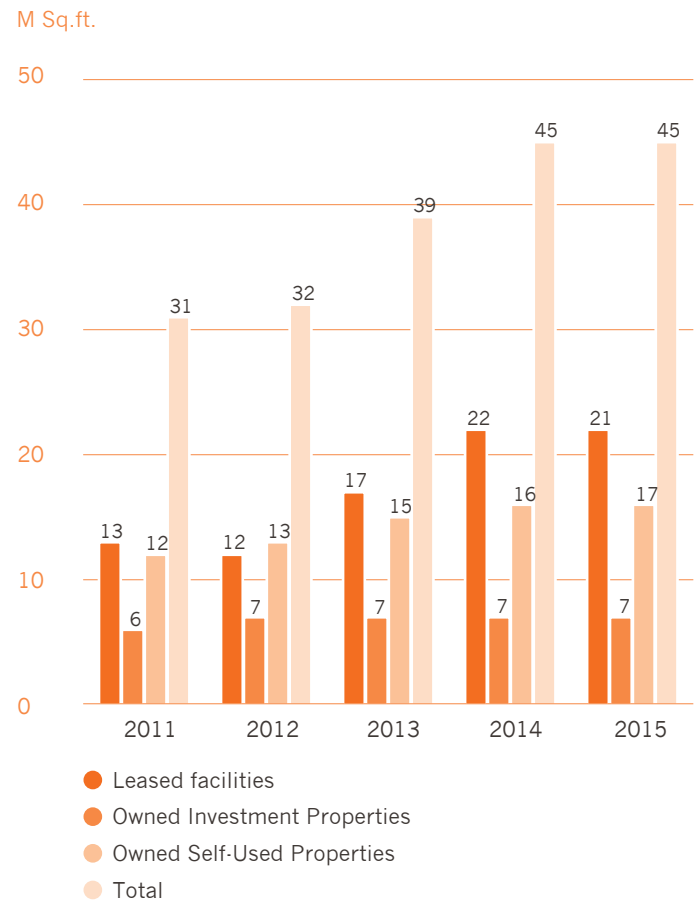
4.2 OWNED FACILITIES BY REGION



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 Kwai Chung Town Lot No. 455	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 Kwai Chung Town Lot No. 452	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 Kwai Chung Town Lot No. 437	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 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	6,069,682 (site area)	4,850,890 (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. Chengdu Longquan Logistics Centre North of Line 13 and West of Guihua, Second Road, South District, Bohe Town, Chengdu Economic & Technological Development Zone, China	Logistics centre	591,775	591,775	100.0
4. 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
5. Kerry Xiamen Logistics Centre No. 18 Haijing South Road, Export Processing Zone, Haicang District, Xiamen, China	Logistics centre	449,172	449,172	100.0
6. Thailand Eastern Seaboard Logistics Centre Hemaraj Eastern Seaboard Industrial Estate, Land Plot B13 Tambon Tasith Amphur Plukdaeng, Rayong, Thailand	Logistics centre	374,110	374,110	100.0
7. Kerry Tampines Logistics Centre 19 Greenwich Drive, Tampines Logistics Park, Singapore 534021	Logistics centre	371,466	371,466	100.0
8. 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)				
9. Kerry Wuxi Logistics Centre No. 2 Xinxiang Road, Wuxi, China	Logistics centre	335,237	335,237	100.0
10. 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
11. Kerry Chengdu Logistics Centre No. 1239 Xi Hanggang Street, Wuliuda Road, Shuangliu County, Chengdu, China	Logistics centre	264,182	264,182	100.0
12. Thailand Laem Chabang Logistics Centre Highway No. 7, (Bypass Laem Chabang) Nong-kham Sub-District, Sriracha District, Chonburi Province, Thailand	Logistics centre	213,254	213,254	100.0
13. Kerry Kunshan Logistics Centre Phase 1 No. 118 Yuxi Middle Road, Qiandeng Town, Kunshan, China	Logistics centre	203,990	203,990	100.0
14. Kerry Bangna Logistics Centre 33/2 Moo7, Bangpla District, Bangplee, Samutprakarn 10540, Thailand	Logistics centre	190,813	190,813	100.0
15. Kerry Tianjin Logistics Centre No. 168 Jinbinda Road, Tianjin Port Free Trade Zone, Tianjin, China	Logistics centre	172,885	172,885	100.0
16. 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

บริษัท เคอรี่ เอ็กซ์เพรส (ประเทศไทย) จำกัด

KERRY

EXPRESS



Kerry Bangna Logistics Centre (Phase One), Thailand

5 CHAIRMAN'S STATEMENT

RIDING THE WAVES WITH CLEAR DIRECTION

2015 was a tough year, with the second half particularly challenging. Nevertheless, we were able to achieve relatively good results. We work hard to serve our customers and our customers' customers. We help our customers stay competitive through increased efficiency and reduced costs. We are providing more sophisticated, multi-country solutions to them in an expanding global network.

Greater China remains at our core. Despite the current slowdown, mass consumption continues to grow. Going forward, we are guided by China's 13th five-year plan. With the progressive implementation of "One Belt One Road", we see China steadily integrating the economies of its neighbours in an ever-widening circle.

Kerry Logistics is becoming the major logistics provider for both the overland and maritime Silk Roads of the 21st Century. As Asia's leading 3PL specialist, we are rapidly building a range of capabilities in Southeast Asia, taking advantage of ASEAN's economic integration. We are also expanding our presence in South Asia (especially India), Middle East and Central Asia (including Russia).

In recent months, uncertainties in the Chinese economy reverberated worldwide, which shows the growing importance of China and wider Asia to the global economy. In the coming years, the biggest growth in global logistics is intra-Asian and between Asia and the rest of the world. Kerry Logistics is well-positioned for this growth. We are systematically widening our network in Europe, the Americas and Africa to improve the logistics support for growing Asian trade with the rest of the world.

Our key strength is internal – our people and our culture. As our business expands, we take in experienced industry professionals with good reputations. We also recruit management trainees of different nationalities and backgrounds, speaking different languages. We imbue them with a corporate ethos based on meritocracy, emphasising integrity and service to customers. By internalising diversity within Kerry Logistics, we help our customers cross borders and cultural domains.

While we expect the coming year to be a difficult one, we also see an opportunity to serve our customers better. In difficult times, management attention is naturally focused on cutting cost and improving productivity. Good logistics can make a decisive difference. The strengths of Kerry Logistics are more obvious during challenging times. We have every intention to ride the waves and streak ahead.



George Yeo
Chairman



6 MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

Turnover of the Group was maintained at HK\$21,079 million in 2015 (2014: HK\$21,115 million) against a tough global backdrop. With its focus placed on strengthening capabilities and profitability, the Group's core operating profit increased by 12% to HK\$1,805 million (2014: HK\$1,612 million). Core net profit rose in tandem by 9% year-on-year to HK\$1,061 million (2014: HK\$976 million). Valuation gains on investment properties, net of deferred tax and non-controlling interests' share, amounted to HK\$743 million (2014: HK\$683 million).

Segment turnover generated from IL in the year amounted to HK\$11,106 million (2014: HK\$10,659 million), representing an increase of 4% from 2014. The amount comprises HK\$859 million (2014: HK\$797 million) contributed by Hong Kong Warehouse and HK\$10,247 million (2014: HK\$9,862 million) by logistics operations. Segment profit for the year was HK\$1,636 million (2014: HK\$1,450 million), of which HK\$511 million (2014: HK\$476 million) was from Hong Kong Warehouse and HK\$1,125 million (2014: HK\$974 million) from logistics operations. In terms of segment profit margin, Hong Kong Warehouse remained stable while logistics operations recorded an increase to 11.0% (2014: 9.9%). The growth was mainly attributable to the expansion of the Group's IL business in Greater China and ASEAN countries.

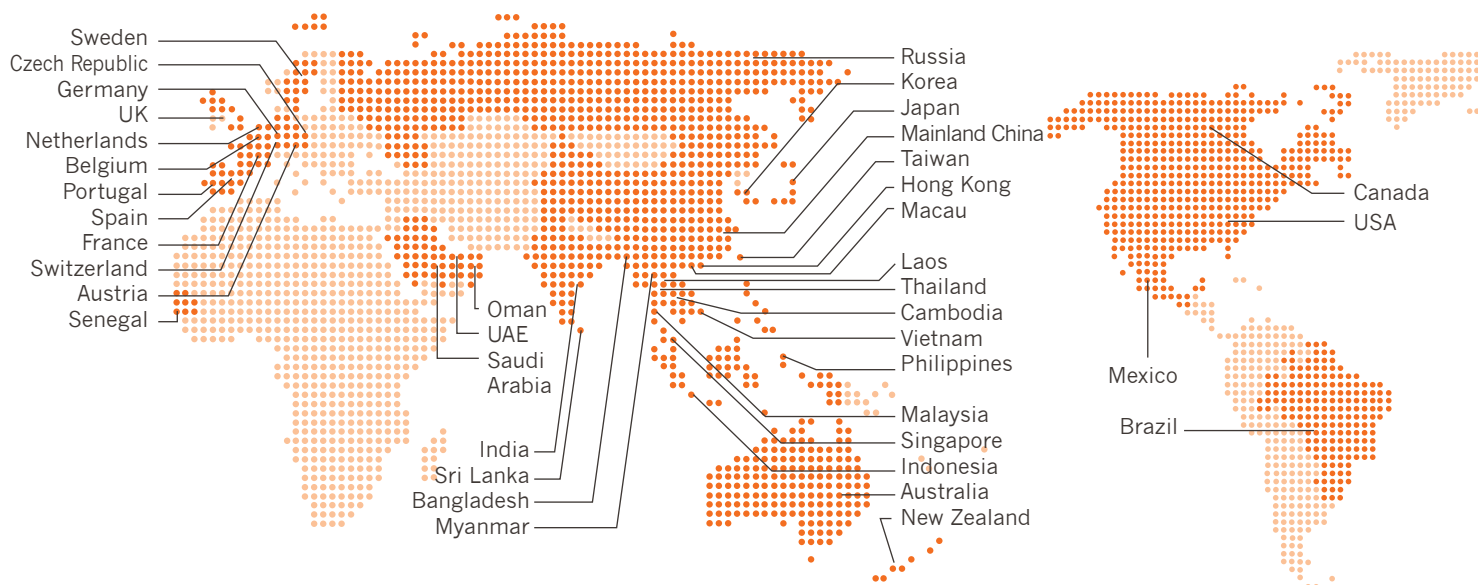
IFF segment reported turnover of HK\$11,445 million (2014: HK\$12,140 million) and profit of HK\$361 million (2014: HK\$337 million) for 2015. With the strengthening of IFF network and improvement in operational efficiency, the Group achieved an increase in IFF segment profit by 7% year-on-year with improvement in profit margin despite the slight drop in turnover.

The following table reconciles core net profit to profit attributable to the Shareholders for the year ended 31 December 2015:

	2015 HK\$ million	2014 HK\$ million
Core net profit	1,061	976
Valuation gains on investment properties, net of deferred tax	743	683
Profit attributable to the Shareholders	1,804	1,659

B U S I N E S S R E V I E W

OUR GLOBAL NETWORK



CONTINUOUS GROWTH THROUGH CHALLENGES

In 2015, Kerry Logistics forged ahead with resilience against headwinds. The macroeconomic volatilities, instabilities in Europe, currency fluctuations across Asian nations, and China's slowing GDP growth exerted pressure at an increased magnitude. Despite these challenges, the Group continued to implement its strategic plans and delivered sustainable increase in core earnings for the seventh year in a row. Solid growth was reported in all major markets except Europe. The performance demonstrated the underlying strengths of the Group's unique business models and operations on an expanded scale.

Kerry Logistics reported a 12% growth in core operating profit in 2015. All segment profits attained healthy growth as the Group continued to apply its core competencies of providing highly customised solutions to niche industries. The Group also reaped benefits from the successful integration of previous acquisitions, which complemented the Group's network and service capabilities, enabling it to provide more sophisticated service offerings to clients and improve margins through enhanced operational efficiency.

The strong performances led by Hong Kong and Taiwan were especially encouraging. The improvement in profitability was also in part due to efforts made in cost control and the pursuit of operational excellence. With an ever-growing international footprint, the Group started centralising certain support functions to leverage economies of scale for shared knowledge and resources at more competitive cost structures.

A DIVERSIFIED REGIONAL FACILITY PORTFOLIO

The Group operates with an asset ownership model which enables it to offer greater reliability and flexibility to customers. As at 31 December 2015, the Group managed a logistics facility portfolio of 45 million square feet, of which 24 million square feet were self-owned.

In Mainland China, the 592,000 square feet logistics facility at Chengdu Longquan commenced operation in 2015 2H. Construction progressed at two facilities in Xi'an and Wuxi, with target completion in 2016 1H and 2017 2H respectively. These two facilities will supplement an additional 480,000 square feet of logistics facilities to the Group's portfolio in the country. In Shanghai, the construction of a 1.1 million square feet logistics facility is underway. Upon completion, it will be the largest facility of the Group in Mainland China.

In Thailand, phase one of the Kerry Bangna Logistics Centre was completed in 2015 Q2 and now serves as a new sorting centre for Kerry Express and a fulfillment centre for e-commerce customers. Following the addition of a new warehouse and a new Inland Container Depot at Kerry Siam Seaport ("KSSP") in 2014, phase four expansion of KSSP commenced in December 2015 as the Group continues to strengthen its operations to develop the facility into a key cargo gateway for the increasing trade in ASEAN. The expansion will cope with the rising business demands in countries within the Greater Mekong Region including Thailand, Cambodia, Myanmar and Laos. The project will see berths double at the facility with the number of operational berths increasing from 10 to 20 and total length extending from 1.5 km to 2.8 km. Together with an additional bridge connecting to the port, the construction is expected to be completed by 2019.

In Cambodia, the Group held a groundbreaking ceremony at Khan Dangkor, Phnom Penh in July 2015 for the construction of a 213,000 square feet warehouse in the bonded zone to provide customers with import and export logistics services.

Meanwhile, the Group disposed of one of its facilities, the Fuzhou Logistics Centre, in Fujian province of Mainland China in May 2015 as part of its long-term strategy to enhance the asset quality and productivity of its facility portfolio. The Group will continue to monitor and review its portfolio of assets to ensure optimal utilisation and operational efficiency.



In March 2015, the Group invested in PT Puninar Saranaraya, one of Indonesia's largest logistics companies to expand its business in the country. Indonesia has a high demand for quality inter-island logistics services, bringing immense growth opportunities.

In Myanmar, the Group was awarded concession to operate inland ports in Yangon and Mandalay. Linked by railway to major routes in the country, these inland ports will serve as hubs for importers, exporters and domestic logistics service providers.

In January 2016, Kerry Logistics completed the restructuring of its IFF operation in Singapore by investing in 75% stake in Transpeed Cargo (S) Pte. Ltd. ("Transpeed"), a leading air freight company in the country. With the incumbent management of Transpeed and Kerry Logistics' existing network, the transaction will further enhance the Group's IFF capability in Singapore as well as in Southeast Asia.

MIDDLE EAST

In March 2015, Kerry Logistics strengthened its IFF capacity and network in the Middle East through acquiring a controlling stake in Able Logistics Group FZCO, an established international freight forwarder headquartered in Dubai. 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. The emerging markets constitute a major area of growth of the Group, and effective business integration has been a key component towards that goal.

CANADA

Kerry Logistics acquired 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 focusing on Asia-Canada trade. Soon after its joining the Group in January 2015, TLP was successfully integrated into the Group's network and delivered solid growth in 2015. It was subsequently renamed as Kerry Logistics (Canada) Inc. in February 2016.

UNITED STATES

Following the memorandum of understanding signed with a top ten NVOCC in the US (in 2014) in March 2015, definitive agreements were signed in March 2016, with completion of acquisition expected in 2016 1H. Specialising in trans-Pacific trade lanes, the target company offers a full suite of services from ocean and air freight, customs brokerage, to logistics solutions in the US. This is a significant step for the Group as part of its long-term IFF strategy. The acquisition will bring substantial increases in volume and profitability for the Group and is expected to contribute to segment earnings as early as 2016.

HONG KONG WAREHOUSE

The Group's Hong Kong warehouse portfolio comprises 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 during the year.

Unleashing the potential of its facility portfolio has been one of the key objectives of the Group. The Group has resubmitted an application to the Town Planning Board of Hong Kong during 2015 Q4 to convert one of its warehouse facilities in Chai Wan into a columbarium. The project aims to alleviate the acute shortage of niches in Hong Kong, and provide social benefits by harmonising the current supply-demand imbalance issue. The Group's application, first submitted in the year under review, was amended in response to local community's concerns and views, including a 30% reduction in capacity, introduction of a strict "triple access control" system, as well as environmental beautification measures, all in an effort to minimise potential negative impact on residents and the surrounding area. The proposed investment looks to raise Hong Kong's current columbarium design and functionality to international levels to ensure the best possible standards for our citizens. The application has yet to be approved, and the Group will give updates when progress is made.

SUSTAINABLE GROWTH THROUGH SHARED RESOURCES AND INNOVATION

CENTRAL SERVICE CENTRE IN NANNING

The Group opened a new central service centre in Nanning, Mainland China in October 2015, aiming to enhance operational efficiency and service competitiveness. Dedicated to the centralisation of all document data entry for Greater China, the centre targets to handle ocean data input for Mainland China and Hong Kong by mid-2016 and expand to cover data input for other IFF and IL products in the future. To support the centre's operations, the Group has developed a number of proprietary e-filing and data storage systems to promote shared knowledge and resources among different offices and meet the ever-changing market needs.

NEW IT DEVELOPMENT CENTRE

The Group opened its first IT development centre in Penang, Malaysia in January 2016 to harness internet technology in support of its rapidly growing international operation and rising demand for IT application system. As part of its overall IT development strategy, Kerry Logistics will leverage Penang's established strength and use it as a base for an offshore IT support centre to share resources amongst different offices globally, in a bid to increase operational efficiency.

AWARD-WINNING ROBOTIC FULFILLMENT SOLUTIONS

In 2015 Q3, the Group introduced seven fully automated and programmed robotic butlers at its flagship facility PC³ in Hong Kong. Kerry Logistics is one of the first 3PLs in Asia to adopt robotic butlers in its operations to enhance fulfillment efficiency and accuracy. The robotic butlers operate 24/7 and can pick at a rate four times faster than in the normal course. The solution is ideal for retail brands which sell a wide variety of consumer products with potentially expanding e-commerce business.

CONTRIBUTIONS FROM ASSOCIATES

Contributions from the Group's investments in two associates posted an encouraging 13% year-on-year growth in 2015 to HK\$103 million (2014: HK\$91 million). The investments included mainly a 25% interest in Chiwan Container Terminal in Mainland China, and a 15% interest in the Asia Airfreight Terminal in Hong Kong.

OUTLOOK

2016 will no doubt bring a fair share of challenges and opportunities. The slowdown in Mainland China, one of the world's largest economies, is expected to have widespread effects globally. Despite this, the Group remains optimistic that the Belt and Road Initiative will continue to be a driving force for the economy and create opportunities in the country and abroad. The Group will make strategic investments to leverage Mainland China's increasing connectivity with the rest of the world, especially links to Western Europe and the CIS countries, accessing potential markets with growth prospects. With the acquisition of a top 20 air freight company in Taiwan, the Group expects to benefit from strengthened IFF capabilities and further integrations among its operations in Hong Kong, Taiwan and Mainland China.

ASEAN will continue to be a strategic area of growth for Kerry Logistics. The Group will continue to ride on its established express service platform in Thailand and Vietnam, its up and coming businesses in Cambodia and Malaysia, and add in planned entrances into Singapore, Indonesia, the Philippines and Laos in 2016 to further enhance its coverage and capabilities. The Group will also seek accelerated growth by developing an integrated Greater Mekong Region platform through the inland ports in Yangon and Mandalay.

E-commerce will remain an important growth factor for Kerry Logistics in the coming years. Having launched the first cross-border e-commerce logistics service in Ningbo, Mainland China, the Group looks to expand into other cross-border trade pilot cities and zones. The Group plans to grow in tandem with the increasing scope and scale of the e-commerce trade to provide integrated cross-border logistics and supply chain solutions for a new era of strategic commercial partners.

Internationally, Kerry Logistics is devoted to growing organically and through selective mergers and acquisitions. The emerging markets will be vital for the Group as it increases investments in India, Africa and the Middle East. Despite weakness in Europe, Kerry Logistics will continue to expand into niche markets whilst rationalising overall European operations. The Group has realised contributions from the successful integration of its acquisitions in Canada, Mexico and Oceania. The US acquisition of one of the top

ten NVOCC companies set to be completed in 2016 1H will also strengthen the Group's trans-Pacific coverage and provide position synergy effects as it works towards its strategic objective of becoming a global player.

The investment and expansion shall be financed by the Group's internal resources and/or bank borrowing.

In the year ahead, Kerry Logistics is committed to delivering progressive results. With its solid foundation, and keen eye for integrating suitable acquisitions and mergers into its expanding network, the Group is confident of maintaining sustainable growth and improved profitability.

F I N A N C I A L R E V I E W

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 fully utilised as of 31 December 2015 based on the original planned allocation.

The Group has centralised financing policies and control over all its operations. With tight control on treasury operations, average cost of funds is lowered.

Most of the Group's assets and liabilities are denominated in different functional currencies of overseas subsidiaries in their respective countries. The Group generally does not enter into foreign exchange hedges in respect of its long-term equity investments in overseas subsidiaries and associates. In respect of the depreciation of Renminbi since early 2015, the net exposure in terms of its potential impact on both profitability and financial position of the Group is considered not material. 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 2015, total foreign currency borrowings amounted to the equivalence of HK\$1,963 million (including HK\$1,367 million denominated in New Taiwan Dollar and HK\$275

million denominated in Thai Baht), which represented approximately 38% of the Group's total bank loans of HK\$5,170 million.

Out of the Group's total bank loans as at 31 December 2015, HK\$2,369 million (representing approximately 46%) was repayable within one year, HK\$494 million (representing approximately 10%) in the second year, HK\$2,281 million (representing approximately 43%) in the third to fifth years and HK\$26 million (representing approximately 1%) over five years. The Group maintains most of its bank loans on an unsecured basis, with unsecured debt accounted for approximately 92% of total bank loans. In relation to the secured bank loans of HK\$439 million and other banking facilities as at 31 December 2015, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK\$2,606 million; assignments of insurance proceeds of certain properties; and certain balances of restricted and pledged deposits. A majority of the bank loans were borrowed at floating interest rates and were not held for hedging purposes.

As at 31 December 2015, the gearing ratio for the Group was 33.8% (31 December 2014: 29.3%). The ratio was calculated as total bank loans and overdrafts, divided by equity attributable to the Shareholders.

As at 31 December 2015, the Group had total undrawn bank loan and overdraft facilities of HK\$6,847 million. The Group will continue to secure financing as and when the need arises.

S T A F F A N D R E M U N E R A T I O N P O L I C I E S

As at 31 December 2015, the Group had approximately 22,500 employees. The remuneration to employees includes salaries 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. Other employee benefits include provident fund, insurance, medical, sponsorship for educational or training programmes, share option schemes and RSU scheme.

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7 CORPORATE SOCIAL RESPONSIBILITY REPORT

CONTINUED COMMITMENT AND COLLABORATIVE EFFORT

As Asia's leading logistics service provider, Kerry Logistics understands that creating a better world starts with one person, but continuous change comes from the joint efforts of the group. While dedicated to innovative logistics solutions that serve our customers' needs, we recognise corporate responsibility as fundamental to our vision, mission and core values. With primary focus on employee engagement, sustainable development and community outreach, CSR has been tightly integrated into our overall management and daily operations as we continuously strive for excellence.

Our CSR programme is reinforced by our three interlinking pillars: people, environment and community. Our determination to preserve sustainable growth has been recognised when we became a Hang Seng Corporate Sustainability Index Series Member 2015-2016. We are proud to share the following collaborative accomplishments as we continue in our commitment to responsibility and sustainability.



PEOPLE

Kerry Logistics continues to nurture and develop our most important asset by maintaining a strong team of employees to meet the challenges of our industry. The success of our company is only made possible by creating a fulfilling work environment. Around the world in 40 countries, we created values for our people by providing them with rewarding careers, workplace quality and work-life balance. We built team spirit and strengthened ties among colleagues through organised group activities, and awarded staff recognition to enhance leadership, motivation and collaboration for continuous improvements.

We respect our people for their spirited willingness to learn, their sharing of bold ideas and their genuine passion for success. During the year, the Group conducted a total of 7,100 hours of training programmes with 2,400 attendees in its Hong Kong head office.

In addition, we organised internship exchange programmes with industry peers, hosted tours for university students and the media, and participated in recruitment days and career forums to bring in new clusters of talent. Since 2001, our MT Programme has continued to successfully nurture future generations to lead our business in a highly competent manner. In 2015, management trainees were recruited from Hong Kong, for a year of structured on-job rotation, to both Integrated Logistics and International Freight Forwarding. Trainees are developed through hands-on experience and participation in the design, implementation and evaluation of real-work projects that allow them to apply their learning, build up all-rounded competencies and tackle future challenges at large.

Below are some of the corporate events our colleagues participated in around the globe:

DEVELOPING OUR CORPORATE CULTURE

During the year, Kerry Logistics unveiled a new employee welcome video dedicated to all new joiners, familiarising them with our core values of VOICE: Value Creation, Openness, Integrity, Commitment and Excellence. Right from the start, we hope to inspire a firm understanding and strong corporate culture into every person on our team.

CULTIVATING GLOBAL TEAM SPIRIT

Throughout the year, members of Kerry Logistics' team from around the world participated in a myriad of activities and events to foster team spirit and strengthen ties amongst colleagues. From football matches in Europe, to dart and badminton tournaments in Hong Kong and Thailand, company participants spent quality time together outside of the workplace to build our global team spirit. As our international footprint extends further across the globe, we are excited to see our worldwide team grow in tandem.

MAINTAINING WORK-LIFE BALANCE

Besides providing the optimal working environment, Kerry Logistics is a firm believer of ensuring our team members are able to lead all aspects of their life to the fullest. In July 2015, the employee welfare committee of our Thailand branch presented scholarships to children of colleagues for the second consecutive year, aiming to enrich the family lives of our employees and the people matter to them. In keeping with the spirit of ensuring our people keep up with personal commitments, during 26-30 October 2015, we participated in the Work-Life Balance Week organised by Community Business for the seventh consecutive year. Colleagues were encouraged to leave on time and do more exercise with company allowance during the week.

IMPROVING WORKPLACE QUALITY

The health and safety of our employees continue to be a leading priority for us. Kerry Logistics provides occupational health and safety programmes for all staff with focus on safety in the workplace and maintenance of a healthy lifestyle. We also supplement our corporate medical plan with complementary vaccinations and health screening programmes, to ensure the well-being of our people. We understand that whilst work is an important aspect of our employees' lives, their health should always come first.

ENVIRONMENT

As a global citizen, Kerry Logistics understands the importance of environmental sustainability and protection. We pledge to achieve sustainable growth while minimising any impact our logistics operations may have. Our green initiatives have continued to bring positive effects to each corner of the world we touch. By adopting environmentally-friendly and energy efficient designs in our office, our concepts are put into practice. We establish and commit to short and long-term environmental goals and apply protective measures to our daily operations wherever possible. Moreover, we continue to discover potential areas where we can expand on the scope and scale of our green efforts. Besides the initiatives listed below, please refer to our environmental policy statement for further details.

THE 22ND GREEN POWER HIKE

Our Hong Kong team participated in the annual fundraising walkathon of Green Power Hike organised by Green Power for the eighth time and completed the full and half trails on 7 February 2015. The hike aims to raise funds for environmental education in Hong Kong.

EARTH HOUR 2015

On 28 March 2015, we joined Earth Hour organised by WWF for the fourth time by switching off our outdoor billboard lights and encouraged colleagues to turn off all non-essential lights for one hour to support global sustainability.

GREEN ROAD RUN 2015

On 3 October 2015, our member company Kerry TJ Logistics and the Chinese Taipei Association of Ultrarunners co-organised the Green Road Run for the second consecutive year. The event was supported by more than 2,000 participants from the company and the public and raised funds for "United Way" in Taiwan which works with local charities to coordinate fundraising efforts through a single fundraising campaign.

WWF WALK FOR NATURE

On 7 November 2015, we took part in the Walk for Nature walkathon organised by WWF in Mai Po Nature Reserve for the second consecutive year with 15 colleagues and their family members. The Walk aims to raise public awareness about Hong Kong's precious wetland environment and raise funds to support its conservation work.

COMMUNITY

Kerry Logistics cares about the communities in which we live and work. We do our utmost to support those in need through participating in community services, charities, education and project sponsorships. To us, giving back means combining our team's effort, passion and time with our logistics expertise, transportation assets and charitable donations to make a difference in our global communities. The compassion, determination and perseverance of our people remain the key to our delivery of positive results to benefit our worthwhile causes. Below are some of the contributions we have made to our communities this year:

THE COMMUNITY CHEST CORPORATE CHALLENGE 2015

A group of more than 30 fellow colleagues joined the Community Chest Corporate Challenge on 18 January 2015 for the 11th consecutive year to raise funds to enhance services for the physically disabled and improve the rehabilitation and aftercare services for the elderly supported by the Community Chest.

STANDARD CHARTERED HONG KONG MARATHON 2015

Over 50 fellow colleagues completed the full/half marathons and 10K run in the Standard Chartered Hong Kong Marathon on 25 January 2015 for the fifth consecutive time. The marathon supports three charitable institutions and initiatives: Seeing is Believing by ORBIS, the Hong Kong Paralympic Committee & Sports Association for the Physically Disabled and the Hong Kong Anti-Cancer Society.

HELPING FLOOD VICTIMS

In January 2015, our local teams in Malaysia initiated a donation drive to assist those who were severely affected by the heavy floods in the country. We collected 36 tonnes of food, drinking water and daily necessities and delivered them to flood victims. Volunteers of this mission included our staff and their family members.

SUPPORTING SUNRISE LIBRARY

In early March 2015, we set up the Noel Fund with three other freight companies to support the Reading Corner programme established by the charity Sunrise Library in Mainland China for the next three years. Sunrise Library is dedicated to setting up libraries for elementary schools in poor regions of Mainland China.

RACE FOR WATER 2015

On 22 March 2015, over 20 colleagues participated in the Race for Water 2015 organised by A Drop of Life for the fifth consecutive year to raise funds for the construction of water cellars in arid areas of Mainland China.

GIVING HELP TO FOOD BANKS

In Taiwan, we signed a letter of intent with Taichung City, Changhua County and Nantou County on 21 April 2015 to provide free cold storage and distribution services for local food banks to cover the supply of fresh and perishable food for families in need.

CHARITABLE SUPPORT FOR SAHK

On 25 April 2015, we sponsored the Singapore Association of Hong Kong's Gala Ball to celebrate its 40th anniversary and also the 50th anniversary of Singapore. Part of the proceeds of the ball will go towards supporting two charity organisations in Hong Kong: Viva China Children's Cancer Foundation and the Make-A-Wish Hong Kong Foundation.

KIDS4KIDS' SHARING FOR A CAUSE

In May 2015, for the second time, we sponsored logistics support to the Kids4Kids' Sharing for a Cause campaign, aimed at collecting small household appliances and educational toys for underprivileged families in Hong Kong. We coordinated the delivery and collections of over 280 boxes of donations across the city.

ORBIS – PLANE PENDANT CHARITY SALES

In June 2015, we supported ORBIS through its 2015 Plane Pendant Charity Sales for the fourth year. All donations will be allocated to support ORBIS in providing tools, training and technology for local doctors and other healthcare personnel to develop workable and lasting solutions against avoidable blindness in Mainland China.

HELPING CHILDREN IN NEED

On 18 June 2015, we supported Singapore International School to deliver more than 12,000 canned foods to over 300 disadvantaged children in Hong Kong through the ChickenSoup Foundation – a local philanthropic organization that empowers at-risk children of underprivileged communities.

ORBIS – WORLD SIGHT DAY

On 8 October 2015, we once again showed our support to ORBIS by participating in World Sight Day for the fifth consecutive year through donations to the pin campaign in Hong Kong. The campaign aims to bring hope to those at risk of preventable blindness across the globe.

24HR CHARITY PEDAL KART GRAND PRIX

During 14-15 November 2015, we joined the Hong Kong 24 Hour Pedal Kart Grand Prix for the second consecutive year. Organised by The Association of Round Tables in Hong Kong, the event aims to raise funds for the underprivileged and handicapped in our community.

LOVE TEETH DAY

On 2 December 2015, we participated in The Community Chest – Love Teeth Day jointly organised by The Community Chest, Hong Kong Dental Association and Oral Health Education Unit of Department of Health for the first time. Proceeds without deduction will be used to enhance oral health services for the needy.

OPERATION SANTA CLAUS

During November to December 2015, we supported Operation Santa Claus, organised by the South China Morning Post and Radio Television Hong Kong, for the second consecutive year by participating in its fund-raising shoes design competition. Proceeds will go to 22 beneficiaries to aid children, the elderly and the mentally and physically challenged in Hong Kong and Mainland China.

SUPPORTING FOOD BANK FOUNDATION

In December 2015, our Spain branch made a charitable donation to the Food Bank Foundation for the third year in a row. The foundation is a non-profit organisation aimed at helping people affected by hunger and raise public awareness over the problem of hunger.

CARING COMPANY

In recognition of our charitable contributions and participation in community service, the Group has been named a "Caring Company 2014-2015" by the Hong Kong Council of Social Service for the fifth consecutive year.



綠色力量 GREEN POWER
環島行
GREEN POWER HIKE

2016

綠色力量
GREEN POWER



KERRY

LOGISTICS

嘉里物流

8 AWARDS AND CITATIONS

CORPORATE ACCOLADES



HONG KONG CORPORATE GOVERNANCE EXCELLENCE AWARDS 2015

This is the first award received by Kerry Logistics affirming its remarkable accomplishments in corporate governance since listing on the HKEx two years ago. The judging panel praised Kerry Logistics for its world-class aspiration of achieving good corporate governance.

Winners of the awards went through rigorous selection to demonstrate their outstanding commitments to nine key aspects, namely shareholder rights, compliance, integrity, fairness, responsibility, accountability, transparency, board independence & leadership, and corporate social responsibility.



• BEST IR BY A HONG KONG COMPANY • MOST PROGRESS IN IR • BEST IN SECTOR: INDUSTRIALS IR MAGAZINE GREATER CHINA 2015 AWARDS

Kerry Logistics' ongoing efforts in maintaining interactive and effective communications with investors and commitment to upholding high transparency was recognised at the IRMA Greater China 2015 Awards organised by IR Magazine.

These are the first investor relations awards the Company has received after two years of dedicated investor relations efforts since its listing. Winners were selected through an independent survey of investors and analysts in the region, in a three-month-long research process that identified the best corporate IR teams across a range of categories.



INTERNATIONAL AWARD DHL/SCMP HONG KONG BUSINESS AWARDS 2015

With a history of 26 years, DHL/SCMP Hong Kong Business Awards give recognition to the vital contributions made by individuals and companies in maintaining and expanding the economic viability and international stature of Hong Kong and the neighbouring Pearl River Delta.

The International Award recognises companies for their success in enhancing Hong Kong's international reputation. The award affirms Kerry Logistics' outstanding achievements in business growth, product innovation, global marketing strategies, effective risk management, sound business understanding for different cultures, as well as commitment to socially responsible business practices across regions.



OUTSTANDING GLOBAL LOGISTICS NETWORK QUAMNET OUTSTANDING ENTERPRISE AWARDS 2015

Kerry Logistics is the first company to receive the newly introduced Outstanding Global Logistics Network Award at Quamnet Outstanding Enterprise Awards 2015. Organised by Quamnet, a leading financial website in Hong Kong, the award highlighted Kerry Logistics' contributions to a better business environment in Hong Kong by being a leader in its industry.

Through the win, Kerry Logistics demonstrated outstanding performances in business growth, product and services, brand influence, sustainable marketing strategies, unique business philosophy, effective operation, and commitment to socially responsible business practices across regions.

INDUSTRY RECOGNITION



- **GLOBAL LOGISTICS PROVIDER OF THE YEAR**
 - **X FACTOR AWARD**
- PAYLOAD ASIA AWARDS 2015**

Kerry Logistics is honoured to have received the Global Logistics Provider of the Year for two consecutive years and the newly introduced X Factor Award. The former recognises organisations with outstanding achievements in customer growth, development strategy, operational performance, customer service, product innovations and overall growth, while the latter honours companies which have differentiated themselves by providing creative, innovative and revolutionary services or products to the market.

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



- ASIAN 3PL OF THE YEAR SUPPLY CHAIN ASIA AWARDS 2015**

The Asian 3PL of the Year award recognises Kerry Logistics' dedication to serving the world's top brands and providing best-in-class integrated logistics, international freight and highly customised solutions to enhance clients' supply chain efficiency, reduce overall costs and improve response time to market.

Organised by Supply Chain Asia Magazine, the annual awards give recognition to corporations and industry practitioners who have made outstanding contributions in the fields of supply chain and logistics, while the Asian 3PL of the Year award is presented to the top performing 3PL in the region.



- MARITIME LOGISTICS AWARD**
- THE 8TH SEATRADE MARITIME AWARDS ASIA 2015**

Kerry Logistics is the first company to receive the Maritime Logistics Award, organised by Seatrade, a member of UBM, the world's second largest media and event organiser.

The Seatrade Maritime Awards commends accomplished individuals and companies from the maritime industry while the newly added Maritime Logistics Award acknowledges companies with excellent achievements in productivity improvements, level of value-added services and business profitability.

Through a robust network of connections with sea carriers, Kerry Logistics has proven its ability to deliver fast, cost-efficient and reliable ocean freight services to a far-reaching global network.



- **BEST LOGISTICS SERVICE PROVIDER - AIRFREIGHT**
 - **BEST ROAD HAULIER - ASIA**
- 2015 ASIAN FREIGHT LOGISTICS & SUPPLY CHAIN AWARDS**

Organised by Asia Cargo News magazine, the awards are designed to honour winners who demonstrate industry leadership, consistency in service quality, innovation, customer relationship management and reliability. Kerry Logistics was recognised for its ability to provide comprehensive supply chain planning and execution, display visibility of processes and freight movement, and build strong partnerships with its clients.

These awards were nominated and voted by our peers and service users and are further recognition from the industry of Kerry Logistics' position as a leading 3PL in Asia.

COMMENDATIONS FROM CUSTOMERS AND PARTNERS



BEST DISTRIBUTION PARTNER 2014
NETGEAR



FACILITIES & OPERATIONS SERVICES
SUPPLIER OF THE YEAR (FY2015)
HONG KONG DISNEYLAND



BEST TRANSPORTATION COMPANY
(AREA 1) 2014
CANON ASIA MARKETING GROUP

Kerry Logistics has a total of 46 wins, from corporate accolades, industry recognition to commendations from customers and partners

LOCATION	AWARD	ORGANISER
CORPORATE ACCOLADES		
Hong Kong	Hong Kong Corporate Governance Excellence Awards 2015	The Chamber of HK Listed Companies and the Centre for Corporate Governance and Financial Policy of HK Baptist University
	IR Magazine Greater China 2015 Awards • Best IR by a Hong Kong Company • Most Progress in IR • Best in Sector: Industrial	IR Magazine
	Hong Kong Business Awards 2015-International Award	DHL & SCMP
	Quamnet Outstanding Enterprise Awards 2015: Outstanding Global Logistics Network	Quamnet
	Hang Seng Corporate Sustainability Index Series Member 2015-2016	Hang Seng Indexes Company Limited
	Caring Company 2014/2015	The Hong Kong Council of Social Service
	Hang Seng Pan Pearl River Delta Environmental Awards 2013/14-Green Medal	Federation of Hong Kong Industries & Hang Seng Bank
	Certificate of Participation: Carbon Audit Pilot Fund CarbonSmart Programme	Hong Kong Productivity Council
	2015 Employers' Appreciation Certificate	The Salvation Army
US	2015 International ARC Awards • Silver Winner-Non-Traditional Annual Report : Logistics Enterprises • Bronze Winner-Interior Design : Logistics Enterprises	MerComm, Inc.
	2014 Vision Awards: Annual Report Competition-Silver Award (Transportation & Logistics)	League of American Communications & Professionals

LOCATION	AWARD	ORGANISER
CORPORATE ACCOLADES		
Singapore	Adam Smith Awards Asia 2015-Highly Commended: Best Solution in China	Treasury Today Asia
Mainland China	Tao Zhu Gong Award 2015-Highly Commended: Most Innovative Treasury Solutions	EuroFinance
	Best Charity Practice Enterprise 2014	China Charity Festival
INDUSTRY RECOGNITION		
Hong Kong	The 2015 AFLAS Awards • Best Logistics Service Provider-Airfreight • Best Road Haulier-Asia	Asia Cargo News Magazine
	The 8th Seatrade Maritime Awards Asia-Maritime Logistics Award	Seatrade
	The 15th Capital Outstanding Enterprise Award-Outstanding Logistics Company	Capital Magazine
	Hong Kong ICT Awards 2015: Best Smart Hong Kong (Internet of Things Application) Certificate of Merit	Office of the Government of Chief Information Officer, HKSAR
	Most Valuable Services Awards in Hong Kong 2015	Mediazone Publishing
Singapore	Payload Asia Awards 2015 • Global Logistics Provider of the Year • X Factor Award	Payload Asia Magazine
	Supply Chain Asia Awards 2015-Asian 3PL of the Year	Supply Chain Asia Magazine
Mainland China	Top 100 China IFF & Logistics Enterprises 2014 • Ranked No 3 in Warehousing • Ranked No 3 in Air Freight • Ranked No 9 • Top 50 in Sea Freight	China International Freight Forwarders Association & International Business Daily
	Top 100 Most Valuable Brands of China Logistics Industry 2015 Top 10 China Logistics Enterprises 2015	Organizing Committee of China International Logistics Week, China Logistics Times,
	Bulk Logistics Gold Awards of China Logistics Industry 2015 Best Financial Service of China Logistics Industry 2015	Organizing Committee of China's Logistics Industry Awards
India	The 7th South East Cargo & Logistics Awards • Custom House Agent of the Year • International Freight Forwarding Agent of the Year	Exim India
COMMENDATIONS FROM CUSTOMERS AND PARTNERS		
Hong Kong	INSPIRATION Award	Marks and Spencer
	Best Distribution Partner 2014	NETGEAR
	Facilities & Operations Services Supplier of the Year (FY2015)	Hong Kong Disneyland
	Excellent Improvement Award 2014-2015	Acon Diabetes Care
	Best Logistics Partner 2015	IDEC
Mainland China	Best Service Award	Schaeffler Greater China
	Best Transportation Company (Area 1) 2014	Canon Asia Marketing Group
Taiwan	Best 3PL Best Long Term Service Partner	Sushi Express
Philippines	Top Cargo Agent 2014	Cebu Pacific Air

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 2015.

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 2015, 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.

During the year ended 31 December 2015, the Company has received the Hong Kong Corporate Governance Excellence Awards 2015, jointly presented by The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University. The Awards serve as recognition of the Company's high standards in corporate governance, particularly in nine key aspects, namely shareholder rights, compliance, integrity, fairness, responsibility, accountability, transparency, board independence and leadership, and corporate social responsibility.

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 and the Risk Management 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. For more details, please refer to the section headed "Directors' Permitted Indemnity Provision" in the Report of Directors on page 65 of this annual report.

2 DELEGATION OF MANAGEMENT FUNCTION

The Board is responsible for making all major decisions 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 CHIN Siu Wa Alfred

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 2015 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 CHIN Siu Wa Alfred	✓
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 Corporate Governance and Risk Management.

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 2015 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 2014, unaudited interim results for the six months ended 30 June 2015, and 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	4/4
Mr CHIN Siu Wa Alfred	4/4
Ms WONG Yu Pok Marina	4/4
Mr WAN Kam To	4/4
Mr YEO Philip Liat Kok	3/4

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 CHIN Siu Wa Alfred	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 26 May 2015 during the year ended 31 December 2015. 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)					Meeting attended/ eligible to attend
	Remuneration Committee	Audit and Compliance Committee	Nomination Committee	Finance Committee	Risk Management Committee	
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 CHIN Siu Wa Alfred		✓				0/1
Ms WONG Yu Pok Marina	✓	✓	✓			1/1
Mr WAN Kam To	✓	✓				0/1
Mr YEO Philip Liat Kok	✓		✓			1/1

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 five committees, namely, the Remuneration Committee, Audit and Compliance Committee, Nomination Committee, Finance Committee and Risk Management Committee, for overseeing particular aspects of the Company's affairs. All of these five 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, while members of the Risk Management Committee are Executive Directors and members of the senior management.

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 five meetings during the year ended 31 December 2015 to consider the reports and recommendations on the remuneration policy of the Company from external human resources consultant, 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	5/5
Mr MA Wing Kai William	Group Managing Director	5/5
Ms WONG Yu Pok Marina	INED	5/5
Mr WAN Kam To (Chairman)	INED	5/5
Mr YEO Philip Liat Kok	INED	4/5

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 2015, 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
As Risk Management Committee member*	N/A	Period of membership
	N/A	Attendance rate at meetings

* All members of the Risk Management Committee are either Executive Directors or members of the senior management of the Company. Annual fee or attendance fee for being a committee member is therefore not applicable.

Details of the remuneration paid to each of the Directors for the year ended 31 December 2015 are set out in note 12 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 2015 is set out in note 12 to the Financial Statements.

2 AUDIT AND COMPLIANCE COMMITTEE

The Board has established an audit and compliance committee in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. During the year, the written terms of reference of the Audit and Compliance Committee were revised to reflect the amendments to the CG Code which came into effect on 1 January 2016. The revised terms of reference were set out in the Company's announcement released on 16 November 2015 and were made available on the websites of the Stock Exchange and the Company.

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 CHIN Siu Wa Alfred. 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 2015 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 2015 to review the audited annual results and financial report for the year ended 31 December 2014, 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 2015, the non-exempt continuing connected transaction for the year ended 31 December 2015, 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 financial, operational and compliance monitoring, the risk management control, the work of the internal and external auditor, as well as the service fees due to the external auditor.

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 CHIN Siu Wa Alfred	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 2015 have been reviewed by the Audit and Compliance Committee on 14 March 2016.

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 2015.

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 2015 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 in compliance with paragraphs D.2 and D.3 of the CG Code with written terms of reference since March 2014. During the year, the written terms of reference of the Finance Committee were revised to increase the maximum approval threshold of the Finance Committee. 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 2015 to review and approve corporate guarantees, allotment of shares and lapse of options pursuant to the Pre-IPO Share Option Scheme and/or Post-IPO Share Option Scheme, general mandate to share registrar for processing dividend payment and closure of bank account.

5 RISK MANAGEMENT COMMITTEE

The Board has established a risk management committee with written terms of reference in compliance with paragraph C.2 of the CG Code in November 2015. The Risk Management Committee consists of two Executive Directors, being Mr MA Wing Kai William and Mr ERNI Edwardo, and two members of the senior management. The chairman of the Risk Management Committee is Mr MA Wing Kai William.

The primary duties of the Risk Management Committee include, but not limited to: (i) evaluate the Company's risk management system; (ii) review and advise the Board on the implementation and effectiveness of the Company's risk management system and policies; (iii) discuss the risk management system with the management to ensure that the management has performed its duties in establishing and maintaining an effective risk management system, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's risk management function; (iv) consider major findings and

investigation on risk management matters as delegated by the Board; and (v) conduct an annual review of the Company's risk management system by considering the changes in the nature and extent of significant risks, the scope and quality of the ongoing monitoring of risks by the management, the extent and frequency of communication of monitoring results, significant control failings or weaknesses, and other factors which affect the effectiveness of the Company's risk management system.

The Risk Management Committee held one meeting during the year ended 31 December 2015 to review the new requirements of risk management under the Listing Rules and risk appetites identified by internal business units and external consultant respectively in areas of strategy, financial, operations and corporate governance. The Risk Management Committee prioritises risk appetites and sets out policies and procedures in order to review and evaluate the effectiveness of the risk management and internal control systems.

The attendance records of the Risk Management Committee are set out below:

Name of Director	Board Capacity (during the period of membership)	Meeting attended/ eligible to attend
Mr MA Wing Kai William (Chairman)	Group Managing Director	1/1
Mr ERNI Edwardo	ED	1/1
Two members of the senior management	N/A	1/1

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 2015 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 2015, the remuneration paid to the external auditor (including its other member firms) of the Company in respect of audit services and non-audit services (that is, due diligence work, risk management and internal control review and taxation services) amounted to HK\$13,845,000 and HK\$10,790,000, respectively.

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

G RISK MANAGEMENT AND INTERNAL CONTROLS

During the year ended 31 December 2015, the Board has conducted a review on the effectiveness of the risk management and internal control systems of the Group. The review has covered the financial, operational and compliance aspects of the Group.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board considers the risk management and internal control systems of the Group are effective and adequate.

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard Shareholders' investments and Company's assets, and reviewing the effectiveness of such on an annual basis through the Audit and Compliance Committee and Risk Management 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, Nomination Committee and Risk Management 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 2015, 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 2015.

10 DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

YEO George Yong-boon

aged 61, 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 became Chancellor of Nalanda University in July 2015 and also chairs its International Advisory Panel. 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 54, 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 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. Mr Ma has been a member of the Aviation Development and Three-runway System Advisory Committee of the Hong Kong Government for a period of two years since August 2015. 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 54, 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 – China & North Asia. 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, China Association of Warehouses and Storage and Beijing Logistics Association. 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 E-commerce & Informatization on the Logistic Industry Programme in 2015. 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; Peking 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 37, has been the Executive Director of the Company since November 2013. Mr Kuok has served as a non-executive director of KPL since June 2015. He 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

CHIN Siu Wa Alfred

(formerly known as QIAN Shaohua), aged 59, has been the Non-executive Director of the Company since November 2013. Mr Chin has been a director of KPL since September 2007, was re-designated as an executive director of KPL in July 2009 and had served as a co-managing director of KPL from August 2013 to September 2015. Mr Chin 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 Chin is also a member of the executive committee of KPL and is responsible for KPL's property development business in China. Mr Chin 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 67, 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 the chairman of the audit and corporate governance committee and the remuneration committee and a member of 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 63, has been the Independent Non-executive Director of the Company since November 2013. He was a partner of PricewaterhouseCoopers Hong Kong & China, and had 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) 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 69, 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 and World Health Organization Expert Working Group on Research & Development Financing, special adviser for economic development in the Prime Minister’s office of the Singapore Government, senior adviser for science and technology in the Ministry of Trade and Industry of the Singapore Government, 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.

SENIOR MANAGEMENT

ANG Keng Lam

aged 69, 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 60, joined the Group in July 2000 and is currently the Managing Director – 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.

BLANK Thomas Alfred

aged 55, joined the Group in November 2015 as Managing Director – Europe. He is also a director of Kerry Logistics Holding (Europe) Limited, a wholly-owned subsidiary of the Company headquartered in Europe. Mr Blank is in charge of the IFF business in Europe of the Group. He has over 35 years of experience in the logistics and freight management industry. Prior to joining the Group, Mr Blank held key management positions in several multinational companies based in Europe and South East Asia, responsible for areas extensively from management, sales and marketing, business development and business solutions, account management and pricing. Mr Blank has been a certified forwarding merchant awarded by Nuremberg Chamber of Commerce and Industry, Germany since 1982.

CHENG Chi Wai Ellis

aged 51, joined the Group in August 2009 as Chief Financial Officer. Mr Cheng is a Fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, as well as a chartered accountant and a chartered secretary. Mr Cheng has more than 25 years of experience in auditing, financial control and corporate finance and previously worked in an international accounting firm and held key finance positions in several companies whose shares are listed on the Main Board of the Stock Exchange. He 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.

SENIOR MANAGEMENT (CONTINUED)

HUNG Wai Shing Jeffrey

aged 50, joined the Group in September 1999, and is currently the Regional Financial Director 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 44, joined the Group in April 2010 as the Executive Director – 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 49, 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 73, 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.

SENIOR MANAGEMENT (CONTINUED)

SO Yiu Ming Gary

aged 53, has been the Deputy Managing Director – Global Management Office since March 2015. He joined the Group in January 2000 and was responsible for developing the Group's logistics business in Hong Kong, China and Taiwan. He left the Group in June 2009 to pursue his personal interests and was the regional president of a Fortune 500 company prior to rejoining the Group in March 2015. Mr So has previously worked for a major airline, a logistics arm of an ocean carrier, a global integrator in express and logistics and a consultancy firm prior to joining the Group in 2000. Mr So obtained a bachelor of science degree from the Chinese University of Hong Kong in 1985 and a master of business administration degree from the University of Warwick, United Kingdom in 1994. He also completed the executive program at McGill University, Canada in 2013.

TAN Kai Whatt Robert

aged 59, joined the Group in January 2004 as a director of a subsidiary of the Company. Mr Tan is the Managing Director – South & South East Asia 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 21 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.



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1 1 R E P O R T O F D I R E C T O R S

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 39 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2015.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the section headed "Statement of Accounts" of this annual report.

BUSINESS REVIEW

OVERVIEW AND PERFORMANCE OF THE YEAR

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

Discussion on the Company's performance of the year is set out in the section headed "Management Discussion and Analysis – Overall Results" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company strives to develop and operate an environmental management system that sets high standards on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. We require all our employees and contractors to adhere to this policy. We believe our high environmental standards can put us in better position to compete with other logistics service providers in light of the rising environmental initiatives of multinational corporations.

Our efforts in environmental protection have been well recognised. The Company has obtained the international certification of ISO14001, an internationally agreed standard that sets out the requirements for an environmental management system.

The Company also puts green ideas into practice in our daily operations and office renovations. These include:–

- Planting of trees, greenery, and landscaping in our offices.
- Implementing energy-saving measures for lobby lifts.
- Two green logistics facilities in Hong Kong and Singapore, namely Tai Po Product Customisation and Consolidation Centre (“PC³”) and Kerry Tampines Logistics Centre. Both facilities are LEED Gold certified while PC³ is also the first industrial building in Hong Kong to be HK-BEAM (Gold) certified.
- Deploying low emission trucks with Euro V Vehicle Emission Standards in the Company’s Hong Kong daily operations since 2014.
- Introduction of three hybrid electric vehicles since 2013 under the Pilot Green Transport Fund Scheme backed by the Hong Kong government.

Discussion on our compliance with relevant environmental laws and regulations is set out in the section headed “Compliance with relevant Laws and Regulations” in this Report of Directors.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS ***REGULATORY COMPLIANCE***

The Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code.

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

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

LICENSING REQUIREMENTS

The Group are required to comply with the regulatory requirements to obtain and maintain certain licences and permits in the jurisdictions in which we operate. Many of these licences and permits are subject to regular review, replacement or renewal.

Each of our local management teams performs its own function to ensure that we maintain the necessary licences and permits to operate our businesses in each jurisdiction. The Group has been able to renew our major licences and permits without significant difficulties during the year.

ENVIRONMENTAL PROTECTION

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

KEY RELATIONSHIPS WITH STAKEHOLDERS

EMPLOYEES

People are the backbone of our operations and the key to our success as the leader in providing exceptional services. We are committed to creating opportunities for our employees to develop their full potential by considering all aspects of their lives. We firmly believe in the power and possibility of the next generation and strives to nurture these talents through our comprehensive MT Programme.

Since 2001, we organised the MT Programme to attract bright young graduates worldwide. Over 100 undergraduate students from different majors of study and nationalities joined the MT Programme. Currently, 60 of them are working under our global network, of which 24 of them have reached managerial and executive level. Our MT Programme has spread from our head office in Hong Kong to regional offices including the Mainland China, Taiwan and South & Southeast Asia.

We are committed to creating real value for employees through rewarding careers, workplace quality and work-life balance. To echo our core values VOICE, we provide regular on-the-job trainings, reward schemes and job secondment/relocation opportunities for all employees to propel work excellence within the global scope. We believe these measures could further enhance employee involvement and engagement as part of a team.

CUSTOMERS

We currently serve more than 40 of the Top 100 Brands (ranked by Interbrand, a well-recognised global brand consultancy) across a wide spectrum of industries. By leveraging our experience in serving the supply chains in various industries, we have developed significant industry expertise and applied innovative processes across industries to better serve our customers. We have been successful in

offering industry-specific solutions, including the fashion and lifestyle, electronics and technology, food and beverage, fast-moving consumer goods, industrial and material sciences, automotive, and pharmaceutical and healthcare industries.

Within most of these industries, we manage outsourced supply chains that are sophisticated, regional in scale and critical to our customers' core business. This creates opportunities for us to become an integral part of our customers' operations. In addition, we have established long-standing relationships with many of our key customers, which are due in part to our ability to continually meet or exceed their requirements for quality and reliability of service. For example, more than half of our key logistics operations customers in Hong Kong as at 31 December 2015 have been with us for more than five years. We believe our supply chain solutions have offered our customers compelling value propositions, making us their preferred logistics service provider.

SUPPLIERS

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

Our suppliers also include landlords of leased logistics facilities that we manage in connection with our IL business, as well as suppliers of goods in connection with our trading business. We manage a large portfolio of leased logistics facilities located primarily in Asia.

INDUSTRY AWARDS AND ACCREDITATIONS

We have received a number of industry awards and accreditations in recognition of our leading position and achievements in the logistics services industry in Asia. Details are set out in the section headed "Awards and Citations" of this annual report.

CORPORATE SOCIAL RESPONSIBILITY

Details of corporate social responsibility are set out in the section headed “Corporate Social Responsibility Report” of this annual report.

KEY RISKS AND UNCERTAINTIES

During the year, the Board identified several areas which are likely to pose more significant risks to the Company based on the results of the risk assessment interviews conducted by the risk management team of PricewaterhouseCoopers. The Company has implemented various measures to mitigate these risks or uncertainties.

UNCERTAINTIES IN THE GLOBAL BUSINESS ENVIRONMENT

Uncertainties in the global economy include the economic slowdown in the China market and the uncertain recovery in Europe exposes the Group to the risk of non-sustainable growth. The industries that the Group previously focused on serving, for example, electronics and fashion industry, are faced with a decline in demand for their products or services, which in turn lowers the demand for the Group’s services.

The Group has been mitigating this risk by diversifying its industry focus, for example, to the pharmaceutical industry, and its customer pool to reduce the concentration risk. The Group has also embarked on an acquisition trail which will help expand its global reach and reduce its reliance on certain markets, for example, China.

INTEGRATION OBSTACLES

The Group expands its network and global coverage mainly through mergers and acquisitions. However, it poses a risk of inconsistency in operations if the joint ventures or acquired businesses are not properly monitored and integrated with the practices of the Group. Cultural differences and availability of resources are some of the key contributing factors which hinder the integration process.

To mitigate this, a robust due diligence process has been in place to ensure the target companies are the right acquires. Integration checklists in all aspects including human resources, finance, information technology, legal and

compliance etc. have been set up. The Company’s internal audit function also acts as an independent check of the governance and performance of the acquired businesses.

SUCCESSION PLANNING AND POTENTIAL LOSS OF TALENTS

The Group currently places heavy reliance on certain key managerial members. There has been succession planning prepared for certain divisions of the Company, for example, the headquarters and China, but not for the others.

The Group has mitigated this by using the MT Programme to nurture staff with high potential to be future management; hiring remuneration consultant to benchmark salary level of management to the Company’s competitors; re-organising the management structure with more short-term incentives to management; and implementing succession plan for areas in need, particularly for key management.

CONCERNS OVER KEY INFORMATION SYSTEMS (BOTH OPERATIONAL AND FINANCIAL)

Due to the nature of the business, the Group cannot afford any information technology disruption. Therefore, efficient maintenance and recovery of information technology systems are very important to the Group. The ability to develop systems within a reasonable timeframe to support business needs is also critical.

To mitigate this, periodic disaster recovery plan and drill tests are performed. The Group will also outsource or relocate part of the development or maintenance of the systems to third parties in a cost-effective manner. System integration and automate data flows are performed to reduce human interference in order to reduce the risks of human error and time of data processing.

CREDIT RISK IN RELATION TO COUNTERPARTIES

Adverse performance of the Group’s customers due to decline in the demand of their products will increase the Group’s counterparties risk with these customers. Long credit period of top customers may lead to unsatisfactory cash flow of the Group.

The Group has mitigated this by tightening account receivables and setting up credit monitoring controls, for example, to produce a periodic credit report consisting of top 50 to 100 customers for management review. Tighten protective measures are implemented, for example, holding of customers' stocks stored in the Group's facilities before payments are settled; and requesting for deposit before provision of services.

OTHER FINANCIAL RISKS

Further discussion on financial risks are set out in the section headed "Management Discussion and Analysis – Financial Review" and note 3 to the Financial Statements of this annual report.

OUTLOOK

Discussion on outlook is set out in the section headed "Management Discussion and Analysis – Business Review" of this annual report.

SUBSEQUENT EVENTS

Please refer to note 37 to the Financial Statements for details of the significant events after the reporting period of the Group.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders in the forthcoming AGM for the distribution of a final dividend of 10 HK cents per share for the year ended 31 December 2015 payable to the Shareholders whose names are listed in the Registers of Members on Tuesday, 31 May 2016. 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 2015 are set out in note 25 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the year ended 31 December 2015 are set out in note 26 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company has distributable reserves of HK\$920 million in total available for distribution, of which HK\$169 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 "2011-2015 Financial Summary" of this annual report.

DONATIONS

The Group made a donation of HK\$1.94 million to charity projects or organisations for the year.

RETIREMENT BENEFITS

Please refer to note 30 to the Financial Statements for details of the retirement benefits of the Group for the year ended 31 December 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 16 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 2015 are set out in notes 27 and 28 to the Financial Statements.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group has no material contingent liabilities.

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 CHIN Siu Wa Alfred

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 KUOK Khoon Hua, Mr CHIN Siu Wa Alfred and Ms WONG Yu Pok Marina 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 2015 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 2015, 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⁽¹⁾

Directors	Ordinary Shares in the Company				Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
YEO George Yong-boon ⁽²⁾	3,000,000	5,000	–	–	3,005,000	0.18%
MA Wing Kai William ⁽³⁾	4,291,510	–	–	675,000	4,966,510	0.29%
ERNI Edwardo ⁽⁴⁾	2,500,500	8,000	–	–	2,508,500	0.15%
KUOK Khoon Hua ⁽⁵⁾	1,101,000	–	–	4,485,155	5,586,155	0.33%
CHIN Siu Wa Alfred ⁽⁶⁾	200,000	–	–	675,000	875,000	0.05%
WONG Yu Pok Marina ⁽⁷⁾	200,000	–	–	–	200,000	0.01%
WAN Kam To ⁽⁸⁾	200,000	–	–	–	200,000	0.01%
YEO Philip Liat Kok ⁽⁹⁾	200,000	–	–	–	200,000	0.01%

Notes:

(1) All interests in Ordinary Shares in the Company were as at 31 December 2015.

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

(3) 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; (iii) options granted under the Post-IPO Share Option Scheme to subscribe for 1,000,000 Ordinary Shares; and (iv) 675,000 Ordinary Shares held through a discretionary trust of which Mr Ma is a contingent beneficiary.

(4) 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; (iii) options granted under the Post-IPO Share Option Scheme to subscribe for 500,000 Ordinary Shares; and (iv) 8,000 Ordinary Shares held by his spouse.

(5) 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) options granted under the Post-IPO Share Option Scheme to subscribe for 200,000 Ordinary Shares; and (iv) 4,485,155 Ordinary Shares held through discretionary trusts of which Mr Kuok is a contingent beneficiary.

(6) Mr Chin 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 Chin is a contingent beneficiary.

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

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

(9) 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				Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
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	–	–	180,294,982	182,294,982	11.96%
CHIN Siu Wa Alfred ⁽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 2015.
- (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) 180,294,982 ordinary shares in KGL held through discretionary trusts of which Mr Kuok is a contingent beneficiary.
- (5) Mr Chin 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				Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
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⁾	359,000	–	–	7,670,310	8,029,310	0.56%
CHIN Siu Wa Alfred ⁽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 2015.
- (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) 59,000 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; and (iii) 7,670,310 ordinary shares in KPL held through discretionary trusts of which Mr Kuok is a contingent beneficiary.
- (6) Mr Chin 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 Chin is a contingent beneficiary.

SCMP Group Limited⁽¹⁾

Director	Ordinary shares in SCMP				Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
KUOK Khoon Hua	–	–	–	620,000 ⁽²⁾	620,000	0.04%

Notes:

(1) All interests in ordinary shares in SCMP were as at 31 December 2015.

(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				Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
KUOK Khoon Hua	5 ⁽²⁾	–	–	–	5	5.00%

Notes:

(1) All interests in ordinary shares in Vencedor were as at 31 December 2015.

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

Medallion Corporate Limited⁽¹⁾

Director	Ordinary shares in Medallion				Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
KUOK Khoon Hua	48 ⁽²⁾	–	–	–	48	4.80%

Notes:

(1) All interests in ordinary shares in Medallion were as at 31 December 2015.

(2) Mr Kuok is interested in 48 ordinary shares in Medallion as beneficial owner.

INTEREST IN DEBENTURES OF ASSOCIATED CORPORATION

Wiseyear Holdings Limited⁽¹⁾

Directors	Amount of debentures in Wiseyear				Total amount of debenture	Approximate percentage of total debenture of Wiseyear
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
MA Wing Kai William ⁽²⁾	–	–	US\$1,000,000 5% Notes due 2017	–	US\$1,000,000 5% Notes due 2017	N/A
CHIN Siu Wa Alfred ⁽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 in Wiseyear were as at 31 December 2015.

(2) Mr Ma is interested in debentures in Wiseyear in the amount of US\$1,000,000 5% Notes due 2017, held through his controlled corporation.

(3) Mr Chin is interested in debentures in Wiseyear 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 2015.

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

As at 31 December 2015, 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 corporations	1,121,178,932 ⁽¹⁾	66.17%
Kerry Holdings Limited	Interest of controlled corporations	1,090,758,684 ⁽¹⁾	64.37%
Kerry Properties Limited	Beneficial owner	718,340,998 ⁽¹⁾	42.39%
Caninco Investments Limited	Beneficial owner	156,124,097 ⁽¹⁾	9.21%
Darmex Holdings Limited	Beneficial owner	128,449,630 ⁽¹⁾	7.58%
GIC Private Limited	Investment manager	102,189,240	6.03%

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 2015, 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 2015 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 2015 and up to the date of this annual report.

CONNECTED TRANSACTION

Among the related party transactions disclosed in note 36 to the Financial Statements, the following transaction constituted a connected transaction for the Company and is required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

ACQUISITION AGREEMENTS WITH THE ASSOCIATE OF KPL

With a view to saving rental costs from a long-term perspective, on 15 May 2015, the Shanghai branch of Kerry EAS Logistics Limited (the "Purchaser"), a subsidiary of the Company, entered into ten acquisition agreements with Shanghai Gang Hu Properties Co., Ltd. (the "Vendor") (the "Acquisition Agreements") pursuant to which the Purchaser agreed to acquire from the Vendor and the Vendor agreed to sell to the Purchaser certain office units held by the Vendor in Shanghai at an aggregate consideration of RMB31,373,610 (the "Acquisition"). The Acquisition Agreements also contained terms which are usual and customary for a transaction of this nature and scale.

As at the date of the Acquisition Agreements, the Vendor was owned as to 74.25% by KPL. KPL is a substantial shareholder and a controlling shareholder of the Company. As such, the Vendor is an associate of KPL and thus a connected person of the Company under the Listing Rules. The Acquisition therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 15 May 2015 for details of the Acquisition.

CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 36 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 two years ended 31 December 2014 and 2015 and the year ending 31 December 2016 are HK\$17.7 million, HK\$19.7 million and HK\$21.7 million, respectively. During the two years ended 31 December 2014 and 2015, the KPL Transactions payable amounted to HK\$12.5 million and HK\$10.6 million respectively.

The annual caps receivable by the Group under the KPL Transactions for the two years ended 31 December 2014 and 2015 and the year ending 31 December 2016 are HK\$9.3 million, HK\$12.0 million and HK\$15.3 million, respectively. During the two years ended 31 December 2014 and 2015, the KPL Transactions receivable amounted to HK\$6.1 million and HK\$6.8 million respectively.

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 three years ended 31 December 2013, 2014 and 2015 are HK\$39.0 million, HK\$42.0 million and HK\$46.0 million, respectively. During the years ended 31 December 2013, 2014 and 2015, the rental paid by the Group under the KHK Transactions amounted to HK\$37.1 million, HK\$36.0 million and HK\$38.5 million respectively.

Upon the expiration of the annual caps for the KHK Transactions on 31 December 2015, the Group proposed to enter into new agreements with KHK for a fixed term of not more than three years, and to set new annual caps for the KHK Transactions for the years ending 31 December 2016, 2017 and 2018. The proposed new annual caps payable by the Group under the KHK Transactions for the years ending 31 December 2016, 2017 and 2018 are HK\$44.5 million, HK\$48.5 million and HK\$50.0 million, respectively. Please refer to the announcement of the Company dated 11 December 2015 for details.

The Independent Non-executive Directors, having considered the summary of continuing connected transactions of the Group as recorded during the year, have confirmed that the above continuing connected transactions for the year ended 31 December 2015 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.

Our management has assigned the finance team of the Company to monitor the continuing connected transactions. They regularly communicate with the heads of all stations of the Group regarding the terms and pricing policies of the continuing connected transactions and collect monthly financial data together with underlying agreements for analysis. The finance team of the Company is also responsible for preparing monthly financial reports in order to monitor the annual caps of the continuing connected transactions. Policies and procedures have also been set up to ensure that the internal controls in relation to the above continuing connected transactions for the year ended 31 December 2015 were adequate.

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 36 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 2015, 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors or entities connected with the Directors is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation 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 2015 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 2015 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 2015 are set out in note 12 to the Financial Statements.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, every Director or other officer of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year ended 31 December 2015.

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 2015, a total of 37,170,000 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 2015 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant (Note c)	Tranche	Number of options			Outstanding as at 31/12/2015	Exercise price HK\$	Exercise period
			Outstanding as at 01/01/2015	Exercised (Notes a and b)	Lapsed			
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
CHIN Siu Wa Alfred	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
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	15,584,500	(1,697,500)	(95,000)	13,792,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	15,990,000	(1,327,000)	(35,000)	14,628,000	10.20	02/12/2014 – 01/12/2023
3. Others	02/12/2013	I	100,000	(25,000)	-	75,000	10.20	19/12/2013 – 01/12/2023
	02/12/2013	II	100,000	(25,000)	-	75,000	10.20	02/12/2014 – 01/12/2023
Total:			40,374,500	(3,074,500)	(130,000)	37,170,000		

Notes:

- The weighted average closing price of the Ordinary Shares of the Company immediately before the dates on which the options were exercised was HK\$12.09.
- During the year, no option was granted/granted for adjustment, transferred from/to other category or cancelled under the Pre-IPO Share Option Scheme.
- 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 35 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.

On 9 January 2015, a total of 4,350,000 options were granted under the Post-IPO Share Option Scheme. As at 31 December 2015, a total of 4,150,000 options granted under the Post-IPO Share Option Scheme were outstanding.

Movement of the options, which were granted under the Post-IPO Share Option Scheme, during the year ended 31 December 2015 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant (Note c)	Tranche	Number of options				Exercise price HK\$	Exercise period	
			Outstanding as at 01/01/2015	Granted during the year	Exercised (Notes a and b)	Lapsed			Outstanding as at 31/12/2015
1. Directors									
YEO George Yong-boon	09/01/2015	I	-	500,000	-	-	500,000	12.26	09/01/2015 – 08/01/2020
	09/01/2015	II	-	500,000	-	-	500,000	12.26	09/01/2016 – 08/01/2020
MA Wing Kai William	09/01/2015	I	-	500,000	-	-	500,000	12.26	09/01/2015 – 08/01/2020
	09/01/2015	II	-	500,000	-	-	500,000	12.26	09/01/2016 – 08/01/2020
ERNI Edwardo	09/01/2015	I	-	250,000	-	-	250,000	12.26	09/01/2015 – 08/01/2020
	09/01/2015	II	-	250,000	-	-	250,000	12.26	09/01/2016 – 08/01/2020
KUOK Khoon Hua	09/01/2015	I	-	100,000	-	-	100,000	12.26	09/01/2015 – 08/01/2020
	09/01/2015	II	-	100,000	-	-	100,000	12.26	09/01/2016 – 08/01/2020
2. Continuous Contract Employees	09/01/2015	I	-	825,000	(100,000)	-	725,000	12.26	09/01/2015 – 08/01/2020
	09/01/2015	II	-	825,000	-	(100,000)	725,000	12.26	09/01/2016 – 08/01/2020
Total:			-	4,350,000	(100,000)	(100,000)	4,150,000		

Notes:

- The weighted average closing price of the Ordinary Shares of the Company immediately before the dates on which the options were exercised was HK\$12.34.
- During the year, no option was granted for adjustment, transferred from/to other category or cancelled under the Post-IPO Share Option Scheme.
- The vesting period of the options is from the date of grant until the commencement of the exercise period.

For further details of the Post-IPO Share Option Scheme and the value of options granted during the year ended 31 December 2015, please refer to note 35 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 2015, a total of 37,170,000 options granted under the Pre-IPO Share Option Scheme were outstanding, representing approximately 2.19% and 2.19% of the issued share capital of the Company as at 31 December 2015 and the date of this annual report, respectively. No further option could be granted under the Pre-IPO Share Option Scheme	<p>During the year ended 31 December 2015, 4,350,000 options had been granted under the Post-IPO Share Option Scheme. As at 31 December 2015, a total of 4,150,000 options granted under the Post-IPO Share Option Scheme were outstanding</p> <p>As at 31 December 2015, 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 7.26% and 7.26% of the issued share capital of the Company as at 31 December 2015 and the date of this annual report, respectively</p> <p>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</p>

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	<p>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</p> <p>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</p>	
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 Global Offering	<p>The exercise price of the 4,350,000 options granted on 9 January 2015 is HK\$12.26</p> <p>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</p>
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 2015, a total of 310,000 RSUs remained unexercised under the RSU Scheme.

Movement of the RSUs under the RSU Scheme during the year ended 31 December 2015 are listed below:

Date of grant	Number of RSUs				Exercise period
	Outstanding as at 01/01/2015	Exercised	Cancelled	Outstanding as at 31/12/2015	
24/12/2013	406,000	92,000	4,000	310,000	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 2015, 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 14 to the Financial Statements. As at 31 December 2015, 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”.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2015.

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 2015.

COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in the CG Code. During the year ended 31 December 2015, the Company has complied with the code provisions as set out in the CG Code.

AUDITOR

The Financial Statements of the Group for the year ended 31 December 2015 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 from Monday, 23 May 2016 to Wednesday, 25 May 2016, and on Tuesday, 31 May 2016, 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 Friday, 20 May 2016. 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 Monday, 30 May 2016.

By Order of the Board
YEO George Yong-boon
Chairman

Hong Kong, 23 March 2016

1 2 I N D E P E N D E N T A U D I T O R ' S R E P O R T



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 set out on pages 74 to 140, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the 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
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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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 March 2016

13 STATEMENT OF ACCOUNTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 HK\$'000	2014 HK\$'000
Turnover	5	21,079,494	21,115,249
Direct operating expenses	7	(17,658,619)	(17,975,806)
Gross profit		3,420,875	3,139,443
Other income and net gains	6	132,903	89,452
Administrative expenses	7	(1,720,070)	(1,587,063)
Operating profit before fair value change of investment properties		1,833,708	1,641,832
Change in fair value of investment properties	14	744,306	686,523
Operating profit		2,578,014	2,328,355
Finance costs	8	(134,650)	(102,419)
Share of results of associates	17(b)	103,125	91,377
Profit before taxation		2,546,489	2,317,313
Taxation	9	(401,323)	(352,981)
Profit for the year		2,145,166	1,964,332
Profit attributable to:			
Company's shareholders		1,804,445	1,658,830
Non-controlling interests		340,721	305,502
		2,145,166	1,964,332
Earnings per share	11		
– Basic		HK\$1.07	HK\$0.98
– Diluted		HK\$1.06	HK\$0.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK\$'000	2014 HK\$'000
Profit for the year	2,145,166	1,964,332
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to consolidated income statement		
Defined benefit pension plans		
– Actuarial losses	(14,482)	(2,089)
– Deferred income tax	2,462	355
Transfer from leasehold land and buildings to investment properties		
– Fair value gain	34,080	124,534
– Deferred income tax	(5,795)	(31,133)
Items that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	(689,321)	(392,252)
Fair value change on available-for-sale investments	(5,534)	–
Other comprehensive loss for the year (net of tax)	(678,590)	(300,585)
Total comprehensive income for the year	1,466,576	1,663,747
Total comprehensive income attributable to:		
Company's shareholders	1,248,975	1,456,904
Non-controlling interests	217,601	206,843
	1,466,576	1,663,747

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets	13	2,144,064	1,834,776
Investment properties	14	8,118,602	7,456,242
Leasehold land and land use rights	15	538,443	580,941
Property, plant and equipment	16	7,028,223	6,652,889
Associates	17	1,136,543	1,059,662
Available-for-sale investments	18	105,617	94,477
Investment in convertible bond	19	351,689	–
Long-term receivables		7,755	–
		19,430,936	17,678,987
Current assets			
Inventories	20	317,381	333,866
Accounts receivable, prepayments and deposits	21	4,891,331	4,734,507
Tax recoverable		3,248	21,963
Amounts due from fellow subsidiaries	22	2,505	2,117
Restricted and pledged bank deposits	23(a)	33,638	25,422
Cash and bank balances	23(b)	3,733,357	3,816,198
		8,981,460	8,934,073
Current liabilities			
Accounts payable, deposits received and accrued charges	24	3,814,011	3,659,485
Amounts due to fellow subsidiaries	22	12,272	8,581
Amounts due to related companies	22	40,664	14,646
Taxation		158,374	166,381
Short-term bank loans and current portion of long-term bank loans	28	2,368,773	1,245,442
Bank overdrafts	23(b)	46,613	47,857
		6,440,707	5,142,392

	Note	2015 HK\$'000	2014 HK\$'000
Non-current liabilities			
Loans from non-controlling interests	27	249,311	248,342
Long-term bank loans	28	2,801,152	3,010,101
Deferred taxation	29	560,369	541,527
Retirement benefit obligations	30	265,265	283,032
Other non-current liabilities	24	115,080	34,890
		3,991,177	4,117,892
ASSETS LESS LIABILITIES		17,980,512	17,352,776
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	25	847,207	845,620
Share premium and other reserves	26	2,463,344	3,266,948
Retained profits		12,118,669	10,558,221
		15,429,220	14,670,789
Non-controlling interests		2,551,292	2,681,987
TOTAL EQUITY		17,980,512	17,352,776

On behalf of the Board

YEO George Yong-boon
Director

MA Wing Kai William
Director

C O N S O L I D A T E D S T A T E M E N T O F C A S H F L O W S
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 HK\$'000	2014 HK\$'000
Operating activities			
Net cash generated from operations	31(a)	2,196,153	1,544,044
Interest paid	8	(134,650)	(102,419)
Income tax paid		(343,079)	(331,941)
Net cash generated from operating activities		1,718,424	1,109,684
Investing activities			
Additions of property, plant and equipment	16	(1,242,582)	(1,023,237)
Additions of an investment property	14	(944)	(1,494)
Purchase of available-for-sale investments		(21,744)	(45,579)
Purchase of convertible bond	19	(349,021)	–
Purchase of leasehold land and land use rights	15	(13,119)	(71,194)
Proceeds from sale of property, plant and equipment		128,047	111,172
Proceeds from sale of an investment property		–	4,360
Proceeds from sale of investment in associates		12,993	5,950
Proceeds from sale of an available-for-sale investment		–	7,338
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	31(b)	177,222	12,475
Dividend income from available-for-sale investments		6,077	1,706
Dividends received from associates		211,541	127,169
Net (increase)/decrease in balances with associates		(44,449)	2,690
Interest received		45,073	30,180
Acquisition of subsidiaries	31(c)	(427,084)	(221,063)
Increase in investments in associates		(185,940)	(1,157)
Increase in restricted and pledged bank deposits		(8,216)	(16,547)
Net cash used in investing activities		(1,712,146)	(1,077,231)

	Note	2015 HK\$'000	2014 HK\$'000
Financing activities			
Repayment of bank loans		(2,948,675)	(1,534,557)
Drawdown of bank loans		3,777,787	1,696,536
Dividends of subsidiaries paid to non-controlling interests		(249,160)	(99,664)
Capital injection from non-controlling interests		7,635	3,607
Drawdown of loans from non-controlling interests		33,866	105,839
Repayments of loans from non-controlling interests		(27,984)	(92,349)
Acquisition of additional interest in subsidiaries	31(d)	(339,378)	(508,188)
Dividends paid		(237,051)	(287,378)
Net proceeds from issuance of ordinary shares	25(a)	–	323,122
Proceeds from exercise of pre-IPO share option scheme allotments		31,360	14,948
Proceeds from exercise of post-IPO share option scheme allotments		1,226	–
Net cash from/(used in) financing activities		49,626	(378,084)
Increase/(decrease) in cash and cash equivalents			
Effect of exchange rate changes		(137,501)	(94,004)
Cash and cash equivalents at beginning of the year		3,768,341	4,207,976
Cash and cash equivalents at end of the year	23(b)	3,686,744	3,768,341

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Attributable to shareholders of the Company							Total equity HK\$'000
		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	
Balance at 1 January 2015		845,620	2,955,547	311,401	10,422,922	135,299	14,670,789	2,681,987	17,352,776
Profit for the year		-	-	-	1,804,445	-	1,804,445	340,721	2,145,166
Defined benefit pension plans									
– Actuarial losses		-	-	-	(6,955)	-	(6,955)	(7,527)	(14,482)
– Deferred taxation		-	-	-	1,182	-	1,182	1,280	2,462
Transfer from leasehold land and buildings to investment properties									
– Fair value gain		-	-	34,080	-	-	34,080	-	34,080
– Deferred taxation		-	-	(5,795)	-	-	(5,795)	-	(5,795)
Disposal of investment properties	26	-	-	(13,993)	13,993	-	-	-	-
Net translation differences on foreign operations	26	-	-	(573,836)	-	-	(573,836)	(115,485)	(689,321)
Fair value change on available-for-sale investments	26	-	-	(4,146)	-	-	(4,146)	(1,388)	(5,534)
Total comprehensive (loss)/income for the year		-	-	(563,690)	1,812,665	-	1,248,975	217,601	1,466,576
Dividends paid									
2014 final dividend paid		-	-	-	(102)	(135,299)	(135,401)	-	(135,401)
2015 interim dividend paid		-	-	-	(101,650)	-	(101,650)	-	(101,650)
2015 proposed final dividend		-	-	-	(169,441)	169,441	-	-	-
Transfers	26	-	-	15,321	(15,321)	-	-	-	-
Acquisition of subsidiaries	32	-	-	-	-	-	-	41,743	41,743
Capital injection from non-controlling interests		-	-	-	-	-	-	7,635	7,635
Acquisition of additional interest in subsidiaries	31(d)	-	-	(190,864)	-	-	(190,864)	(148,514)	(339,378)
Put option written on non-controlling interests	26	-	-	(103,501)	-	-	(103,501)	-	(103,501)
Value of employee services under post-IPO share option scheme	26	-	-	8,482	-	-	8,482	-	8,482
Exercise of pre-IPO share option scheme allotment	26	1,537	33,490	(3,667)	-	-	31,360	-	31,360
Exercise of post-IPO share option scheme allotment	26	50	1,371	(195)	-	-	1,226	-	1,226
Share option lapsed	26	-	-	(351)	155	-	(196)	-	(196)
Total transactions with owners		1,587	34,861	(274,775)	(286,359)	34,142	(490,544)	(348,296)	(838,840)
Balance at 31 December 2015		847,207	2,990,408	(527,064)	11,949,228	169,441	15,429,220	2,551,292	17,980,512

	Attributable to shareholders of the Company								
	Note	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 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	26	-	-	(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									
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	26	-	-	13,771	(13,771)	-	-	-	-
Acquisition of a subsidiary		-	-	-	-	-	-	2,387	2,387
Capital injection from non-controlling interests		-	-	-	-	-	-	3,607	3,607
Acquisition of additional interest in subsidiaries		-	-	(287,574)	-	-	(287,574)	(220,614)	(508,188)
Proceeds from issuance of ordinary shares under the exercise of the over-allotment option	26	16,205	306,917	-	-	-	323,122	-	323,122
Value of employee services under pre-IPO share option scheme	26	-	-	25,335	-	-	25,335	-	25,335
Exercise of pre-IPO share option scheme allotment	26	733	15,969	(1,754)	-	-	14,948	-	14,948
Share option lapsed	26	-	-	(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

NOTES TO THE FINANCIAL STATEMENTS

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's shares are listed on The Stock Exchange of Hong Kong Limited.

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 23 March 2016.

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 investments, financial assets at fair value through profit or loss, investment properties and put option written on non-controlling interests, 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 IMPROVEMENTS

The following amendments to existing standards and improvements have been published that are effective for the Group's accounting period beginning on 1 January 2015:

- Amendments to HKAS 19 (2011), 'Employee benefits: defined benefit plans-employee contributions'
- Annual improvements to 2010-2012 cycle
- Annual improvements to 2011-2013 cycle

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

New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

The following new standards, amendments to existing standards and improvements, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2016, 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
Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	1 January 2016
Amendments to HKAS 16 and HKAS 41, 'Bearer plants'	1 January 2016
Amendments to HKAS 28 (2011), HKFRS 10 and HKFRS 12, 'Investment entities: applying the consolidation exception'	1 January 2016
Amendments to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'	1 January 2016
HKFRS 14, 'Regulatory deferral accounts'	1 January 2016
Annual improvements to 2012-2014 cycle	1 January 2016
HKFRS 9, 'Financial instruments'	1 January 2018
HKFRS 15, 'Revenue from contracts with customers'	1 January 2018
Amendments to HKAS 28 (2011) and HKFRS 10, 'Sales or contribution of assets between an investor and its associate or joint venture'	To be determined

The Group will adopt the above standards, amendments to existing standards and improvements 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. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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.

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognised at fair value as a written put option liability with a corresponding charge directly to equity. A written put option liability is subsequently remeasured at fair value as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognised in the consolidated income statement. In the event that the option is expired or unexercised, the written put option liability is derecognised with a corresponding adjustment to 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, joint venture 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.

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.

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.

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 are presented in Hong Kong dollars (HK\$), which are 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

(1) 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 for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment, and carried at cost less accumulated impairment losses. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately and as expense and is not subsequently 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 three 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 and financial assets at fair value through profit or loss. 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, fellow subsidiaries and subsidiaries.

(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.

(III) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

(i) FINANCIAL ASSETS (CONTINUED)

(IV) 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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. 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 and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the income statement within ‘Other income and net gains’ in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group’s right to receive payments is established.

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.

(V) 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.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income statements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

(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, investment in convertible bond, long-term receivables, accounts and other receivables, cash and bank balances, restricted and pledged bank deposits, accounts payable, put option written on non-controlling interests, 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. At 31 December 2015, if major currencies such as Renminbi, Taiwan dollar and Euro, to which the Group had exposure had strengthened/weakened by 5% (2014: 5%) against HK dollar with all variables held constant, equity would have been approximately 2% (2014: 2%) higher/lower. 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 and bank borrowings 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 2015, 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\$12,925,000 (2014: HK\$10,639,000) 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, amounts due from associates and fellow subsidiaries, investment in convertible bond and long-term receivables 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 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 can be required to pay.

	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 2015					
Bank loans	2,418,878	534,711	2,302,835	26,836	5,283,260
Accounts payable, deposits received and accrued charges	3,814,011	–	–	–	3,814,011
Bank overdrafts	46,613	–	–	–	46,613
Loans from non-controlling interests	–	249,311	–	–	249,311
Amounts due to fellow subsidiaries	12,272	–	–	–	12,272
Amounts due to related companies	40,664	–	–	–	40,664
Other non-current liabilities	–	16,198	–	98,882	115,080
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
Amount due to a fellow subsidiary	8,581	–	–	–	8,581
Amounts due to related companies	14,646	–	–	–	14,646
Other non-current liabilities	–	34,890	–	–	34,890

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 bank loans and overdrafts, divided by equity attributable to the Company's shareholders.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 HK\$ million	2014 HK\$ million
Bank loans and overdrafts	5,217	4,303
Equity attributable to the Company's shareholders	15,429	14,671
Gearing ratio	33.8%	29.3%

The Group's overall strategy remains unchanged throughout the year. The increase was mainly attributable to the increase in new bank loans raised.

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 financial investments that are measured at fair value as at 31 December 2015 and 2014:

	Level 1	Level 2	Level 3	Total
At 31 December 2015	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Investment in convertible bond	–	–	351,689	351,689
Available-for-sale investments	57,467	–	48,150	105,617
Total assets	57,467	–	399,839	457,306
Liabilities				
Put option written on non-controlling interests	–	–	98,882	98,882

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

There were no transfers between levels during the year (2014: nil).

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 instruments.

As at 31 December 2015	Available-for-sale investments HK\$'000	Investment in convertible bond HK\$'000	Put option written on non-controlling interests HK\$'000
At beginning of year	48,898	–	–
Additions	1,819	349,021	103,501
Exchange adjustment	(2,567)	2,668	(4,619)
At end of year	48,150	351,689	98,882

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 (2014: 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.

The following summarise the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as level 3 and the valuation process for assets and liabilities classified as level 3.

INVESTMENT IN CONVERTIBLE BONDS

The Group established fair value of investment in convertible bonds by using binomial method. The unobservable inputs of the valuation include fair value of the equity interest, historical volatility and effective discount rate by reference to other investments that are substantially the same.

AVAILABLE-FOR-SALE INVESTMENTS

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) FAIR VALUE ESTIMATION (CONTINUED)

PUT OPTION WRITTEN ON NON-CONTROLLING INTERESTS

The Group established fair value of written put option liabilities by using valuation techniques. These include the use of assumptions of estimated exercise price determined by the estimated performance of the newly acquired subsidiaries, estimated time to exercise, discount rate and volatility.

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 2015 and 2014:

- Accounts receivable, deposits, other receivables, long-term receivables and amounts due from fellow subsidiaries
- Cash and bank balances
- Accounts payable, accrued charges and amounts due to fellow subsidiaries and related companies
- Bank loans and overdrafts

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 13) has suffered any impairment, in accordance with the accounting policy stated in note 2(g)(l). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of estimates. The key assumptions and sensitivity test was disclosed in note 13.

(IV) USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(V) IMPAIRMENT OF NON-FINANCIAL ASSETS

Management regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset, including property, plant and equipment, leasehold land and land use rights, 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 2015 (48.04%) 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:

	2015 HK\$'000	2014 HK\$'000 (Reclassified)
Integrated Logistics		
Logistics Operations	10,009,514	9,619,590
Hong Kong Warehouse	553,260	519,270
International Freight Forwarding	10,516,720	10,976,389
	<hr/> 21,079,494	<hr/> 21,115,249

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							
	2015 HK\$'000	2014 HK\$'000 (reclassified)	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (reclassified)	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover										
Turnover	10,009,514	9,619,590	553,260	519,270	10,516,720	10,976,389	-	-	21,079,494	21,115,249
Inter-segment turnover	237,798	242,499	305,955	277,625	928,553	1,163,502	(1,472,306)	(1,683,626)	-	-
	10,247,312	9,862,089	859,215	796,895	11,445,273	12,139,891	(1,472,306)	(1,683,626)	21,079,494	21,115,249
Turnover by geographical area:										
Hong Kong	2,475,122	2,280,518	859,215	796,895	615,775	733,484	(346,549)	(589,672)	3,603,563	3,221,225
Mainland China	3,554,860	3,461,493	-	-	5,205,949	6,013,709	(755,732)	(722,139)	8,005,077	8,753,063
Taiwan	2,208,736	2,182,915	-	-	47,560	51,885	(3,356)	(15,674)	2,252,940	2,219,126
South & South East Asia	1,865,228	1,774,529	-	-	1,665,474	1,503,415	(160,540)	(161,247)	3,370,162	3,116,697
Europe	-	-	-	-	2,364,920	3,039,781	(54,324)	(81,175)	2,310,596	2,958,606
Others	143,366	162,634	-	-	1,545,595	797,617	(151,805)	(113,719)	1,537,156	846,532
	10,247,312	9,862,089	859,215	796,895	11,445,273	12,139,891	(1,472,306)	(1,683,626)	21,079,494	21,115,249
Segment profit by geographical area:										
Hong Kong	175,667	145,327	511,127	475,660	28,191	28,298	-	-	714,985	649,285
Mainland China	251,898	236,114	-	-	193,241	180,516	-	-	445,139	416,630
Taiwan	390,120	307,368	-	-	2,644	2,039	-	-	392,764	309,407
South & South East Asia	293,444	274,525	-	-	48,255	48,402	-	-	341,699	322,927
Europe	-	-	-	-	45,180	72,927	-	-	45,180	72,927
Others	14,032	10,394	-	-	43,497	4,972	-	-	57,529	15,366
	1,125,161	973,728	511,127	475,660	361,008	337,154	-	-	1,997,296	1,786,542
Less: Unallocated administrative expenses									(192,014)	(174,890)
Core operating profit									1,805,282	1,611,652
Finance income									28,426	30,180
Finance costs									(134,650)	(102,419)
Share of results of associates									103,125	91,377
Profit before taxation*									1,802,183	1,630,790
Taxation*									(400,900)	(349,863)
Profit for the year*									1,401,283	1,280,927
Non-controlling interests*									(340,605)	(304,934)
Core net profit									1,060,678	975,993
Change in fair value of investment properties									744,306	686,523
Deferred tax on change in fair value of investment properties									(423)	(3,118)
Less: Non-controlling interests' share of after-tax change in fair value of investment properties									(116)	(568)
Profit attributable to the Company's shareholders									1,804,445	1,658,830
Depreciation and amortisation	354,172	335,185	38,175	32,982	95,106	102,316			487,453	470,483

* 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 the Company's shareholders before the after-tax effect of change in fair value of investment properties.

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 South & South East Asia from international freight forwarding segment to logistics operations segment adopted in the current year.

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

	Segment non-current assets [#]	
	2015 HK\$'000	2014 HK\$'000
Hong Kong	7,929,859	6,976,055
Mainland China	4,077,344	4,239,847
Taiwan	2,592,104	2,636,897
South & South East Asia	3,277,902	3,038,018
Europe	431,422	475,768
Others	657,244	217,925
	18,965,875	17,584,510

Other than available-for-sale investments, investment in convertible bond and long-term receivables.

6 OTHER INCOME AND NET GAINS

	2015 HK\$'000	2014 HK\$'000
Interest income from banks	28,369	30,108
Interest income from associates	57	72
Interest income from convertible bond	16,647	–
Dividend income from available-for-sale investments	6,077	1,706
Impairment of intangible assets (note a)	–	(2,878)
Gain on disposal of property, plant and equipment	59,420	58,781
Gain on disposal of an investment property	–	719
(Loss)/gain on disposal of associates	(6,496)	944
Gain on disposal of subsidiaries	28,829	–
	132,903	89,452

Note:

(a) In 2014, 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.

7 EXPENSES BY NATURE

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

	2015 HK\$'000	2014 HK\$'000
Auditors' remuneration	20,232	19,280
Business tax and other taxes	4,263	10,321
Cost of goods sold	1,212,232	1,180,063
Freight and transportation costs	13,190,855	13,657,426
Depreciation of property, plant and equipment (note 16)	457,615	416,088
Amortisation of leasehold land and land use rights (note 15)	7,684	10,127
Amortisation of intangible assets (note 13)	22,154	44,268
Provision for impairment of receivables	32,012	26,361
Reversal of provision for impairment of receivables	(5,384)	(14,819)
Operating leases charges on land and buildings	523,223	532,402
Employee benefit expenses (note 12)	3,293,429	3,117,096

8 FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest expenses on bank loans and overdrafts	134,650	102,419

9 TAXATION

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014:16.5%) for the year ended 31 December 2015 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% (2014: 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.

	2015 HK\$'000	2014 HK\$'000
Hong Kong profits tax		
– Current	85,220	82,850
– Under/(over)provision in prior years	38	(951)
– Deferred	15,366	14,189
	100,624	96,088
PRC taxation		
– Current	92,965	104,756
– (Over)/underprovision in prior years	(2,341)	1,100
– Deferred	15,512	3,039
	106,136	108,895
Overseas taxation		
– Current	175,965	132,320
– Underprovision in prior years	4,074	12,539
– Deferred	14,524	3,139
	194,563	147,998
	401,323	352,981

The Group's share of associates' taxation for the year ended 31 December 2015 are HK\$14,168,000 (2014: HK\$21,583,000) 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:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	2,546,489	2,317,313
Less: Share of results of associates	(103,125)	(91,377)
	2,443,364	2,225,936
Calculated at Hong Kong profits tax rate of 16.5% (2014: 16.5%)	403,155	367,279
Tax effect of different taxation rates in other countries	58,194	53,843
Income not subject to taxation	(125,982)	(113,211)
Expenses not deductible in determining taxable profit	24,994	8,998
Tax losses not recognised	17,490	16,060
Utilisation of previously unrecognised tax losses	(2,930)	(1,049)
Underprovision in prior years	1,771	12,688
Withholding tax on undistributed profits	24,631	8,373
Taxation charge	401,323	352,981

10 DIVIDENDS

A final dividend in respect of the year ended 31 December 2015 of 10 HK cents per share, amounting to a total dividend of HK\$169,441,000 is to be proposed at the annual general meeting on 25 May 2016. These financial statements do not reflect this dividend payable.

	2015 HK\$'000	2014 HK\$'000
Interim dividend paid of 6 HK cents (2014: 6 HK cents) per ordinary share	101,650	101,448
Proposed final dividend of 10 HK cents (2014: 8 HK cents) per ordinary share	169,441	135,299
	<u>271,091</u>	<u>236,747</u>

The proposed final dividend for the year ended 31 December 2015, as referred to above, is calculated on the basis of 1,694,414,612 ordinary shares in issue as at 31 December 2015, and at a final dividend of 10 HK cents per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2015 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 31 May 2016.

11 EARNINGS PER SHARE

BASIC

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.

	2015	2014
Adjusted weighted average number of ordinary shares in issue	1,693,102,091	1,689,361,482
Profit attributable to the Company's shareholders (HK\$'000)	1,804,445	1,658,830
Basic earnings per share (HK\$)	<u>1.07</u>	<u>0.98</u>

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.

	2015	2014
Adjusted weighted average number of ordinary shares in issue	1,693,102,091	1,689,361,482
Adjustment for share options	5,480,088	7,482,208
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>1,698,582,179</u>	<u>1,696,843,690</u>
Profit attributable to the Company's shareholders (HK\$'000)	1,804,445	1,658,830
Diluted earnings per share (HK\$)	<u>1.06</u>	<u>0.98</u>

12 EMPLOYEE BENEFIT EXPENSES

	2015 HK\$'000	2014 HK\$'000
Staff costs, including directors' emoluments	3,052,762	2,867,940
Share option expense	8,286	24,381
Pension costs		
– defined contribution plans	222,051	213,691
– defined benefit plans (note 30(b))	10,330	11,084
	<u>3,293,429</u>	<u>3,117,096</u>

Out of the total employee benefit expenses for the year ended 31 December 2015 of HK\$3,293,429,000 (2014: HK\$3,117,096,000), HK\$2,169,376,000 (2014: HK\$2,072,772,000) was included in direct operating expenses.

12 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) DIRECTORS' EMOLUMENTS

The remuneration of the Directors for the year ended 31 December 2015, excluding share option benefits, is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (a) HK\$'000	Housing allowance HK\$'000	Estimating money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
YEO George Yong-boon	–	3,960	8,000	3,120	–	18	15,098
MA Wing Kai William	–	4,920	16,028	–	–	120	21,068
ERNI Edwardo	–	3,393	5,605	645	–	120	9,763
KUOK Khoon Hua	1,200	–	–	–	–	–	1,200
CHIN Siu Wa Alfred	440	–	–	–	–	–	440
WONG Yu Pok Marina	590	–	–	–	–	–	590
WAN Kam To	545	–	–	–	–	–	545
YEO Philip Liat Kok	410	–	–	–	–	–	410

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	Housing allowance HK\$'000	Estimating money value of other benefits HK\$'000	Employer's contribution to a retirement 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	1,200	–	–	–	–	–	1,200
CHIN Siu Wa Alfred	440	–	–	–	–	–	440
WONG Yu Pok Marina	575	–	–	–	–	–	575
WAN Kam To	530	–	–	–	–	–	530
YEO Philip Liat Kok	405	–	–	–	–	–	405

Note:

(a) Discretionary bonuses are determined based on the overall performance of the individual and the Group.

(b) SENIOR MANAGEMENT'S EMOLUMENTS

The Group considers a team of ten (2014: nine) senior executives who report to the Board of Directors as senior management. The emoluments of these ten (2014: nine) individuals, excluding share option benefits, are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other short-term benefits	37,657	34,317

(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 2015, no share was issued to director of the Company pursuant to exercise of the share options (2014: nil).

12 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

As at 31 December 2015, 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

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.

The closing market price of the KPL shares as at 31 December 2015 was HK\$21.15 (2014: HK\$28.15).

(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 and post-IPO share options of the Company during the year presented as follows:

During the year ended 31 December 2015, no shares were issued to a director of the Company pursuant to exercise of the share options (2014: nil).

As at 31 December 2015, certain directors held the following share options to acquire shares of the Company:

No. of share options held	Exercise price	Exercise period
Pre-IPO share options		
4,300,000	HK\$10.20	19/12/2013 – 01/12/2023
4,300,000	HK\$10.20	02/12/2014 – 01/12/2023
Post-IPO share options		
1,350,000	HK\$12.26	09/01/2015 – 08/01/2020
1,350,000	HK\$12.26	09/01/2016 – 08/01/2020

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
Pre-IPO share options		
4,300,000	HK\$10.20	19/12/2013 – 01/12/2023
4,300,000	HK\$10.20	02/12/2014 – 01/12/2023
Post-IPO share options		
Nil		

The closing market price of the Company's shares as at 31 December 2015 was HK\$11.30 (2014: HK\$12.30).

(e) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 included three Directors (2014: three). The emoluments payable to the remaining 2 highest paid individuals during the years are as follows:

	2015 HK\$'000	2014 HK\$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	6,960	6,488
Discretionary bonuses	7,951	6,000
Pension contributions	120	120
	15,031	12,608

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
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	–
HK\$7,500,001 – HK\$8,000,000	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	
	2015	2014
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	3	2
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	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	–	–
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	1	–
	10	9

13 INTANGIBLE ASSETS

	Group				
	Goodwill HK\$'000	Customer relationships HK\$'000	Non-competes agreements HK\$'000	Trademark HK\$'000	Total HK\$'000
At 1 January 2014	1,806,819	103,683	37,800	20,648	1,968,950
Acquisition of a subsidiary	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
At 1 January 2015	1,734,049	59,689	23,954	17,084	1,834,776
Acquisition of subsidiaries (note 32)	327,765	106,910	8,784	–	443,459
Amortisation (note 7)	–	(12,392)	(6,507)	(3,255)	(22,154)
Exchange adjustment	(104,912)	(4,658)	(1,662)	(785)	(112,017)
At 31 December 2015	1,956,902	149,549	24,569	13,044	2,144,064
At 31 December 2015					
Cost	2,049,759	248,725	48,560	25,185	2,372,229
Accumulated amortisation and impairment	(92,857)	(99,176)	(23,991)	(12,141)	(228,165)
	1,956,902	149,549	24,569	13,044	2,144,064

The amortisation of intangible assets was charged to direct operating expenses.

13 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:

	2015 HK\$'000	2014 HK\$'000
Logistics operations		
Hong Kong	52,302	32,837
PRC	199,301	202,966
Taiwan	317,433	330,777
South and South East Asia	168,423	153,558
Others	10,024	11,238
	747,483	731,376
International freight forwarding		
Hong Kong	16,894	16,894
PRC	393,893	416,390
South and South East Asia	155,631	169,531
Europe	296,840	319,724
Others	346,161	80,134
	1,209,419	1,002,673
	1,956,902	1,734,049

The recoverable amount of a CGU is determined based on higher of its 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 2015

Logistics operations

	Hong Kong	PRC	South and South East Asia
Gross margin	1% – 13%	3% – 5%	1% – 36%
Growth rate	2% – 3%	3%	2% – 5%
Discount rate	12%	12.5%	11% – 20%

International freight forwarding

	Hong Kong	PRC	South and South East Asia	Europe	Others
Gross margin	9%	3% – 4%	3% – 7%	3% – 4%	3% – 10%
Growth rate	2%	3%	3% – 5%	2% – 5%	2% – 5%
Discount rate	12%	12.5%	15% – 20%	9% – 12.5%	10% – 13.8%

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%

13 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, impairment charge of HK\$9,420,000 (2014: HK\$22,186,000) would be required for the goodwill in the South and South East Asia at 31 December 2015.

14 INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
At beginning of year	7,456,242	6,379,282
Additions	944	1,494
Change in fair value	744,306	686,523
Disposal	–	(3,641)
Disposal of subsidiaries (note 31(b))	(163,414)	–
Transfer from leasehold land and land use rights and property, plant and equipment	142,058	418,908
Exchange adjustment	(61,534)	(26,324)
At end of year	8,118,602	7,456,242

- (a) Investment properties were valued by independent professional valuer, namely DTZ Debenham Tie Leung Limited as at 31 December 2015 and 31 December 2014, by mainly adopting the investment approach of valuation.

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

	2015 HK\$'000	2014 HK\$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	6,750,800	6,004,250
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	1,367,802	1,451,992
	8,118,602	7,456,242

As at 31 December 2015, investment properties amounting to HK\$554,990,000 (2014: HK\$494,097,000) were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 34).

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

	2015 HK\$'000	2014 HK\$'000
Rental income	547,789	493,291
Direct operating expenses from property that generated rental income	(138,880)	(92,608)
	408,909	400,683

- (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 2015	6,004,250	1,012,309	439,683	7,456,242
Additions	–	944	–	944
Change in fair value	746,550	12,436	(14,680)	744,306
Disposal of subsidiaries	–	(163,414)	–	(163,414)
Transfer from leasehold land and land use rights and property, plant and equipment	–	–	142,058	142,058
Exchange adjustment	–	(46,982)	(14,552)	(61,534)
At 31 December 2015	6,750,800	815,293	552,509	8,118,602

14 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 2015. 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:

	2015 HK\$'000	2014 HK\$'000
Capitalisation rate	6% – 9.5%	5.5% – 10%

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%.

	2015 HK\$'000	2014 HK\$'000
Decrease of capitalisation rate by 10%	757,300	691,400
Increase of capitalisation rate by 10%	(614,100)	(549,600)

14 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%.

	2015 HK\$'000	2014 HK\$'000
Decrease of reversionary income by 10%	(628,200)	(569,300)
Increase of reversionary income by 10%	620,000	573,700

(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 (2014: nil).

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

	2015 HK\$'000	2014 HK\$'000
Land and buildings:		
Within one year	404,681	332,590
In the second to fifth year, inclusive	285,268	291,888
Over five years	148,777	185,258
	838,726	809,736

15 LEASEHOLD LAND AND LAND USE RIGHTS

	2015 HK\$'000	2014 HK\$'000
At beginning of year	580,941	541,348
Additions	13,119	71,194
Acquisition of a subsidiary treated as asset acquisition	–	64,522
Acquisition of subsidiaries (note 32)	4,937	–
Amortisation	(7,684)	(10,127)
Transfer	(53,651)	(195,581)
Revaluation surplus	34,080	124,534
Disposal of subsidiaries (note 31(b))	(1,545)	–
Exchange adjustment	(31,754)	(14,949)
At end of year	538,443	580,941

As at 31 December 2015, leasehold land and land use rights amounting to HK\$139,894,000 (2014: HK\$151,033,000) were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 34).

16 PROPERTY, PLANT AND EQUIPMENT

	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 2015	1,905,188	8,967	3,229,518	377,361	483,305	1,590,380	670,680	58,078	8,323,477
Additions, at cost	207,532	–	79,502	–	156,422	390,204	130,751	278,171	1,242,582
Acquisition of subsidiaries (note 32)	63,920	–	–	–	2,499	26,759	19,581	–	112,759
Disposals	–	–	(40,432)	–	(9,802)	(93,112)	(28,988)	–	(172,334)
Disposal of subsidiaries (note 31(b))	(6,940)	–	–	–	–	(12,976)	(1,358)	–	(21,274)
Transfer/ reclassification	(21,145)	–	68,603	–	8,510	13,950	(363)	(157,257)	(87,702)
Exchange adjustment	(80,464)	(496)	(192,854)	(32,821)	(26,062)	(130,758)	(41,751)	(4,049)	(509,255)
At 31 December 2015	2,068,091	8,471	3,144,337	344,540	614,872	1,784,447	748,552	174,943	8,888,253
Accumulated depreciation									
At 1 January 2015	258,898	5,033	227,973	104,761	200,408	543,092	330,423	–	1,670,588
Charge for the year	52,559	488	44,725	6,761	78,714	164,833	109,535	–	457,615
Disposals	–	–	(2,008)	–	(7,490)	(80,690)	(13,519)	–	(103,707)
Disposal of subsidiaries (note 31(b))	(820)	–	–	–	–	(2,292)	(360)	–	(3,472)
Transfer/ reclassification	705	–	–	–	2,731	(2,354)	(377)	–	705
Exchange adjustment	(10,770)	(330)	(17,728)	(9,427)	(18,517)	(75,973)	(28,954)	–	(161,699)
At 31 December 2015	300,572	5,191	252,962	102,095	255,846	546,616	396,748	–	1,860,030
Net book value									
As at 31 December 2015	1,767,519	3,280	2,891,375	242,445	359,026	1,237,831	351,804	174,943	7,028,223

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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	–	–	–	–	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

(a) As at 31 December 2015 and 2014, 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 34) with aggregate net book values as follows:

	2015 HK\$'000	2014 HK\$'000
Freehold land and buildings	1,351,978	1,397,510
Warehouse and logistics centres	317,026	411,412
Port facilities	242,445	272,600
	1,911,449	2,081,522

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

17 ASSOCIATES

	2015 HK\$'000	2014 HK\$'000
Share of net assets (note (b))	1,027,857	865,128
Amounts due from associates (note (c), (d))	108,686	194,534
	1,136,543	1,059,662

17 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	
					2015	2014
(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	RMB600,000,000	24%	24%
(2)	Chiwan Container Terminal Co., Ltd.	PRC	Port operation	US\$95,300,000	25%	25%
(4)	PT Puninar Saranaraya	Indonesia	Logistics business	Ordinary	15%	–

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:

	2015 HK\$'000	2014 HK\$'000
Aggregate attributable amounts of total assets	1,343,560	1,169,962
Aggregate attributable amounts of total liabilities	315,703	304,834
Aggregate attributable amounts of total turnover	512,636	439,097
Aggregate attributable amounts of net profit after tax	103,125	91,377

(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\$1,318,000 (2014: HK\$1,520,000) 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:

	2015 HK\$'000	2014 HK\$'000
United States dollar	1,318	1,520
Renminbi	102,400	193,014
Hong Kong dollar	4,779	–
Other currencies	189	–
	108,686	194,534

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

18 AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Listed equity securities, at fair value	57,467	45,579
Unlisted equity securities, at fair value	48,150	48,898
	105,617	94,477

19. INVESTMENT IN CONVERTIBLE BOND

On 16 January 2015, KLN (Singapore) Pte. Ltd. (“KLN Singapore”), a wholly owned subsidiary of the Company, entered into a convertible bond subscription deed with PT Puninar Saranaraya (“PT Puninar”) currently an associate to the Group and the ultimate beneficial owner of one of the shareholders of PT Puninar, whereby KLN Singapore would subscribe for the convertible bond with 6% coupon rate per annum due on 30 April 2017 (“Maturity Date”) issued by the ultimate beneficial owner of one of the shareholders of PT Puninar in the amount of US\$45,000,000 (approximately HK\$349,021,000) (“Principal Amount”). KLN Singapore may at any time up to the date which is one month prior to the Maturity Date, convert all of the Principal Amount of the convertible bond it holds into issued shares in the ultimate beneficial owner of one of the shareholders of PT Puninar. The issuers have the right to serve a mandatory conversion notice on KLN Singapore to convert the Principal Amount of the convertible bond to issued shares in the ultimate beneficial owner of one of the shareholders, which is subject to the achievement of certain key performance indicators by PT Puninar. Upon completion of the conversion of the convertible bond, KLN Singapore will own an aggregate of 40% indirect interest in the total issued share capital of PT Puninar, including the 15% indirect interest acquired in 2015 for a consideration of US\$16,000,000.

The convertible bond contain embedded derivatives which are not closely related to the host contract. The entire combined contract has been designated as financial assets at fair value through profit or loss on initial recognition which were determined in accordance with the binomial model. The fair value of the convertible bond is determined by reference to the valuation carried out on 31 December 2015 by RSM Nelson Wheeler Consulting Limited (“RSM”). RSM is an independent qualified professional valuer not connected with the Group and has appropriate qualifications and recent experience in the valuation of similar convertible bond. The major input of the binomial model is the fair value of the equity interest of PT Puninar derived by income approach, which is used as the stock price input into the binomial model.

20 INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Finished goods	317,381	333,866

The cost of inventories recognised as expense and included in direct operating expenses for the year ended 31 December 2015 amounted to HK\$1,212,232,000 (2014: HK\$1,180,063,000).

21 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Trade receivables	3,744,357	3,750,057
Less: Provision for impairment of receivables (note (b))	(76,066)	(56,206)
Trade receivables – net	3,668,291	3,693,851
Prepayments (note (c))	363,106	335,930
Deposits (note (d))	121,831	94,057
Others (note (e))	738,103	610,669
	4,891,331	4,734,507

Notes:

- (a) The ageing analysis of the trade receivables based on date of the invoice and net of provision for impairment were as follows:

	2015 HK\$'000	2014 HK\$'000
Below 1 month	2,173,408	2,204,590
Between 1 month and 3 months	1,186,080	1,278,167
Over 3 months	308,803	211,094
	3,668,291	3,693,851

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 2015, trade receivables of HK\$1,378,731,000 (2014: HK\$1,165,566,000) 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:

	2015 HK\$'000	2014 HK\$'000
Up to 3 months	1,235,927	1,120,934
Over 3 months	142,804	44,632
	1,378,731	1,165,566

21 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes: (Continued)

- (b) As of 31 December 2015, trade receivables of HK\$76,066,000 (2014: HK\$56,206,000) 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:

	2015 HK\$'000	2014 HK\$'000
At beginning of year	56,206	62,871
Provision for impairment of receivables	32,012	26,361
Reversal of provision	(5,384)	(14,819)
Receivables written off during the year as uncollectible	(3,545)	(15,069)
Exchange adjustment	(3,223)	(3,138)
At end of year	76,066	56,206

- (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:

	2015 HK\$'000	2014 HK\$'000
Renminbi	2,067,884	1,970,715
Hong Kong dollar	835,638	764,940
Taiwan dollar	409,396	477,754
Thai Baht	191,829	180,293
United States dollar	205,633	338,341
Euro	162,620	214,912
Pound sterling	112,474	148,326
Indian Rupee	251,635	189,362
Malaysian Ringgit	81,912	106,296
Australian dollar	50,916	78,543
Vietnamese Dong	61,334	67,332
Other currencies	460,060	197,693
	4,891,331	4,734,507

- (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.

22 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.

Note:

Amounts due to non-controlling interests of HK\$40,073,000 was included in the amounts due to related companies. The balance are denominated in United States dollar.

23 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) RESTRICTED AND PLEDGED BANK DEPOSITS

As at 31 December 2015, the Group's bank balances amounting to approximately HK\$33,638,000 (2014: HK\$25,422,000) represented deposits pledged to secure general banking facilities granted to the Group.

(b) CASH AND CASH EQUIVALENTS

	2015 HK\$'000	2014 HK\$'000
Cash at bank and in hand	3,545,704	3,538,462
Short-term bank deposits	187,653	277,736
Cash and bank balances	3,733,357	3,816,198

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

	2015 HK\$'000	2014 HK\$'000
Cash and bank balances	3,733,357	3,816,198
Secured bank overdrafts	(44,878)	(13,592)
Unsecured bank overdrafts	(1,735)	(34,265)
	3,686,744	3,768,341

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

Cash and cash equivalents are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Renminbi	1,468,792	1,280,550
Hong Kong dollar	582,502	1,273,600
United States dollar	672,527	388,565
Taiwan dollar	269,983	239,105
Pound sterling	82,560	91,743
Euro	112,106	166,694
Vietnamese Dong	128,370	107,193
Singapore dollar	187,428	68,704
Other currencies	182,476	152,187
	3,686,744	3,768,341

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.

24 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2015 HK\$'000	2014 HK\$'000
Trade payables	1,877,458	1,847,257
Accrued charges (note (c))	928,701	800,639
Customer deposits	122,568	126,555
Consideration payable for acquisition of subsidiaries	113,900	128,508
Others (note (d))	886,464	791,416
	3,929,091	3,694,375
Less: Non-current consideration payable for acquisition of a subsidiary	(16,198)	(34,890)
Written put option liability (note (e))	(98,882)	–
	3,814,011	3,659,485

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

	2015 HK\$'000	2014 HK\$'000
Below 1 month	797,217	849,706
Between 1 month and 3 months	617,413	628,866
Over 3 months	462,828	368,685
	1,877,458	1,847,257

- (b) The carrying amounts of the Group's accounts payable, deposits received and accrued charges are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Renminbi	1,690,719	1,392,333
Hong Kong dollar	798,541	700,601
Taiwan dollar	361,865	466,628
United States dollar	111,608	325,615
Euro	114,699	237,507
Pound sterling	110,854	93,320
Thai baht	186,844	159,112
Indian Rupee	102,038	69,880
Malaysian Ringgit	101,699	122,796
Other currencies	350,224	126,583
	3,929,091	3,694,375

- (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.

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

(e) Pursuant to sale and purchase agreements entered into between the Group with Total Logistics Partner (TLP) Ocean Consolidators Inc. and Total Logistics Partner (TLP) Air Express Inc. (collectively “TLP”) and Saison Food Service Limited (“Saison”) respectively, the Group has granted put options which entitle the non-controlling interests of TLP and Saison to sell the remaining interests to the Group. The TLP put option will be exercisable between 2019 to 2023 and the Saison put option will be exercisable in May of each year from 2016 to 2021. The financial liability that may become payable under the put option is initially recognised at fair value within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest. The put option liability shall be re-measured at its fair value resulting from the change in the expected performance of TLP and Saison at each balance sheet date, with any resulting gain or loss recognised in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognised with a corresponding adjustment to equity.

25 SHARE CAPITAL

	2015 HK\$'000	2014 HK\$'000
Authorised, issued and fully paid: 1,694,414,612 ordinary shares of HK\$0.5 each (2014: 1,691,240,112 ordinary shares of HK\$0.5 each)	847,207	845,620

	2015		2014	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 January	1,691,240,112	845,620	1,657,364,112	828,682
Proceeds from issuance of ordinary shares under the exercise of over-allotment (note (a))	–	–	32,410,500	16,205
Exercise of pre-IPO share option scheme allotment	3,074,500	1,537	1,465,500	733
Exercise of post-IPO share option scheme allotment	100,000	50	–	–
At 31 December	1,694,414,612	847,207	1,691,240,112	845,620

Note:

(a) 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.

26 SHARE PREMIUM AND OTHER RESERVES

	Share premium HK\$'000	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	Available- for-sale investments reserve HK\$'000	Put option written on non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2015	2,955,547	128,642	48,116	577,746	35,810	302,439	(781,352)	-	-	3,266,948
Net translation differences on foreign operations	-	-	-	-	-	(573,836)	-	-	-	(573,836)
Value of employee services under post-IPO share option scheme	-	-	8,482	-	-	-	-	-	-	8,482
Exercise of pre-IPO share option scheme allotment	33,490	-	(3,667)	-	-	-	-	-	-	29,823
Exercise of post-IPO share Option scheme allotment	1,371	-	(195)	-	-	-	-	-	-	1,176
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	(190,864)	-	-	(190,864)
Transfers from retained profits	-	-	-	-	15,321	-	-	-	-	15,321
Transfer to retained profits upon disposal of investment properties	-	(13,993)	-	-	-	-	-	-	-	(13,993)
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties, net of tax	-	28,285	-	-	-	-	-	-	-	28,285
Fair value change on available-for-sale investments	-	-	-	-	-	-	-	(4,146)	-	(4,146)
Share option lapsed	-	-	(351)	-	-	-	-	-	-	(351)
Put option written on non-controlling interests	-	-	-	-	-	-	-	-	(103,501)	(103,501)
At 31 December 2015	2,990,408	142,934	52,385	577,746	51,131	(271,397)	(972,216)	(4,146)	(103,501)	2,463,344

26 SHARE PREMIUM AND OTHER RESERVES (CONTINUED)

	Share premium HK\$'000	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	2,632,661	41,238	25,639	577,746	22,039	591,020	(493,778)	3,396,565
Proceeds from issuance of ordinary shares under the exercise of the over-allotment option	306,917	-	-	-	-	-	-	306,917
Net translation differences on foreign operations	-	-	-	-	-	(288,581)	-	(288,581)
Value of employee services under pre-IPO share option scheme	-	-	25,335	-	-	-	-	25,335
Exercise of pre-IPO share option scheme allotment	15,969	-	(1,754)	-	-	-	-	14,215
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	2,955,547	128,642	48,116	577,746	35,810	302,439	(781,352)	3,266,948

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.

27 LOANS FROM NON-CONTROLLING INTERESTS

Loans from non-controlling interests of certain subsidiaries are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.

The carrying amounts of the loans from non-controlling interests are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Renminbi	90,845	65,116
Hong Kong dollar	19,405	59,881
Other currencies	139,061	123,345
	249,311	248,342

28 BANK LOANS

	2015 HK\$'000	2014 HK\$'000
Non-current		
– unsecured	2,616,084	2,694,136
– secured (note 34)	185,068	315,965
	2,801,152	3,010,101
Current		
– unsecured	2,114,499	1,039,828
– secured (note 34)	254,274	205,614
	2,368,773	1,245,442
Total bank loans	5,169,925	4,255,543

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

	2015 HK\$'000	2014 HK\$'000
Within 1 year	2,368,773	1,245,442
Between 1 and 2 years	493,841	1,146,438
Between 3 and 5 years	2,281,202	1,822,005
Repayable within 5 years	5,143,816	4,213,885
Over 5 years	26,109	41,658
	5,169,925	4,255,543

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

	2015				
	HK\$	Singapore dollar	Renminbi	Thai baht	Taiwan dollar
Bank loans	1.46%	2.94%	5.94%	3.62%	1.84%

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

28 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:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	3,207,000	2,421,000
Taiwan dollar	1,366,731	1,149,670
Thai baht	275,348	311,612
Singapore dollar	159,325	187,726
Renminbi	85,111	134,475
Other currencies	76,410	51,060
	5,169,925	4,255,543

29 DEFERRED TAXATION

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

	2015 HK\$'000	2014 HK\$'000
Deferred tax assets		
– Deferred tax asset to be recovered after more than 12 months	(63,431)	(58,994)
Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	623,800	600,521
Deferred tax liabilities (net)	560,369	541,527

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

	2015 HK\$'000	2014 HK\$'000
At beginning of year	541,527	508,138
Acquisition of subsidiaries (note 32)	9,143	–
Disposal of subsidiaries (note 31(b))	(5,924)	–
Deferred taxation charged to income statement (note 9)	45,402	20,367
Deferred taxation charged to other comprehensive income	3,333	30,778
Transfer to tax liabilities upon the distribution of dividends	(18,117)	(5,509)
Exchange adjustment	(14,995)	(12,247)
At end of year	560,369	541,527

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 2015, the Group has unrecognised tax losses of HK\$322,768,000 (2014: HK\$414,097,000). These tax losses have no expiry dates except for the tax losses of HK\$163,907,000 (2014: HK\$198,310,000) which can be carried forward up to a maximum period of 9 years.

As at 31 December 2015, the aggregate amount of unrecognised deferred tax liabilities associated with undistributed earnings in subsidiaries totalled approximately HK\$58,922,000 (2014: HK\$87,014,000), 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.

29 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 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
At 1 January 2015	(50,999)	230,801	332,041	(7,995)	37,679	541,527
Deferred taxation charged/(credited) to income statement	3,693	26,995	423	(10,340)	24,631	45,402
Deferred taxation (credited)/charged to other comprehensive income	(2,462)	–	5,795	–	–	3,333
Transfer to current tax liabilities upon the distribution of dividends	–	–	–	–	(18,117)	(18,117)
Acquisition of subsidiaries (note 32)	–	9,143	–	–	–	9,143
Disposal of subsidiaries (note 31(b))	–	–	(5,924)	–	–	(5,924)
Exchange adjustment	4,672	(19,667)	–	–	–	(14,995)
At 31 December 2015	(45,096)	247,272	332,335	(18,335)	44,193	560,369

30 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 (2014: 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.

30 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:

	2015 HK\$'000	2014 HK\$'000
Current service cost	4,253	5,151
Interest cost, net	6,077	5,933
Total, included in staff costs (note 12)	10,330	11,084

Out of the total charge, for the year ended 31 December 2015, HK\$9,954,000 (2014: HK\$10,641,000) were included in direct operating expenses, and HK\$376,000 (2014: HK\$443,000) were included in administrative expenses, respectively.

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

	2015 HK\$'000	2014 HK\$'000
Fair value of plan assets	4,877	6,147
Present value of funded obligations	(270,142)	(289,179)
Total pension liabilities	(265,265)	(283,032)

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

	2015 HK\$'000	2014 HK\$'000
At beginning of year	6,147	5,566
Remeasurements	133	105
Employer contributions	31,183	28,073
Benefits paid	(32,350)	(27,271)
Exchange adjustment	(236)	(326)
At end of year	4,877	6,147

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

	2015 HK\$'000	2014 HK\$'000
At beginning of year	289,179	320,804
Current service cost	4,253	5,151
Interest cost	6,210	6,038
Remeasurements	14,517	2,076
Benefits paid	(32,350)	(27,271)
Exchange adjustment	(11,667)	(17,619)
At end of year	270,142	289,179

	2015 HK\$'000	2014 HK\$'000
Actual return on plan assets in the year	12	(14)

30 RETIREMENT BENEFITS (CONTINUED)

(b) DEFINED BENEFIT PLANS (CONTINUED)

The principal actuarial assumptions used are as follows:

	2015 HK\$'000	2014 HK\$'000
Discount rate applied to pension obligations	1.75%	2.25%
Future salary increases	1.00%	1.00%

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

	Unfavourable change	
	2015 HK\$'000	2014 HK\$'000
Discount rate applied to pension obligations decreases by 0.5%	17,167	12,633
Future salary increases by 0.5%	17,209	12,633

	Favourable change	
	2015 HK\$'000	2014 HK\$'000
Discount rate applied to pension obligations increases by 0.5%	(15,597)	(11,412)
Future salary decreases by 0.5%	(15,779)	(11,520)

The fair value of plan assets comprised as follows.

	2015 HK\$'000	2014 HK\$'000
Cash and cash equivalents	953	1,786
Debt instruments	609	618
Equity instruments	3,315	3,743
	4,877	6,147

The history of defined benefit plans as at 31 December 2015 and 2014 are as follows:

	2015 HK\$'000	2014 HK\$'000
Fair value of plan assets	4,877	6,147
Present value of pension obligations	(270,142)	(289,179)
Deficit	(265,265)	(283,032)

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 2016 is HK\$32,625,000.

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	2,546,489	2,317,313
Share of results of associates	(103,125)	(91,377)
Interest income	(28,426)	(30,180)
Interest income from convertible bond	(16,647)	-
Dividend income from available-for-sale investments	(6,077)	(1,706)
Finance costs	134,650	102,419
Change in fair value of investment properties	(744,306)	(686,523)
Impairment of intangible assets	-	2,878
Loss/(gain) on disposal of associates	6,496	(944)
Gain on disposal of subsidiaries	(28,829)	-
Gain on disposal of property, plant and equipment	(59,420)	(58,781)
Gain on disposal of an investment property	-	(719)
Provision for impairment of receivables	32,012	26,361
Reversal of provision for impairment of receivables	(5,384)	(14,819)
Share options expenses	8,286	24,381
Amortisation of intangible assets	22,154	44,268
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	465,299	426,215
Operating cash flow before working capital changes	2,223,172	2,058,786
Decrease/(increase) in inventories, long-term receivables, accounts receivable, prepayments and deposits and amounts due from fellow subsidiaries	126,931	(374,953)
Decrease in current liabilities, excluding taxation, bank loans, bank overdrafts and loans from fellow subsidiaries	(133,097)	(111,716)
Change in net pension liabilities	(20,853)	(28,073)
Net cash generated from operations	2,196,153	1,544,044

(b) Disposal of subsidiaries

During 2015, the Group has disposed interests in certain subsidiaries which are engaged in integrated logistics businesses.

Details of net assets of disposed subsidiaries at dates of disposal are set out below:

	HK\$'000
Net assets disposed	
Property, plant and equipment (note 16)	17,802
Leasehold land and land use rights (note 15)	1,545
Investment properties (note 14)	163,414
Accounts receivable, prepayments and deposits	10,858
Cash and bank balances	1,026
Accounts payable, deposits received and accrued charges	(36,176)
Bank loans	(3,126)
Deferred taxation (note 29)	(5,924)
Book value of net assets disposed	149,419

Analysis of gain on disposal of subsidiaries:

	HK\$'000
Consideration net of expenses incurred	178,248
Less: Net assets disposed	(149,419)
Gain on disposal of subsidiaries (note 6)	28,829

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

	2015 HK\$'000	2014 HK\$'000
Cash consideration paid	(384,519)	(24,689)
Cash consideration paid for prior year's acquisition	(16,279)	(169,296)
Cash consideration paid for acquisition of a subsidiary treated as asset acquisition	-	(31,752)
(Overdrafts)/cash and bank balances acquired	(26,286)	4,674
Net cash outflow in respect of the acquisition of subsidiaries	(427,084)	(221,063)

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

(d) Transactions with non-controlling interests

During the year ended 31 December 2015, the Group completed the following transactions with non-controlling interests:

The effect of these transactions is summarised as follows:

	HK\$'000
Consideration paid to non-controlling interests	339,378
Decrease in non-controlling interests	(148,514)
Excess of consideration paid recognised in the acquisition reserve within equity	190,864

32 BUSINESS COMBINATIONS

In January 2015, the Group acquired 75% interest in TLP, two Canadian freight forwarding companies focused on the Asia-Canada trade.

In February 2015, the Group acquired 51% interest in Saison Food Service Limited which is engaged in the trading of chilled and frozen food products and beverages in Hong Kong.

The Group has granted put options which entitle the non-controlling interests of TLP and Saison to sell the remaining interests to the Group (note 24(e)).

In March 2015, the Group acquired 70% interest in Able Logistics Group FZCO, an integrated services provider specialising in freight forwarding and cross-border land transportation in Middle East.

In May 2015, the Group acquired 80% interest in Kerry Distribution (Singapore) Pte. Ltd. (Formerly known as Move Werkz Pte. Ltd.) which is engaged in local logistics service in Singapore.

In August 2015, the Group acquired 48% effective interest in (Cambodia) Express Group Inc. which is engaged in courier express mail solutions across Cambodia.

In September 2015, the Group acquired 51% interest in ABX Corporation Sdn. Bhd. which is engaged in express delivery service in Malaysia.

Aggregate consideration of the above transaction is as follows:

	HK\$'000
Cash consideration paid	384,519
Consideration to be paid	9,448
	<u>393,967</u>

The recognised amounts of identifiable assets acquired and liabilities assumed as at the respective dates of such acquisitions are as follow:

	HK\$'000
Property, plant and equipment (note 16)	112,759
Leasehold land and land use rights (note 15)	4,937
Intangible assets	
– Customer relationships (note 13)	106,910
– Non-compete agreement (note 13)	8,784
Long-term receivables	7,585
Accounts receivable, prepayments and deposits	277,102
Cash and bank balances	54,287
Inventories	11,184
Tax recoverable	738
Accounts payable, deposits received and accrued charges	(157,086)
Bank loans	(186,738)
Bank overdrafts	(80,573)
Amounts due to related companies	(42,509)
Taxation	(292)
Deferred taxation	(9,143)
Total identifiable net assets	107,945
Goodwill (note 13)	327,765
Non-controlling interests	(41,743)
Total	<u>393,967</u>

The goodwill of HK\$327,765,000 arising from these acquisitions is attributable to the future profitability of the acquired businesses.

The acquired businesses contributed turnover of HK\$859,370,000 and net profit of HK\$11,352,000 to the Company's shareholders for the period from their respective acquisition dates up to 31 December 2015. If the acquisitions had occurred on 1 January 2015, the contributed turnover and profit attributable to Company's shareholders for the year ended 31 December 2015 would have been HK\$940,575,000 and HK\$10,288,000 respectively.

33 COMMITMENTS

(a) At 31 December 2015, the Group had capital commitments in respect of property, plant and equipment and acquisition of subsidiaries not provided for in these financial statements as follows:

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for	1,092,942	693,246

(b) At 31 December 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015 HK\$'000	2014 HK\$'000
Land and buildings:		
Within one year	359,041	376,309
In the second to fifth year, inclusive	355,172	459,063
Over five years	198,962	237,351
	913,175	1,072,723

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 14(e).

34 PLEDGE OF ASSETS

At 31 December 2015, the Group's total bank loans of HK\$5,169,925,000 (2014: HK\$4,255,543,000) included an aggregate amount of HK\$439,342,000 (2014: HK\$521,579,000) which is secured. The Group's total bank overdrafts of HK\$46,613,000 (2014: HK\$47,857,000) included an aggregate amount of HK\$44,878,000 (2014: HK\$13,592,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (i) legal charges over certain investment properties, leasehold land and land use rights, construction in progress and buildings and port facilities (notes 14, 15 and 16);
- (ii) assignments of insurance proceeds of certain properties; and
- (iii) certain balances of restricted and pledged deposits.

35 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.

35 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:

	2015		2014	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January	46.24	2,630,000	45.7	2,680,000
Exercised during the year (note (i))	18.74	(60,000)	17.58	(50,000)
At 31 December (note (ii))	46.88	2,570,000	46.24	2,630,000

For the share options exercised during the year ended 31 December 2015, the related weighted average share price at the time of exercise was HK\$25.54 (2014: HK\$26.38), and the total amount of proceeds received was HK\$1,124,400 (2014: HK\$879,000). No share option was granted or granted for adjustment or cancelled during the year (2014: nil).

Notes:

(i) Details of share options exercised:

Exercise price per share (HK\$)	Number of share options	
	2015	2014
18.74	60,000	–
17.58	–	50,000
	60,000	50,000

(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	
		2015	2014
17/03/2006-16/03/2015	18.74	–	25,000
17/03/2007-16/03/2015	18.74	–	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	20,000
06/02/2011-05/02/2019	17.58	50,000	50,000
		2,570,000	2,630,000

(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 discretion, grant share options to executives and key employees and other persons who may make a contribution to KPL and its subsidiaries. The exercise price for any particular share options shall be such price as the board of directors of KPL may in its absolute discretion determine at the time of grant of the relevant share option 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:

	2015		2014	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January	33.93	8,470,000	35.45	7,070,000
Granted during the year	–	–	26.88	1,500,000
Lapsed during the year	35.45	(100,000)	35.45	(100,000)
At 31 December (note (i))	33.91	8,370,000	33.93	8,470,000

No share option was granted for adjustment or cancelled during the year (2014: nil).

35 SHARE OPTIONS (CONTINUED)

KPL SHARE OPTIONS SCHEMES (CONTINUED)

(b) 2011 SHARE OPTION SCHEME (CONTINUED)

Note:

(i) 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	
		2015	2014
31/10/2012–29/04/2022	35.45	3,435,000	3,435,000
01/04/2013–29/04/2022	35.45	–	50,000
31/10/2013–29/04/2022	35.45	3,435,000	3,485,000
08/07/2014–07/01/2024	26.88	750,000	750,000
08/01/2015–07/01/2024	26.88	750,000	750,000*
		8,370,000	8,470,000

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

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:

	2015		2014	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	HK\$10.20	40,374,500	HK\$10.20	42,770,000
Granted during the year (note (iv))	–	–	–	–
Exercised during the year (note (i))	HK\$10.20	(3,074,500)	HK\$12.47	(1,465,500)
Lapsed during the year (note (ii))	–	(130,000)	–	(930,000)
At 31 December (note (iii))	HK\$10.20	37,170,000	HK\$10.20	40,374,500

For the share options exercised during the year ended 31 December 2015, the related weighted average share price at the time of exercise was HK\$12.10 (2014: HK\$12.47), and the total amount of proceeds received was approximately HK\$31,360,000 (2014: HK\$14,948,000).

Notes:

(i) Details of share options exercised:

Exercise price per share (HK\$)	Number of share options	
	2015	2014
10.20	3,074,500	1,465,500
	3,074,500	1,465,500

(ii) Details of share options lapsed:

Exercise price per share (HK\$)	Number of share options	
	2015	2014
10.20	130,000	930,000
	130,000	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	
		2015	2014
19/12/2013–01/12/2023	10.20	18,167,000	19,984,500
02/12/2014–01/12/2023	10.20	19,003,000	20,390,000
		37,170,000	40,374,500

35 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: 30% per annum
Share options life: 10 years
Average risk-free interests rate: 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 commence 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.

On 9 January 2015, a total of 4,350,000 share options were granted under the Post-IPO Share Option Scheme. Out of which, 2,175,000 share options are exercisable during the period from 9 January 2015 to 8 January 2020 and 2,175,000 share options are exercisable during the period from 9 January 2016 to 8 January 2020.

A total of 100,000 share options were exercised and a total of 100,000 share options were lapsed during the year ended 31 December 2015. As at 31 December 2015, a total of 4,150,000 share options were outstanding.

The weighted average fair value of share options granted on 9 January 2015 to the directors and employees of the Group was HK\$1.95 per share. The valuation was based on a Binomial Model with the following data and assumptions:

Share price at grant date: HK\$12.18
Exercise price: HK\$12.26
Expected volatility: 20% per annum
Share options life: 5 years
Average risk free interests rate: 1.24% per annum
Expected dividend yield: 1.40% per annum

36 RELATED PARTY TRANSACTIONS

Except for the related party transactions disclosed in notes 17, 22 and 27 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

	2015 HK\$'000	2014 HK\$'000
Fellow subsidiaries		
Logistics services income	14,590	12,667
Rental expense	(10,551)	(12,467)
Associates of the Group/ Kerry Properties Limited/ Kerry Group Limited		
Rental expense	(40,979)	(38,214)
Interest income	57	72

These transactions were conducted at terms in accordance with the terms as agreed between the Group and the respective related parties.

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(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 ten (2014: nine) senior executives who report to the Board of Directors.

	2015 HK\$'000	2014 HK\$'000
Salaries and other short-term benefits	86,771	76,275

(c) OTHER TRANSACTIONS WITH A FELLOW SUBSIDIARY

	2015 HK\$'000	2014 HK\$'000
Consideration paid for acquisition of properties	39,217	–

37 SUBSEQUENT EVENTS

On 13 March 2016, the Group entered into an acquisition agreement with third parties to purchase the 100% interests of KLN Investment (US) LLC (“KLN Investment (US)”), for the purpose of acquiring 51% of the shareholding in 14 subsidiaries in the United States, at a consideration of US\$88 million. The 14 subsidiaries are integrated services providers specialising in freight forwarding, trucking, custom brokerage, logistics and warehousing services.

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of Financial Position of the Company

	2015 HK\$'000	2014 HK\$'000
ASSETS AND LIABILITIES		
Non-current asset		
Subsidiaries	3,165,205	3,216,678
Current assets		
Prepayments	4,389	5,640
Amounts due from subsidiaries	4,882,394	4,706,872
Cash and bank balances	13,099	31,671
	4,899,882	4,744,183
Current liabilities		
Accrued charges	24,995	21,268
Amounts due to subsidiaries	1,639,673	1,310,653
Current portion of long-term bank loans	200,000	–
	1,864,668	1,331,921
Non-current liability		
Long-term bank loans	1,390,000	1,590,000
ASSETS LESS LIABILITIES	4,810,419	5,038,940
EQUITY		
Share capital	847,207	845,620
Share premium	2,990,408	2,955,547
Retained profits	920,419	1,189,657
Share options reserve	52,385	48,116
TOTAL EQUITY	4,810,419	5,038,940

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2016 and was signed on its behalf.

YEO George Yong-boon
Director

MA Wing Kai William
Director

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Share capital HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Share option reserve HK\$'000	Total HK\$'000
At 1 January 2014	828,682	2,632,661	1,255,796	25,639	4,742,778
Profit for the year	–	–	221,089	–	221,089
2013 final dividend paid	–	–	(185,930)	–	(185,930)
2014 interim dividend paid	–	–	(101,448)	–	(101,448)
Proceeds from issuance of ordinary shares under the exercise of the over-allotment option	16,205	306,917	–	–	323,122
Value of employee services under pre-IPO share option scheme	–	–	–	25,335	25,335
Exercise of pre-IPO share option scheme allotment	733	15,969	–	(1,754)	14,948
Share option lapsed	–	–	150	(1,104)	(954)
At 31 December 2014	845,620	2,955,547	1,189,657	48,116	5,038,940
At 1 January 2015	845,620	2,955,547	1,189,657	48,116	5,038,940
Loss for the year	–	–	(32,342)	–	(32,342)
2014 final dividend paid	–	–	(135,401)	–	(135,401)
2015 interim dividend paid	–	–	(101,650)	–	(101,650)
Value of employee services under post-IPO share option scheme	–	–	–	8,482	8,482
Exercise of pre-IPO share option scheme allotment	1,537	33,490	–	(3,667)	31,360
Exercise of post-IPO share option scheme allotment	50	1,371	–	(195)	1,226
Share option lapsed	–	–	155	(351)	(196)
At 31 December 2015	847,207	2,990,408	920,419	52,385	4,810,419

39 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES

At 31 December 2015, 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	
				2015	2014
⁽¹³⁾ Able Logistics Group FZCO	Dubai	Freight forwarding	AED10,000,000	70%	–
⁽¹³⁾ Albini & Pitigliani Sverige AB	Sweden	Freight forwarding	SEK500,000	75.04%	62.56%
⁽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%
⁽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%	100%
⁽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	RMB11,000,000	100%	100%
⁽¹⁾⁽¹³⁾ KART (Thailand) Limited	Thailand	Road freight	THB40,000,000	100%	100%
⁽¹³⁾ KART (Viet Nam) Company Limited	Vietnam	Road freight	VND4,173,000,000	100%	100%
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%

39 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽⁸⁾ / registered capital	Interest held indirectly	
				2015	2014
⁽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%	100%
⁽¹³⁾ Kerry Express (Viet Nam) Company Limited (Formerly known as Kerry TTC Express Joint Stock Company)	Vietnam	Express services	VND86,000,000,000	100%	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	100%	100%
			HK\$2,750,000 ⁽¹⁰⁾		
⁽¹⁾ 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 (Formerly known as Kerry Logistics Holding EU BVBA)	Belgium	Freight forwarding	EUR36,751,798.81	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%

39 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽⁸⁾ / registered capital	Interest held indirectly	
				2015	2014
⁽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\$128,000,000	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%	51%
Kerry Logistics (Oceania) Pty. Ltd.	Australia	Freight forwarding	AUD1,000,000	51%	51%
⁽¹³⁾ Kerry Logistics (Phils.), 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	100%	95.98%
⁽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\$125,000,000	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%	79.92%
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%

39 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ^(B) / registered capital	Interest held indirectly	
				2015	2014
⁽¹⁾⁽⁵⁾⁽⁷⁾⁽¹³⁾ Kerry TJ Logistics Company Limited	Taiwan	Logistics business	NTD4,835,824,980	48.04%	43.17%
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%
Saison Food Service Limited	HK	Trading business	HK\$300,000	51%	–
⁽¹⁾⁽³⁾⁽¹³⁾ Shanghai Fengjia Warehouse Services Co., Ltd.	PRC	Logistics business	US\$40,000,000	100%	100%
⁽¹⁾⁽²⁾⁽¹³⁾ Shanghai Hui Cheng Logistics Co., Ltd.	PRC	Logistics business	RMB10,500,000	100%	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%
Taishan Insurance Brokers Limited	HK	Insurance brokers	HK\$1,000,000	100%	100%
⁽¹³⁾ Taiwan Kerry Investment Company Limited (Formerly known as Taiwan Kerry Logistics Company Limited)	Taiwan	Investment holding	TWD200,000,000	100%	100%
⁽¹³⁾ Total Logistics Partner (TLP) Air Express Inc.	Canada	Freight Forwarding	CAD100	75%	–
⁽¹³⁾ Total Logistics Partner (TLP) Ocean Consolidators Inc.	Canada	Freight Forwarding	CAD201	75%	–
Wah Cheong Company, Limited	HK	General merchants	HK\$15,000,000	100%	100%

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

39 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\$2,117,266,000 as at 31 December 2015.
 - (6) Companies having a financial accounting period which is not coterminous with the Group
 - (7) Control is obtained by the Group through obtaining power over the investee, exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.
 - (8) All being ordinary shares and fully paid up except otherwise stated
 - (9) Common shares
 - (10) Non-voting deferred shares
 - (11) Fixed capital shares
 - (12) Variable capital shares
 - (13) Companies not audited by PricewaterhouseCoopers
- HK Hong Kong Special Administrative Region
- BVI British Virgin Islands

40 COMPARATIVE FIGURES

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

14 DEFINITIONS

“1H” or “2H”	first half or second half
“3PL”	third party logistics
“AGM”	annual general meeting of the Company on Wednesday, 25 May 2016
“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
“CIS”	the Commonwealth of Independent States
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“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
“ED”	Executive Director
“Financial Statements”	the audited consolidated financial statements of the Group for the year ended 31 December 2015
“GDP”	gross domestic product
“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
“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
“Macau”	Macao Special Administrative Region of Mainland China
“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
“MNC”	multinational corporation
“MT Programme”	Management Trainee Programme
“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
“NVOCC”	non-vessel operating common carrier
“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
“Q1”, “Q2”, “Q3” or “Q4”	first quarter, second quarter, third quarter or fourth quarter
“Registers of Members”	registers of members of the Company

“Renminbi” or “RMB”	Renminbi, the lawful currency of Mainland China
“RSU(s)”	restricted share unit(s)
“RSU Scheme”	restricted share unit scheme of the Company
“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
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“Vencedor”	Vencedor Investments Limited, a subsidiary of KHL
“Wiseyear”	Wiseyear Holdings Limited, a wholly-owned subsidiary of KPL

KERRY LOGISTICS



CORE VALUES OF KERRY LOGISTICS

V O I C E

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.

www.kerrylogistics.com



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