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

Stock Code 636

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of the Company is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2016, together with comparative figures for the year ended 31 December 2015.

GROUP'S FINANCIAL HIGHLIGHTS

- Turnover increased by 14% to HK\$24,036 million (2015: HK\$21,079 million)
- Core operating profit increased by 4% to HK\$1,878 million (2015: HK\$1,805 million)
- Core net profit increased by 4% to HK\$1,104 million (2015: HK\$1,061 million)
- Profit attributable to the Shareholders increased by 4% to HK\$1,877 million (2015: HK\$1,804 million)
- IL business maintained segment profit at HK\$1,653 million (2015: HK\$1,636 million)
- IFF business recorded a 24% increase in segment profit to HK\$448 million (2015: HK\$361 million)
- Dividend Payout Ratio increased to 29% (2015: 26%)
- Proposed final dividend of 12 HK cents per share, to be payable on Tuesday, 20 June 2017

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2016 HK\$'000	2015 HK\$'000
Turnover	2	24,035,567	21,079,494
Direct operating expenses	4	(20,423,980)	(17,658,619)
Gross profit		3,611,587	3,420,875
Other income and net gains	3	166,907	132,903
Administrative expenses	4	(1,871,749)	(1,720,070)
Operating profit before fair value change of investment properties		1,906,745	1,833,708
Change in fair value of investment properties		770,615	744,306
Operating profit		2,677,360	2,578,014
Finance costs	5	(145,209)	(134,650)
Share of results of associates		101,003	103,125
Profit before taxation		2,633,154	2,546,489
Taxation	6	(397,596)	(401,323)
Profit for the year		2,235,558	2,145,166
Profit attributable to:			
Company's shareholders		1,877,202	1,804,445
Non-controlling interests		358,356	340,721
		2,235,558	2,145,166
Earnings per share	8		
– Basic		HK\$1.11	HK\$1.07
– Diluted		HK\$1.11	HK\$1.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016 HK\$'000	2015 HK\$'000
Profit for the year	2,235,558	2,145,166
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to consolidated income statement		
Defined benefit pension plans		
– Actuarial losses	(15,114)	(14,482)
– Deferred income tax	2,569	2,462
Transfer from leasehold land and buildings to investment properties		
– Fair value gain	–	34,080
– Deferred income tax	–	(5,795)
Items that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	(458,108)	(689,321)
Fair value change on available-for-sale investments	(8,101)	(5,534)
Other comprehensive loss for the year (net of tax)	(478,754)	(678,590)
Total comprehensive income for the year	1,756,804	1,466,576
Total comprehensive income attributable to:		
Company's shareholders	1,457,161	1,248,975
Non-controlling interests	299,643	217,601
	1,756,804	1,466,576

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2016 HK\$'000	2015 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		3,224,599	2,144,064
Investment properties		8,836,851	8,118,602
Leasehold land and land use rights		560,983	538,443
Property, plant and equipment		7,868,952	7,028,223
Associates		1,185,520	1,136,543
Available-for-sale investments		97,988	105,617
Investment in convertible bonds		474,306	351,689
Deferred taxation		118,527	–
Long-term receivables		–	7,755
		22,367,726	19,430,936
Current assets			
Financial assets at fair value through profit or loss		112,708	–
Inventories		282,694	317,381
Accounts receivable, prepayments and deposits	9	5,802,531	4,891,331
Tax recoverable		43,079	3,248
Amounts due from fellow subsidiaries		2,886	2,505
Restricted and pledged bank deposits		18,929	33,638
Cash and bank balances		3,334,729	3,733,357
		9,597,556	8,981,460
Current liabilities			
Accounts payable, deposits received and accrued charges	10	4,366,493	3,814,011
Amounts due to fellow subsidiaries		641	12,272
Amounts due to related companies		34,768	40,664
Taxation		164,564	158,374
Short-term bank loans and current portion of long-term bank loans	11	1,427,399	2,368,773
Bank overdrafts		21,595	46,613
		6,015,460	6,440,707

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
	Note	2016	2015
		HK\$'000	HK\$'000
Non-current liabilities			
Loans from non-controlling interests		194,715	249,311
Long-term bank loans	11	5,483,632	2,801,152
Deferred taxation		635,192	560,369
Retirement benefit obligations		142,853	265,265
Other non-current liabilities		1,403,253	115,080
		7,859,645	3,991,177
ASSETS LESS LIABILITIES		18,090,177	17,980,512
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		847,711	847,207
Share premium and other reserves		2,012,832	2,566,845
Retained profits		13,680,087	12,118,669
		16,540,630	15,532,721
Put options written on non-controlling interests		(1,240,727)	(103,501)
		15,299,903	15,429,220
Non-controlling interests		2,790,274	2,551,292
TOTAL EQUITY		18,090,177	17,980,512

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, these financial statements also comply with the applicable disclosure provisions of the Listing Rules.

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.

(I) ADOPTION OF STANDARD, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS

The following standard, amendments and improvements to existing standards have been published that are effective for the Group's accounting period beginning on 1 January 2016:

- HKAS 1 (amendment), 'Disclosure initiative'
- HKAS 27 (amendment), 'Equity method in separate financial statements'
- Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortisation'
- Amendments to HKAS 16 and HKAS 41, 'Bearer plants'
- Amendments to HKAS 28 (2011), HKFRS 10 and HKFRS 12, 'Investment entities: applying the consolidation exception'
- Amendments to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'
- HKFRS 14, 'Regulatory deferral accounts'
- Annual improvements to 2012-2014 cycle

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

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

The following new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2017, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Amendments to HKAS 7, 'Disclosure initiative'	1 January 2017
Amendments to HKAS 12, 'Recognition of deferred tax assets for unrealised loss'	1 January 2017
Amendments to HKFRS 2, 'Classification and measurement of share-based payment transactions'	1 January 2018
HKFRS 9, 'Financial instruments'	1 January 2018
HKFRS 15, 'Revenue from contracts with customers'	1 January 2018
Amendments to HKFRS 15, 'Classifications to HKFRS 15'	1 January 2018
HKFRS 16, 'Leases'	1 January 2019
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 and amendments to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 15, "Revenue from Contracts with Customers"

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group's financial statements.

HKFRS 16, "Leases"

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

2. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

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		Elimination		Consolidation	
	Logistics operations		Hong Kong warehouse		freight forwarding					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover										
Turnover	10,819,433	10,009,514	538,167	553,260	12,677,967	10,516,720	-	-	24,035,567	21,079,494
Inter-segment turnover	202,485	237,798	361,960	305,955	1,053,493	928,553	(1,617,938)	(1,472,306)	-	-
	11,021,918	10,247,312	900,127	859,215	13,731,460	11,445,273	(1,617,938)	(1,472,306)	24,035,567	21,079,494
Turnover by geographical area:										
Hong Kong	2,446,009	2,475,122	900,127	859,215	751,252	615,775	(418,849)	(346,549)	3,678,539	3,603,563
Mainland China	3,919,314	3,554,860	-	-	4,826,242	5,205,949	(700,313)	(755,732)	8,045,243	8,005,077
Taiwan	2,265,812	2,208,736	-	-	156,876	47,560	(11,039)	(3,356)	2,411,649	2,252,940
South & South East Asia	2,242,463	1,865,228	-	-	1,865,228	1,665,474	(193,741)	(160,540)	3,913,950	3,370,162
Europe	-	-	-	-	2,207,707	2,364,920	(71,015)	(54,324)	2,136,692	2,310,596
Others	148,320	143,366	-	-	3,924,155	1,545,595	(222,981)	(151,805)	3,849,494	1,537,156
	11,021,918	10,247,312	900,127	859,215	13,731,460	11,445,273	(1,617,938)	(1,472,306)	24,035,567	21,079,494
Segment profit by geographical area:										
Hong Kong	195,381	175,667	521,784	511,127	23,704	28,191	-	-	740,869	714,985
Mainland China	265,425	251,898	-	-	201,740	193,241	-	-	467,165	445,139
Taiwan	386,316	390,120	-	-	7,899	2,644	-	-	394,215	392,764
South & South East Asia	274,103	293,444	-	-	70,915	48,255	-	-	345,018	341,699
Europe	-	-	-	-	23,576	45,180	-	-	23,576	45,180
Others	10,118	14,032	-	-	120,344	43,497	-	-	130,462	57,529
	1,131,343	1,125,161	521,784	511,127	448,178	361,008	-	-	2,101,305	1,997,296
Less: Unallocated administrative expenses									(223,401)	(192,014)
Core operating profit									1,877,904	1,805,282
Finance income									28,841	28,426
Finance costs									(145,209)	(134,650)
Share of results of associates									101,003	103,125
Profit before taxation*									1,862,539	1,802,183
Taxation*									(400,982)	(400,900)
Profit for the year*									1,461,557	1,401,283
Non-controlling interests*									(357,533)	(340,605)
Core net profit									1,104,024	1,060,678
Change in fair value of investment properties									770,615	744,306
Deferred tax on change in fair value of investment properties									3,386	(423)
Less: Non-controlling interests' share of after-tax change in fair value of investment properties									(823)	(116)
Profit attributable to the Company's shareholders									1,877,202	1,804,445
Depreciation and amortisation	388,594	354,172	47,312	38,175	119,978	95,106			555,884	487,453

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

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.

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

	Segment non-current assets[#]	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	8,729,968	7,929,859
Mainland China	4,201,069	4,077,344
Taiwan	2,786,552	2,592,104
South & South East Asia	3,945,201	3,277,902
Europe	464,393	431,422
Others	1,549,722	657,244
	21,676,905	18,965,875

[#] Other than available-for-sale investments, investment in convertible bonds, deferred taxation and long-term receivables.

3. OTHER INCOME AND NET GAINS

	2016 HK\$'000	2015 HK\$'000
Interest income from banks	27,367	28,369
Interest income from associates	1,474	57
Interest income from convertible bonds	20,866	16,647
Dividend income from available-for-sale investments	8,626	6,077
Gain on disposal of property, plant and equipment	37,729	59,420
Loss on disposal of an associate	(11,608)	(6,496)
Gain on disposal of subsidiaries	75,487	28,829
Fair value change of financial assets at fair value through profit or loss	6,966	–
	166,907	132,903

4. EXPENSES BY NATURE

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

	2016 HK\$'000	2015 HK\$'000
Auditors' remuneration	21,669	20,232
Business tax and other taxes	8,725	4,263
Cost of goods sold	1,446,515	1,212,232
Freight and transportation costs	15,400,645	13,190,855
Depreciation of property, plant and equipment	490,276	457,615
Amortisation of leasehold land and land use rights	8,188	7,684
Amortisation of intangible assets	57,420	22,154
Provision for impairment of receivables	31,957	32,012
Reversal of provision for impairment of receivables	(23,259)	(5,384)
Operating leases charges on land and buildings	558,608	523,223
Employee benefit expenses	3,640,782	3,293,429

5. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest expenses on bank loans and overdrafts	145,209	134,650

6. TAXATION

	2016 HK\$'000	2015 HK\$'000
Hong Kong profits tax		
– Current	91,449	85,220
– (Over)/underprovision in prior years	(947)	38
– Deferred	11,171	15,366
	101,673	100,624
PRC taxation		
– Current	92,946	92,965
– Overprovision in prior years	(2,910)	(2,341)
– Deferred	22,475	15,512
	112,511	106,136
Overseas taxation		
– Current	175,920	175,965
– Underprovision in prior years	5,102	4,074
– Deferred	2,390	14,524
	183,412	194,563
	397,596	401,323

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) for the year ended 31 December 2016 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% (2015: 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.

The Group's share of associates' taxation for the year ended 31 December 2016 are HK\$19,050,000 (2015: HK\$14,168,000) and included in the share of results of associates in the consolidated income statement.

7. DIVIDENDS

A final dividend in respect of the year ended 31 December 2016 of 12 HK cents per share, amounting to a total dividend of HK\$203,451,000, is to be proposed at the annual general meeting on 29 May 2017. These financial statements do not reflect this dividend payable.

	2016 HK\$'000	2015 HK\$'000
Interim dividend paid of 7 HK cents (2015: 6 HK cents) per ordinary share	118,672	101,650
Proposed final dividend of 12 HK cents (2015: 10 HK cents) per ordinary share	203,451	169,441
	322,123	271,091

8. 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.

	2016	2015
Adjusted weighted average number of ordinary shares in issue	1,694,966,122	1,693,102,091
Profit attributable to the Company's shareholders (HK\$'000)	1,877,202	1,804,445
Basic earnings per share (HK\$)	1.11	1.07

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.

	2016	2015
Adjusted weighted average number of ordinary shares in issue	1,694,966,122	1,693,102,091
Adjustment for share options	1,664,895	5,480,088
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,696,631,017	1,698,582,179
Profit attributable to the Company's shareholders (HK\$'000)	1,877,202	1,804,445
Diluted earnings per share (HK\$)	1.11	1.06

9. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains a defined credit policy. The ageing analysis of trade receivables based on the date of the invoice and net of provision for impairment is as follows:

	2016 HK\$'000	2015 HK\$'000
Below 1 month	2,516,351	2,173,408
Between 1 month and 3 months	1,598,844	1,186,080
Over 3 months	426,904	308,803
Total trade receivables, net	4,542,099	3,668,291
Prepayments, deposits and other receivables	1,260,432	1,223,040
	5,802,531	4,891,331

10. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables based on the date of the invoice is as follows:

	2016 HK\$'000	2015 HK\$'000
Below 1 month	1,034,815	797,217
Between 1 month and 3 months	653,173	617,413
Over 3 months	551,040	462,828
Total trade payables	2,239,028	1,877,458
Deposits received, accrued charges and other payables	2,127,465	1,936,553
	4,366,493	3,814,011

11. BANK LOANS

	2016 HK\$'000	2015 HK\$'000
Non-current		
– unsecured	4,717,700	2,616,084
– secured	765,932	185,068
	5,483,632	2,801,152
Current		
– unsecured	1,263,411	2,114,499
– secured	163,988	254,274
	1,427,399	2,368,773
Total bank loans	6,911,031	5,169,925

As at 31 December 2016, the Group's bank loans were repayable as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 year	1,427,399	2,368,773
Between 1 and 2 years	1,975,307	493,841
Between 3 and 5 years	3,406,604	2,281,202
Repayable within 5 years	6,809,310	5,143,816
Over 5 years	101,721	26,109
	6,911,031	5,169,925

12. COMMITMENTS

At 31 December 2016, 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:

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for	833,527	1,092,942

13. PLEDGE OF ASSETS

At 31 December 2016, the Group's total bank loans of HK\$6,911,031,000 (2015: HK\$5,169,925,000) included an aggregate amount of HK\$929,920,000 (2015: HK\$439,342,000) which is secured. The Group's total bank overdrafts of HK\$21,595,000 (2015: HK\$46,613,000) included an aggregate amount of HK\$14,024,000 (2015: HK\$44,878,000) 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 with aggregate net book value of HK\$2,602,354,000 (2015: HK\$2,606,333,000);
- (ii) assignments of insurance proceeds of certain properties; and
- (iii) certain balances of restricted and pledged deposits.

14. SUBSEQUENT EVENTS

On 17 March 2017, the Group entered into a share purchase agreement to dispose its 15% interests in Asia Airfreight Terminal Company Limited at a consideration of HK\$375,000,000 with an estimated gain on disposal, subject to post-completion adjustments in accordance with the share purchase agreement. The disposal will be completed upon satisfaction of the various conditions precedent under the share purchase agreement. The financial impact of the disposal shall depend on the adjustments in accordance with the share purchase agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

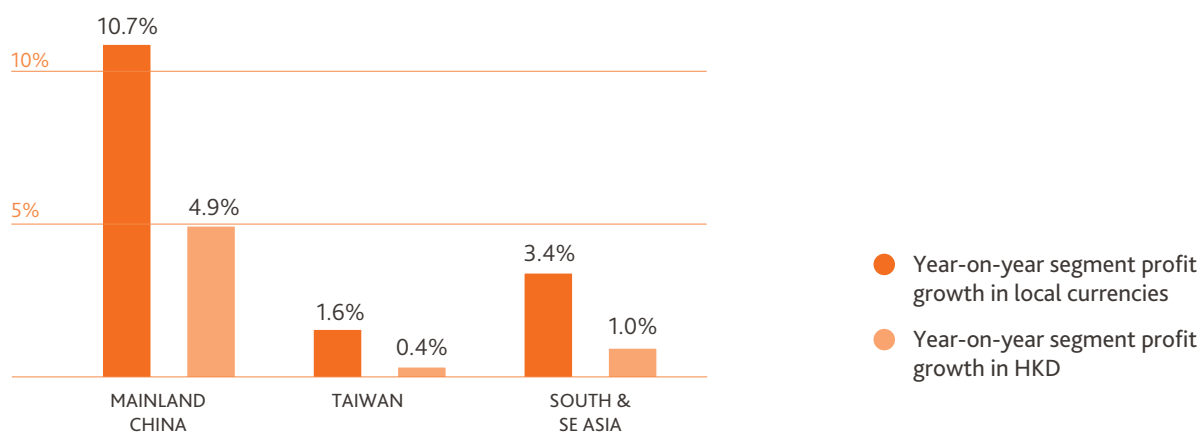
RESULTS OVERVIEW

The Group recorded an increase in turnover of 14% to HK\$24,036 million in 2016 (2015: HK\$21,079 million). Core operating profit grew 4% to HK\$1,878 million (2015: HK\$1,805 million). Core net profit also rose 4% year-on-year to HK\$1,104 million (2015: HK\$1,061 million). Profit attributable to the Shareholders, after taking into account valuation gains on investment properties, amounted to HK\$1,877 million (2015: HK\$1,804 million).

	2016 HK\$ million	2015 HK\$ million	
Segment profit			
IL			
– Logistics operations	1,131	1,125	+1%
– Hong Kong warehouse	522	511	+2%
	1,653	1,636	
IFF	448	361	+24%
	2,101	1,997	
Unallocated administrative expenses	(223)	(192)	
Core operating profit	1,878	1,805	+4%
Core net profit	1,104	1,061	+4%
Valuation gains *	773	743	
Profit attributable to the Shareholders	1,877	1,804	+4%

* Valuation gains on investment properties, net of deferred tax

The Group's performance in Mainland China, Taiwan, Thailand and India, which, collectively contributed to approximately 54% of the Group's segment profit, was distorted by the appreciation of the US dollar.



BUSINESS REVIEW

MARKET OVERVIEW

2016 was a year of exceptional challenges. The uncertainties over political and economic situations worldwide were unprecedented. Falling global demand, slowing GDP growth in Mainland China and the strong US dollar policy impacted the macro business environment and led to stagnated trade flows.

The strength of the US dollar eroded the profitability of corporations as a side effect of currency translation. The bearish market view in January 2016 triggered a number of the Group's key clients to make immediate downward adjustments in sales and production targets for 2016, resulting in a decline in cargo volume. In August 2016, the bankruptcy of Hanjin Shipping caused an unexpected surge in freight rates and disturbance in both air and sea freight markets. Nevertheless, as Asia's leading logistics service provider with a diversified business portfolio, Kerry Logistics has managed to weather the market headwinds and minimise the adverse impact on its business with quick response to market changes.

Despite the tough operating environment, the Group managed to achieve a 14% growth in turnover, while core operating profit, core net profit and profit attributable to the Shareholders posted a 4% growth in 2016.

IL REMAINS STABLE

79% of the Group's total segment profit originated from the IL division, of which 83% came from Greater China.

GREATER CHINA GROWS STEADILY

The Group's Hong Kong warehousing business reported slight growth despite the softening of rental growth. The logistics operations business in both Hong Kong and Mainland China recorded healthy segment profit growth from new business and customer wins in various sectors. Taiwan's growth was flat. Besides currency issues, the reduced number of working days in 2016 caused by typhoons and the introduction of a new holiday policy by the new Taiwanese government also impacted the Group's performance in Taiwan.

EX-GREATER CHINA STAYS HEALTHY

Despite the drop in Thailand's seaport business caused by a decline in sugar exports, Kerry Logistics' express business continued to capture growth opportunities arising from increased e-commerce volume and cross-border logistics activities through its express platform across Thailand, Vietnam, Malaysia and Cambodia. Demand and growth were particularly strong in Thailand. In Vietnam, restructuring of the express business was completed with new e-commerce customers won.

IFF INCREASES SUBSTANTIALLY

The IFF division achieved a 20% increase in turnover and a 24% increase in segment profit, mainly propelled by contributions from APEX in the US, acquired in June 2016, and robust growth in Asia. Overall, the growth of the IFF division outpaced that of the IL division in 2016.

CONTRIBUTIONS FROM THE US

Business integration following the acquisition of a majority stake in APEX in June 2016 progressed as planned. The Group benefitted from increased capacity and a broadened client base as well as new opportunities in trans-Pacific trades and across the globe.

ROBUST GROWTH IN ASIA

The growth was mainly from South and Southeast Asia, in particular India, Singapore and the Philippines, through expanded coverage, enhanced capabilities and increased volumes. Rebranding and integration of Kerry Indev Logistics Private Limited in India were completed in 2017 Q1.

PROFITABILITY YET TO REVIVE IN EUROPE

Segment profit from Europe declined as a result of exchange rate impact, continual business restructuring and process re-engineering, as well as investment in information technology. A new shared service centre was opened in Poland in November 2016 to enhance the cost efficiency and service competitiveness of the region.

DEVELOPMENT ALONG BELT AND ROAD

Mainland China's increasing connectivity with the rest of the world, especially Central Asia and Western Europe, has unlocked new options for shippers and ample opportunities for the logistics industry.

To ride on the increasing trade, Kerry Logistics took further steps to enhance its service capabilities and coverage along the Belt and Road. Internally, business restructuring in Mainland China and GMR is ongoing. New business divisions were set up to focus on project, rail and multimodal logistics development across Asia and Europe. In August 2016, the Group delivered a rail freight shipment of over 80 containers from eastern China's Yiwu to Madrid, Spain, passing through eight countries in 19 days.

Externally, acquisition is underway to establish the Group's presence in CIS countries through entering into definitive agreements in 2016 to acquire a controlling stake of a freight forwarding group based in the region. The target group, with its headquarters in Dubai, is engaged in rail, road and air freight businesses in nine CIS countries. Leveraging Mainland China's increasing connectivity with the rest of the world, the acquisition shall be completed by May 2017 and will open the door to potential markets with growth prospects.

CONTINUAL EXPANSION OF FACILITY PORTFOLIO

In Mainland China, a new logistics centre of 277,000 square feet in Xi'an commenced operation in 2016 Q4. Facilities in Shanghai and Wuxi, which are expected to be completed in 2017 Q2 and Q3 respectively, will supplement over 1.3 million square feet of logistics facilities in the Group's portfolio in the country. Two other facilities in Wuhan and Changsha with an estimated aggregate GFA of 0.9 million square feet are under the planning process.

In Taiwan, the Group plans to build a multifunctional logistics centre of over 400,000 square feet in Guanyin, the coastal district of Taoyuan City, in order to consolidate various sorting hubs in the region. Construction is expected to start in September 2017 with target completion in 2019.

In Cambodia, construction of the new 213,000 square feet Kerry Worldbridge Logistics Centre in the Free Trade Zone in Phnom Penh, focusing on import logistics services, was completed in January 2017.

UNLOCK ASSET VALUES TO OPTIMISE GROWTH AND RETURN

On 17 March 2017, the Group entered into a definitive agreement to divest its entire 15% interest in Asia Airfreight Terminal Company Limited. The transaction shall be completed upon satisfaction of certain conditions precedent under the definitive agreement. The disposal represents a continuation of the Group's strategy to streamline its businesses and increase its overall performance and prospects. The enhanced cash and working capital position after the deal shall enable the Group to restructure its strategic business position and focus on pursuing development opportunities on its core businesses and/or other potential acquisitions in the future.

Save as disclosed above, there were no other significant events affecting the Company nor any of its subsidiaries after the reporting period of the Group.

OUTLOOK

The global economic outlook will likely continue its path of uncertainties into 2017 with flat global demand. Nevertheless, the Greater China market will continue to grow steadily; in addition the appreciation of the US dollar is expected to slow down, which may alleviate the pressure exerted on corporate profitability due to currency translation.

EX-GREATER CHINA EMERGES AS GROWTH DRIVER

The Group expects growth from ex-Greater China to speed up in 2017 with increasing trade volumes and cross-border logistics activities. The Group will step up investment and expansion to further strengthen Kerry Logistics' unique strategic positioning as an Asia specialist supported by a global network.

IFF BECOMES GROWTH ENGINE

The IFF division will become the growth engine in 2017. Alongside the successful integration of APEX in the US, the Group expects to reap increased synergies in 2017 through leveraging existing sales channels to optimise cross-selling opportunities across the globe.

IL'S GROWTH CONCENTRATES IN THAILAND

Future growth of the IL division will be concentrated in Thailand, driven by the burgeoning e-commerce business in ASEAN and the rising demand for cross-border logistics and last-mile delivery services. The Group will expand its express network into Laos and Indonesia to further tap into the booming B2B, B2C and C2C online businesses.

SEIZE BELT AND ROAD OPPORTUNITIES

The Belt and Road Initiative will continue to provide a framework for Kerry Logistics' expansion. Leveraging its business restructuring in Mainland China and GMR, the Group plans to further establish its presence in five of the international economic co-operation corridors in the next 12 months in order to seize new opportunities in project, rail and multimodal logistics businesses.

E-COMMERCE CONTINUES TO DRIVE GROWTH

E-commerce will continue to be a key growth driver for the Group. Demand momentum driven by cross-border e-commerce is particularly strong between Greater China and ASEAN. Leveraging its strong regional network and capabilities, Kerry Logistics is well positioned to capture the growth opportunities arising from the increasing e-commerce trade and volumes.

INVEST IN PEOPLE DEVELOPMENT

The key strength of Kerry Logistics remains its people. As the Group continues to expand, it will constantly invest in people development and recruit industry professionals as well as young talents of different cultures to build a winning team. With the right team mix and can-do corporate spirit, Kerry Logistics is committed to creating real value for its employees, customers and shareholders.

Looking ahead, the Group holds a cautiously optimistic outlook and is confident to deliver solid results and growth through its global network, strengthened service capabilities along the Belt and Road, as well as a diversified business portfolio across a wide spectrum of verticals.

FINANCIAL REVIEW

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 the overseas subsidiaries' 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. 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 2016, total foreign currency borrowings amounted to the equivalent of HK\$3,348 million (including HK\$2,137 million denominated in New Taiwan Dollar and HK\$474 million denominated in Thai Baht), which represented approximately 48% of the Group's total bank loans of HK\$6,911 million.

Out of the Group's total bank loans as at 31 December 2016, HK\$1,427 million (representing approximately 21%) was repayable within one year, HK\$1,975 million (representing approximately 29%) in the second year, HK\$3,407 million (representing approximately 49%) in the third to fifth years and HK\$102 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 87% of total bank loans. In relation to the secured bank loans of HK\$930 million as at 31 December 2016, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK\$2,602 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 2016, the gearing ratio for the Group was 41.9% (31 December 2015: 33.6%). The ratio was calculated as total bank loans and overdrafts, divided by equity attributable to the Shareholders excluding put options written on non-controlling interests.

As at 31 December 2016, the Group had total undrawn bank loan and overdraft facilities of HK\$6,557 million which may be used to fund material capital expenditure. The Group will also continue to secure financing as and when the need arises.

As at 31 December 2016, the Group had no material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 24,300 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CG CODE

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 2016, the Company has complied with the code provisions as set out in the CG Code.

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 2016.

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 2016.

SHARE OPTIONS AND RSU

The Company has adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme on 25 November 2013. The aforesaid schemes are designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

As at 31 December 2016, a total of 35,830,500 and 4,150,000 options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme were outstanding.

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 of RSUs representing 815,000 underlying Shares were granted to 815 grantees pursuant to the RSU Scheme. The RSU Scheme expired on 18 December 2016, leaving 28,000 RSUs unexercised. On 30 December 2016, all the unexercised RSUs were sold by the RSU trustee pursuant to the rules of the RSU Scheme and the net proceeds of sale were returned to the Company. As at 31 December 2016, no RSUs remain in the RSU Scheme.

AUDIT AND COMPLIANCE COMMITTEE

The Company has established ACC with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. ACC 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 ACC 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.

ACC has considered and reviewed the annual results and the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management and the independent auditor. ACC considers that the annual financial results for the year ended 31 December 2016 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2016 is scheduled to be held at Kowloon Room, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Monday, 29 May 2017 at 2:30 p.m. A notice convening the annual general meeting will be issued and disseminated to the Shareholders in due course.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed from Wednesday, 24 May 2017 to Monday, 29 May 2017 in order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on Monday, 29 May 2017. All share transfers accompanied by the relevant share certificates and transfer forms must be lodged 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 before 4:30 p.m. on Tuesday, 23 May 2017.

The Registers of Members will also be closed on Monday, 5 June 2017 in order to determine the entitlement of the Shareholders to the final dividend. All share transfers accompanied by the relevant share certificates and transfer forms must be lodged with Tricor Investor Services Limited at the above address before 4:30 p.m. on Friday, 2 June 2017. The final dividend is payable on or around Tuesday, 20 June 2017 to the Shareholders whose names appear on the Registers of Members on Monday, 5 June 2017, subject to the consideration and approval of the Shareholders at the forthcoming annual general meeting of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kerrylogistics.com).

The annual report for the year containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS

“ACC”	the audit and compliance committee of the Company
“APEX”	a group of 51%-owned US subsidiaries of KLN Investment (US) LLC, an indirect wholly-owned subsidiary of the Company
“ASEAN”	the Association of Southeast Asia Nations
“B2B”	business-to-business
“B2C”	business-to-consumer
“Belt and Road”	a development strategy and framework primarily between Mainland China and the rest of Eurasia
“Board”	the board of Directors
“C2C”	consumer-to-consumer
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“CIS”	the Commonwealth of Independent States

“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
“Directors”	directors of the Company
“Dividend Payout Ratio”	the percentage of the Group’s core net profit paid to Shareholders as dividends
“GDP”	gross domestic product
“GFA”	gross floor area
“GMR”	the Greater Mekong Region
“Greater China”	Mainland China, Hong Kong, Macau and Taiwan
“Group” or “Kerry Logistics”	the Company and its subsidiaries
“HK\$” or “HKD”	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
“IFF”	international freight forwarding
“IL”	integrated logistics
“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 announcement only, excludes Hong Kong, Macau and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Post-IPO Share Option Scheme”	post-IPO share option scheme of the Company
“Pre-IPO Share Option Scheme”	pre-IPO share option scheme of the Company

“Q1”, “Q2”, “Q3” or “Q4”	first quarter, second quarter, third quarter or fourth quarter
“Registers of Members”	registers of members of the Company
“RSU(s)”	restricted share unit(s)
“RSU Scheme”	restricted share unit scheme of the Company
“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
“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia

By Order of the Board
YEO George Yong-boon
Chairman

Hong Kong, 23 March 2017

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

Mr YEO George Yong-boon, Mr MA Wing Kai William, Mr ERNI Edwardo and 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 and Mr YEO Philip Liat Kok