
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

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

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

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

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

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

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

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

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

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

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Operational Independence

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

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

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

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

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

Management Independence

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

<u>Our Company</u>	<u>KPL</u>	<u>KGL/KHL</u>
YEO George Yong-boon <i>Executive Director</i>	—	YEO George Yong-boon <i>Director and Deputy Chairman of KGL</i>
KUOK Khoon Hua <i>Executive Director</i>	—	KUOK Khoon Hua <i>Director of KGL⁽¹⁾ and Director and Deputy Managing Director of KHL</i>
QIAN Shaohua <i>Non-executive Director</i>	QIAN Shaohua <i>Co-Managing Director and Executive Director</i>	—
WONG Yu Pok Marina <i>Independent Non-executive Director</i>	WONG Yu Pok Marina <i>Independent Non-executive Director</i>	—

Note:

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

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

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

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

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

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

- each Director is aware of his fiduciary duties as Director which require, among other things, that he acts for the benefit and in the best interest of our Company and our Shareholders as a whole and does not allow any conflict between his duties as Director and his personal interests;
- the three Independent Non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions;

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- where our Board is considering a resolution in which KGL, KHL and/or KPL is interested, the overlapping Directors between our Company and KGL, KHL and/or KPL are required to abstain from voting on such resolution pursuant to our Bye-laws, and in the event there is an equality of votes by the remaining Directors on such resolution, the chairman (who shall not be an overlapping Director) presiding at such Board meeting shall have a second or casting vote;
- we have also established an internal control mechanism to identify related party transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions; and
- in order to allow the non-conflicting members of our Board to function properly with the necessary professional advice, we will engage a third-party professional adviser to advise our Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between us and our Directors or their respective associates.

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

Financial Independence

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

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

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

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

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

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Clear Delineation of Business

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

CORPORATE GOVERNANCE

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

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

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

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

CONFIRMATION

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