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

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of the Company is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2014, together with comparative figures for the year ended 31 December 2013.

GROUP'S FINANCIAL HIGHLIGHTS

- Turnover increased by 6% to HK$21,115 million (2013: HK$19,969 million)
- Core operating profit increased by 14% to HK$1,612 million (2013: HK$1,413 million)
- Core net profit increased by 10% to HK$976 million (2013: HK$886 million)
- IL business achieved a 12% increase in segment profit to HK$1,409 million (2013: HK$1,258 million)
- IFF business recorded a 11% increase in segment profit to HK$378 million (2013: HK$342 million)
- All segments recorded improved margins in 2014
- Dividend Payout Ratio increased to 24% (2013: 21%)
- Proposed final dividend of 8 HK cents per share, to be payable on Monday, 15 June 2015

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2014 HK$'000	2013 HK$'000
Turnover	2	21,115,249	19,968,743
Direct operating expenses	4	(17,975,806)	(17,090,773)
Gross profit		3,139,443	2,877,970
Other income and net gains	3	89,452	419,629
Administrative expenses	4	(1,587,063)	(1,491,252)
Operating profit before fair value change of investment properties		1,641,832	1,806,347
Change in fair value of investment properties		686,523	600,210
Operating profit		2,328,355	2,406,557
Finance costs	5	(102,419)	(93,668)
Share of results of associates		91,377	128,368
Profit before taxation		2,317,313	2,441,257
Taxation	6	(352,981)	(304,844)
Profit for the year		1,964,332	2,136,413
Profit attributable to:			
Company's shareholders		1,658,830	1,834,522
Non-controlling interests		305,502	301,891
		1,964,332	2,136,413
Dividends	7	236,747	182,310
Earnings per share	8		
– Basic		HK$0.98	HK$1.40
– Diluted		HK$0.98	HK$1.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		1,834,776	1,968,950
Investment properties		7,456,242	6,379,282
Leasehold land and land use rights		580,941	541,348
Property, plant and equipment		6,652,889	6,531,990
Associates		1,059,662	1,122,576
Available-for-sale investments		94,477	59,052
		17,678,987	16,603,198
Current assets			
Inventories		333,866	164,016
Accounts receivable, prepayments and deposits	9	4,734,507	4,660,562
Tax recoverable		21,963	8,779
Amounts due from fellow subsidiaries		2,117	–
Restricted and pledged bank deposits		25,422	8,710
Cash and bank balances		3,816,198	4,228,367
		8,934,073	9,070,434
Current liabilities			
Accounts payable, deposits received and accrued charges	10	3,659,485	3,973,359
Amounts due to fellow subsidiaries		8,581	1,582
Amounts due to related companies		14,646	6,202
Taxation		166,381	156,983
Short-term bank loans and current portion of long-term bank loans	11	1,245,442	1,305,243
Bank overdrafts		47,857	20,391
		5,142,392	5,463,760
Net current assets		3,791,681	3,606,674
Total assets less current liabilities		21,470,668	20,209,872

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31 December 2014 HK$'000	2013 HK$'000
Non-current liabilities			
Loans from non-controlling interests		248,342	235,632
Long-term bank loans	11	3,010,101	2,864,332
Deferred taxation		541,527	508,138
Retirement benefit obligations		283,032	315,238
Other non-current liabilities		34,890	70,718
		4,117,892	3,994,058
ASSETS LESS LIABILITIES		17,352,776	16,215,814
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		845,620	828,682
Share premium		2,955,547	2,632,661
Retained profits			
– Proposed final dividend		135,299	182,310
– Others		10,422,922	9,018,829
Other reserves		311,401	763,904
		14,670,789	13,426,386
Non-controlling interests		2,681,987	2,789,428
TOTAL EQUITY		17,352,776	16,215,814

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 obtained its primary listing on the Stock Exchange on 19 December 2013.

Upon the full exercise of the over-allotment option granted by the Company in the Global Offering, a total of 32,410,500 additional new shares of the Company were allotted and issued by the Company on 14 January 2014. Kerry Group Limited, a private company incorporated in the Cook Islands, is the ultimate holding company.

(I) ADOPTION OF AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATION

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

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

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

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

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

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

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

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

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

Management has determined the operating segments based on the reports reviewed by the executive directors. The executive directors assess the performance of the three principal activities of the Group, namely logistics operations, Hong Kong warehouse and international freight forwarding, in each geographical area.

Logistics operations segment derives turnover from provision of logistics services and sales of goods.

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

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

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

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

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

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

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

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

Other than available-for-sale investments.

3. OTHER INCOME AND NET GAINS

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

Notes:

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

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

4. EXPENSES BY NATURE

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

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

5. FINANCE COSTS

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

6. TAXATION

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

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) for the year ended 31 December 2014 on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC ENTERPRISE INCOME TAX

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

WITHHOLDING TAX ON DISTRIBUTED/UNDISTRIBUTED PROFITS

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

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

7. DIVIDENDS

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

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

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.

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

DILUTED

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

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

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:

	2014 HK$'000	2013 HK$'000
Below 1 month	2,204,590	2,218,348
Between 1 month and 3 months	1,278,167	1,282,114
Over 3 months	211,094	179,569
Total trade receivables, net	3,693,851	3,680,031
Prepayments, deposits and other receivables	1,040,656	980,531
	4,734,507	4,660,562

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:

	2014 HK$'000	2013 HK$'000
Below 1 month	849,706	889,652
Between 1 month and 3 months	628,866	535,522
Over 3 months	368,685	285,371
Total trade payables	1,847,257	1,710,545
Deposits received, accrued charges and other payables	1,812,228	2,262,814
	3,659,485	3,973,359

11. BANK LOANS

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

As at 31 December 2014, the Group's bank loans were repayable as follows:

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

12. COMMITMENTS

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

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

13. CONTINGENT LIABILITIES

The Company has executed guarantees to banks for facilities granted to certain subsidiaries. The utilised amount of such facilities covered by the guarantees of the Company which also represented the financial exposure of the Company as at 31 December 2014 amounted to approximately HK$1,711,159,000 (2013: HK$1,171,462,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2014 amounted to approximately HK$2,508,858,000 (2013: HK$1,715,449,000).

14. PLEDGE OF ASSETS

At 31 December 2014, the Group's total bank loans of HK$4,255,543,000 (2013: HK$4,169,575,000) included an aggregate amount of HK$521,579,000 (2013: HK$654,527,000) which is secured. The Group's total bank overdrafts of HK$47,857,000 (2013: HK$20,391,000) included an aggregate amount of HK$13,592,000 (2013: HK$18,981,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

(i) legal charges over certain investment properties, leasehold land and land use rights, construction in progress and buildings and port facilities with aggregate net book value of HK$2,726,652,000 (2013: HK$2,471,311,000); and

(ii) assignments of insurance proceeds of certain properties.

15. COMPARATIVE FIGURES

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

OVERALL RESULTS

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

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

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

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

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

BUSINESS REVIEW

DELIVERING ON THE GROUP'S COMMITMENT

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

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

UNIQUE BUSINESS MODEL

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

EXPANDING SCALE THROUGH CONTINUED INVESTMENTS

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

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

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

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

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

ENHANCING CAPABILITIES BY SERVICE SCOPE EXTENSION

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

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

INDUSTRY-SPECIFIC SOLUTIONS FOR PHARMACEUTICAL SECTOR

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

Across the Taiwan Strait, the Group has built a service network supported by 10 service hubs that covers the whole island. The Group is the only logistics company in Taiwan that has attained SGS WHO GDP international quality accreditation as well as GDP from the Taiwan Food and Drug Administration, offering customers cost-effective and reliable deliveries of medical supplies.

SPECIALISED SERVICES FOR AUTOMOTIVE SECTOR

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

STRENGTHENING ASEAN-WIDE ROAD TRANSPORTATION NETWORK

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

BUILDING A REGIONAL EXPRESS PLATFORM

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

DEVELOPING INTER-ISLAND LOGISTICS SERVICES

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

EXTENDING COVERAGE THROUGH NEW MARKET EXPANSION

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

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

MIDDLE EAST

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

CANADA

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

OCEANIA

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

HONG KONG WAREHOUSE – SUSTAINING LEADERSHIP

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

UNLOCKING ASSET VALUES AND MAXIMISING RETURNS

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

CONTINUAL CONTRIBUTIONS FROM ASSOCIATES

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

LOGISTICS INDUSTRY OUTLOOK REMAINS POSITIVE

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

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

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

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

FINANCIAL REVIEW

On 19 December 2013, the Company was listed on the Stock Exchange. The net proceeds from the Global Offering, including the over-allotment option exercised subsequently, was approximately HK$2,378 million, after deducting underwriting fees and relevant listing expenses. The net proceeds were utilised as follows:

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

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

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

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

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

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

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

STAFF AND REMUNERATION POLICIES

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE 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 2014, 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 2014.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

SHARE OPTIONS AND RESTRICTED SHARE UNITS

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 2014, a total of 40,374,500 options granted under the Pre-IPO Share Option Scheme were outstanding and no option had been granted under the Post-IPO Share Option Scheme during the year. On 9 January 2015, a total of 4,350,000 options were granted under the Post-IPO Share Option Scheme.

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 during the year. As at 31 December 2014, a total of 406,000 RSUs remained unexercised under 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 QIAN Shaohua. 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 2014 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 2014 is scheduled to be held at Kowloon Room, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Tuesday, 26 May 2015 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 on Friday, 22 May 2015 to Tuesday, 26 May 2015 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 Tuesday, 26 May 2015. 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 Thursday, 21 May 2015.

The Registers of Members will also be closed on Monday, 1 June 2015 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, 29 May 2015. The final dividend is payable on or around Monday, 15 June 2015 to the Shareholders whose names appear on the Registers of Members on Monday, 1 June 2015, 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
"AEC"	the ASEAN Economic Community
"ASEAN"	the Association of Southeast Asia Nations
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

"Directors"	directors of the Company
"Dividend Payout Ratio"	the percentage of the Group's core net profit paid to Shareholders as dividends
"GDP"	good distribution practice
"GFA"	gross floor area
"Global Offering"	the initial public offering of the shares of the Company whereby the shares were listed on the Main Board of the Stock Exchange on 19 December 2013
"GMP"	good manufacturing practice
"Greater China"	Mainland China, Hong Kong, Macau and Taiwan
"Group" or "Kerry Logistics"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	Hong Kong Special Administrative Region of Mainland China
"Hong Kong Warehouse"	Hong Kong warehousing business
"IFF"	international freight forwarding
"IL"	integrated logistics
"KART"	Kerry Asia Road Transport
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Mainland China" or "PRC"	The People's Republic of China and, for the purpose of this 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
"Prospectus"	prospectus of the Company dated 6 December 2013
"Registers of Members"	registers of members of the Company
"RSU"	restricted share unit
"Shareholders"	the holders of the shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UAE"	United Arab Emirates
"WHO"	World Health Organisation

By Order of the Board
YEO George Yong-boon
Chairman

Hong Kong, 26 March 2015

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 QIAN Shaohua

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