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 2015

The Board of the Company is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2015, together with comparative figures for the year ended 31 December 2014.

GROUP'S FINANCIAL HIGHLIGHTS

- Turnover was maintained at HK$21,079 million (2014: HK$21,115 million)
- Core operating profit increased by 12% to HK$1,805 million (2014: HK$1,612 million)
- Core net profit increased by 9% to HK$1,061 million (2014: HK$976 million)
- Profit attributable to the Shareholders increased by 9% to HK$1,804 million (2014: HK$1,659 million)
- IL business achieved a 13% increase in segment profit to HK$1,636 million (2014: HK$1,450 million)
- IFF business recorded a 7% increase in segment profit to HK$361 million (2014: HK$337 million)
- Dividend Payout Ratio increased to 26% (2014: 24%)
- Proposed final dividend of 10 HK cents per share, to be payable on Wednesday, 15 June 2016

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2015 HK$'000	2014 HK$'000
Turnover	2	21,079,494	21,115,249
Direct operating expenses	4	(17,658,619)	(17,975,806)
Gross profit		3,420,875	3,139,443
Other income and net gains	3	132,903	89,452
Administrative expenses	4	(1,720,070)	(1,587,063)
Operating profit before fair value change of investment properties		1,833,708	1,641,832
Change in fair value of investment properties		744,306	686,523
Operating profit		2,578,014	2,328,355
Finance costs	5	(134,650)	(102,419)
Share of results of associates		103,125	91,377
Profit before taxation		2,546,489	2,317,313
Taxation	6	(401,323)	(352,981)
Profit for the year		2,145,166	1,964,332
Profit attributable to:			
Company's shareholders		1,804,445	1,658,830
Non-controlling interests		340,721	305,502
		2,145,166	1,964,332
Earnings per share	8		
– Basic		HK$1.07	HK$0.98
– Diluted		HK$1.06	HK$0.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		2,144,064	1,834,776
Investment properties		8,118,602	7,456,242
Leasehold land and land use rights		538,443	580,941
Property, plant and equipment		7,028,223	6,652,889
Associates		1,136,543	1,059,662
Available-for-sale investments		105,617	94,477
Investment in convertible bond		351,689	–
Long-term receivables		7,755	–
		19,430,936	17,678,987
Current assets			
Inventories		317,381	333,866
Accounts receivable, prepayments and deposits	9	4,891,331	4,734,507
Tax recoverable		3,248	21,963
Amounts due from fellow subsidiaries		2,505	2,117
Restricted and pledged bank deposits		33,638	25,422
Cash and bank balances		3,733,357	3,816,198
		8,981,460	8,934,073
Current liabilities			
Accounts payable, deposits received and accrued charges	10	3,814,011	3,659,485
Amounts due to fellow subsidiaries		12,272	8,581
Amounts due to related companies		40,664	14,646
Taxation		158,374	166,381
Short-term bank loans and current portion of long-term bank loans	11	2,368,773	1,245,442
Bank overdrafts		46,613	47,857
		6,440,707	5,142,392

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31 December 2015 HK$'000	2014 HK$'000
Non-current liabilities			
Loans from non-controlling interests		249,311	248,342
Long-term bank loans	11	2,801,152	3,010,101
Deferred taxation		560,369	541,527
Retirement benefit obligations		265,265	283,032
Other non-current liabilities		115,080	34,890
		3,991,177	4,117,892
ASSETS LESS LIABILITIES		17,980,512	17,352,776
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		847,207	845,620
Share premium and other reserves		2,463,344	3,266,948
Retained profits		12,118,669	10,558,221
		15,429,220	14,670,789
Non-controlling interests		2,551,292	2,681,987
TOTAL EQUITY		17,980,512	17,352,776

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 AMENDMENTS TO EXISTING STANDARDS AND IMPROVEMENTS

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

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

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

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

The following new standards, amendments to existing standards and improvements, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2016, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
HKAS 1 (amendment), 'Disclosure initiative'	1 January 2016
HKAS 27 (amendment), 'Equity method in separate financial statements'	1 January 2016
Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	1 January 2016
Amendments to HKAS 16 and HKAS 41, 'Bearer plants'	1 January 2016
Amendments to HKAS 28 (2011), HKFRS 10 and HKFRS 12, 'Investment entities: applying the consolidation exception'	1 January 2016
Amendments to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'	1 January 2016
HKFRS 14, 'Regulatory deferral accounts'	1 January 2016
Annual improvements to 2012-2014 cycle	1 January 2016
HKFRS 9, 'Financial instruments'	1 January 2018
HKFRS 15, 'Revenue from contracts with customers'	1 January 2018
Amendments to HKAS 28 (2011) and HKFRS 10, 'Sales or contribution of assets between an investor and its associate or joint venture'	To be determined

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. OTHER INCOME AND NET GAINS

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

Note:

(a) In 2014, the Group disposed of 90% equity interest of a subsidiary which resulted in a gain on disposal of HK$10,018,000. Such gain was netted off against the related impairment of intangible assets of HK$12,896,000.

4. EXPENSES BY NATURE

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

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

5. FINANCE COSTS

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

6. TAXATION

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

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) for the year ended 31 December 2015 on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC ENTERPRISE INCOME TAX

PRC enterprise income tax has been provided at the rate of 25% (2014: 25%) on the estimated assessable profit for the year.

WITHHOLDING TAX ON DISTRIBUTED/UNDISTRIBUTED PROFITS

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

The Group's share of associates' taxation for the year ended 31 December 2015 are HK$14,168,000 (2014: HK$21,583,000) and included in the share of results of associates in the consolidated income statement.

7. DIVIDENDS

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

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

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.

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

DILUTED

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

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

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:

	2015 HK$'000	2014 HK$'000
Below 1 month	2,173,408	2,204,590
Between 1 month and 3 months	1,186,080	1,278,167
Over 3 months	308,803	211,094
Total trade receivables, net	3,668,291	3,693,851
Prepayments, deposits and other receivables	1,223,040	1,040,656
	4,891,331	4,734,507

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:

	2015 HK$'000	2014 HK$'000
Below 1 month	797,217	849,706
Between 1 month and 3 months	617,413	628,866
Over 3 months	462,828	368,685
Total trade payables	1,877,458	1,847,257
Deposits received, accrued charges and other payables	1,936,553	1,812,228
	3,814,011	3,659,485

11. BANK LOANS

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

As at 31 December 2015, the Group's bank loans were repayable as follows:

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

12. COMMITMENTS

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

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

13. PLEDGE OF ASSETS

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

(i) legal charges over certain investment properties, leasehold land and land use rights, construction in progress and buildings and port facilities with aggregate net book value of HK$2,606,333,000 (2014: HK$2,726,652,000);

(ii) assignments of insurance proceeds of certain properties; and

(iii) certain balances of restricted and pledged deposits.

14. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

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

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

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

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

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

BUSINESS REVIEW

CONTINUOUS GROWTH THROUGH CHALLENGES

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

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

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

A DIVERSIFIED REGIONAL FACILITY PORTFOLIO

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

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

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

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

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

SCALE EXPANSION VIA INVESTMENTS AND ACQUISITIONS

GREATER CHINA

In April 2015, the Group signed a strategic cooperation agreement with China Railway Import and Export Company ("China Railway"). The partnership seeks to grasp the new growth opportunities brought forth by the Belt and Road Initiative, by leveraging China Railway's extensive railway network and experience and effectively integrating them with Kerry Logistics' strong network in Southeast Asia and logistics service expertise.

In Taiwan, Kerry Logistics acquired the majority shares in Speedy Group, a top 20 air freight company in Taiwan in 2016 Q1, which was subsequently renamed as Kerry Speedy Logistics Co., Ltd.. The acquisition will strengthen the Group's IFF capabilities and tap into the active cross-strait trading activities between Hong Kong, Taiwan and Shanghai.

ASEAN

During the year, the Group further extended its cross-border trucking services under KART in Mainland China, Vietnam, Thailand, Malaysia and Singapore. Three new scheduled weekly "shuttles" were added to provide long-haul trucking and door-to-door delivery services in these countries to capture the ever-growing China-ASEAN trade. KART is positioned as a neutral carrier connecting regional MNCs and freight forwarding customers in ASEAN countries to Mainland China and Hong Kong as an alternative to the traditional air and ocean freight services. In 2015 Q4, the Group further expanded its KART network to East Malaysia, reaching Sabah and Sarawak, adding to a total of eight routes.

The Group took further steps to build an ASEAN-wide regional express platform to tap into the increasing intra-ASEAN trade and the booming e-commerce market. Riding on the success in Thailand, it continued to expand its express service capabilities in Vietnam and extend its network to Malaysia and Cambodia. The expansion into Laos will also be completed by 2016 1H.

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

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

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

MIDDLE EAST

In March 2015, Kerry Logistics strengthened its IFF capacity and network in the Middle East through acquiring a controlling stake in Able Logistics Group FZCO, an established international freight forwarder headquartered in Dubai. The investment expands Kerry Logistics' capabilities in the Middle East and enables it to offer global connections through a round-the-clock transit hub linking Asia to the Middle East, Europe and Africa. The emerging markets constitute a major area of growth of the Group, and effective business integration has been a key component towards that goal.

CANADA

Kerry Logistics acquired majority stakes in Total Logistics Partner (TLP) Ocean Consolidators Inc. and Total Logistics Partner (TLP) Air Express Inc. (collectively, "TLP"), two Canadian freight forwarding companies focusing on Asia-Canada trade. Soon after its joining the Group in January 2015, TLP was successfully integrated into the Group's network and delivered solid growth in 2015. It was subsequently renamed as Kerry Logistics (Canada) Inc. in February 2016.

UNITED STATES

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

HONG KONG WAREHOUSE

The Group's Hong Kong warehouse portfolio comprises nine warehouses with a combined GFA of 5.1 million square feet. It maintained nearly full occupancy and achieved double-digit growth in rentals for successful contract renewals during the year.

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

SUSTAINABLE GROWTH THROUGH SHARED RESOURCES AND INNOVATION

CENTRAL SERVICE CENTRE IN NANNING

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

NEW IT DEVELOPMENT CENTRE

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

AWARD-WINNING ROBOTIC FULFILLMENT SOLUTIONS

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

CONTRIBUTIONS FROM ASSOCIATES

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

OUTLOOK

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

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

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

Internationally, Kerry Logistics is devoted to growing organically and through selective mergers and acquisitions. The emerging markets will be vital for the Group as it increases investments in India, Africa and the Middle East. Despite weakness in Europe, Kerry Logistics will continue to expand into niche markets whilst rationalising overall European operations. The Group has realised contributions from the successful integration of its acquisitions in Canada, Mexico and Oceania. The US acquisition of one of the top ten NVOCC companies set to be completed in 2016 1H will also strengthen the Group's trans-Pacific coverage and provide position synergy effects as it works towards its strategic objective of becoming a global player.

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

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

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

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

Most of the Group's assets and liabilities are denominated in different functional currencies of overseas subsidiaries in their respective countries. The Group generally does not enter into foreign exchange hedges in respect of its long-term equity investments in overseas subsidiaries and associates. In respect of the depreciation of Renminbi since early 2015, the net exposure in terms of its potential impact on both profitability and financial position of the Group is considered not material. For the foreign currency exposure arising from business activities, certain subsidiaries used forward contracts to hedge their foreign exchange exposure from trading transactions during the year, the amount of which was insignificant to the Group. The Group will continue to closely monitor its foreign exchange position and if necessary, hedge its foreign exchange exposure by entering into appropriate hedging instruments. As at 31 December 2015, total foreign currency borrowings amounted to the equivalence of HK$1,963 million (including HK$1,367 million denominated in New Taiwan Dollar and HK$275 million denominated in Thai Baht), which represented approximately 38% of the Group's total bank loans of HK$5,170 million.

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

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

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

STAFF AND REMUNERATION POLICIES

As at 31 December 2015, the Group had approximately 22,500 employees. The remuneration to employees includes salaries maintained at competitive levels while bonuses are granted on a discretionary basis. The Group provides training to its staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees. Other employee benefits include provident fund, insurance, medical, sponsorship for educational or training programmes, share option schemes and RSU scheme.

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 2015, 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 2015.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

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 2015, a total of 37,170,000 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. As at 31 December 2015, a total of 310,000 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 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 2015 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 2015 is scheduled to be held at Kowloon Room, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 25 May 2016 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 Monday, 23 May 2016 to Wednesday, 25 May 2016 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 Wednesday, 25 May 2016. 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 Friday, 20 May 2016.

The Registers of Members will also be closed on Tuesday, 31 May 2016 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 Monday, 30 May 2016. The final dividend is payable on or around Wednesday, 15 June 2016 to the Shareholders whose names appear on the Registers of Members on Tuesday, 31 May 2016, 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

"1H" or "2H"	first half or second half
"3PL"	third party logistics
"ACC"	the audit and compliance committee of the Company
"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
"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
"Global Offering"	the initial public offering of the Shares whereby the Shares were listed on the Main Board of the Stock Exchange on 19 December 2013
"Greater China"	Mainland China, Hong Kong, Macau and Taiwan
"Group" or "Kerry Logistics"	the Company and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	Hong Kong Special Administrative Region of Mainland China
"Hong Kong Warehouse"	Hong Kong warehousing business
"IFF"	international freight forwarding
"IL"	integrated logistics
"KART"	Kerry Asia Road Transport
"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
"MNC"	multinational corporation
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NVOCC"	non-vessel operating common carrier
"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
"Renminbi"	Renminbi, the lawful currency of Mainland China
"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
"United States" or "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 2016

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