



STRENGTH IN MOTION

ANNUAL
REPORT
2023

QUICK FACTS

59

countries & territories

33,000+

employees worldwide

69M ft²

land & facilities

6,000+

self-owned operating vehicles

Note: Figures as at 31 December 2023

THE ONE · IN ASIA

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CORPORATE INFORMATION & KEY DATES

BOARD OF DIRECTORS

Mr WANG Wei
(Chairman, Non-executive Director)
Mr KUOK Khoon Hua
(Vice Chairman, Non-executive Director)

Executive Directors
Mr CHEUNG Ping Chuen Vicky
(Chief Executive Officer)
Mr CHENG Chi Wai

Non-executive Directors
Mr HO Chit
Ms OOI Bee Ti
Ms CHEN Keren

Independent Non-executive Directors
Dr CHEUNG Wai Man
Mr LAI Sau Cheong Simon
Mr TAN Chuen Yan Paul
Ms WONG Yu Pok Marina

AUDIT AND COMPLIANCE COMMITTEE

Ms WONG Yu Pok Marina (Chairman)
Mr HO Chit
Mr LAI Sau Cheong Simon

REMUNERATION COMMITTEE

Mr LAI Sau Cheong Simon (Chairman)
Mr WANG Wei
Mr CHEUNG Ping Chuen Vicky
Mr TAN Chuen Yan Paul
Ms WONG Yu Pok Marina

NOMINATION COMMITTEE

Mr TAN Chuen Yan Paul (Chairman)
Mr WANG Wei
Mr KUOK Khoon Hua
Dr CHEUNG Wai Man
Mr LAI Sau Cheong Simon

FINANCE COMMITTEE

Mr CHEUNG Ping Chuen Vicky (Chairman)
Mr CHENG Chi Wai
Mr HO Chit

RISK MANAGEMENT COMMITTEE[#]

Mr CHEUNG Ping Chuen Vicky (Chairman)
Mr CHENG Chi Wai

SUSTAINABILITY COMMITTEE[#]

Mr CHENG Chi Wai (Chairman)

COMPANY SECRETARY

Ms LEE Pui Nee

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor

LEGAL ADVISER

Norton Rose Fulbright Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10, Bermuda

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Kerry Cargo Centre, 55 Wing Kei Road
Kwai Chung, New Territories, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

INVESTOR RELATIONS

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WEBSITE

www.kln.com

KEY DATES

Annual General Meeting
22 May 2024

Closure of Registers of Members
17 to 22 May 2024 and 28 May 2024

Proposed Payment of Final Dividend
On or around 6 June 2024

[#] plus committee member(s) who is/are non-member(s) of the Board

FINANCIAL HIGHLIGHTS

HK\$M

REVENUE*

47,408

▼ 42%

SEGMENT PROFIT*

IL

1,295

▼ 7%

IFF

1,394

▼ 70%

CORE OPERATING PROFIT*

2,207

▼ 61%

CORE NET PROFIT*

1,214

▼ 69%

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

791

▼ 78%

FINAL DIVIDEND

HK CENTS PER SHARE

13

GEARING**

49.1% / 11.1%

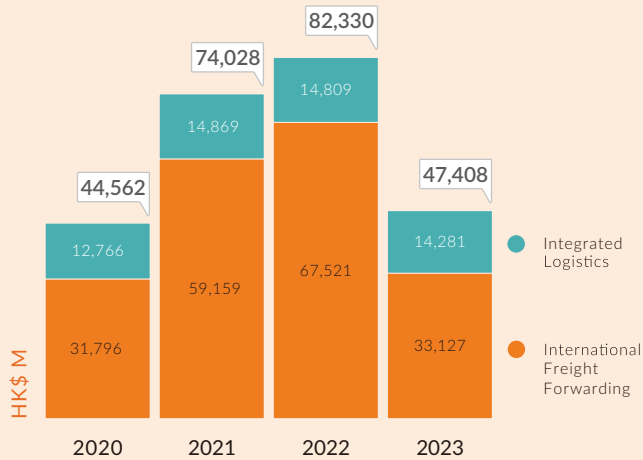
GROSS

NET

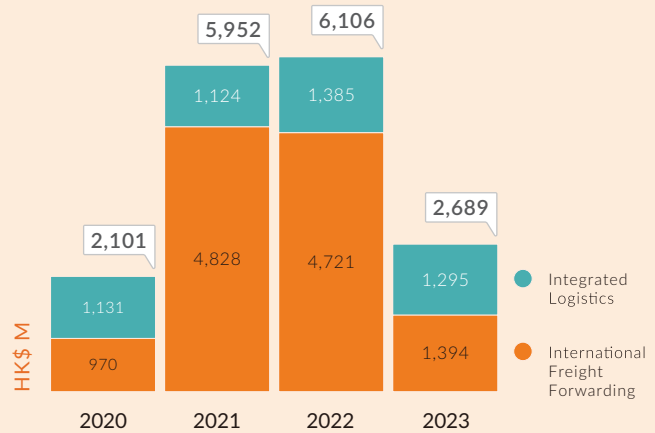
* For continuing operations only

** Including cash and bank balances classified as held for distribution, and bank loans associated with assets classified as held for distribution

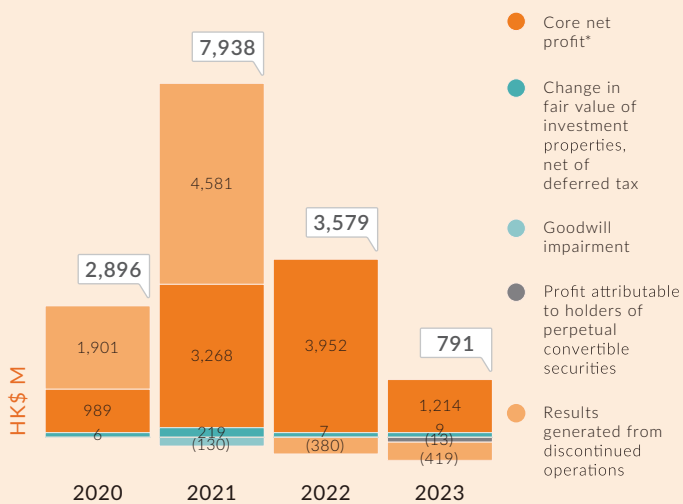
REVENUE BY SEGMENT*



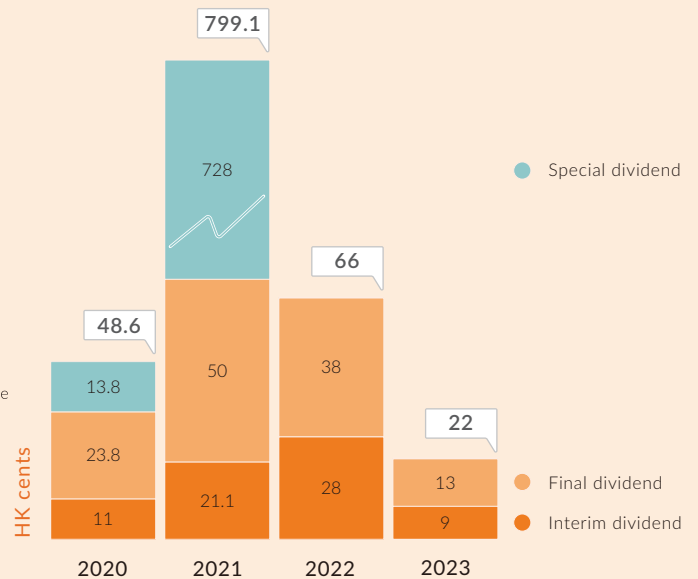
SEGMENT PROFIT*



PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

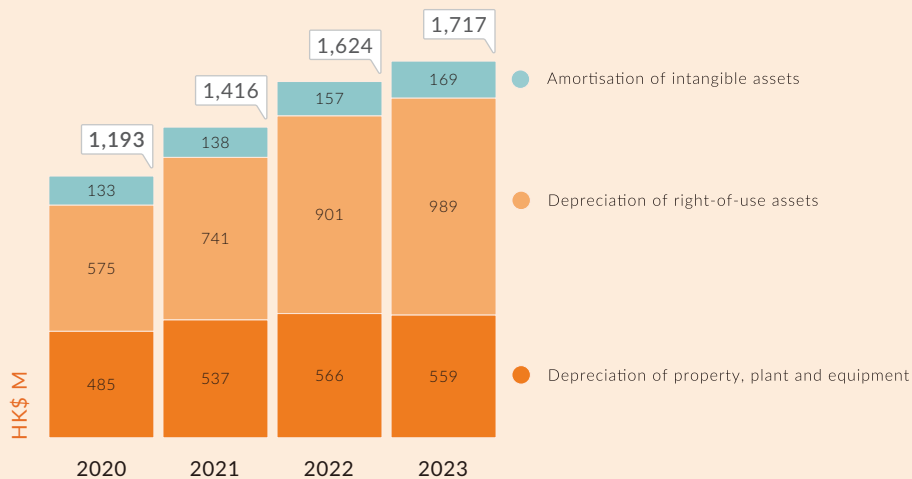


DIVIDEND PER SHARE

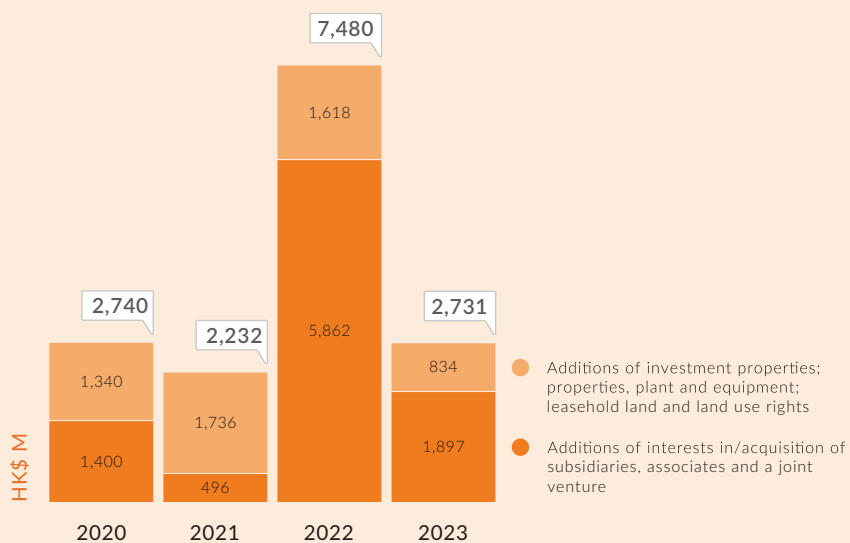


* For continuing operations only

DEPRECIATION AND AMORTISATION*



CAPEX



* For continuing operations only

2019 - 2023

FINANCIAL SUMMARY

Income statement	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Continuing operations					
Revenue	47,407,559	82,329,565	74,027,614	44,562,044	32,306,215
Operating profit	2,288,025	6,145,994	5,667,112	1,833,385	1,286,159
Finance costs	(576,720)	(370,566)	(224,554)	(218,533)	(252,587)
Share of results of associates and a joint venture	195,371	166,894	157,958	118,843	84,445
Profit before taxation	1,906,676	5,942,322	5,600,516	1,733,695	1,118,017
Taxation	(464,119)	(1,424,766)	(1,292,054)	(512,627)	(335,627)
Profit after taxation	1,442,557	4,517,556	4,308,462	1,221,068	782,390
Non-controlling interests	(219,869)	(558,097)	(951,222)	(225,991)	(247,852)
Holders of perpetual convertible securities	(12,870)	-	-	-	-
Profit attributable to the Company's shareholders from continuing operations	1,209,818	3,959,459	3,357,240	995,077	534,538
(Loss)/profit attributable to the Company's shareholders from discontinued operations	(418,653)	(380,268)	4,581,413	1,900,680	3,253,785
Profit attributable to the Company's shareholders	791,165	3,579,191	7,938,653	2,895,757	3,788,323
Represented by:					
Core net profit	777,191	3,572,175	3,691,807	1,828,442	1,374,098
Change in fair value of investment properties, net of deferred tax	8,614	7,016	2,188,950	1,067,315	501,813
Gain from disposal of discontinued operations	18,230	-	2,187,896	-	-
Gain on disposal of warehouses	-	-	-	-	1,957,540
Impairment	-	-	(130,000)	-	(45,128)
Profit attributable to the Company's shareholders and holders of perpetual convertible securities	804,035	3,579,191	7,938,653	2,895,757	3,788,323
Holders of perpetual convertible securities	(12,870)	-	-	-	-
Profit attributable to the Company's shareholders	791,165	3,579,191	7,938,653	2,895,757	3,788,323
Assets and liabilities	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets	20,699,473	21,432,599	21,147,602	35,168,627	32,205,467
Net current assets	6,766,642	8,756,346	9,174,074	6,822,788	6,017,714
Total assets less current liabilities	27,466,115	30,188,945	30,321,676	41,991,415	38,223,181
Long-term liabilities and non-controlling interests	(9,879,735)	(11,759,851)	(9,277,789)	(14,508,516)	(15,209,832)

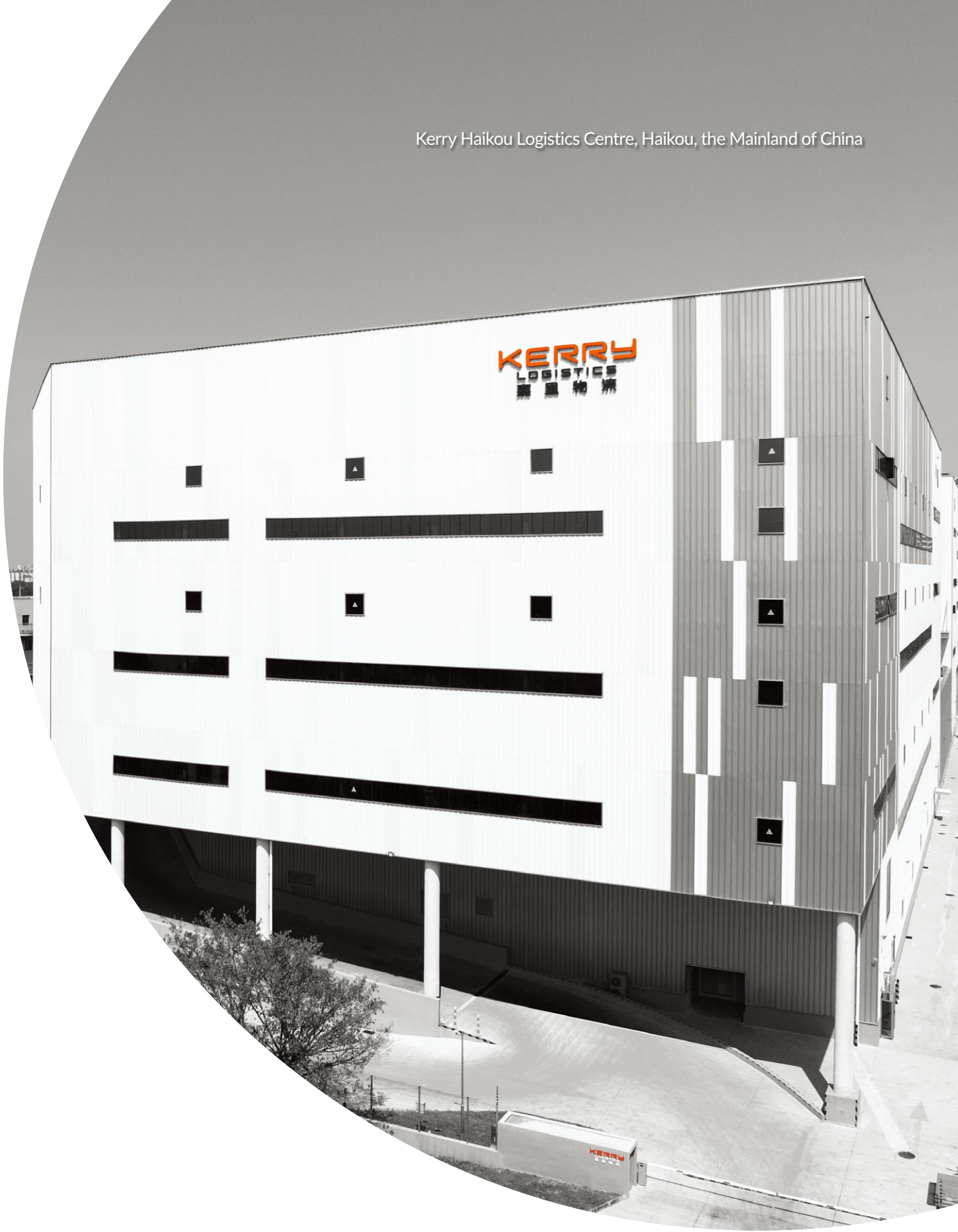
LOGISTICS FACILITIES

		Usage type	Approximate GFA owned		
			Total (Sq ft)	Attributable (Sq ft)	(%)
1	Kerry Siam Seaport 113/1 Moo 1, Sukhumvit Road (Highway No. 3), Tungsukhla Subdistrict, Sriracha District, Chonburi Province, Thailand	Warehouse & Port facilities	6,366,192 (site area)	5,406,170 (site area)	84.92
2	KMTL Myit Nge Dryport Plot B1, Myit Nge Dryport (Mandalay), Land Mark No. (1), (4), C1+4-C12, Myint Nge, Amarapura Township, Mandalay, Myanmar	Dry Port	1,858,895 (site area)	1,245,162 (site area)	66.98
3	KMTL Ywarthagyi Dryport Lot No. B, Yangon – Mandalay Railway Road Ywarthagyi, East Dagon Township, Yangon, Myanmar	Dry Port	1,742,412 (site area)	1,167,137 (site area)	66.98
4	Kerry Shanghai Fengxian Logistics Centre No. 3088 Hangtang Road, Fengxian District, Shanghai, the PRC	Logistics centre	1,196,734	1,196,734	100.00
5	Kerry Guangzhou Logistics Centre No. 20 Ping Dong Nan Road, Huadou District, Guangzhou, Guangdong Province, the PRC	Logistics centre	1,026,861	1,026,861	100.00
6	Kerry Chongqing Logistics Centre No. 69 Baohuan Road, Huixing Street, Yubei District, Chongqing, the PRC	Logistics centre	932,854	932,854	100.00

		Usage type	Approximate GFA owned		
			Total (Sq ft)	Attributable (Sq ft)	(%)
7	Kerry Indev Mumbai Inland Container Depot Somathane Village, Kone-Savla Rasayani Road, Panvel Taluka, Raigad District, Navi Mumbai, India	Warehouse & Inland Container Depot	928,890 (site area)	464,445 (site area)	50.00
8	Kerry Indev Irungattukottai Inland Container Depot Plot nos. B-7(Part), B-8, A-11(Part), SIPCOT Industrial Park, Irungattukottai, Kancheepuram District, Tamil Nadu, India	Warehouse & Inland Container Depot	850,733 (site area)	425,366 (site area)	50.00
9	Kerry Qingdao Jiaozhou Logistics Centre South of Weihe Road and West of Jiaotong University Avenue, Jiaozhou Economic and Technological Development Zone, Qingdao, Shandong Province, the PRC	Logistics centre	797,010	797,010	100.00
10	Kerry Song Than Logistics Centre No. 20 Thong Nhat Boulevard, Song Than Industrial Zone 2, Di An District, Binh Duong Province, Vietnam	Logistics centre	781,262	781,262	100.00
11	Kerry Indev Mundra Inland Container Depot Survey nos. 169/36, Dhrub Village, Mundra Taluka, Pragpar Mundra Port Highway, Adani Ports and Special Economic Zone Limited, Gujarat, India	Warehouse & Inland Container Depot	653,396 (site area)	326,698 (site area)	50.00
12	Kerry Bangna Logistics Centre 33/2 Moo 7, Leab Klong Song Nam Suvarnabhumi Road, Bangpla Subdistrict, Bangplee District Samutprakan Province, Thailand	Logistics centre	653,192	653,192	100.00
13	Kerry Changsha Logistics Centre No. 1189 Zhong Qing Road, Kaifu District, Changsha, Hunan Province, the PRC	Logistics centre	637,070	637,070	100.00

		Usage type	Approximate GFA owned		
			Total (Sq ft)	Attributable (Sq ft)	(%)
14	Kerry Wuhan Logistics Centre No. 7 Shang Mao Avenue, Zou Ma Ling Street, Dongxihu District, Wuhan, Hubei Province, the PRC	Logistics centre	630,521	630,521	100.00
15	Kerry Chengdu Longquan Logistics Centre No. 68 South 5th Road, Economic & Technological Development Zone (Longquanyi District), Chengdu, Sichuan Province, the PRC	Logistics centre	608,097	608,097	100.00
16	Kerry Kunshan Logistics Centre No. 118 Yuxi Middle Road, Qiandeng Town, Kunshan, Jiangsu Province, the PRC	Logistics centre	567,083	567,083	100.00
17	Kerry Hainan Logistics Centre Lot No. A-20-1, Haikou Integrated Free Trade Zone, Haikou, Hainan Province, the PRC	Logistics centre	548,531	548,531	100.00
18	Kerry Worldbridge Logistics Centre Kerry Worldbridge Special Economic Zone And Customs Bonded Warehouse under Certificates of Immovable Property Occupation Nos. PP29368 and PP29369, National Road 2, Preak Rotaing & Damnak Sangke, Commune of Preak Kampis, District of Dangkor, Phnom Penh, Cambodia	Logistics centre	548,415	329,049	60.00
19	Kerry Wuxi Logistics Centre No. 2 Xinxiang Road, Wuxi, Jiangsu Province, the PRC	Logistics centre	533,206	533,206	100.00
20	Shenzhen Kerry Yantian Logistics Centre Lot No. 26, South Area of Yantian Port Free Trade Zone, Yantian District, Shenzhen, the PRC	Logistics centre	464,740	255,607	55.00

		Usage type	Approximate GFA owned		
			Total (Sq ft)	Attributable (Sq ft)	(%)
21	Kerry Xiamen Logistics Centre No. 18 Haijing South Road, Export Processing Zone, Haicang District, Xiamen, Fujian Province, the PRC	Logistics centre	449,172	449,172	100.00
22	Kerry Rayong Logistics Centre 525 Moo3, WHA Eastern Seaboard Industrial Estate 1, Mappu-Bankhai (Highway No. 3574) Road, Ta Sit Subdistrict, Pluak Daeng District, Rayong Province, Thailand	Logistics centre	374,118	374,118	100.00
23	Kerry Logistics Centre - Tampines 19 Greenwich Drive, Singapore	Logistics centre	371,466	371,466	100.00
24	Kerry Zhengzhou Logistics Centre No. 137 Yitong Street, Zhengzhou Economic & Technological Development Zone, Zhengzhou, Henan Province, the PRC	Logistics centre	358,979	358,979	100.00
25	Kerry Zhangjiagang Logistics Centre 1, Hong Kong Road, Logistics Park, Jingang Town Free Trade Zone, Zhangjiagang, Jiangsu Province, the PRC	Logistics Centre	310,653	264,055	85.00



CHAIRMAN'S STATEMENT

STRENGTH IN MOTION

2023 remained filled with challenges. While the world has survived the pandemic, economic hardships persisted and geopolitical tensions escalated. The global supply chain, barely recovered from the COVID years, was once again affected by disruptions.

Despite an uncertain global outlook, for KLN Group, 2023 marked the tenth anniversary of its listing on the Main Board of the Hong Kong Stock Exchange. This important milestone encouraged us to reach higher and anticipate a promising future. 2023 was also a year that KLN Group regrouped and refocused on its core strengths. We strengthened what have put us on the map – our principal IL and IFF businesses – to continue driving sustainable growth and capturing new markets. In late 2023, KLN Group divested its express business to concentrate on its strategic plans and centre resources on its core businesses.

With this realigned strategic focus, we recognise the promising potential of optimising the resources available within the Group. We are making sustained efforts in leveraging the opportunities arising from the collaboration between the IL and IFF segments across regions, to explore cross-selling to the diversified customer base of the respective businesses and extend the scope of services we provide to each customer. We are also utilising the enhanced resources and synergies created with S.F. Holding to further boost our capabilities and facilitate cross-selling and cooperation.

KLN Group's comprehensiveness in geographical coverage in Asia, across logistics products and key industries as well as its far-reaching global network continued to fuel its growth.

Against a turbulent freight market, we played to our strengths and remained the leading player in the world's busiest trade lane. With freight rates rebounding slightly since the end of 2023, KLN Group is ready and prepared to harness its enhanced capabilities to seize market opportunities. The Group is also investing in automation and technology to drive more efficiency gains and better business results.

KLN Group strives to fulfil its commitment to driving positive change in sustainability across the globe. We continue to refine our ESG strategy and governance structure to put our sustainable logistics solutions in action. Such efforts not only bolster the resilience of our operations and supply chain, but also enable us to better serve our customers and create greater value for the communities we serve.

I am immensely grateful for the dedication and abilities of our team, which have earned the trust of our customers. I would also like to extend my thanks to our valued customers and shareholders for their unwavering support and loyalty.

As new disruptions to the global logistics industry emerge, KLN Group is well-equipped to seize any opportunity. We are in the business of keeping supply chains in motion. Empowered by our flexibility, resilience and innovation, we stand resolute in our purpose of serving our customers with innovative and highly customised solutions that ensure seamless customer experience and deliveries across the globe.



WANG WEI
Chairman



“

KLN Group is making sustained efforts in leveraging the opportunities arising from the collaboration between the IL and IFF segments across regions, to explore cross-selling to the diversified customer base of the respective businesses and extend the scope of services we provide to each customer.”

RESULTS OVERVIEW

The Group recorded a decrease in revenue* of 42% to HK\$47,408 million in 2023 (2022: HK\$82,330 million). Core operating profit* dropped by 61% to HK\$2,207 million (2022: HK\$5,645 million). Core net profit* dropped by 69% year-on-year to

HK\$1,214 million (2022: HK\$3,952 million). Profit attributable to the Shareholders was HK\$791 million (2022: HK\$3,579 million), which represents a year-on-year drop of 78%.

	2023 HK\$ million	2022 HK\$ million	
Segment profit*			
IL	1,295	1,385	-7%
IFF	1,394	4,721	-70%
	2,689	6,106	
Unallocated administrative expenses and others	(482)	(461)	
Core operating profit*	2,207	5,645	-61%
Core net profit*	1,214	3,952	-69%
Changes in fair value of investment properties, net of deferred tax	9	7	
Profit attributable to the Shareholders and holders of perpetual convertible securities, excluding results generated from discontinued operations	1,223	3,959	-69%
Profit attributable to holders of perpetual convertible securities	(13)	-	
Results generated from discontinued operations	(419)	(380)	
Profit attributable to the Shareholders	791	3,579	-78%

* For continuing operations only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

MARKET OVERVIEW

In spite of the optimism brought about by the end of the pandemic, 2023 was undoubtedly a challenging year globally, plagued by elevated interest rates, mounting geopolitical tensions and sluggish global trade.

Nevertheless, the global economy was in a better shape than it was in the previous year. Energy and food prices have come down from their peaks and inflation eased. Yet, global economic recovery remained slow as persistently high interest rates and fuel costs curbed consumer spending and product demand.

For the global logistics industry, while growth stalled due to overstocking, weak demand and excess freight capacity, both freight rates and volume saw a slight rebound as the market continued to normalise gradually.

Despite a tough market, new opportunities emerged amid changing consumer demands and the reshuffle of global supply chains. KLN Group was able to turn challenges into opportunities and provided customers with viable and cost-effective alternatives to keep their cargoes moving and delivered. KLN Group's overall performance in 2023 was in line with expectations and on par with global peers.

SEGMENTAL REPORTING

During the period, the Group took out the E-commerce and Express business from its segmental reporting following the transfer of companies engaging in express delivery services in the Asia Pacific and Europe to S.F. Holding in 2023 Q3 and the subsequent announcement in December 2023 to deconsolidate Kerry Express Thailand through dividend distribution.

The purpose of the restructuring was to reinforce KLN Group's strategy of focusing on its core business of integrated logistics and international freight forwarding, with an aim to enhancing its overall performance and prospects.

INTEGRATED LOGISTICS

The IL division overall reported a 7% decrease in segment profit, dragged down by the drop in the Hong Kong business as a result of the shrunken demand for pandemic-related services and a slower recovery of the retail market than anticipated. Nevertheless, despite the performance of the Hong Kong business, the IL division in other markets recorded growth.



In the Mainland of China, despite a delay in market recovery, the IL business recorded a 17% increase following the successful execution of a series of cost management measures including a headcount realignment and warehouse usage optimisation to streamline operations across the country, while leveraging the applications of robotics and artificial intelligence to improve productivity and reduce costs.

The IL business in other parts of Asia recorded an 11% increase mainly supported by the stable performance of Kerry Siam Seaport in Thailand.

INTERNATIONAL FREIGHT FORWARDING

The IFF division reported a 70% decline in segment profit in 2023 due to excess inventories, subdued purchasing power and stagnant export growth, in particular in Asia. The drop in air and ocean freight rates since 2022 Q3 from the all-time highs in 2021 as the global logistics market normalised has caused further contraction in profit margin in 2023, compared to that of 2022. In 2023 Q3, contrary to expectations, the typical peak season failed to materialise, as consumer demand and shipping volumes were uncharacteristically low amid high uncertainty in the market.

Nonetheless, riding on stabilised freight rates and a pick-up in consumer demand, KLN Group delivered sustainable results on the Asia-US trade routes and remained the leading player in the world's busiest trade lane in 2023, a position held since 2022.

In 2023, the Group continued to leverage the strengthened resources with S.F. Holding to capitalise on the cross-selling and collaborations in various verticals and businesses. A joint venture was formed in November 2023 between the Group and S.F. Holding to manage the international cargo terminal of the Ezhou Airport, an international cargo and passenger airport located in Central China. With the enhanced air freight capacities, the Group has been able to provide an alternative for customers shipping in and out of the Mainland of China with reliable and efficient services.

In 2024 Q1, the Group acquired a majority stake in France's Business By Air SAS, an upstream supply chain specialist in air freight services for diverse industrial clients in verticals including automotive, aerospace and pharmaceutical, as well as an established player in the African market. BBA has been acting as KLN Group's agent in France since 2016. The acquisition is expected to strengthen KLN Group's position in the EMEA region as France is one of the world's top exporting countries, create synergies between the Group's ocean freight capabilities and BBA's air freight expertise, and extend the Group's service into the niche verticals of fine arts and perishables.

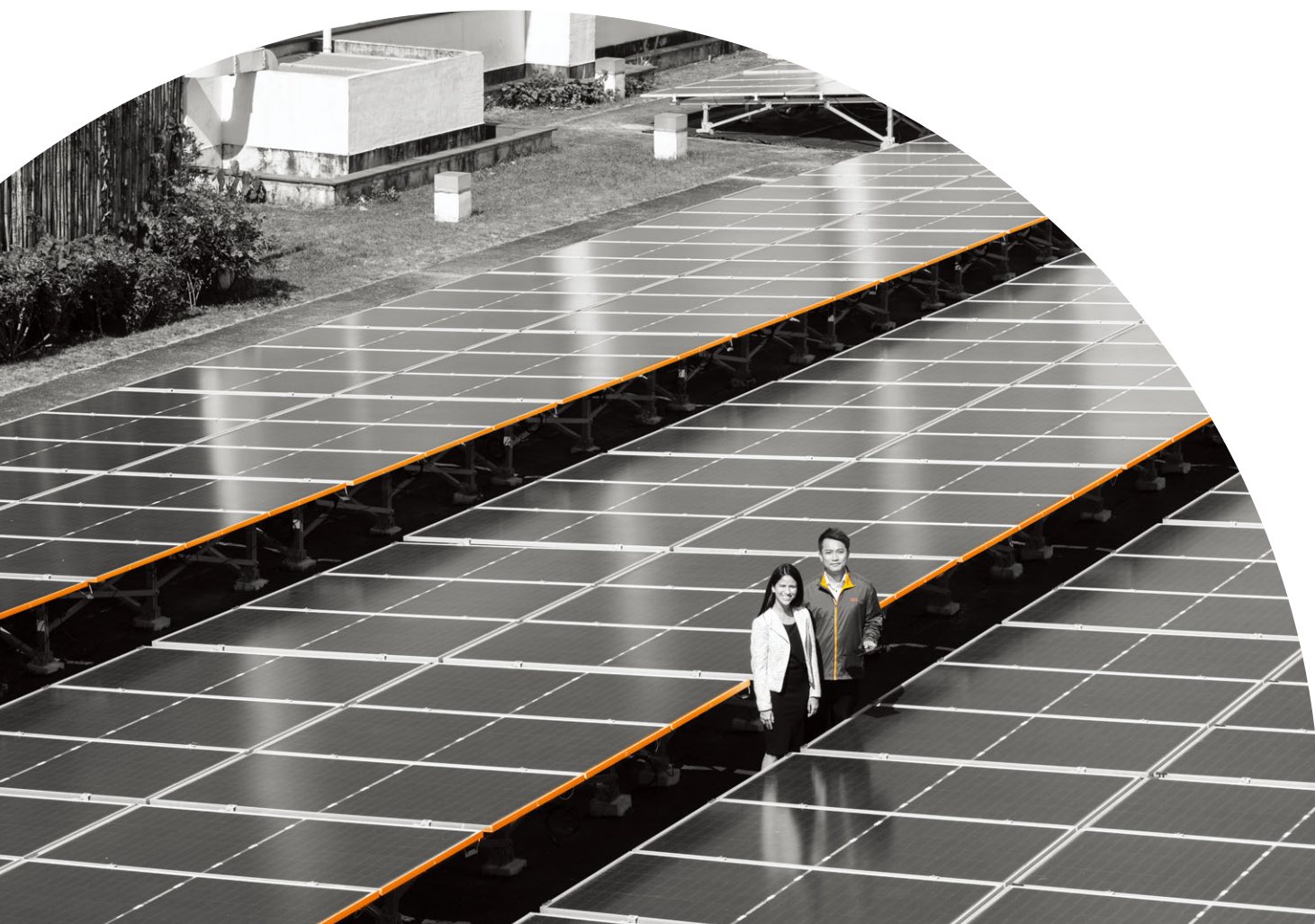
Various mega industrial projects completed and records broken by project logistics teams in the Mainland of China, Central Asia and Europe in 2023 set a promising tone for the project logistics segment, which delivered satisfactory results. The segment is expected to become one of the development drivers of the IFF division soon.

SUSTAINABILITY

KLN Group envisions a future where sustainable logistics services become the industry norm. To this end, the Group consistently integrates principles of environmental and societal stewardship within its strategy and operations.

This year, the Group has taken great strides in progressing towards its ambition of achieving net zero emissions globally by 2050 and reporting on its climate-related financial disclosures. This includes committing to investigating medium-term target setting, completing the first phase of its climate risk assessment, and taking efforts to enhance the measurement of its value chain (i.e., Scope 3) emissions.

The Group remains dedicated to investing a wide range of employee care initiatives, from the professional growth to the wellbeing of its employees, their family and community, through the recently launched WE KARE Caring platform.



OUTLOOK

The full-scale post-COVID global economic recovery has not yet taken place. The rebound of the Mainland of China market in 2023 was not as strong as expected. Global growth is likely to remain weak in 2024, yet interest rates are forecast to moderate starting from Q2, which will create conditions more favourable to consumer spending and revive demand for consumer goods, giving a boost to the global logistics industry.

The volatility of the global freight landscape exacerbated by the Red Sea crisis is bringing new variables to the Group's IFF business. Nevertheless, KLN Group is determined to provide customers with alternative solutions in



KLN Group's agility, resilience and innovation in providing solutions powered by its global network, solid presence in Asia and the most diversified service offerings will once again enable the Group to come out on top."

the near-term and is optimistic that its IL business in Asia is likely to benefit from the shifts in the supply chain in the mid-term.

While the Group is determined to capitalise on any market upturn, it will stay proactive in managing its operating costs given the uncertainties in the macroeconomic environment. To maintain the Group's asset-lighter strategy while taking into account its robust financial health, it will also remain prudent and patient when presented with opportunities to unlock the value of its assets to fuel ongoing growth and expansion, giving consideration when the offers are at a reasonable level.

As demonstrated by KLN Group's outstanding performance during the COVID years, its agility, resilience and innovation in providing solutions powered by its global network, solid presence in Asia and the most diversified service offerings will again enable the Group to come out on top. Looking ahead, the Group will continue to create synergies with S.F. Holding through extensive collaborations, actively identify new opportunities to grow its business sustainably and deliver greater value for its shareholders.

FINANCIAL REVIEW

The Group has centralised financing policies which apply to all business units within the network. The policies are reviewed on a periodical basis along with the change in market situation and financial position of the Group.

Most of the Group's assets and liabilities are denominated in different functional currencies of the overseas subsidiaries' respective countries. The Group generally does not enter into foreign exchange hedges in respect of its long-term equity investments in overseas subsidiaries, associates and a joint venture. 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 2023, total foreign currency borrowings amounted to the equivalent of HK\$2,051 million (including HK\$1,142 million denominated in Renminbi and HK\$383 million denominated in USD), which represented approximately 24% of the Group's total bank loans of HK\$8,498 million.

Out of the Group's total bank loans as at 31 December 2023, HK\$3,263 million (representing approximately 38%) was repayable within one year, HK\$1,971 million (representing approximately 23%) in the second year, HK\$3,181 million (representing approximately 38%) in the third to fifth years and HK\$83 million (representing approximately 1%) over five years. The Group maintains most of its bank loans on an unsecured basis, with unsecured debt accounting for approximately 99% of total bank loans. In relation to the secured bank loans of HK\$71 million as at 31 December 2023, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK\$871 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 2023, the gearing ratio for the Group was 49.1% (31 December 2022: 48.3%). The ratio was calculated as total bank loans and overdrafts (including bank loans associated with assets classified as held for distribution), divided by equity attributable to the Shareholders.

As at 31 December 2023, the Group had total undrawn bank loan and overdraft facilities of HK\$9,751 million which may be used to fund material capital expenditure. The Group will also continue to secure financing as and when the need arises.

As at 31 December 2023, the Group had no material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 31 December 2023, the Group had approximately 33,100 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 and share award scheme.

AWARDS AND CITATIONS

CORPORATE ACCOLADES



- AWARD OF EXCELLENCE IN CORPORATE GOVERNANCE
- AWARD OF EXCELLENCE IN ESG

HONG KONG CORPORATE GOVERNANCE AND ESG EXCELLENCE AWARDS 2023



- LISTED ENTERPRISES 2023
- ESG LEADING ENTERPRISES

BLOOMBERG BUSINESSWEEK/ CHINESE EDITION



- CROSS-BORDER CORPORATE - LEADERSHIP AWARD

2023 STANDARD CHARTERED CORPORATE ACHIEVEMENT AWARDS



- EXCELLENCE IN THIRD-PARTY LOGISTICS

HONG KONG ECONOMIC TIMES EXCELLENCE AWARDS 2023



- ESG BENCHMARK AWARDS - SILVER AWARD
- OUTSTANDING SUSTAINABILITY AND DIVIDEND GROWTH AWARD

ESG ACHIEVEMENT AWARDS 2022/2023 BY THE INSTITUTE OF ESG & BENCHMARK



- JADE AWARD
- BEST SUSTAINABILITY TEAM

THE ASSET ESG CORPORATE AWARDS 2023

INDUSTRY RECOGNITION



SUPPLY CHAIN MANAGEMENT AWARD

THE 35TH BRITISH INTERNATIONAL FREIGHT ASSOCIATION FREIGHT SERVICE AWARDS 2023



- BEST 3PL PROVIDER
- BEST LOGISTICS SERVICE PROVIDER – SEA FREIGHT

2023 ASIAN FREIGHT, LOGISTICS & SUPPLY CHAIN AWARDS



- ASIAN 3PL OF THE YEAR
- SUPPLY CHAIN INNOVATOR OF THE YEAR (INTEGRATED WAREHOUSE SOLUTIONS)

SUPPLY CHAIN ASIA AWARDS 2023



ASIA-PACIFIC LOGISTICS COMPANY OF THE YEAR

2023 FROST & SULLIVAN ASIA-PACIFIC BEST PRACTICES AWARDS



2022 TOP 100 CHINA COLD CHAIN LOGISTICS ENTERPRISES

COLD CHAIN LOGISTICS COMMITTEE OF CHINA FEDERATION OF LOGISTICS & PURCHASING



2023 CHINA CHEMICAL LOGISTICS INDUSTRY: GOLD AWARD – SAFETY MANAGEMENT ENTERPRISE

CHINA FEDERATION OF LOGISTICS & PURCHASING

COMMENDATIONS FROM CUSTOMERS AND PARTNERS



BEST GREEN LOGISTICS PARTNER IN NORTH ASIA

LOUIS VUITTON



PARTNER EXCELLENCE AWARD 2023

DELL TECHNOLOGIES



APPRECIATION AWARD FOR 20 YEARS OF LOGISTICS SERVICE AND SUPPORT

TTM TECHNOLOGIES



APPRECIATION AWARD FOR 15 CONSECUTIVE YEARS OF LOGISTICS SERVICE

CANON



OUTSTANDING PARTNER 2022

RAZER



BEST SERVICE AWARD 2023

CHARLOTTE TILBURY

KLN Group has a total of 137 wins, from corporate accolades, industry recognition to commendations from customers and partners

LOCATION	AWARD	ORGANISER
CORPORATE ACCOLADES		
Hong Kong	Hong Kong Corporate Governance and ESG Excellence Awards 2023 <ul style="list-style-type: none"> Award of Excellence in Corporate Governance Award of Excellence in ESG 	The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University
	Listed Enterprises 2023	Bloomberg Businessweek/Chinese Edition
	ESG Leading Enterprises	Bloomberg Businessweek/Chinese Edition
	2023 Standard Chartered Corporate Achievement Awards: Cross-border Corporate – Leadership Award	Standard Chartered Bank
	Hong Kong Economic Times Excellence Awards 2023: Excellence in Third-Party Logistics	Hong Kong Economic Times
	ESG Achievement Awards 2022/2023 <ul style="list-style-type: none"> ESG Benchmark Awards – Silver Award Outstanding Sustainability and Dividend Growth Award 	Institute of ESG & Benchmark
	The Asset ESG Corporate Awards 2023 <ul style="list-style-type: none"> Jade Award Best Sustainability Team 	The Asset Magazine
	Ming Pao ESG Award 2023 <ul style="list-style-type: none"> Elite of Sustainability Performance Award Excellence in Decarbonisation Award 	Ming Pao and the Institute of ESG and Benchmark
	Hong Kong Green and Sustainability Contribution Awards 2023: Pioneering Award for ESG Disclosure Contribution	Hong Kong Quality Assurance Agency
	Hong Kong Green Organisation	Environmental Campaign Committee, Environment and Ecology Bureau
	2023 All-Asia (Ex-Japan) Executive Team Annual Ranking (Transportation Sector): Most Honored Company	Institutional Investor
	2023 All-Asia (Ex-Japan) Executive Team (Overall Small & Midcap) – 1st Place (Transportation Sector): <ul style="list-style-type: none"> Best CFO – Ellis Cheng 	Institutional Investor
	2023 All-Asia (Ex-Japan) Executive Team (Overall Small & Midcap) – 2nd Place (Transportation Sector) <ul style="list-style-type: none"> Best CEO – William Ma Best Company Board Best ESG Best IR Program Best IR Professional – Iris Tsang 	Institutional Investor
	IR Magazine Awards – Greater China 2023 <ul style="list-style-type: none"> Best in Sector: Industrials Best Investor Relations Officer (Small to Mid-cap) – Iris Tsang 	IR Magazine

LOCATION	AWARD	ORGANISER
CORPORATE ACCOLADES		
Hong Kong	FinanceAsia Achievement Awards 2023 (Dealmaker Poll Category)	FinanceAsia Magazine
	<ul style="list-style-type: none"> • Best CFO (Hong Kong SAR) – Ellis Cheng 	
	Constituents of Hang Seng Corporate Sustainability Benchmark Index 2023/2024	Hang Seng Indexes Company Limited
	10 Years Plus Caring Company	The Hong Kong Council of Social Service
	The 18th Occupational Health Award	Occupational Safety & Health Council
	<ul style="list-style-type: none"> • Joyful@Health Workplace – Enterprise/Organisation Category: Grand Award • Mental Health Friendly Supreme Organization Award – Enterprise/Organisation Category • Joyful@Healthy Workplace – Distinction in Physical Activity Promotion • Joyful@Healthy Workplace – Distinction in Healthy Eating Promotion • Best Presentation Award – Silver Award 	
	Privacy-Friendly Awards 2023: Gold Award	Office of the Privacy Commissioner for Personal Data, Hong Kong
	ERB Manpower Developer Award Scheme: Super MD 2020-25	Employees Retraining Board
Quality Food Scheme Plus 2023: Diamond Enterprise Winner	GS1 Hong Kong	
The Mainland	The 12th China Finance Summit 2023: Outstanding Brand Award	China Finance Summit Committee
	The 7th Boao Enterprise Forum 2023: Leading Industrial Enterprise of the Year	Committee of Boao Enterprise Forum
	The 7th China Brand Boao Summit 2023: Iconic Industrial Brand of the Year	Committee of China Brand Boao Summit
	2023 Excellent Social Responsibility Enterprise	China SOS Children's Village Association
	2023 Role Model of Win-win Enterprise	Xiamen Federation of Trade Union & Xiamen Federation of Industry and Commerce
Thailand	Appreciation Award for Supporting Thai Heritage Conservation Day	Laem Chabang Municipality
	Appreciation Award for Conservation of Marine and Coastal Resources	Department of Marine and Coastal Resources
Italy	China Awards 2023: Capital Elite	Italy China Council Foundation
	Credit Reputation Award 2023	MF Centrale Risk
United Kingdom	The International Annual Report Design Awards 2023 Annual Report 2022 (PDF Version/Transportation & Logistics)	IADA International Limited
	<ul style="list-style-type: none"> • Silver Winner: Integrated Presentation • Silver Winner: Cover Design • Silver Winner: Interior Design 	
	The International Annual Report Design Awards 2023 Sustainability Report 2022 (PDF Version/Transportation & Logistics)	IADA International Limited
	<ul style="list-style-type: none"> • Gold Winner: Integrated Presentation • Gold Winner: Interior Design • Silver Winner: Cover Design 	

LOCATION	AWARD	ORGANISER
CORPORATE ACCOLADES		
US	2023 iNOVA Awards: Annual Report 2022 Bronze Winner – Online Annual Reports: Logistics	MerComm, Inc.
	2023 iNOVA Awards: Sustainability Report 2022 Gold Winner – Sustainability Report	MerComm, Inc.
	2023 iNOVA Awards: 'Sustainable Logistics Solutions in Action' Video Bronze Winner – Video: ESG Video Report	MerComm, Inc.
	2023 iNOVA Awards: 'Transforming Truck' Video Silver Winner – Animation/Graphics	MerComm, Inc.
	2023 ASTRID Awards Sustainability Report 2021 <ul style="list-style-type: none"> • Gold Winner: Annual Reports Online: Design/Graphics • Honors: Annual Reports – Specialised Print: Sustainability & ESG Reporting 	MerComm, Inc.
	2023/2024 Mercury Awards: Annual Report 2022 Bronze Award: Annual Reports – Overall Presentation: Logistics Services/Enterprises	MerComm, Inc.
	2023 Galaxy Awards: 'Sustainable Logistics Solutions in Action' Video Honors: Videos – DVDs, URLs & USBs – Animated Promotion	MerComm, Inc.
	2023 Questar Awards: 'Transforming Truck' Video Bronze Award – Corporations: Animation	MerComm, Inc.
	2023 MUSE Creative Awards: 'Transforming Truck' Video Gold Winner: Video – Animation	International Awards Associate

LOCATION	AWARD	ORGANISER
INDUSTRY RECOGNITION		
United Kingdom	The 35th British International Freight Association Freight Service Awards 2023: Supply Chain Management Award	British International Freight Association
Singapore	2023 Asian Freight, Logistics and Supply Chain Awards <ul style="list-style-type: none"> • Best 3PL Provider • Best Logistics Service Provider – Sea Freight 	Asia Cargo News Magazine
	Supply Chain Asia Awards 2023 <ul style="list-style-type: none"> • Asian 3PL of the Year • Supply Chain Innovator of the Year (Integrated Warehouse Solutions) 	Supply Chain Asia Magazine
	2023 Frost & Sullivan Asia-Pacific Best Practices Awards: Asia-Pacific Logistics Company of the Year	Frost & Sullivan
US	Armstrong & Associates' Rankings (published in 2023) <ul style="list-style-type: none"> • Top 50 Global 3PLs – Ranked No 5 (Included data from S.F. Holding, ranked by 2022 logistics gross revenue/turnover) • Top 25 Global Freight Forwarders – Ranked No 10 (ranked by 2022 logistics gross revenue & freight forwarding volumes) 	Armstrong & Associates, Inc.
	Transport Topics' Top 50 Logistics Rankings (published in 2023) <ul style="list-style-type: none"> • Top 50 Ocean Freight Forwarders – Ranked No 9 (ranked by 2022 freight forwarding volume) • Top 50 Air Freight Forwarders – Ranked No 13 (ranked by 2022 freight forwarding volume) 	Transport Topics & Armstrong & Associates, Inc.

LOCATION	AWARD	ORGANISER
INDUSTRY RECOGNITION		
The Mainland	2022 China International Freight Forwarding Logistics Rankings	China International Freight Forwarders Association
	<ul style="list-style-type: none"> • Air Freight Gross Revenue – Ranked No 4 • Ocean Freight Gross Revenue – Ranked No 12 • Logistics Gross Revenue – Ranked No 8 • Warehousing Gross Revenue – Ranked No 8 • Top 20 Road Freight Gross Revenue 	
	2022 Top 100 China Cold Chain Logistics Enterprises	Cold Chain Logistics Committee of China Federation of Logistics & Purchasing
	2022 Top 100 China Cold Chain Warehousing Enterprises	China Association of Warehousing and Distribution
	2022 Top 100 China General Warehousing Enterprises	China Association of Warehousing and Distribution
	2023 China Chemical Logistics Industry: Gold Award – Safety Management Enterprise	China Federation of Logistics & Purchasing
	2023 Advanced Enterprise for the Safety Management of China Dangerous Chemicals Logistics	People's Traffic Magazine
	Outstanding Enterprise in High Quality Development of Tianjin Future Science and Technology City 2023	Tianjin Future Science and Technology City Management Committee
	The Key Logistics Company of Shenzhen Integrity Demonstration Enterprise	Transport Bureau of Shenzhen Municipality
	Top 10 Intelligent Supply Chain Enterprise	China (Shanghai) Pilot Free Trade Zone Administration Shanghai Free Trade Zone Authority
	2023 Top 30 Logistics and Supply Chain (China) Solutions	Logistics Times Magazine & Committee of China International Transport and Logistics Expo
	2023 China Hazardous Chemicals Logistics Safety Management – Leading Enterprise	Logistics Times Magazine & Committee of Global Trade and International Logistics Summit Forum
	2023 LOG Supply Chain and Contract Logistics – Innovation Excellent Enterprise	People's Traffic Magazine
	2023 LOG Low-carbon Supply Chain Logistics – Outstanding Contribution Award	LOG Club
2023 LOG Low-carbon Supply Chain Logistics – Outstanding Contribution Award	LOG Club	
Pakistan	The 13th Executive Green Supply Chain Awards 2023: Green Supply Chain Awards	The Professionals Network

LOCATION	AWARD	ORGANISER
COMMENDATIONS FROM CUSTOMERS AND PARTNERS		
Hong Kong	Best Green Logistics Partner in North Asia	Louis Vuitton Pacific
	Appreciation Award for 20 Years of Logistics Service and Support	TTM Technologies Trading (Asia)
	Appreciation Award for 15 Consecutive Years of Logistics Service	Canon Hongkong
	Appreciation Award for 10 Consecutive Years of Logistics Service	Canon Electronic Business Machines (HK)
	Outstanding Partner 2022	Razer (Asia Pacific)
	Regional Collaboration Award 2023	Maxim's Caterers
	Asian Distributor of the Year	Shockwave Medical, Inc.
	Logistics Service Excellence Award 2023	Tai Hing Group
	Mega Tonners Awards 2022 – Station Hong Kong	MASkargo
	Certificate of Appreciation 2023	MASkargo
	Top Customer Award 2022	Cathay Cargo
	Network Contribution Award 2023	Hong Kong Air Cargo
	Strategic Client on Cloud Adoption 2023	eCloudvalley Digital Technology
The Mainland	Partner Excellence Award 2023	DELL Technologies
	Best Service Award 2023	Charlotte Tilbury
	Excellent Supply Chain Partner of the Year 2023	China Energy Engineering Corporation
	Best Quality Award 2023	ZTE Corporation
	Logistics Service of the Year 2023	Lubrizol Additive (Zhuhai)
	Excellent Supplier Award-Collaboration 2023	GE HealthCare
	Excellent Logistics Service Provider 2023	Emerson
	Best Partnership Award 2023	HMM (Shanghai)
	2022 Strategic Partner	Corning (Hainan) Optical Communications
	Best Supplier Award 2023	Shanghai Huahong (Group)
	2023 AstraZeneca China Sustainable Development Partner Forum: Partner Appreciation Award	AstraZeneca
	Excellent Partner Award 2023	Fujian Newland Payment Technology
	Best Service Vendor Award 2023	Deckers Footwear (Shanghai)
	Excellent Logistics Partner of the Year 2023	Zhuhai International Circuit
	Sustainable Development Contribution Award 2023	BASF
	SXTB SECURE Award 2022	BASF-YPC
	Best Supplier Award 2023	Allnex Resins (China)
	Trusted Logistics Partner 2022	Hainan Deguangrun Pharmaceutical
	Best Business Collaborative Partner 2022	Hainan Boao Lecheng Sinopharm Group Medicine

LOCATION	AWARD	ORGANISER
COMMENDATIONS FROM CUSTOMERS AND PARTNERS		
The Mainland	Best Partner of the Year 2022	Cathay Cargo
	2022/23 Pan China Top Cargo Agents Award	Singapore Airlines
	2022-2023 Best Improving Agent	Turkish Cargo
	EAL Outstanding Contribution Award 2022	Eastern Air Logistics
	Top Agent Award 2023	Hong Kong Air Cargo
	Top Sales Award 2022	China Airlines
Singapore	Top Agents Award 2022/2023	Singapore Airlines Cargo
Malaysia	Mega Tonners Award 2022 – Station Kuala Lumpur	MASKargo
	Top Agent Award 2022	Cathay Cargo
	Million Dollar Sales Award 2022	China Airlines
	Best Improving Agent 2022	Turkish Cargo
Thailand	Best Supplier Award 2023	Pioneer Manufacturing (Thailand)
Australia	Best Logistics Supplier of the Year Award 2022	GPC Asia Pacific
Kazakhstan	ERG Supplier Award 2023	Eurasian Resources Group
US	Freight Forwarder of the Year 2023	PrimeSource Building Products, Inc.
	2023 Million Sales Award	China Airlines
	2023 Top Agent Performance Award	EVA Air

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has applied the principles and code provisions as set out in Part 2 of the CG Code and its corporate governance practices are based on such principles and code provisions. The Directors consider that for the year ended 31 December 2023, the Company has complied with the code provisions as set out in Part 2 of the CG Code.

The Company recognises the importance of transparency in governance and accountability to Shareholders. The Board believes that Shareholders can maximise their benefits from good corporate governance. Therefore, the Company regularly reviews its corporate governance practices to ensure alignment with generally acceptable practices and standards.

CORPORATE CULTURES

As Asia's leading logistics service provider, the philosophy of the Company is a commitment to success. We are committed to success in both the region and the larger global market. The Company understands the uniqueness of the Asian market and the complexity of global supply

chains. The Company's expertise extends beyond the mechanics of logistics into diverse business and cultural considerations that effect seamless movement of cargo. The Company is committed to creating real value for our stakeholders through innovative solutions, sustainable results and long-term growth.

CORE VALUES – VOICE

VALUE CREATION

We create real value for our clients, employees and shareholders through innovative solutions, rewarding careers and financial growth.

OPENNESS

We believe in true openness and transparency throughout our Company. Our management actively encourages open communication and dialogue at every level of the organisation.

INTEGRITY

Our business is built on integrity. We follow clear ethical guidelines and strictly enforce them throughout the Company.

COMMITMENT

As a service provider we are committed to the success of our clients. We are fully dedicated to all projects and assignments we take on. We are also committed to our employees' career development and to meeting Shareholders' expectations.

EXCELLENCE

We believe in excellence and practise a continuous process of improvement and innovation.



A THE BOARD

1 RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the Company and is responsible for promoting the long-term sustainable success of the Company by directing and supervising its affairs as well as aligning the Company's culture with its purpose, value and strategy. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. All relevant terms of reference (except for the Finance Committee, the Risk Management Committee and the Sustainability Committee) are published on the websites of the Stock Exchange and the Company.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its Shareholders at all times. The biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against the Directors. For more details, please refer to the section headed "Directors' Permitted Indemnity Provision" in the Report of Directors on page 88 of this annual report.

2 DELEGATION OF MANAGEMENT FUNCTION

The Board is responsible for making all major decisions of the Company including: the approval and monitoring of all major policies of the Group, overall strategies and budgets, internal control and risk management systems, notifiable and connected transactions, nomination of directors, Company Secretary and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

3 BOARD COMPOSITION

The Board comprises the following Directors:

Mr WANG Wei

(Chairman, Non-executive Director)

Mr KUOK Khoon Hua

(Vice Chairman, Non-executive Director)

Executive Directors

Mr CHEUNG Ping Chuen Vicky

(Chief Executive Officer)

(re-designation as Group Managing Director

from 1 October 2023 to 31 March 2024

and Chief Executive Officer effective

from 1 April 2024)

Mr CHENG Chi Wai

(appointment effective from 22 May 2023)

Mr MA Wing Kai William

(retirement as Executive Director and

Group Managing Director effective

from 22 May 2023

and 1 October 2023 respectively)

Non-executive Directors

Mr HO Chit

Ms OOI Bee Ti

(appointment effective from
31 October 2023)

Ms CHEN Keren

Mr CHAN Fei

(resignation effective from 31 October 2023)

Independent Non-executive Directors

Dr CHEUNG Wai Man

Mr LAI Sau Cheong Simon

Mr TAN Chuen Yan Paul

Ms WONG Yu Pok Marina

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

To the best knowledge of the Company, there are no financial, business, family, or other material/relevant relationships among members of the Board.

4 APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of directors are laid down in the Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of the Independent Non-executive Directors.

Each of the Directors (including the Non-executive Director and Independent Non-executive Directors) has signed an appointment letter with the Company for an initial term commencing from his/her respective date of appointment until the next general meeting of the Company, at which he/she will be eligible for re-election. Upon being re-elected, the appointment of the director shall continue for a period of three years and until the conclusion of the third annual general meeting of the Company or such earlier date pursuant to the Bye-laws. The appointments are subject to the provisions of retirement and rotation of directors in accordance with the Bye-laws.

In accordance with the Bye-laws, all Directors are subject to retirement by rotation no later than the third annual general meeting after he/she was last elected or re-elected.

5 INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills, and are required to provide to the Company their training records on an annual basis.

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Mr CHENG Chi Wai and Ms OOI Bee Ti, who were appointed as Directors effective from 22 May 2023 and 31 October 2023, attended a training session arranged by the Company on “Continuing Obligations of Listed Company and its Directors – Key Points at a Glance” on 19 May 2023 and 26 October 2023 respectively, at which legal adviser of the Company, Norton Rose Fulbright Hong Kong, provided legal advice on Hong Kong law as regards the requirements under the Listing Rules that are applicable to them as directors of a listed company, their obligations as Directors, and the possible consequences of making false declarations or giving false information to the Stock Exchange. Each of them has confirmed his/her understanding of the information provided by the legal adviser of the Company.

The Directors are continually provided with information related to the developments in the legal and regulatory regime, the business and market environments and the Company’s business and governance policies to facilitate the execution of their responsibilities. Continuing briefing and professional development for Directors were arranged by the Company and its legal adviser.

During the year, the following continuous professional development were arranged for all Directors:

- the Directors were invited to attend training session arranged by the Company on “ESG Reporting Trend and Scores”
- the Directors were provided with reading materials about cybersecurity and anti-corruption

According to records provided by the Directors, a summary of participation in training by the Directors for the year ended 31 December 2023 is as follows:

Name of Director	Training attended
Mr WANG Wei	✓
Mr KUOK Khoon Hua	✓
Mr CHEUNG Ping Chuen Vicky	✓
Mr CHENG Chi Wai (appointment effective from 22 May 2023)	✓
Mr HO Chit	✓
Ms OOI Bee Ti (appointment effective from 31 October 2023)	✓
Ms CHEN Keren	✓
Dr CHEUNG Wai Man	✓
Mr LAI Sau Cheong Simon	✓
Mr TAN Chuen Yan Paul	✓
Ms WONG Yu Pok Marina	✓

6 BOARD MEETINGS AND GENERAL MEETINGS

NUMBER OF MEETINGS AND DIRECTORS’ ATTENDANCE

Code Provision C.5.1 prescribes that at least four regular board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Board met six times during the year ended 31 December 2023 for discussing and approving the overall strategies and policies of the Company, discussing and reviewing the business strategy of KEX, reviewing and approving the audited annual results for the year ended 31 December 2022, reviewing and approving the sustainability report 2022, discussing and approving the termination of continuing connected transaction under SS Warehouses Management Agreement, discussing and reviewing the proposed issue of perpetual convertible bond, discussing and approving the change of composition of Board and committees, discussing and reviewing operating results, reviewing and approving the unaudited interim results for the six months ended 30 June 2023, discussing and approving the termination of continuing connected transaction under FL Warehouses Management Agreement, discussing and approving the proposed acquisition of 70% equity interests in Alashankou International Rail Cargo Express Ltd., discussing and reviewing the feasibility of distribution in specie of KEX Shares, approving the corporate governance matters and discussing the reports and suggestions from all Board committees. The attendance records of each Director at the Board meetings are set out below:

Name of Director	Meetings attended/ eligible to attend
Mr WANG Wei	6/6
Mr KUOK Khoon Hua	4/6
Mr CHEUNG Ping Chuen Vicky	6/6
Mr CHENG Chi Wai (appointment effective from 22 May 2023)	3/3
Mr HO Chit	6/6
Ms OOI Bee Ti (appointment effective from 31 October 2023)	1/1
Ms CHEN Keren	6/6
Dr CHEUNG Wai Man	6/6
Mr LAI Sau Cheong Simon	6/6
Mr TAN Chuen Yan Paul	6/6
Ms WONG Yu Pok Marina	6/6
Mr MA Wing Kai William (retirement effective from 22 May 2023)	3/3
Mr CHAN Fei (resignation effective from 31 October 2023)	5/5

Other than the above full Board meetings, the Chairman of the Board also held an annual meeting with the Independent Non-executive Directors without the presence of any of the other Executive Directors and Non-executive Directors.

The Company held one special general meeting on 11 May 2023 in relation to the issue of the Convertible Securities under the subscription and placing agency agreement and one annual general meeting on 22 May 2023 during the year ended 31 December 2023. All proposed Shareholders' resolutions put to the above general meetings were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcements released on the day of the respective general meetings. The attendance of the members of the Board at the said general meetings is as follows:

Name of Director	Meetings attended/ eligible to attend
Mr WANG Wei	2/2
Mr KUOK Khoon Hua	2/2
Mr CHEUNG Ping Chuen Vicky	2/2
Mr CHENG Chi Wai (appointment effective from 22 May 2023)	N/A
Mr HO Chit	2/2
Ms OOI Bee Ti (appointment effective from 31 October 2023)	N/A
Ms CHEN Keren	2/2
Dr CHEUNG Wai Man	2/2
Mr LAI Sau Cheong Simon	2/2
Mr TAN Chuen Yan Paul	2/2
Ms WONG Yu Pok Marina	2/2
Mr MA Wing Kai William (retirement effective from 22 May 2023)	2/2
Mr CHAN Fei (resignation effective from 31 October 2023)	2/2

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management (including the general manager) attend all regular global executive committee meetings, chaired by the Chief Executive Officer and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings except for the Remuneration Committee, Risk Management Committee and Sustainability Committee meetings. Minutes of the Remuneration Committee meetings are taken by the secretary of the Remuneration Committee appointed by the chairman of the Remuneration Committee. Minutes of the Risk Management Committee and Sustainability Committee meetings are taken by the secretary of the Risk Management Committee and Sustainability Committee appointed in accordance with its terms of reference. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their respective close associates (as defined in the Listing Rules) or (in relation to any transaction which is a connected transaction under Chapter 14A of the Listing Rules) associates (as defined in the Listing Rules) have a material interest, subject to exceptions stated therein.

7 INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors representing at least one-third of the Board and at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the Independent Non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the Independent Non-executive Directors in respect of their independence. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules.

The Independent Non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgment in various aspects. They will take lead when potential conflicts of interest arise. They are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

B CHAIRMAN AND CHIEF EXECUTIVE

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Chairman of the Board is Mr WANG Wei, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for setting the strategic vision, direction and goals of the Group and participates in the Group's strategic and key operational decision-making processes. The Chairman of the Board is the primary responsible person for ensuring that good corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole.

Mr MA Wing Kai William acted as the Group Managing Director until 30 September 2023, and Mr CHEUNG Ping Chuen Vicky was re-designated as the Group Managing Director from 1 October 2023 to 31 March 2024 and the Chief Executive Officer effective from 1 April 2024. The Group Managing Director/Chief Executive Officer performs the functions of the chief executive and is responsible for overseeing the operations and investment as well as exploring new business opportunities for the Group.

To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the Chief Executive Officer co-ordinates with the senior management to provide adequate, complete and reliable information to all Directors for consideration and review.

C BOARD COMMITTEES

The Board has established six committees, namely, the Remuneration Committee, Audit and Compliance Committee, Nomination Committee, Finance Committee, Risk Management Committee and Sustainability Committee, for overseeing particular aspects of the Company's affairs. All of these six committees of the Company are established with defined written terms of reference.

The majority of the members of each of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee are Independent Non-executive Directors. The members of the Finance Committee are Executive Directors and the Non-executive Director. The members of the Risk Management Committee are two Executive Directors plus a non-member of the Board, while members of the Sustainability Committee is one Executive Director plus non-members of the Board.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

1 REMUNERATION COMMITTEE

The Board has established a remuneration committee with written terms of reference in compliance with paragraph E.1 of Part 2 of the CG Code.

The written terms of reference of the Remuneration Committee were revised on 30 March 2022 to tidy-up the existing terms of reference. The revised terms of reference were set out in the Company's announcement released on 30 March 2022 and were made available on the websites of the Stock Exchange and the Company.

The Remuneration Committee consists of three Independent Non-executive Directors, being Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina, one Non-executive Director, being Mr WANG Wei, and one Executive Director, being Mr CHEUNG Ping Chuen Vicky. The chairman of the Remuneration Committee is Mr LAI Sau Cheong Simon. Mr MA Wing Kai William stepped down as a member of the Remuneration Committee effective on 22 May 2023. Mr CHEUNG Ping Chuen Vicky has been appointed as a member of the Remuneration Committee effective on 22 May 2023.

The primary duties of the Remuneration Committee include, but are not limited to: (i) making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate; and (iii) determining the terms of the remuneration package of the Directors and senior management with reference to their time commitment and responsibilities, and employment condition in the Group, and comparable companies.

The Remuneration Committee held four meetings during the year ended 31 December 2023 to review the remuneration policy and structure of the Company, to make recommendations to the Board on determining key performance indicators (“KPIs”) (both financial and sustainable development goals) in connection with the annual remuneration packages of the Executive Directors and the senior management, to approve short term incentive and long term incentive (i.e. share awards) with reference to KPIs, to review succession plans and to complete annual review of the terms of reference.

The attendance records of the Remuneration Committee are set out below:

Name of Director	Board capacity (during the period of membership)	Meetings attended/ eligible to attend
Mr LAI Sau Cheong Simon (Chairman)	INED	4/4
Mr WANG Wei	Chairman, NED	4/4
Mr CHEUNG Ping Chuen Vicky (appointed on 22 May 2023)	Chief Executive Officer, ED	3/3
Mr TAN Chuen Yan Paul	INED	4/4
Ms WONG Yu Pok Marina	INED	4/4
Mr MA Wing Kai William (stepped down on 22 May 2023)	Group Managing Director, ED	1/1

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of the individual Executive Directors and the senior management.

The remuneration for the Executive Directors and senior management comprises salary, short term incentive and long term incentive in the form of cash, discretionary bonus, share awards or otherwise.

Salaries are reviewed annually. Salary increases of Executive Directors and senior management are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

In addition to salary, Executive Directors and senior management are eligible to receive short term incentive (i.e., discretionary bonus), the amount of which shall be reviewed and approved by the Remuneration Committee who shall take into consideration factors such as market conditions as well as corporate and individual performances.

In order to attract, retain and motivate executives and key employees serving any member of the Group, Directors and senior management are also eligible to participate in the long term incentive scheme (i.e., Share Award Scheme).

For the year ended 31 December 2023, the Non-executive Directors (other than the Chairman and the Vice Chairman), the Independent Non-executive Directors and the members of the Board committees (other than the Chairman, the Vice Chairman and the Executive Director(s)), were entitled to the following annual fees:

Annual fee	Amount (HK\$)	Basis of pro-rating for the year
As NED*/INED	300,000	Period of directorship
	5,000	Attendance rate at Board meetings
As Remuneration Committee member*/chairman	50,000/80,000	Period of membership
	5,000	Attendance rate at meetings
As Audit and Compliance Committee member/chairman	120,000/200,000	Period of membership
	5,000	Attendance rate at meetings
As Nomination Committee member*/chairman	50,000/80,000	Period of membership
	5,000	Attendance rate at meetings
As Finance Committee member#	N/A	Period of membership
	N/A	Attendance rate at meetings
As Risk Management Committee member#	N/A	Period of membership
	N/A	Attendance rate at meetings
As Sustainability Committee member#	N/A	Period of membership
	N/A	Attendance rate at meetings

* Neither the Chairman nor the Vice Chairman is entitled to receive any annual fee or attendance fee as a Non-executive Director or, as a member of the Remuneration Committee and Nomination Committee.

All members of the Finance Committee are either Executive Directors or a Non-executive Director, and all members of each of the Risk Management Committee and Sustainability Committee are Executive Director(s) plus non-member(s) of the Board, and no annual fee or attendance fee is applicable.

Details of the remuneration paid to each of the Directors for the year ended 31 December 2023 are set out in note 12 to the Financial Statements.

The remuneration paid to each of the senior management members of the Group (as named in the section of "Senior Management") by band for the year ended 31 December 2023 is set out in note 12 to the Financial Statements.

2 AUDIT AND COMPLIANCE COMMITTEE

The Board has established an audit and compliance committee in compliance with Rule 3.21 of the Listing Rules and paragraph A.2 as well as paragraph D.3 of Part 2 of the CG Code.

The Audit and Compliance Committee consists of two Independent Non-executive Directors, being Ms WONG Yu Pok Marina and Mr LAI Sau Cheong Simon and one Non-executive Director, being Mr HO Chit. The chairman of the Audit and Compliance Committee is Ms WONG Yu Pok Marina, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit and Compliance Committee include, but are not limited to: (i) reviewing and monitoring the relationship of the external auditor and the Group, particularly the independence and objectivity and effectiveness of the external auditor; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and

risk management systems of the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) developing, reviewing and monitoring the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; (v) reviewing the financial information of the Company and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; and (vi) developing, reviewing and monitoring the code of conduct applicable to the Company's employees and Directors.

As at the date of this annual report, the Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit and Compliance Committee considers that the financial results for the year ended 31 December 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held four meetings and passed one resolution in writing by all committee members in lieu of holding a meeting during the year ended 31 December 2023 to review and consider the engagement process of the non-assurance services provider, to review the audited annual results and financial report for the year ended 31 December 2022, the financial reporting and the compliance procedures, the corporate governance policy and practice, the internal audit plan and reports, the financial performance updates, the unaudited interim results and financial report for the six months ended 30 June 2023, the non-exempt continuing connected transactions for the year ended 31 December 2023, the policies and practices regarding compliance with laws and regulations, the financial, operational and compliance monitoring, the risk management control, the work of the internal and external auditor, as well as the service fees due to the external auditor and to complete annual review of the terms of reference.

The attendance records of the Audit and Compliance Committee are set out below:

Name of Director	Board Capacity (during the period of membership)	Meetings attended/ eligible to attend
Ms WONG Yu Pok Marina (Chairman)	INED	4/4
Mr HO Chit	NED	4/4
Mr LAI Sau Cheong Simon	INED	4/4

The Company's results for the year ended 31 December 2023 have been reviewed by the Audit and Compliance Committee on 18 March 2024.

The Audit and Compliance Committee reported that it had duly performed its duties relating to the corporate governance functions and it was not aware of any terms of corporate governance being violated during the year ended 31 December 2023.

3 NOMINATION COMMITTEE

The Board has established a nomination committee with written terms of reference in compliance with paragraph B.3 of Part 2 of the CG Code. The Nomination Committee consists of three Independent Non-executive Directors, being Mr TAN Chuen Yan Paul, Dr CHEUNG Wai Man and Mr LAI Sau Cheong Simon, and two Non-executive Directors, being Mr WANG Wei and Mr KUOK Khoon Hua. The chairman of the Nomination Committee is Mr TAN Chuen Yan Paul.

The primary duties of the Nomination Committee include, but are not limited to (i) identifying, selecting and recommending to the Board appropriate candidates to serve as Directors and general manager of the Company, and identify candidates for succession planning; (ii) overseeing the process for evaluating the performance of the Board; (iii) developing, recommending to the Board and monitoring nomination guidelines for the Company; and (iv) assessing the independence of Independent Non-executive Directors.

The Nomination Committee held two meetings and passed one resolution in writing by all committee members in lieu of holding a meeting during the year ended 31 December 2023 to review the structure, size, composition and diversity of the Board, to assess the independence of the Independent Non-executive Directors and recommend the changes in composition of the Board and various committee members.

The attendance records of the Nomination Committee are set out below:

Name of Director	Board Capacity (during the period of membership)	Meetings attended/ eligible to attend
Mr TAN Chuen Yan Paul (Chairman)	INED	2/2
Mr WANG Wei	Chairman, NED	2/2
Mr KUOK Khoon Hua	Vice Chairman, NED	2/2
Dr CHEUNG Wai Man	INED	2/2
Mr LAI Sau Cheong Simon	INED	2/2

The Nomination Policy adopted by the Company on 21 December 2018 provides that the Nomination Committee shall recommend to the Board for the nomination, re-appointment of new Directors in accordance with the following procedures and process: (a) the Nomination Committee shall review and assess factors in line with the diversity of the Board, including but not limited to professional experience, skills, knowledge and length of service, and shall consider the candidate's availability to devote sufficient time to the Board and independence of each Independent Non-executive Director based on the requirements of the Listing Rules (as amended from time to time); (b) the Nomination Committee shall nominate suitable candidates to the Board and make recommendations to Shareholders for election as Non-executive Directors at general meetings or appoint as Non-executive Directors to fill casual vacancies based on the then-current and anticipated future leadership needs of the Company, with a view to achieving a sustainable and balanced development of the Company; and

(c) the Nomination Committee shall review and monitor the implementation of the Nomination Policy of the Company, as appropriate from time to time, and will report annually in the annual reports of the Company. The Board shall have the final decision on all matters relating to the recommendation of candidates to stand for election at any general meeting.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance, and the importance of being able to attract, retain and motivate employees from the widest possible pool of available talent. The Board Diversity Policy, which is published on the Company's website, aims to set out the Company's approach to achieve diversity on the Board.

Prior to the listing of the Company on 19 December 2013 and up to the year ended 31 December 2023, the composition and diversity of the Board were considered by taking into account the Board Diversity Policy including, amongst other things, the necessary balance of skills and experience appropriate for the requirements of the business development of the Company and for effective leadership. All the Executive Directors possess extensive and diversified experience in management and broad industrial experience such as the logistics industry and other companies. The five Non-executive Directors and the four Independent Non-executive Directors possess professional knowledge in logistics, supply chain management, information technology, corporate finance, accountancy, commercial law and legal, respectively with broad and extensive experience in business advisory and management, respectively.

The Nomination Committee has set measurable objectives to implement the Board Diversity Policy. Where vacancies on the Board arise, the Nomination Committee will carry out the selection process in accordance with the Board Diversity Policy of the Company and by making reference to a range of diversity perspectives, including but not limited to the gender, age, skills, professional experience, knowledge, management experience, ethnicity and length of service of the proposed candidates, cultural and educational background, the Company's needs and other relevant statutory requirements and regulations. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the year ended 31 December 2023, the Nomination Committee has reviewed the diversity of the Board and considered that the Company has achieved the measurable objectives of the Board Diversity Policy in terms of gender, age, educational background, professional and management experience, skills, knowledge and length of services. The Company currently has three female Directors, and the Board will endeavour to at least maintain female representation on the Board and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

The Company aims to create an inclusive workplace environment for its employees, no matter the age group, gender, race, ethnic origin or religious beliefs with which it identifies. As at 31 December 2023, as set out in the Company's sustainability report 2023, among the 33,130 employees (including senior management) of the Group, the percentages of male employees and female employees are 61% and 39%, respectively. The Board considers that the Group's workforce (including senior management) are diverse in terms of gender. For further details on the diversity, including gender diversity across the workforce, please refer to the Company's sustainability report 2023.

The Nomination Committee will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

4 FINANCE COMMITTEE

The Board has established a finance committee in compliance with paragraphs A.2 and C.4 of Part 2 of the CG Code with written terms of reference since March 2014. The Finance Committee consists of two Executive Directors, being Mr CHEUNG Ping Chuen Vicky and Mr CHENG Chi Wai and one Non-executive Director, being Mr HO Chit. The chairman of the Finance Committee is Mr CHEUNG Ping Chuen Vicky. Mr MA Wing Kai William stepped down as the chairman and a member of the Finance Committee effective on 22 May 2023. Mr CHEUNG Ping Chuen Vicky has been appointed as the chairman of the Finance Committee and Mr CHENG Chi Wai has been appointed as a member of the Finance Committee effective on 22 May 2023. Mr CHAN Fei stepped down as a member of the Finance Committee effective on 31 October 2023 and Mr HO Chit has been appointed as a member of the Finance Committee effective on 31 October 2023.

The primary duties of the Finance Committee include, but are not limited to: (i) review and approve all significant acquisitions, investments, disposal of assets, contracts and variations, and new project commitments, (ii) review and approve all major treasury policies and products on financing, derivatives and financial risk management; and (iii) review and approve the banking facilities and the granting of guarantees and indemnities; whereby the financial impact of each of the incidents/activities stated above falls under certain threshold as specified in the terms of reference.

The Finance Committee passed resolutions in writing by all committee members during the year ended 31 December 2023 in lieu of holding a meeting to review and confirm allotment of shares and lapse of options pursuant to the Pre-IPO Share Option Scheme, to review and approve banking facilities, corporate guarantees and to complete annual review of the terms of reference.

5 RISK MANAGEMENT COMMITTEE

The Board has established a risk management committee with written terms of reference in compliance with paragraph D.2 of Part 2 of the CG Code since November 2015. The Risk Management Committee consists of two Executive Directors, being Mr CHEUNG Ping Chuen Vicky and Mr CHENG Chi Wai, plus a non-member of the Board. The chairman of the Risk Management Committee is Mr CHEUNG Ping Chuen Vicky. Mr MA Wing Kai William stepped down as the chairman and a member of the Risk Management Committee effective on 22 May 2023. Mr CHEUNG Ping Chuen Vicky has been appointed as the chairman and a member of the Risk Management Committee effective on 22 May 2023.

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

The Risk Management Committee oversees and monitors the risk management system of the Company on an ongoing basis and reviews with our management continuously throughout the year, the scope, adequacy and effectiveness of the Company's corporate accounting and financial controls, risk management systems, and any related significant findings regarding risks or exposures and considers recommendations for improvement of such controls. The review covers all material controls, including financial, operational and compliance controls. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. For details of the review, please refer to the section headed "G Risk Management and Internal Controls" on page 49 of this annual report.

In conducting its annual review, the Risk Management Committee considers in particular factors including (a) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of our internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the Board which enables it to assess control of the Company and the effectiveness of risk management; (d) significant control failings or weaknesses that have been identified during the period; and (e) other factors which affect the effectiveness of the Company's risk management system.

The Risk Management Committee held two meetings during the year ended 31 December 2023 to review and update risk register, improvement plan and to complete annual review of the terms of reference.

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

Name of Director	Board capacity (during the period of membership)	Meetings attended/eligible to attend
Mr CHEUNG Ping Chuen Vicky (Chairman, appointed as chairman and member on 22 May 2023)	Chief Executive Officer, ED	2/2
Mr CHENG Chi Wai	ED	2/2
A non-member of the Board	N/A	2/2
Mr MA Wing Kai William (stepped down as chairman and member on 22 May 2023)	Group Managing Director, ED	N/A

6 SUSTAINABILITY COMMITTEE

The Board has established a sustainability committee with written terms of reference since November 2022. The Sustainability Committee consists of one Executive Director, being Mr CHENG Chi Wai, plus non-members of the Board. The chairman of the Sustainability Committee is Mr CHENG Chi Wai. Mr CHEUNG Ping Chuen Vicky stepped down as the chairman and a member of the Sustainability Committee effective on 22 May 2023. Mr CHENG Chi Wai has been appointed as the chairman of the Sustainability Committee effective on 22 May 2023.

The primary duties of the Sustainability Committee include, but are not limited to: (i) making recommendations to the Board on ESG matters, strategies and policies and their respective implementation plans; (ii) arranging directors' training to ensure the Board's understanding of the importance of ESG issues; (iii) assisting the Board in identifying, assessing and evaluating environmental, social, climate-related risks and opportunities which are material to the Company, and making recommendations to the Board on mitigating these risks; (iv) communicating with different committees and/or departments regularly to ensure they are aware of the latest ESG issues; (v) approving and reviewing targets and key initiatives regularly and maintaining effective management systems for environmental and financial data; and (vi) monitoring and reviewing the Company's sustainability report to ensure compliance with the ESG reporting guidelines under the Listing Rules.

The Sustainability Committee held two meetings during the year ended 31 December 2023 to discuss ESG disclosure and preparation for the sustainability report 2023, updates on environmental data and Science Based Targets initiative (SBTi) and to complete annual review of the terms of reference.

The attendance records of the Sustainability Committee are set out below:

Name of Director	Board capacity (during the period of membership)	Meetings attended/ eligible to attend
Mr CHENG Chi Wai (Chairman, appointed as chairman on 22 May 2023)	ED	2/2
Non-members of the Board	N/A	2/2
Mr CHEUNG Ping Chuen Vicky (stepped down as chairman and member on 22 May 2023)	Managing Director, ED	N/A

D MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors (including Mr CHENG Chi Wai, an Executive Director, and Ms OOI Bee Ti, a Non-executive Director, whose appointment became effective on 22 May 2023 and 31 October 2023 respectively) and the Directors have confirmed that they have complied with the Model Code (i) during the year ended 31 December 2023; or (ii) during the period from their respective appointment dates and up to 31 December 2023, as the case may be.

The Company's employees, who are likely to be in possession of inside information of the Company, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company.

E DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the Financial Statements and for ensuring the Financial Statements are published in a timely manner.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

F EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities for the Financial Statements is set out under the section headed "Independent Auditor's Report" in this annual report.

The external auditor of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

During the year ended 31 December 2023, the remuneration paid to the external auditor (including its other member firms) of the Company in respect of audit services and non-audit services is set out below:

Category of Services	2023 HK\$
Audit services	32,802,000
Non-audit services	
– Taxation services	6,637,000
– Other services	–
Total	39,439,000

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

G RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard Shareholders' investments and Company's assets, and reviewing the effectiveness of such on an annual basis through the Audit and Compliance Committee and Risk Management Committee. The risk profile of the Company is collectively discussed and defined by the senior management of the Company. The risk profile identifies major risks and defines acceptable levels for each risk type. Risks that exceed the approved risk appetite shall be adjusted by transferring, sharing or eliminating them, or by implementing other risk mitigation measures, with the aim of reducing the quantum and frequency of loss.

During the year ended 31 December 2023, the Board has conducted a review on the effectiveness of the risk management and internal control systems of the Group and is of the view that such systems are effective. The review has covered the financial, operational and compliance aspects of the Group.

The Risk Management Committee is of the view that risk management and internal control shall be in line with the Company's operation scale, business scope, competition and risk level, and shall be adjusted in a timely manner according to the changes in circumstances.

A summary of major work conducted by the Company during the reporting period in relation to risk management and internal control is as follows:

- Management is responsible for setting the appropriate tone from the top. The members of the Risk Management Committee met with senior management and regional heads from time to time to identify major risks and uncertainties pertaining to the Group's business through the process of risk identification and assessment. Once major risks were identified, the Risk Management Committee endeavoured to evaluate and compare the level of risks identified against predetermined acceptable levels of risk;
- The Company also adopts a bottom-up approach which involves the identification of risks in major operating activities by regional heads. For risk management and monitoring, regional heads communicated with the heads of business units, departments and divisions from time to time to monitor risks identified and come up with measures and response plans to manage and mitigate risks identified in day-to-day business operations. The Risk Management Committee also followed-up periodically the implementation of such measures and response plans;
- The management evaluated the design and operating effectiveness of the internal control regarding financial reporting for 2023 and did not discover any material weaknesses as a result of the evaluation;
- The management reviewed the systems, policies and procedures on disclosure of inside information including annual review of the policy on inside information disclosure. Further, with a view to identifying, handling and disseminating inside information in compliance with the SFO, procedures including pre-clearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Company to guard against possible mishandling of inside information within the Group;
- A whistleblowing policy and system had been reviewed for employees and those who deal with the Company to raise concerns, in confidence, about possible improprieties in any matter relating to the Company and the Audit and Compliance Committee has reviewed such policy and system and ensured that proper arrangement are in place for fair and independent investigation of the matters;
- The Company maintained a mechanism for rectifying internal control defects under which the relevant department heads have clear responsibilities of rectifying internal control defects in their respective departments ranging from legal, regulatory to operation; and

- During the reporting period, the Company's internal audit department provided independent assurance as to the adequacy and effectiveness of the Company's risk management and internal control systems. The financial condition, operational control and compliance control of the Company were examined by the internal audit department according to the audit plan approved by the Audit and Compliance Committee and the Board. Different audit areas were assigned according to risk priority. The internal audit department assisted the Board to monitor the effectiveness of the risk management and internal control systems. After completion of an internal audit, analysis, appraisals, recommendations related to the activities inspected were formulated. The internal audit department reported to the Audit and Compliance Committee and the Board about internal audit findings, internal audit recommendation and the management responses. For each year, the number of selected entities contribute to approximately 30% of the Group's revenue, and all material entities of the Group will be audited at least once in every three years on a rotation basis. In addition, the internal audit function maintained a regular dialogue with the Company's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

H COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company has established the Shareholders Communication Policy since the listing of the Company on 19 December 2013 and continually reviews it on a regular basis to ensure its effectiveness. The Shareholders Communication Policy, which is published on the Company's website, sets out the Company's objective of ensuring equal, timely, effective, transparent, accurate and open communications with Shareholders. The Company's multiple channels of communication with Shareholders include general meetings, the Company's website, dedicated investor relations contact details, as well as the hotline of the Company's Hong Kong branch share registrar and transfer office for taking enquiries and for receiving information request, and various reports and announcements published from time to time.

The general meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit and Compliance Committee, Nomination Committee, Finance Committee, Risk Management Committee and Sustainability Committee and, in their absence, other members of the respective committees are available to answer questions at Shareholders' meetings. During the year ended 31 December 2023, the Company held one special general meeting on 11 May 2023 and one annual general meeting on 22 May 2023.

To promote effective communication, the Company maintains a website at www.kln.com, where information and updates on the Company's business developments and operations, financial and stock information, financial calendar highlighting important dates for Shareholders, analyst coverage, newsletters, corporate governance practices and policies and other information are available for public access. The Company also publishes its reports and announcements, notices and other corporate communications on its website and the website of the Stock Exchange.

During the year ended 31 December 2023, the Company has conducted a review on the implementation and effectiveness of the Shareholders Communication Policy. By proactively engaging with shareholders and stakeholders through announcements, website information, meetings and open channels of enquiry, the Company ensures its views are disclosed clearly and helps its shareholders and stakeholders fully understand its operation, development and corporate actions. Investors' feedbacks and analysts' views are shared with the Board members regularly to maintain a healthy two-way communication. These strategies ensures that the Company's investor relations program meets its shareholders' needs and aligns with the Board's corporate strategy. Following the Company's review on its shareholders and stakeholders engagement and communication activities, the Company was satisfied with the implementation and the effectiveness of the Shareholders Communication Policy.

I SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual directors.

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, namely, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary who will ensure these enquiries are properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communications of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

Pursuant to new Rule 2.07A of the Listing Rules and the Bye-laws, the Company will disseminate the future corporate communications of the Company to its Shareholders electronically and only send the future corporate communications of the Company in printed form to the Shareholders upon request with effect from 31 December 2023. For further details of new arrangements on dissemination of the corporate communications of the Company, please refer to the announcements of the Company dated 21 December 2023 and 8 February 2024.

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting and state the purpose therefor at the Company's registered office in Bermuda at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. Shareholders who wish to put forward proposals for the Company's consideration at the general meetings can send their proposals to the Company Secretary.

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules. Shareholders who are unable to attend the general meeting can appoint proxies to attend and vote at the general meeting. The Chairman of the general meeting will provide explanation of the detailed procedures for conducting a poll and then answer questions (if any) from the Shareholders regarding voting by way of poll. In addition, the poll results will be posted on the websites of the Company and of the Stock Exchange after the Shareholders' meeting.

J DIVIDEND POLICY

Pursuant to the dividend policy duly approved by the Board on 11 December 2018, subject to the Bye-laws, the Companies Act 1981 of Bermuda and other applicable laws and regulations, the Company currently targets to distribute to its Shareholders approximately 30% of its core net profit for each financial year end. Any proposed distribution of dividends is subject to the discretion of the Board and the approval of the Shareholders. Special dividend will also be considered when circumstances permit. Recommendations for distribution of dividends will be made after taking into account the results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that the Board may deem relevant.

K COMPANY SECRETARY

Ms LEE Pui Nee, the Company Secretary, is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. She reports to the Chairman and Executive Directors. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

During the year ended 31 December 2023, the Company Secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

L CONSTITUTIONAL DOCUMENTS

The Memorandum of Continuance and Amended and Restated Bye-laws of the Company has been adopted by a special resolution passed on 23 May 2022.

In view of the amendments to the Listing Rules requiring, among others, all issuers to adopt one common set of core shareholder protection standards, the Board proposed to make certain amendments to align the Bye-laws with such changes. On 23 May 2022, the Shareholders approved the adoption by the Company of certain amendments to the Bye-laws. Please refer to the circular of the Company dated 28 April 2022 for details.

DIRECTORS, SENIOR MANAGEMENT AND ADVISOR

CHAIRMAN, NON-EXECUTIVE DIRECTOR

WANG Wei

Aged 53, has been the Chairman and a Non-executive Director of the Company since October 2021.

Mr Wang has more than 30 years of experience in the logistics industry. Having founded S.F. Holding in 1993, Mr Wang is S.F. Holding's controlling shareholder and has been its director, chairman of the board of directors and general manager since December 2016 and has been re-designated as its executive director with effect from August 2023. He is primarily responsible for overall strategic planning and business direction and management of S.F. Holding. Mr Wang has been the executive director of Shenzhen Mingde since August 2004. Shenzhen Mingde and S.F. Holding are each a Controlling Shareholder of the Company.

Mr Wang was the chairman of the board of directors and non-executive director of SF REIT Manager from February 2021 to August 2023.

VICE CHAIRMAN, NON-EXECUTIVE DIRECTOR

KUOK Khoon Hua

Aged 45, has been the Vice Chairman and a Non-executive Director of the Company since October 2021.

Mr Kuok was an Executive Director of the Company from November 2013 to October 2021 and the Chairman of the Company from May 2019 to October 2021. He has been chairman of KHL since October 2016 and director of KHL since January 2010, chairman of KPL since May 2022 and chief executive officer of KPL since June 2019, director of KGL since August 2012, and director of Kuok (Singapore) Limited since September 2016. KGL and KHL are each a Controlling Shareholder of the Company. KPL is a Substantial Shareholder of the Company. Mr Kuok has also acted as non-executive and non-independent director of Wilmar International Limited (a company listed on the Singapore Stock Exchange, stock code F34) since July 2016 and director of Sea Limited (whose American depositary shares are listed on the New York Stock Exchange, stock code SE) since October 2017. He was vice chairman of KPL from June 2019 to May 2022.

Mr Kuok obtained a bachelor's degree in economics from Harvard University in the United States in 2003.

EXECUTIVE DIRECTORS

CHEUNG Ping Chuen Vicky

Aged 64, has been an Executive Director of the Company since April 2020. Mr Cheung became the Managing Director of the Company in July 2022 and was re-designated as the Group Managing Director of the Company in October 2023. He has been re-designated as the Chief Executive Officer of the Company with effect from April 2024.

Mr Cheung is a director of Apex Maritime Co., Inc. and its affiliates (collectively, “Apex Group”), which have become wholly-owned subsidiaries of the Company and been trading as Kerry Apex since 2020. Mr Cheung founded Apex Group, a group of freight forwarding companies, in 1990 and has been its director since then. Apex Group has been recognised as one of the top three volume providers for the Transpacific Trade. Mr Cheung is also a director of various subsidiaries of the Company.

Mr Cheung obtained a bachelor’s degree in science (business administration and accounting) from San Francisco State University in the United States in 1985.

CHENG Chi Wai

Aged 59, has been an Executive Director of the Company since May 2023 and the Chief Financial Officer of the Company since August 2009.

Mr Cheng is also a director of various subsidiaries of the Company. He was a director of Kerry TJ from June 2016 to September 2021.

Mr Cheng is a Fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, as well as a chartered accountant and a chartered secretary. He has over 35 years of experience in auditing, financial control and corporate finance and previously worked in an international accounting firm and held key finance positions in companies whose shares are listed on the Main Board of the Stock Exchange. He is a senior officer of the Hong Kong Auxiliary Medical Service (“AMS”), a senior fellow advisor of the AMS Officers’ Club, a council member of the Hong Kong Committee for UNICEF, an adjunct professor and a member of the Advisory Committee of School of Decision Sciences of The Hang Seng University of Hong Kong.

Mr Cheng obtained a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in November 1996 and an executive master’s degree in business administration from The Chinese University of Hong Kong in December 2008.

NON-EXECUTIVE DIRECTORS

HO Chit

Aged 49, has been a Non-executive Director of the Company since October 2021.

Mr Ho has over 20 years of experience in auditing, financial control and corporate finance and business management. He joined S.F. Holding in September 2021 as deputy general manager and chief financial officer. Mr Ho has served as director of S.F. Holding since November 2021 and has been re-designated as its executive director with effect from August 2023. Prior to joining S.F. Holding, Mr Ho served as chief executive officer of Fox Financial Technology Group Limited from April 2014 to September 2021 and held a number of senior financial positions in several NASDAQ listed companies from 2005 to 2014. S.F. Holding is a Controlling Shareholder of the Company.

Mr Ho has been a non-executive director of SF REIT Manager since April 2022 and its chairman of the board of directors since August 2023. Mr Ho served as independent director of China Great Wall Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code 002939.SZ) from August 2015 to May 2022.

Mr Ho obtained a bachelor's degree in business administration (accounting and finance) from the University of Hong Kong in Hong Kong in December 1997 and an executive master of business administration degree from Tsinghua University in the PRC in July 2013. Mr Ho is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

OOI Bee Ti

Aged 51, has been a Non-executive Director of the Company since October 2023.

Ms Ooi has extensive experience in corporate finance, treasury management and financial services. She joined S.F. Holding in September 2010 as treasury director. Ms Ooi is currently the head of corporate treasury of S.F. Holding. She is the chairman of S.F. Hengtong Pay Co., Ltd., the chairman of SF Holdings Group Finance Company Limited, the executive director of S.F. Insurance Agency (Shenzhen) Co., Ltd. (these three companies are holders of license issued by the National Administration of Financial Regulation), and the executive director of S.F. Digits (Shenzhen) Technology Service Co., Ltd., all are subsidiaries of S.F. Holding. Other than the above, Ms Ooi is also a director of various subsidiaries of S.F. Holding. S.F. Holding is a Controlling Shareholder of the Company.

Prior to joining S.F. Holding, Ms Ooi worked for Huawei Technologies Co., Ltd. as the director of regional treasury management at the head office and the head of treasury at the Asia Pacific regional office from 2006 to 2010, and also worked for several large European and American multinational companies in the areas of corporate finance and treasury management from 1996 to 2006.

Ms Ooi has been a non-executive director of SF REIT Manager since June 2022.

Ms Ooi obtained a bachelor of arts degree in accounting and finance from Thames Valley University (now known as University of West London) in the United Kingdom in July 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEN Keren

Aged 58, has been a Non-executive Director of the Company since October 2021.

Ms Chen has over 30 years of experience in legal and corporate services. She worked at an international law firm Sinclair Roche & Temperley's London office from September 1988 to February 1994, and its Hong Kong office from March 1994. She remained as a partner of the firm until February 1998. Ms Chen has been with the Kerry Group since March 1998. She is now the group co-general counsel, company secretary and director of corporate services of KGL. KGL is one of the Controlling Shareholders of the Company.

Ms Chen obtained a bachelor's degree in law from the London School of Economics and Political Science in the United Kingdom in July 1987. She is a qualified solicitor in Hong Kong and England and Wales.

CHEUNG Wai Man

Aged 65, has been an Independent Non-executive Director of the Company since October 2021.

Dr Cheung is currently associate dean, Graduate Studies of Business School, The Chinese University of Hong Kong ("CUHK") in Hong Kong. Dr Cheung has been director of the Asian Institute of Supply Chains & Logistics as well as the Center of Cyber Logistics at CUHK since 2006. He has also served as executive director of the Asia-Pacific Institute of Business at CUHK since 2016. Dr Cheung joined the department of decision sciences and managerial economics at CUHK as assistant professor in 1992, and has since become a full professor at the same department.

Dr Cheung obtained a bachelor's degree in science (civil engineering) from the National Taiwan University in Taiwan in June 1982, a master of business administration degree from the Rensselaer Polytechnic Institute in the United States in December 1986 and completed his doctor of philosophy degree in decision sciences and engineering systems at the same institute in December 1991.

LAI Sau Cheong Simon

Aged 63, has been an Independent Non-executive Director of the Company since October 2021.

Mr Lai has over 30 years of experience in corporate finance and commercial law fields. He joined Deacons in 1985 and was head of its corporate finance practice before retiring from partnership in 2008. Mr Lai re-joined Deacons as a consultant in January 2012 and in November 2016, he joined the Chow Tai Fook group. Mr Lai has since acted as chief legal officer of Chow Tai Fook Enterprises Limited and group general counsel and joint company secretary of Chow Tai Fook Jewellery Group Limited (a company listed on the Stock Exchange, stock code 1929).

Mr Lai obtained a bachelor's degree in law from the University of Hong Kong ("HKU") in November 1982 and a postgraduate certificate in law from HKU in July 1983. He is a qualified solicitor in Hong Kong, England and Wales, New South Wales, Australia and Australian Capital Territory, Australia, and is a qualified barrister in Australian Capital Territory, Australia.

Mr Lai currently serves on a number of committees of The Law Society of Hong Kong including as chairman of its company law committee, prior to which he acted as director and council member between 2016 and 2019. He is currently a member of the Solicitors Disciplinary Tribunal Panel. Mr Lai had also served on a number of public appointments in Hong Kong.

TAN Chuen Yan Paul

Aged 65, has been an Independent Non-executive Director of the Company since October 2021.

Mr Tan has over 40 years of experience in the legal industry, having practised as a solicitor in both Hong Kong and Sydney, New South Wales, Australia. He joined Baker McKenzie in July 1982 and was managing partner of its Hong Kong, the Mainland of China, Vietnam and Korea offices from 1997 to 1999, and 2013 to 2015. He had also served as chairman of the Firm Global Nominating Committee and head of Hong Kong Commercial and Securities Practice. Mr Tan retired as a partner of Baker McKenzie in December 2019. Mr Tan has since become a vice chairman and company secretary of the Hong Chi Association, a government subvented charity dedicated to the welfare and training of mentally challenged children in Hong Kong. He serves as an independent non-executive director of Hung Hing Printing Group Limited (a company listed on the Stock Exchange, stock code 450) since May 2023 and an independent non-executive director of HSBC Provident Fund Trustee (Hong Kong) Limited, which is regulated by the Mandatory Provident Fund Schemes Authority, since August 2023.

Mr Tan was vice president of the Law Society of Hong Kong from 2000 to 2003, having been a council member since 1995. He was the convenor of Solicitors Disciplinary Tribunal. Mr Tan has also served on a number of public appointments in Hong Kong, including as chairman of the Mandatory Provident Fund Schemes Appeal Board, Occupational Retirement Schemes Appeal Board and the Appeal Tribunal Panel (Buildings). He also served as the independent trustee of the Hong Kong University of Science and Technology Staff Superannuation Scheme and the Hong Kong University of Science and Technology Ancillary Staff Superannuation Scheme.

Mr Tan received from the University of Sydney in Australia a bachelor's degree in economics in April 1980, a bachelor's degree and a master's degree in law in February 1982 and June 1985, respectively. He is a solicitor in Hong Kong.

WONG Yu Pok Marina JP

Aged 75, has been an Independent Non-executive Director of the Company since November 2013.

Ms Wong has served as an independent non-executive director of KPL since May 2008. She is also the chairman of the audit and corporate governance committee and the remuneration committee and a member of the nomination committee of KPL. KPL is a Substantial Shareholder of the Company.

Ms Wong had worked with PricewaterhouseCoopers (“PwC”) for over 30 years, specialising in PRC tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors on the structuring of their businesses and investments in the Mainland of China. Ms Wong retired as a partner from PwC in July 2004, and joined Tricor Services Limited as a director from September 2004 to February 2006.

Ms Wong serves as an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited (a company listed on the Stock Exchange, stock code 50) since May 2008, Luk Fook Holdings (International) Limited (a company listed on the Stock Exchange, stock code 590) since August 2013 and SJM Holdings Limited (a company listed on the Stock Exchange, stock code 880) since June 2019.

Ms Wong is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Ms Wong obtained a higher diploma in Accountancy from Hong Kong Technical College (now known as Hong Kong Polytechnic University) in 1968 after completing a three-year full-time course in accountancy from 1965 to 1968.

SENIOR MANAGEMENT

BULGER Kevin Gerard

Aged 58, joined Apex Maritime Co., Inc. in March 2006, which has been rebranded to Kerry Apex since 2020. He is currently the Managing Director of Kerry Apex US and is responsible for overseeing the Group's North and South American sales and operations.

Mr Bulger has over 36 years of experience in the international transportation sector. He started as a management trainee at Sea-Land Services, Inc. ("Sea-Land") in New Jersey in the United States and subsequently held various sales and management positions at Sea-Land in California. Following the purchase of Sea-Land by A.P. Moller – Maersk A/S in 1999, Mr Bulger joined Maersk Line and was stationed in Asia for 6 years. During his time in Asia, he was the general manager of Maersk Hong Kong Limited and subsequently the line manager of its Southeast Asia feeder company headquartered in Singapore. While living in Singapore, he was also an active member of the American Chamber of Commerce.

Since joining the Group, Mr Bulger has been instrumental in supporting the development of Kerry Apex's NVOCC into a top performer in the Transpacific Trade, and has assisted in the expansion of Kerry Apex's trucking, integrated logistics and dedicated airfreight charter services in the Americas. In 2015, he was invited to join Port of Oakland's efficiency task force. He has also been a long-standing member of the Pacific Transportation Association located in San Francisco over 15 years.

Mr Bulger obtained a bachelor's degree in science from Rutgers University in the United States in 1987 and completed the Young Managers Programme of INSEAD in France in 2005.

CHEUNG Hiu Lung Alan

Aged 44, joined the Group in August 2001, and is currently the Group Director of Corporate Planning & Development of KLN cum Managing Director of KEAS. He is responsible for daily operations and implementation of corporate strategies, the management of KEAS and overseeing the Mainland logistics operation of the Group.

He started as a management trainee of the Company, and managed overall integrated logistics business in Hong Kong and Macau, ranging from business development, warehousing operation, distribution, food and pharmaceutical trading, and domestic express before transferring to the Mainland in 2018.

Mr Cheung obtained a bachelor of engineering in logistics management from the Hong Kong University of Science and Technology in 2001 and a master of corporate finance from the Hong Kong Polytechnic University in 2013.

ERNI Edwardo

Aged 62, served as an Executive Director of the Company between November 2013 and December 2018, and now acts exclusively as Managing Director – China & North Asia. His regional responsibility has included CIS, Japan, and South Korea, since 2015. Mr Erni joined the Company in January 1994, and was tasked with establishing and developing in the Mainland of China since 1999, accruing over 25 years of experience in China's fast-growing logistics industry. Mr Erni first became a Director of the Company in 2011. He manages 9 business units in the Mainland of China and 3 regional business groups in North Asia (CIS, South Korea, Japan).

To entrench his position in the industry, Mr Erni serves as vice-chairman of several industry associations, including: the China Federation of Logistics & Purchasing, the Integrated Transport Federation of China Communications and Transportation Association, China Association of Warehouses and Storage, and Beijing Logistics and Supply Chain Management Association. As the Managing Director of a well-known enterprise in the Mainland, Mr Erni has taken on the role of vice-chairman of Beijing Headquarters Enterprise Association since June 2018.

To continually advance his professional development, Mr Erni completed several advanced management and professional study programmes focusing on strategy and leadership, including: a joint Tsinghua and University of North Carolina E-commerce & Informatization on the Logistic Industry Programme in 2015; a Harvard Business School programme in association with the School of Management at Fudan University in 2013; and management courses held by Tianjin University in 2011, Peking University in 2009, and Tsinghua University in 2008. Mr Erni obtained a Master of Business degree in Logistics Management from the Royal Melbourne Institute of Technology, Australia in 2005.

LAU Kin Pui Samuel

Aged 57, joined the Group in April 2000. Mr Lau is currently the Managing Director – Integrated Logistics North Asia with the responsibility of leading the integrated logistics' functional business development and operations of the Group in the North Asia region including Hong Kong, Macau, the Mainland, South Korea and Japan.

He has over 25 years of experience in the logistics industry. Mr Lau is a member of the Statistics Advisory Board of the Census and Statistics Department of the Hong Kong Government, the Advisory Board of the Hong Kong Export Credit Insurance Corporation and the Hong Kong Trade Development Council Belt and Road & Greater Bay Area Committee The Regional Comprehensive Economic Partnership Task Force on Trade and Investment. He served as a member of the Aviation Development and Three-runway System Advisory Committee under the Transport and Housing Bureau of the Hong Kong Government from August 2017 to July 2023.

Mr Lau obtained a bachelor of arts degree in business studies from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in 1991.

STOEKENBROEK Martin

Aged 54, joined the Group in April 2019 as Managing Director – Europe, Middle East and Africa to lead the international freight forwarding business of the Group in the EMEA region and oversee strategic development, focusing particularly on strengthening the Group's foothold and business portfolio.

Mr Stoekenbroek has over 30 years of extensive experience in freight forwarding and logistics industry specialising in EMEA and global markets, bringing to his role a wealth of supply chain knowledge, insights and expertise.

YIP Kam Sang Alan

Aged 64, joined the Group in September 2012 and is currently the Managing Director – Southeast Asia overseeing Oceania plus Southeast Asia regional operations and businesses.

He oversees the logistics operations, business expansion, sales and marketing, mergers and acquisitions and development of the Group's network in Southeast Asia, including Singapore, Malaysia, Thailand, Vietnam, Indonesia, the Philippines, Cambodia, Myanmar, and Laos. Also, Oceania, including Australia, and New Zealand. Mr Yip has developed and implemented a comprehensive management, operational, and analytical systems embedded with AI, which has improved the operation efficiencies, service qualities and capabilities, and overall business performance of the Group. He manages a fully integrated logistics operation in these regions ranging from freight forwarding, warehousing, domestic trucking, perishable and cold chain, to distribution.

Prior to joining the Group, Mr Yip worked in the United States for over 25 years in various high technology, financial and Government sectors.

Mr Yip graduated from the University of Wisconsin with a bachelor's degree in mathematics and computer science and from the University of Illinois with a master of science degree in electrical engineering and computer sciences.

ADVISOR

MA Wing Kai William

Aged 62, has been the Chief Advisor of the Company since October 2023.

Mr Ma joined the group of KHL in September 1990 and served as an executive director of KPL from March 2004 to November 2013. KHL and KPL are a Controlling Shareholder and a Substantial Shareholder of the Company respectively.

In June 1999, Mr Ma became director and general manager of Kerry Godown Holdings (BVI) Limited (“Kerry Godown”). He then transformed Kerry Godown into Kerry Warehouse Holdings Limited and successfully spearheaded the formation of the Company in 2000. During the entire restructure and transformation of the Company, he established full-fledged logistics services locally, regionally and globally. Business territories spread from Hong Kong to the Mainland, from Asia Pacific to Europe, the Americas, and Africa. He was designated as Deputy Chairman & Managing Director of the Company in April 2004 and since spinning off of the Company from KPL in December 2013, he had been Group Managing Director until his retirement in September 2023.

Mr Ma had also served as Member and/or an Advisory Committee Member in various HKSAR government committees, quasi-government bodies, non-government organisations and education institutions over the years.

In November 2017, Mr Ma was selected as an awardee for Directors of Year Awards 2017 in the Executive Directors category of Listed Companies (SEHK – Hang Seng Indexes Constituents) organised by The Hong Kong Institute of Directors.

Mr Ma obtained his bachelor of science (management sciences) honours degree from the University of Lancaster, the United Kingdom in 1985, and completed an executive supply chain program at Harvard Business School in 2000.

REPORT OF DIRECTORS

The Directors are pleased to present this annual report together with the Financial Statements.

PRINCIPAL ACTIVITIES

The Group operates as a leading logistics service provider in Asia principally engaged in IL and IFF businesses. The principal activities of the Company are as follows:

- (i) IL services, including storage, inventory and other value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia; and
- (ii) IFF services intra-Asia, between Asia and Europe and between Asia and the Americas to transport cargo using air freight, ocean freight and cross-border road freight forwarding services.

Details of the principal activities of the principal subsidiaries are set out in note 42 to the Financial Statements. Further to the Company's disposal of certain companies engaging in express delivery businesses as disclosed in the announcement of the Company dated 25 July 2023, the declaration of special interim dividend by way of distribution in specie of KEX Shares reinforces the Company's strategy of focusing on its core business of IL and IFF while streamlining its express delivery businesses, with an aim to enhancing its overall performance and prospects. Please refer to the circular of the Company dated 27 February 2024 for details. Saved as disclosed, there were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2023.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the section headed "Statement of Accounts" of this annual report.

BUSINESS REVIEW

OVERVIEW AND PERFORMANCE OF THE YEAR

In spite of the optimism brought about by the end of the pandemic, 2023 was undoubtedly a challenging year globally, plagued by elevated interest rates, mounting geopolitical tensions and sluggish global trade.

Nevertheless, the global economy was in a better shape than it was in the previous year. Energy and food prices have come down from their peaks and inflation eased. Yet, global economic recovery remained slow as persistently high interest rates and fuel costs curbed consumer spending and product demand.

For the global logistics industry, while growth stalled due to overstocking, weak demand and excess freight capacity, both freight rates and volume saw a slight rebound as the market continued to normalise gradually.

Despite a tough market, new opportunities emerged amid changing consumer demands and the reshuffle of global supply chains. KLN Group was able to turn challenges into opportunities and provided customers with viable and cost-effective alternatives to keep their cargoes moving and delivered. KLN Group's overall performance in 2023 was in line with expectations and on par with global peers.

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

Discussion on the Company's performance of the year is set out in the section headed "Results Overview" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Our efforts in environmental protection have been well recognised. The Company has obtained the international certification of ISO 14001, an internationally agreed standard.

We care about our environment and work to make our operations greener through managing emissions, optimising the use of resources and protecting the natural environment and ecosystems that we rely on.

The Board has overall responsibility for our sustainability strategy and reporting. In line with the CG Code, the Board is responsible for evaluating and determining our sustainability related risks, and ensuring that appropriate and effective sustainability risk management and internal control systems are in place. A confirmation regarding the effectiveness of these systems has been provided to the Board during the year ended 31 December 2023.

Further details are set out in the sections headed "Corporate Governance Report – Risk Management and Internal Controls" of this annual report and "Our Environment" of the Company's sustainability report 2023.

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

REGULATORY COMPLIANCE

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

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

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

LICENSING REQUIREMENTS

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

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

ENVIRONMENTAL PROTECTION

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

KEY RELATIONSHIPS WITH STAKEHOLDERS

EMPLOYEES

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

YEA, established in 2001, has been supporting our strategic growth by grooming high-caliber talent. YEA is comprised of four high flyers programmes, which are tailored for candidates at various stages of their career development.

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

CUSTOMERS

We currently serve more than 40 of the Top 100 Brands (ranked by Interbrand, a well-recognised global brand consultancy) across a wide spectrum of industries. By leveraging our experience in serving the supply chains in various industries, we have developed significant industry expertise and applied innovative processes across industries to better serve our customers. We have been successful in offering industry-specific solutions, including the fashion and lifestyle, electronics and technology, F&B, fast-moving consumer goods, industrial and material sciences, automotive, and pharmaceutical and healthcare industries.

Our one-stop services range from vendor-managed inventory, cold chain management, nationwide warehousing and distribution to return management. Committed to high quality services, our business, around the world have achieved various certifications such as ISO 9001 quality management system standard, the facility security requirements of the Transported Asset Protection Association and ISO 22000 food safety management and HACCP certifications for our F&B business unit.

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

SUPPLIERS

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

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

INDUSTRY AWARDS AND ACCREDITATIONS

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

CORPORATE SOCIAL RESPONSIBILITY

Details of corporate social responsibility are set out in the Company's sustainability report 2023.

KEY RISKS AND UNCERTAINTIES

The Board has continuously monitored the areas that are likely to pose more significant risks to the Company based on the results of the risk assessment interviews previously conducted by external auditor. The Company has implemented various measures to mitigate these risks or uncertainties. Further reviews are set out in the section headed "Corporate Governance Report – Risk Management and Internal Controls".

UNCERTAINTIES IN THE GLOBAL BUSINESS ENVIRONMENT

Uncertainties over political and economic situations worldwide expose the Group to the risk of non-sustainable growth. The bearish market view triggered downward adjustments in sales and production targets resulting in a decline in cargo volume.

The Group has been mitigating this risk by diversifying its business portfolio, markets and customer pools in order to minimize the adverse impact on its business with quick response to market changes.

INTEGRATION OBSTACLES

The Group expands its network and global coverage mainly through mergers and acquisitions. Differences in operation models, culture and availability of resources may hinder the integration of the new member into the Group if not properly monitored.

To mitigate this, a robust due diligence process has been in place to ensure the target companies are the right acquires. Integration checklists in all aspects including human resources, finance, information technology, legal and compliance etc. have been set up. Our internal audit will conduct independent check on the governance and performance of the acquired business.

SUCCESSION PLANNING AND POTENTIAL LOSS OF TALENTS

The Group currently places heavy reliance on certain key managerial members. There has been succession planning prepared for certain divisions of the Company.

The Group has mitigated this by using the MT Programme developed under YEA since 2001 to nurture staff with high potential to be future management, taking market reference to benchmark salary level of management to the Company's competitors, re-organising the management structure with more long-term incentives to management, and implementing succession plan for areas in need, particularly for key management.

A stable talent pipeline enables us to create the robust upward mobility within our team, we are committed to constructing the talent echelon to prepare for all contingencies. We identify and develop high-potential employees, offering regular on-the-job training and external training courses and sponsorships to groom the talents to fit in the business strategies and critical objectives. YEA mentoring programme is also part of the strategies we grow the high-flyers to future executive roles. Annual performance review provides a consistent framework for our talents to evaluate the competencies and performance gaps to prepare for the next career advancement. While the internal talent supply is in priority, we also source external leaders to fill up the talent gaps in the succession planning.

CONCERNS OVER KEY INFORMATION SYSTEMS (BOTH OPERATIONAL AND FINANCIAL)

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

To mitigate this, periodic disaster recovery plan and drill tests are performed. The Group will also outsource or relocate part of the development or maintenance of the systems to third parties in a cost-effective manner. System integration and automate data flows are performed to reduce human interference in order to reduce the risks of human error and time of data processing. Stringent cybersecurity measures were in-place to ensure that confidentiality, integrity and availability of data stored in on-premises and cloud. During the year, we had applied machine learning and artificial intelligence to combat cybersecurity attacks, saving a considerable amount of time and costs.

In response to the dynamic nature of cyber threats and attacks, the Group has undertaken a variety of measures to exercise more stringent privacy controls across its data systems. For example, we have implemented a two-step login protocol and upgraded our internal policies to ensure staff and other stakeholders update their passwords more frequently. We have further restricted access to our internal shared file server and require employees to encrypt sensitive data and periodically update their computer systems and applications to ensure the latest data security features and anti-virus software is installed. For an added layer of security, the Group's computers are equipped with firewalls, intrusive cyberthreat detection systems and Virtual Private Networks ("VPNs") for secure communication over the internet. In addition to the measures mentioned above, the Group has further enhanced its cybersecurity credentials by subscribing to a threat intelligence service provided by an external security consulting firm. This service provides real-time monitoring, analysis, and alerts on emerging cyber threats, enabling us to proactively identify and respond to potential security risks. This comprehensive approach to protecting our systems helps us to meet the highest security standards and prevent exposing our data to malicious software and attacks. In 2023, the Group did not record any incidents of data loss.

CREDIT RISK IN RELATION TO COUNTERPARTIES

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

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

OTHER FINANCIAL RISKS

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

OUTLOOK

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

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2023

On 29 December 2023, the Company announced that the Board has resolved to declare a special interim dividend, to be effected by way of a distribution in specie of 907,200,000 KEX Shares (representing approximately 52.1% of all issued KEX Shares) indirectly held by the Company to qualifying Shareholders whose names appear on the Registers of Members on the record date for determining Shareholders' entitlement to the Distribution, in proportion to their then respective shareholdings in the Company, subject to the Company obtaining a waiver from the Thai SEC in respect of its tender offer obligations arising out of the Distribution. On 5 February 2024, the Board announced that the Company has obtained a waiver from the Thai SEC

in respect of its tender offer obligations arising out of the Distribution, and that the condition to the Distribution has been satisfied and the Distribution has become unconditional. The completion of the Distribution took place on 26 March 2024. Upon completion of the Distribution, the Company no longer holds any KEX Shares and Kerry Express Thailand has ceased to be an indirect subsidiary of the Company.

Save as disclosed, there were no important events affecting the Group which have occurred since 31 December 2023.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders in the forthcoming AGM for the distribution of a final dividend of 13 HK cents per share for the year ended 31 December 2023 payable to the Shareholders whose names are listed in the Registers of Members on Tuesday, 28 May 2024. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the forthcoming AGM.

SHARE CAPITAL

Details of the share capital of the Company during the year ended 31 December 2023 are set out in note 26 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the year ended 31 December 2023 are set out in note 27 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company has distributable reserves of HK\$5,980 million in total available for distribution, of which HK\$235 million has been proposed as final dividend for the year, which is calculated in accordance with generally accepted accounting principles.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the section headed “2019-2023 Financial Summary” of this annual report.

DONATIONS

The Group made a donation of HK\$3.0 million to charity projects or organisations for the year.

RETIREMENT BENEFITS

Please refer to note 31 to the Financial Statements for details of the retirement benefits of the Group for the year ended 31 December 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 16 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the year ended 31 December 2023 are set out in notes 28 and 29 to the Financial Statements.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

On 7 June 2021, the Company obtained from the Stock Exchange a conditional waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to permit a lower minimum public float of 15.0%. Please refer to the joint announcement published by the Company and Flourish Harmony on 7 June 2021 for details.

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as is applicable to it under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws of Bermuda.

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Mr WANG Wei
(Chairman, Non-executive Director)
Mr KUOK Khoon Hua
(Vice Chairman, Non-executive Director)

Executive Directors

Mr CHEUNG Ping Chuen Vicky
(Chief Executive Officer)
(re-designation as Group Managing Director from 1 October 2023 to 31 March 2024 and Chief Executive Officer effective from 1 April 2024)
Mr CHENG Chi Wai
(appointment effective from 22 May 2023)
Mr MA Wing Kai William
(retirement as Executive Director and Group Managing Director effective from 22 May 2023 and 1 October 2023 respectively)

Non-executive Directors

Mr HO Chit
Ms OOI Bee Ti
(appointment effective from 31 October 2023)
Ms CHEN Keren
Mr CHAN Fei
(resignation effective from 31 October 2023)

Independent Non-executive Directors

Dr CHEUNG Wai Man
Mr LAI Sau Cheong Simon
Mr TAN Chuen Yan Paul
Ms WONG Yu Pok Marina

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed “Directors, Senior Management and Advisor” of this annual report.

DIRECTORS' LETTER OF APPOINTMENT

Each of the Directors has signed an appointment letter with the Company for an initial term commencing from his/her respective date of appointment until the next general meeting of the Company, at which he/she will be eligible for re-election. Upon being re-elected, the appointment of the Director shall continue for a period of three years and until the conclusion of the third annual general meeting of the Company or such earlier date pursuant to the Bye-laws. The appointments of the Directors are subject to the provisions of retirement and rotation of Directors in accordance with the Bye-laws.

According to Article 99 of the Bye-laws, the number of Directors retiring at each annual general meeting shall not be less than such number as is nearest to but not exceeding one-third of the Directors for the time being (not including those Directors who were appointed to fill casual vacancies or as additions to the Board further to Article 102), and any retiring Director shall be eligible for re-election at the same annual general meeting. Mr WANG Wei, Mr CHEUNG Ping Chuen Vicky and Mr HO Chit will be retiring and be subject to re-election in the forthcoming AGM.

According to Article 102 of the Bye-laws, any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr CHENG Chi Wai and Ms OOI Bee Ti, who were appointed by the Board effective from 22 May 2023 and 31 October 2023, will be retiring and be subject to re-election in the forthcoming AGM respectively.

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract that is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors, namely Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. The Company considers that the Independent Non-executive Directors have been independent from the date of their appointment to 31 December 2023 and remain so as at the date of this annual report.

Ms Wong has served as an Independent Non-executive Director for over nine years. During her term of office, Ms Wong consistently offered objective advice, independent opinions and invaluable guidance to the Board and the Company's senior management. Ms Wong is not involved in the daily management of the Company's affairs, nor is there any circumstance which might interfere with the exercise of her independent judgment. Ms Wong's tenure with the Company has allowed her to gain a deep understanding of the Group's business and operations and accumulate extensive industry experience, whose continuous service is believed to bring stability to the Board and be beneficial to the Company. In light of the foregoing and taking into account that the Company has received (and the Board has reviewed and assessed) confirmation from Ms Wong that she satisfies all the independence criteria set out in Rule 3.13 of the Listing Rules, the Board considers that Ms Wong's independence and her ability to continue to bring in fresh perspectives are not affected by her length of service.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

(I) THE COMPANY

Directors	Ordinary Shares in the Company				Other interests	Total interests	Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)				
WANG Wei ⁽²⁾	-	-	972,698,478	-	972,698,478	53.82%	
KUOK Khoon Hua ⁽³⁾	600,428	-	-	1,132,479	1,732,907	0.10%	
CHEUNG Ping Chuen Vicky ⁽⁴⁾	3,983,178	-	-	-	3,983,178	0.22%	
CHENG Chi Wai (appointment effective from 22 May 2023) ⁽⁵⁾	1,167,303	-	-	-	1,167,303	0.06%	
WONG Yu Pok Marina ⁽⁶⁾	20,796	-	-	-	20,796	< 0.01%	

Notes:

- (1) Based on 1,807,429,342 Ordinary Shares in issue as at 31 December 2023.
- (2) Mr Wang is interested in 972,698,478 Ordinary Shares held through his controlled corporations, which includes the 41,489,361 Convertible Securities Mr Wang is deemed to be interested in pursuant to the disclosure requirements under the SFO.
- (3) Mr Kuok is interested in (i) 600,428 Ordinary Shares as beneficial owner; and (ii) 1,132,479 Ordinary Shares held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.
- (4) Mr Cheung is interested in (i) 3,648,443 Ordinary Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 334,735 Ordinary Shares.
- (5) Mr Cheng is interested in (i) 802,982 Ordinary Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 364,321 Ordinary Shares.
- (6) Ms Wong is interested in 20,796 Ordinary Shares as beneficial owner.

(II) ASSOCIATED CORPORATIONS

Shenzhen Mingde Holding Development Co., Ltd.

Director	Registered capital of Shenzhen Mingde					Total interests	Approximate percentage of registered capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
WANG Wei ⁽²⁾	RMB113,286,600	-	-	-	-	RMB113,286,600	99.90%

Notes:

- (1) Based on a total registered capital of Shenzhen Mingde of RMB113,400,000 as at 31 December 2023.
(2) Mr Wang is interested in registered capital of Shenzhen Mingde in the amount of RMB113,286,600 as beneficial owner.

S.F. Holding Co., Ltd.

Directors	Ordinary shares in S.F. Holding					Total interests	Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
HO Chit ⁽²⁾	488,000	-	-	-	-	488,000	0.01%
OOI Bee Ti (appointment effective from 31 October 2023) ⁽³⁾	275,400	-	-	-	-	275,400	0.01%

Notes:

- (1) Based on 4,895,202,373 ordinary shares in S.F. Holding in issue as at 31 December 2023.
(2) Mr Ho is interested in (i) 122,000 ordinary shares in S.F. Holding as beneficial owner; and (ii) options granted under the 2022 stock option incentive plan of S.F. Holding to subscribe for 366,000 ordinary shares in S.F. Holding.
(3) Ms Ooi is interested in (i) 71,400 ordinary shares in S.F. Holding as beneficial owner; and (ii) options granted under the 2022 stock option incentive plan of S.F. Holding to subscribe for 204,000 ordinary shares in S.F. Holding.

Kerry Express (Thailand) Public Company Limited

Ordinary shares in Kerry Express Thailand

Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	Approximate percentage of issued share capital ⁽¹⁾
CHENG Chi Wai (appointment effective from 22 May 2023) ⁽²⁾	5,573,600	-	-	-	5,573,600	0.32%

Notes:

(1) Based on 1,742,577,000 ordinary shares in Kerry Express Thailand in issue as at 31 December 2023.

(2) Mr Cheng is interested in 5,573,600 ordinary shares in Kerry Express Thailand as beneficial owner.

Save as disclosed above, as at 31 December 2023, the Company is not aware of any other Director or the chief executive of the Company who has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at 31 December 2023, the following are the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital ⁽¹⁾
WANG Wei	Interest of controlled corporations	972,698,478 ⁽⁷⁾	53.82%
Shenzhen Mingde Holding Development Co., Ltd. ⁽²⁾	Interest of controlled corporations	972,698,478 ⁽⁷⁾	53.82%
S.F. Holding Co., Ltd. ⁽³⁾	Interest of controlled corporations	972,698,478 ⁽⁷⁾	53.82%
Kerry Group Limited ⁽⁴⁾	Interest of controlled corporations	595,928,608 ⁽⁸⁾	32.97%
Kerry Holdings Limited ⁽⁵⁾	Interest of controlled corporations	572,100,979 ⁽⁸⁾	31.65%
Kerry Properties Limited ⁽⁶⁾	Beneficial owner	376,702,721 ⁽⁸⁾	20.84%

Notes:

- (1) Based on 1,807,429,342 Ordinary Shares in issue as at 31 December 2023.
- (2) Mr WANG Wei is the executive director of Shenzhen Mingde.
- (3) Mr WANG Wei is an executive director, the chairman of the board of directors and the general manager of S.F. Holding. Mr HO Chit is an executive director, a deputy general manager and the chief financial officer of S.F. Holding. Ms OOI Bee Ti is the head of corporate treasury of S.F. Holding.
- (4) Mr KUOK Khoon Hua is a director of KGL. Ms CHEN Keren is the group co-general counsel, the company secretary and the director of corporate services of KGL.
- (5) Mr KUOK Khoon Hua is the chairman and a director of KHL.
- (6) Mr KUOK Khoon Hua is the chairman, the chief executive officer and an executive director of KPL. Ms WONG Yu Pok Marina is an independent non-executive director of KPL.
- (7) Flourish Harmony is interested in 931,209,117 Ordinary Shares as beneficial owner. SF Holding HK is interested in 41,489,361 Convertible Securities as beneficial owner. Each of Flourish Harmony and SF Holding HK is wholly owned by S.F. Holding. S.F. Holding is a subsidiary of Shenzhen Mingde which is in turn controlled by Mr WANG Wei. Accordingly, S.F. Holding, Shenzhen Mingde and Mr WANG Wei are deemed to be interested in the interest held by Flourish Harmony and SF Holding HK in the Company pursuant to the disclosure requirements under the SFO.
- (8) KPL is a subsidiary of KHL. KHL is a wholly-owned subsidiary of KGL. Accordingly, KHL is deemed to be interested in the interest held by KPL in the Company and KGL is deemed to be interested in the interest held by each of KHL and KPL in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at 31 December 2023, the Company is not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr WANG Wei, the chairman of the Board and non-executive Director, is an executive director, the chairman of the board of directors, the general manager and the controlling shareholder of S.F. Holding. Mr HO Chit, non-executive Director, is an executive director, a deputy general manager and the chief financial officer of S.F. Holding. Ms OOI Bee Ti, non-executive Director, is the head of corporate treasury of S.F. Holding. S.F. Holding is primarily engaged in the provision of integrated express logistic services in the Mainland.

Mr KUOK Khoon Hua, the vice chairman of the Board and non-executive Director, is the chairman and a director of KHL as well as a director of KGL. Ms CHEN Keren, non-executive Director, is the group co-general counsel, the company secretary and the director of corporate services of KGL. KGL wholly owns KHL which, in turn, is the controlling shareholder of Kerry TJ. Kerry TJ is primarily engaged in the provision of less-than-truck-load transport, container transportation, warehousing and refrigeration delivery and supply chain integration logistics services in Taiwan.

The Directors believe that there is a risk that the above-mentioned competing businesses may compete with those of the Group. Nonetheless, such businesses are operated and managed by companies with independent management and administration. In addition, the relevant Directors mentioned above have non-executive roles and are not involved in the Company's day-to-day operations and management. Accordingly, the Group is capable of carrying on its businesses independent of and at arms-length from the competing businesses mentioned above.

Save as disclosed above and save for their respective interests in the Group, none of the Directors or any of their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group for the year ended 31 December 2023 and up to the date of this annual report.

SIGNIFICANT ACQUISITION/DISPOSAL AND DISCLOSEABLE AND CONNECTED TRANSACTIONS

The Group conducted the following material transactions during the year ended 31 December 2023.

1 ISSUE OF HK\$780,000,000 3.30 PER CENT. PERPETUAL CONVERTIBLE SECURITIES UNDER SPECIFIC MANDATE

On 29 March 2023, the Company, Natixis and SF Holding HK entered into a subscription and placing agency agreement pursuant to which: (i) the Company agreed to issue the Convertible Securities, being perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 with distribution rate of 3.30% per annum payable semi-annually to SF Holding HK (as subscriber); (ii) Natixis conditionally agreed to use all reasonable efforts to procure SF Holding HK to subscribe for the Convertible Securities; and (iii) SF Holding HK conditionally agreed to subscribe and pay for the Convertible Securities at 100% of the principal amount subject to, and in accordance with, the terms of the subscription and placing agency agreement. There is no fixed redemption date on the Convertible Securities and the redemption is at the option of the Company. The Directors are of the view that the issue of Convertible Securities can, amongst other things, provide the Company with additional funds at lower funding cost for the expansion of its international express delivery business in Southeast Asia, particularly to support Kerry Express Thailand, replenishment of general working capital and repayment of existing debt. Completion of the issue of Convertible Securities took place on 18 May 2023 in accordance with the terms and conditions of the subscription and placing agency agreement.

The Convertible Securities are convertible by holders into share(s) of nominal value of HK\$0.50 each in the Company to be allotted and issued by the Company upon conversion (“Conversion Share(s)”) at the initial conversion price of HK\$18.80 per Conversion Share subject to adjustments (“Conversion Price”). The Conversion Price represents a premium of approximately 44.17% over the closing price of HK\$13.04 per Share as quoted on the Stock Exchange on 28 March 2023, being the trading day immediately before the date of the subscription and placing agency agreement. Based on the initial Conversion Price and assuming full conversion of the Convertible Securities at the initial Conversion Price, the Convertible Securities will be convertible into 41,489,361 Conversion Shares.

The Conversion Shares have a maximum aggregate nominal value of HK\$20,744,681 and based on the estimated net proceeds of approximately HK\$774,000,000 and 41,489,361 Conversion Shares resulting from the conversion of the Convertible Securities at the initial Conversion Price, the net price per Conversion Share to the Company is approximately HK\$18.66.

For the year ended 31 December 2023, after considering the transaction cost, the net proceeds from the issue of the Convertible Securities was approximately HK\$774,101,000, and have been fully used by the Company for supporting Kerry Express Thailand. The subscription for the Convertible Securities by SF Holding HK also in turn enables it to support the international express delivery business in Thailand. In order to fulfil the increased funding needs for the expansion and growth of Kerry Express Thailand, the net proceeds originally intended for replenishment of general working capital and repayment of existing debt were reallocated and used to support Kerry Express Thailand.

SF Holding HK is an indirect wholly-owned subsidiary of S.F. Holding, which is a Controlling Shareholder of the Company. SF Holding HK is therefore a connected person of the Company. As such, the subscription of the Convertible Securities constitutes a connected

transaction of the Company and is subject to announcement, reporting and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Please refer to the Company’s announcement dated 29 March 2023, circular dated 24 April 2023 and announcement dated 18 May 2023 for details.

As at the date of this report, there was no movement of the Convertible Securities since issuance.

The Convertible Securities are classified as equity instruments and recorded in equity in the Financial Statements.

2 DISPOSALS OF CERTAIN COMPANIES ENGAGING IN EXPRESS DELIVERY SERVICES

On 25 July 2023, the Company entered into a master agreement (the “Master Agreement”) to sell and procure its subsidiaries to sell the equity interests and (if applicable) the shareholder’s loans of ten subsidiaries of the Group engaging in express delivery services in the Asia Pacific and Europe (the “Target Companies”), to SF Holding HK, at a total consideration of approximately HK\$240,924,000 calculated based on the formula as set out in the Master Agreement with reference to the management accounts of the Target Companies as at 30 June 2023. Following completion of the disposal, the Target Companies have ceased as subsidiaries of the Company.

SF Holding HK is an indirect wholly-owned subsidiary of S.F. Holding, which is a controlling shareholder of the Company. SF Holding HK is therefore a connected person of the Company. As such, the disposals constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the disposals exceed 0.1% but all are less than 5%, the disposals are subject to the announcement requirement but are exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Please refer to the Company’s announcement dated 25 July 2023 for details.

3 ACQUISITION OF 70% EQUITY INTERESTS IN A TARGET COMPANY

On 20 December 2023, the Company (through an indirect wholly-owned subsidiary, Kerry Logistics (China) Investment Limited (the “Buyer”)) entered into a sale transfer agreement with SF Multimodal Transportation Co., Ltd. (the “Seller”), an indirect wholly-owned subsidiary of S.F. Holding, and Alashankou International Rail Cargo Express Ltd. (the “Target Company”), pursuant to which the Seller conditionally agreed to sell, and the Buyer conditionally agreed to buy 70% equity interests in the Target Company. The total consideration for the acquisition is RMB27,370,000, which was determined based on arm’s length negotiation with reference to the valuation on the 70% equity interests in the Target Company conducted by Shenzhen Lixin Business Valuation and Property Appraisal Co., Ltd., an independent professional valuer appointed by the Seller. The Target Company is engaged in multimodal transportation agency and international freight forwarding business. Upon completion of the acquisition, the Target Company will become an indirect non wholly-owned subsidiary of the Company.

The Seller is an indirect wholly-owned subsidiary of S.F. Holding, which is a controlling shareholder of the Company. The Seller is therefore a connected person of the Company. As such, the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the acquisition exceed 0.1% but all are less than 5%, the acquisition is subject to the announcement requirement but are exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 20 December 2023 for details.

CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 39 to the Financial Statements, the following transactions constitute continuing connected transactions for the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

1 FRAMEWORK AGREEMENTS WITH SFTS

On 28 June 2022, the Company entered into a framework agreement (the “SF Logistics Services Framework Agreement”) with SFTS. On 28 October 2022, the Company and SFTS further entered into a supplemental agreement to expand the scope of the SF Logistics Services Framework Agreement and update the annual caps previously agreed to those set out below. Pursuant to the SF Logistics Services Framework Agreement (as amended), SFTS Group agreed to provide services, including the carriage of cargoes by air flight operations (including scheduled flights and charter flights), freight forwarding services, express services and integrated logistics services to the Group (the “SF Transactions”). The SF Logistics Services Framework Agreement (as amended) commenced on 1 January 2022 and will expire on 31 December 2024. The Company may extend the term of the SF Logistics Services Framework Agreement (as amended) for a further term of three years, subject to compliance with the Listing Rules requirements. Please refer to the announcements of the Company dated 28 June 2022 and 28 October 2022, and circular of the Company dated 18 November 2022 for details. Pursuant to the SF Logistics Services Framework Agreement (as amended), the annual caps payable by the Group to SFTS Group for the two years ended 31 December 2022 and 2023 and the year ending 31 December 2024 are

HK\$1,068.0 million, HK\$4,189.0 million and HK\$5,844.0 million, respectively (the “SF Annual Caps”). SFTS is a wholly-owned subsidiary of S.F. Holding, which is a Controlling Shareholder of the Company. As such, SFTS is a connected person of the Company and the SF Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the SF Annual Caps exceeds 5%, the SF Transactions are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. During the two years ended 31 December 2022 and 2023, the amount payable by the Group to SFTS Group amounted to HK\$797.0 million and HK\$911.7 million, respectively.

On 29 July 2022, the Company entered into a framework agreement (the “CGSA Framework Agreement”) with SFTS for a term commenced on 1 May 2022 and will expire on 31 December 2024, pursuant to which SFTS Group agreed to appoint the Group as an exclusive cargo general sales agent to provide services to SFTS Group, including the sales and promotion of the air cargo business for the inbound and outbound international flights operated by SFTS Group (the “CGSA Transactions”). Please refer to the announcement of the Company dated 29 July 2022 for details. Pursuant to the CGSA Framework Agreement, the annual caps payable by SFTS Group to the Group for the two years ended 31 December 2022 and 2023 and the year ending 31 December 2024 are HK\$200.0 million, HK\$520.0 million and HK\$676.0 million, respectively (the “CGSA Annual Caps”). SFTS is a wholly-owned subsidiary of S.F. Holding, which is a Controlling Shareholder of the Company. As such, SFTS is a connected person of the Company, and

the CGSA Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the CGSA Annual Caps exceeds 0.1% but all are less than 5%, each of the CGSA Transactions are subject to the announcement requirement but are exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. During the two years ended 31 December 2022 and 2023, the amount receivable by the Group from SFTS Group amounted to HK\$107.7 million and HK\$155.5 million, respectively.

On 29 July 2022, the Company entered into a framework agreement (the “KLN Logistics Services Framework Agreement”) with SFTS. On 28 October 2022, the Company and SFTS further entered into a supplemental agreement to expand the scope of the KLN Logistics Services Framework Agreement and update the annual caps previously agreed to those set out below. Pursuant to the KLN Logistics Services Framework Agreement (as amended), the Group agreed to provide services, including the international freight forwarding services, express services, overseas pick-up services and integrated logistics services to SFTS Group (the “KLN Transactions”). The KLN Logistics Services Framework Agreement (as amended) commenced on 29 July 2022 and will expire on 31 December 2024. Please refer to the announcements of the Company dated 29 July 2022 and 28 October 2022, and circular of the Company dated 18 November 2022 for details. Pursuant to the KLN Logistics Services Framework Agreement (as amended), the annual caps payable by SFTS Group to the Group for the two years ended 31 December 2022 and 2023 and the year ending 31 December 2024 are HK\$531.0 million,

HK\$2,340.0 million and HK\$2,931.0 million, respectively (the “KLN Annual Caps”). SFTS is a wholly-owned subsidiary of S.F. Holding, which is a Controlling Shareholder of the Company. As such, SFTS is a connected person of the Company, and the KLN Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the KLN Annual Caps exceeds 5%, the KLN Transactions are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. During the two years ended 31 December 2022 and 2023, the amount receivable by the Group from SFTS Group amounted to HK\$311.0 million and HK\$301.3 million, respectively.

2 WAREHOUSES MANAGEMENT AGREEMENTS WITH KHL GROUP

On 25 March 2021, Kerry Warehouse (Hong Kong) Limited (the “Warehouses Manager”), a wholly-owned subsidiary of the Company, entered into nine warehouses management agreements with, the legal owners of nine Hong Kong warehouses (the “Warehouses”) respectively, to provide building management services, leasing management services, operation of warehouse facilities and other related services (the “Warehouses Management Services”) for the Warehouses (collectively the “Warehouses Management Agreements”). In consideration for such services, the relevant legal owners shall pay certain management fees to the Warehouses Manager. In addition, under certain Warehouse Management Agreements, the Warehouses Manager has agreed to guarantee relevant legal owners of certain Warehouses a minimum level of gross revenue during the term of the Warehouses Management Agreements. If the Warehouses Manager is unable to seek

tenants for the relevant Warehouses, the Warehouses Manager shall, as principal, satisfy such minimum guaranteed gross revenue. The term of each Warehouses Management Agreement is an initial term of three years commencing on the date of completion of the sale of the entire interest of the Warehouses (the “Warehouses Sale”) in respect of the corresponding Warehouse and, subject to having duly performed and observed all terms and conditions of the Warehouses Management Agreement in all material respects, the term is renewable at the option of the Warehouses Manager for a further term of three years. On 30 April 2021, each of the legal owners of the Warehouses entered into an amendment agreement with the Warehouses Manager amending the terms of the respective Warehouses Management Agreement to reflect an update to the annual caps previously agreed. The Warehouses Management Agreements (as amended) and the obligations of the relevant parties thereunder commenced on 4 October 2021, being the date of completion of the Warehouses Sale. Please refer to the Circular and related announcements for details.

Upon friendly and arm’s length negotiations between Kerry Warehouse (Sheung Shui) Limited (now known as Yuen Fung Properties Limited) (“SS”) and the Warehouses Manager, as the Warehouses Manager was given to understand that SS no longer requires the Warehouses Management Services from the Warehouses Manager, on 20 January 2023, both parties mutually agreed to enter into a second supplemental agreement to the management agreement dated 25 March 2021 entered into between SS and the Warehouses Manager (as amended) (the “SS Warehouses Management Agreement”) to, amongst other things, terminate the SS Warehouses Management Agreement (as amended) on 31 March 2023.

Upon friendly and arm's length negotiations between Kerry Warehouse (Fanling 1) Limited (now known as Yuen Wah Property Limited) ("FL") and the Warehouses Manager, as the Warehouses Manager was given to understand that FL no longer requires the Warehouses Management Services from the Warehouses Manager, both parties mutually agreed to enter into a supplemental agreement to the management agreement dated 25 March 2021 entered into between FL and the Warehouses Manager (as amended) (the "FL Warehouses Management Agreement") to, amongst other things, terminate the FL Warehouses Management Agreement (as amended) on 16 December 2023.

The aggregate annual caps for the amounts payable by the Group as principal to KHL (together with its subsidiaries, "KHL Group") under the Warehouses Management Agreements (as amended) (being the guaranteed gross revenue and related charges) are as follows: (i) for the period from the commencement date (i.e. 4 October 2021) until 31 December 2021, the two years ended 31 December 2022 and 2023, the period from 1 January 2024 to the third anniversary of the commencement date, no more than HK\$160.0 million, HK\$480.0 million, HK\$485.0 million and HK\$550.0 million, respectively; (ii) for the period from the third anniversary of the commencement date to 31 December 2024, each of the years ending 31 December 2025 and 2026, and the period from 1 January 2027 to the sixth anniversary of the commencement date, no more than HK\$183.3 million, HK\$551.0 million, HK\$554.0 million and HK\$554.0 million, respectively.

The aggregate annual caps for the amounts receivable by the Group from KHL Group are as follows: (i) for the period from the

commencement date (i.e. 4 October 2021) until 31 December 2021, the two years ended 31 December 2022 and 2023, the period from 1 January 2024 to the third anniversary of the commencement date, no more than HK\$11.3 million, HK\$37.4 million, HK\$41.6 million and HK\$47.8 million respectively; (ii) for the period from the third anniversary of the commencement date to 31 December 2024, each of the years ending 31 December 2025 and 2026, and the period from 1 January 2027 to the sixth anniversary of the commencement date, no more than HK\$15.9 million, HK\$53.4 million, HK\$59.7 million and HK\$59.7 million, respectively.

Each of the companies holding the Warehouses became a wholly-owned subsidiary of KHL following completion of the Warehouses Sale on 4 October 2021. As KHL is a Controlling Shareholder of the Company and therefore a connected person of the Company, the Warehouses Management Agreements constitute continuing connected transactions of the Company under the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual caps of the transactions under the Warehouses Management Agreements is more than 0.1% but all are less than 5%, the Warehouses Management Agreements are subject to the requirements under Chapter 14A of the Listing Rules.

During the period ended 31 December 2021 and the two years ended 31 December 2022 and 2023, the amount receivable by the Group as principal from KHL Group amounted to HK\$6.6 million, HK\$26.4 million and HK\$25.6 million and no amount is payable by the Group as principal to KHL Group, respectively.

3 FRAMEWORK SERVICES AGREEMENT WITH KHL

On 25 March 2021, the Company entered into a framework services agreement with KHL (the “Framework Services Agreement”). On 30 April 2021, the Company and KHL further entered into an amendment agreement to update the annual caps previously agreed to those set out below. Pursuant to the Framework Services Agreement, (i) the Group agreed to provide in places outside Taiwan services including delivery and transportation services, local courier services, freight services, freight agency services, insurance brokerage and related services, catering services and services relating to management and operation of warehouse facilities (including building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services, and excluding the Warehouses Management Services to be provided pursuant to the Warehouses Management Agreements) to KHL Group (excluding KPL and its subsidiaries, “Relevant KHL Group”); (ii) Relevant KHL Group agreed to lease their premises in Hong Kong to the Group; and (iii) Relevant KHL Group agreed to provide services in and/or from Taiwan including land transportation, other logistics services; freight services, freight agency services and other logistics services; and warehousing services to the Group. Please refer to the Circular and related announcements for details.

The Framework Services Agreement (as amended) commenced on the final closing date of the Partial Offer (i.e. 16 September 2021), and will expire on the third anniversary of the commencement date. The Framework Services Agreement can be extended for a further term of three years with the mutual written agreement of the Company and KHL.

The aggregate annual caps for the amounts payable by the Group to Relevant KHL Group for the period from the commencement date (i.e. 16 September 2021) until 31 December 2021, the two years ended 31 December 2022 and 2023, and the period from 1 January 2024 to the third anniversary of the commencement date are HK\$1,863.6 million, HK\$2,162.5 million, HK\$1,062.2 million and HK\$1,149.7 million, respectively, and the aggregate annual caps for the amounts receivable by the Group from the Relevant KHL Group for the period from the commencement date until 31 December 2021, the two years ended 31 December 2022 and 2023, and the period from 1 January 2024 to the third anniversary of the commencement date are HK\$61.8 million, HK\$183.2 million, HK\$232.2 million and HK\$295.9 million, respectively. For the avoidance of doubt, the fees receivable by the Group for the provision of Warehouses Management Services and any amount payable under the Warehouses Management Agreements shall not be subject to the annual caps set out in the Framework Services Agreement.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual caps of the transactions under the Framework Services Agreement is more than 5% but all are less than 25%, the Framework Services Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As KHL is a Controlling Shareholder of the Company and therefore a connected person of the Company, the Framework Services Agreement also constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

During the period ended 31 December 2021 and the two years ended 31 December 2022 and 2023, the amounts payable by the Group to Relevant KHL Group amounted to HK\$732.6 million, HK\$400.8 million and HK\$289.2 million and the amounts receivable by the Group from Relevant KHL Group amounted to HK\$21.8 million, HK\$34.6 million and HK\$38.7 million, respectively.

The Independent Non-executive Directors, having considered the summary of continuing connected transactions of the Group as recorded during the year, have confirmed that the above continuing connected transactions for the year ended 31 December 2023 were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Our management has assigned the finance team of the Company to monitor the continuing connected transactions. They regularly communicate with the heads of all stations of the Group regarding the terms and pricing policies of the continuing connected transactions prepared in accordance with the Listing Rules and relevant guidances and collect monthly financial data together with underlying agreements for analysis. The finance team of the Company is also responsible for preparing monthly financial reports in order to monitor the annual caps of the continuing connected transactions. Policies and procedures have also been set up to ensure that the internal controls in relation to the above continuing connected transactions for the year ended 31 December 2023 were adequate and effective.

The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the abovementioned

continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, confirming that (i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board, (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group, (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions, and (iv) with respect to the aggregate amount of each of the continuing connected transactions conducted during the year, nothing has come to their attention that causes the auditor to believe that the amounts have exceeded the maximum aggregate annual caps set for the relevant transactions.

In addition, certain transactions disclosed in note 39 to the Financial Statements also constitute continuing connected transactions under the Listing Rules. The applicable percentage ratios (except profits ratio) for the transactions are under 0.1% and therefore such transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

Save for the above, during the year ended 31 December 2023, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. The Company confirmed that it has complied with the applicable disclosure requirements in relation to its connected transactions (including continuing connected transactions) conducted during the year, in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Events After The Year Ended 31 December 2023", "Significant Acquisition/Disposal and Discloseable and Connected Transactions" and "Continuing Connected Transactions" in this Report of Directors, none of the Directors or entities connected with the Directors is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2023 and up to the date of this annual report.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, during the year ended 31 December 2023, there was no other contract of significance entered into between the Group and our Controlling Shareholders or their respective subsidiaries.

MANAGEMENT CONTRACTS

No contracts other than the service contracts with the Directors or persons engaged in the full-time employment of the Company concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023 and up to the date of this annual report.

DIRECTORS' REMUNERATION

The Group offers competitive remuneration packages to the Directors, and the Directors' fees are subject to the Shareholders' approval at general meeting. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Details of the Directors' remuneration during the year ended 31 December 2023 are set out in note 12 to the Financial Statements.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director or other officer of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year ended 31 December 2023.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme by a resolution of its Shareholder on 25 November 2013 and an ordinary resolution of the shareholders of KPL on 1 November 2013.

On 2 December 2013, pursuant to the Pre-IPO Share Option Scheme, the Company had granted options to subscribe for 42,770,000 Shares to directors, executives and employees of the Group. No further options will be granted under the Pre-IPO Share Option Scheme.

As at 31 December 2023, no option granted under the Pre-IPO Share Option Scheme was outstanding.

Movement of the options, which were granted under the Pre-IPO Share Option Scheme, during the year ended 31 December 2023 are as follows:

Category	Date of grant (Note a)	Tranche	Number of options			Outstanding as at 31/12/2023	Exercise price HK\$	Exercise period
			Outstanding as at 01/01/2023	Exercised (Notes b and c)	Lapsed			
Continuous Contract	02/12/2013	I	255,000	-	(255,000)	-	10.20	19/12/2013-01/12/2023
Employees	02/12/2013	II	383,200	(4,500)	(378,700)	-	10.20	02/12/2014-01/12/2023
Total:			638,200	(4,500)	(633,700)	-		

Notes:

- The vesting period of the options is from the date of grant until the commencement of the exercise period.
- The weighted average closing price of the Ordinary Shares of the Company immediately before the dates on which the options were exercised was HK\$11.28.
- During the year, no option was granted/granted for adjustment, transferred from/to other category or cancelled under the Pre-IPO Share Option Scheme.
- There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

For further details of the Pre-IPO Share Option Scheme, please refer to note 37 to the Financial Statements.

POST-IPO SHARE OPTION SCHEME

The Company has approved and adopted the Post-IPO Share Option Scheme by a resolution of its Shareholder on 25 November 2013 and an ordinary resolution of the shareholders of KPL on 1 November 2013. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

There were (i) no outstanding options granted under the Post-IPO Share Option Scheme as at 1 January 2023 and 31 December 2023, and (ii) no movements in options during the year ended 31 December 2023.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme by a resolution of the Board on 25 January 2019. The Share Award Scheme is subject to the requirements under Chapter 17 of the Listing Rules starting from 1 January 2023. Pursuant to the Share Award Scheme, Shares to be awarded to any selected eligible persons will be acquired by the trustee of the Share Award Scheme through on-market transactions at the prevailing market price using the necessary funds provided by the Company and held on trust for the relevant selected participant until such awarded Shares are vested in accordance with the Share Award Scheme.

During the year ended 31 December 2023, 6,862,855 awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 31 December 2023, a total of 11,973,196 awarded Shares have been granted under the Share Award Scheme (representing approximately 0.66% and 0.66% of the issued share capital of the Company as at 31 December 2023 and the date of this annual report, respectively), of which 8,382,457 have vested and 3,590,739 remain unvested.

Movement of the awarded Shares, which were granted under the Share Award Scheme, during the year ended 31 December 2023 are as follows:

Category	Date of grant	Number of awarded Shares								
		Unvested as at 01/01/2023	Transfer from other category during the year	Granted during the year (Note a)	Granted for adjustment during the year (Note b)	Vested (Notes c and d)	Transfer to other category during the year	Unvested as at 31/12/2023	Purchase price HK\$	Vesting period (Note e)
1. Directors										
CHEUNG Ping Chuen Vicky	01/04/2022	18,358	-	-	-	18,358	-	-	N/A	01/04/2022-01/04/2023
	01/04/2022	18,358	-	-	-	-	-	18,358	N/A	01/04/2022-01/04/2024
	01/04/2022	18,360	-	-	-	-	-	18,360	N/A	01/04/2022-01/04/2025
	01/04/2023	-	-	99,017	-	99,017	-	-	N/A	N/A
	01/04/2023	-	-	33,005	-	-	-	33,005	N/A	01/04/2023-01/04/2024
	01/04/2023	-	-	33,005	-	-	-	33,005	N/A	01/04/2023-01/04/2025
	01/04/2023	-	-	33,007	-	-	-	33,007	N/A	01/04/2023-01/04/2026
	01/10/2023	-	-	199,000	-	199,000	-	-	N/A	N/A
01/10/2023	-	-	199,000	-	-	-	199,000	N/A	01/10/2023-01/10/2024	
CHENG Chi Wai (appointment effective from 22 May 2023) (Note f)	01/04/2021	-	13,431	-	-	-	-	13,431	N/A	01/04/2021-01/04/2024
	01/04/2022	-	22,264	-	-	-	-	22,264	N/A	01/04/2022-01/04/2024
	01/04/2022	-	22,265	-	-	-	-	22,265	N/A	01/04/2022-01/04/2025
	01/04/2023	-	31,120	-	-	-	-	31,120	N/A	01/04/2023-01/04/2024
	01/04/2023	-	31,120	-	-	-	-	31,120	N/A	01/04/2023-01/04/2025
	01/04/2023	-	31,121	-	-	-	-	31,121	N/A	01/04/2023-01/04/2026
	01/10/2023	-	-	213,000	-	213,000	-	-	N/A	N/A
	01/10/2023	-	-	213,000	-	-	-	213,000	N/A	01/10/2023-01/10/2024
MA Wing Kai William (retirement effective from 22 May 2023) (Note g)	01/04/2020	241,192	-	-	192,953	434,145	-	-	N/A	01/04/2020-01/04/2023
	01/04/2021	36,850	-	-	-	36,850	-	-	N/A	01/04/2021-01/04/2023
	01/04/2021	36,849	-	-	-	-	36,849	-	N/A	01/04/2021-01/04/2024
	01/04/2022	65,443	-	-	-	65,443	-	-	N/A	01/04/2022-01/04/2023
	01/04/2022	65,443	-	-	-	-	65,443	-	N/A	01/04/2022-01/04/2024
	01/04/2022	65,443	-	-	-	-	65,443	-	N/A	01/04/2022-01/04/2025
	01/04/2023	-	-	264,837	-	264,837	-	-	N/A	N/A
	01/04/2023	-	-	88,279	-	-	88,279	-	N/A	01/04/2023-01/04/2024
	01/04/2023	-	-	88,279	-	-	88,279	-	N/A	01/04/2023-01/04/2025
	01/04/2023	-	-	88,279	-	-	88,279	-	N/A	01/04/2023-01/04/2026

Number of awarded Shares

Category	Date of grant	Number of awarded Shares							Purchase price HK\$	Vesting period (Note e)
		Unvested as at 01/01/2023	Transfer from other category during the year	Granted during the year (Note a)	Granted for adjustment during the year (Note b)	Vested (Notes c and d)	Transfer to other category during the year	Unvested as at 31/12/2023		
2. Continuous Contract Employees	01/04/2020	747,728	-	-	598,168	1,345,896	-	-	N/A	01/04/2020-01/04/2023
	01/04/2021	99,912	-	-	-	99,912	-	-	N/A	01/04/2021-01/04/2023
	01/04/2021	99,907	36,849	-	-	-	13,431	123,325	N/A	01/04/2021-01/04/2024
	01/04/2022	118,500	-	-	-	118,500	-	-	N/A	01/04/2022-01/04/2023
	01/04/2022	118,500	65,443	-	-	-	22,264	161,679	N/A	01/04/2022-01/04/2024
	01/04/2022	118,512	65,443	-	-	-	22,265	161,690	N/A	01/04/2022-01/04/2025
	01/04/2023	-	-	449,513	-	449,513	-	-	N/A	N/A
	01/04/2023	-	88,279	149,835	-	-	31,120	206,994	N/A	01/04/2023-01/04/2024
	01/04/2023	-	88,279	149,835	-	-	31,120	206,994	N/A	01/04/2023-01/04/2025
	01/04/2023	-	88,279	149,843	-	-	31,121	207,001	N/A	01/04/2023-01/04/2026
	01/10/2023	-	-	1,797,000	-	1,797,000	-	-	N/A	N/A
	01/10/2023	-	-	1,824,000	-	-	-	1,824,000	N/A	01/10/2023-01/10/2024
Total:		1,869,355	583,893	6,071,734	791,121	5,141,471	583,893	3,590,739		

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 included two Directors. Awarded Shares granted to the five highest paid individuals (including two Directors) are extracted and summarised as follows:

Category	Date of grant	Number of awarded Shares							Purchase price HK\$	Vesting period (Note e)
		Unvested as at 01/01/2023	Granted during the year (Note a)	Granted for adjustment during the year (Note b)	Vested (Notes c and d)	Unvested as at 31/12/2023				
Five Highest Paid Individuals	01/04/2020	419,680	-	335,741	755,421	-	N/A	01/04/2020-01/04/2023		
	01/04/2021	67,745	-	-	67,745	-	N/A	01/04/2021-01/04/2023		
	01/04/2021	67,742	-	-	-	67,742	N/A	01/04/2021-01/04/2024		
	01/04/2022	131,838	-	-	131,838	-	N/A	01/04/2022-01/04/2023		
	01/04/2022	131,838	-	-	-	131,838	N/A	01/04/2022-01/04/2024		
	01/04/2022	131,845	-	-	-	131,845	N/A	01/04/2022-01/04/2025		
	01/04/2023	-	569,348	-	569,348	-	N/A	N/A		
	01/04/2023	-	189,781	-	-	189,781	N/A	01/04/2023-01/04/2024		
	01/04/2023	-	189,781	-	-	189,781	N/A	01/04/2023-01/04/2025		
	01/04/2023	-	189,786	-	-	189,786	N/A	01/04/2023-01/04/2026		
	01/10/2023	-	1,263,000	-	1,263,000	-	N/A	N/A		
	01/10/2023	-	1,263,000	-	-	1,263,000	N/A	01/10/2023-01/10/2024		
Total:		950,688	3,664,696	335,741	2,787,352	2,163,773				

Notes:

- a. The closing price of the Ordinary Shares immediately before the date of grant on 1 April 2023 and 1 October 2023 was HK\$12.20 and HK\$7.00 respectively. The fair value of the awarded Shares granted on 1 April 2023 and 1 October 2023 was HK\$12.20 and HK\$7.00 respectively.
- b. The date of grant for adjustment during the year was on 1 April 2023, the closing price of the Ordinary Shares immediately before the date of grant for adjustment was HK\$12.20 and the vesting period was from 1 April 2023 to 1 April 2023. The fair value of the awarded Shares granted on 1 April 2023 was HK\$12.20.
- c. The weighted average closing price of the Ordinary Shares immediately before the date on which the awarded Shares were vested was HK\$9.97.
- d. During the year, no awarded Shares was cancelled or lapsed under the Share Award Scheme.
- e. The vesting period of the awarded Shares is from the date of grant until the date of vesting.
- f. Mr Cheng's appointment as Executive Director was effective from 22 May 2023 and his awarded Shares were re-categorised from Continuous Contract Employees to Directors.
- g. Mr Ma's retirement as Executive Director was effective from 22 May 2023 and his awarded Shares were re-categorised from Directors to Continuous Contract Employees. On 1 October 2023, 1,330,000 awarded Shares were granted to Mr Ma of which 665,000 awarded Shares were vested, all were categorised under Continuous Contract Employees.
- h. There are no participants with awarded Shares granted in excess of the individual limit and no grants to suppliers of goods and services.
- i. For the awarded Shares granted under the Share Award Scheme, the amounts to be recognised as expenses are determined by reference to the fair value of the awarded Shares granted, taking into account all market performance conditions (e.g. the Company's share price) and non-vesting conditions associated with the grants as at the date of grant, excluding the impact of any service and non-market performance vesting conditions. The total expense amount is recognised over the relevant vesting periods. At the end of each reporting period, the Group revises its estimates of the number of awarded Shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity. The fair value of the awarded Shares is determined based on the closing market price of the Ordinary Shares as at the date of grant, excluding the present value of dividends expected to be paid during the vesting period.

SUMMARY OF THE SHARE SCHEMES

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
1. Purpose	To motivate eligible persons to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group		To support the long-term growth of the Group and enhance its reputation as an employer-of-choice in the industry, to attract and incentivise suitable personnel for the further development of the Group, to recognize contributions by participants, to retain talent and to help align the interests of the Directors and senior management of the Group with the Group's long-term performance

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
2. Participants	Eligible persons include (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group (an "Employee"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (ii) a director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (iv) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; (v) an associate (as defined under the Listing Rules) of any of the foregoing persons		Eligible persons include any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group unless otherwise necessary or expedient to be excluded
3. Maximum number of Shares	As at 31 December 2023, no option granted under the Pre-IPO Share Option Scheme was outstanding. No further option could be granted under the Pre-IPO Share Option Scheme	As at 31 December 2023, no option granted under the Post-IPO Share Option Scheme was outstanding. No further option could be granted under the Post-IPO Share Option Scheme	<p data-bbox="1021 1015 1466 1574">During the year ended 31 December 2023, 6,862,855 awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 31 December 2023, a total of 11,973,196 awarded Shares have been granted under the Share Award Scheme (representing approximately 0.66% and 0.66% of the issued share capital of the Company as at 31 December 2023 and the date of this annual report, respectively), of which 8,382,457 have vested and 3,590,739 remain unvested</p> <p data-bbox="1021 1616 1466 1815">The maximum number of the Shares which can be awarded under the Share Award Scheme is 10% of the total number of Shares in issue from time to time</p>

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
4. Maximum entitlement of each participant	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant		1% of the issued share capital of the Company from time to time
5. Option period/ Vesting period	<p>The option period is determined by the Board provided that it is not longer than 10 years commencing on the date of grant. There is no minimum period for which an option must be held before it can be exercised</p> <p>The Board may in its absolute discretion specify any conditions, restrictions or limitations, including continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the Shares to which the option relates</p>		<p>The Board may, from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested</p> <p>The Board may in its absolute discretion decide whether any award shall lapse or shall be subject to such conditions or limitations as the Board may decide</p>
6. Acceptance of offer	Options granted must be accepted within the period as stated in the offer of the grant, upon payment of HK\$1.0 per grant		N/A

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
7. Exercise price/ Purchase price	Exercise price is HK\$10.2, the offer price of the Shares for the Global Offering	The exercise price of the 4,350,000 options granted on 9 January 2015 is HK\$12.26 Exercise price shall be at least the highest of (i) the nominal value of Share; (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant; and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the grant	N/A
8. Remaining life of the scheme	It expired on 19 December 2013	It expired on 25 November 2023	It shall be valid and effective for the award period, which commences on the adoption date, namely 25 January 2019, and ends on the business day immediately prior to the 10th anniversary of the adoption date

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales, and the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in the Group's five largest customers and suppliers.

PROPERTY INTERESTS

Details of the revaluation and movements of the investment properties of the Group during the year are set out in notes 2.2(c) and 14 to the Financial Statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2023 and no such agreement subsisted as at 31 December 2023.

CONVERTIBLE SECURITIES

Details of the Convertible Securities of the Group are set out in the section headed "Significant Acquisition/Disposal and Discloseable and Connected Transactions" in this Report of Directors and note 32 to the Financial Statements.

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 2023.

COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in Part 2 of the CG Code. During the year ended 31 December 2023, the Company has complied with the code provisions as set out in Part 2 of the CG Code.

AUDITOR

The Financial Statements of the Group for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers, certified public accountants and registered PIE auditor.

PricewaterhouseCoopers shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming AGM.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024 and on Tuesday, 28 May 2024 during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered Shareholders shall lodge share transfer documents with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration before 4:30 p.m. on Thursday, 16 May 2024. In order to qualify for the proposed final dividend (subject to the approval by the Shareholders at the forthcoming AGM), unregistered holders of shares of the Company shall lodge share transfer documents with Tricor Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on Monday, 27 May 2024.

By Order of the Board
WANG Wei
Chairman

Hong Kong, 26 March 2024

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF KERRY LOGISTICS
NETWORK LIMITED

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

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Kerry Logistics Network Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 103 to 202, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
T: (852) 2289 8888, F: (852) 2810 9888, www.pwchk.com*

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to impairment assessment of the carrying value of goodwill.

KEY AUDIT MATTER

IMPAIRMENT ASSESSMENT OF THE CARRYING VALUE OF GOODWILL

Refer to notes 2.2(d)(I), 4(a)(III) and 13 to the consolidated financial statements

As at 31 December 2023, the Group had a carrying value of goodwill of HK\$5,033 million. Goodwill are subject to impairment assessments annually and when there is an indication of impairment.

Management considered there is no impairment of goodwill for the year ended 31 December 2023 based on the impairment assessments performed.

In carrying out the impairment assessments, significant estimates and judgements are involved in determining the recoverable amounts of cash generating units ("CGUs"), which are based on the higher of value-in-use calculations and fair value less costs of disposal. The value-in-use calculations take into consideration the cash flow projections of respective CGUs based on financial budgets approved by management and a number of estimates and assumptions made by management, including revenue growth rates, profit margins used in the cash flow projections and the discount rates applied to bring the future cash flows back to their present values. The fair value less costs of disposal requires the selection of appropriate available market information by management.

The impairment assessments of the carrying value of goodwill is our area of focus as significant estimates and judgements are involved in the determination of recoverable amounts.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our procedures to address this key audit matter included:

- understood management's processes for determining the recoverable amounts of CGUs and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgements involved in determining the assumptions applied;
- agreed the input data used by management to supporting evidence such as actual results and financial budgets approved by management;
- compared the current year actual results with the prior year's financial forecasts to assess the reasonableness of management financial budgets;
- involved our internal valuation experts on certain selected CGUs to evaluate the valuation methodologies and assessed the reasonableness of the discount rates by benchmarking to other comparable companies in the same industry;
- assessed the reasonableness of key estimates and assumptions applied in the financial budgets including revenue growth rates and profit margins applied by management by comparing them with historical financial performance and external economic and industry information; and
- performed sensitivity analyses on the key assumptions including revenue growth rates and discount rates to consider reasonable possible changes on the recoverable amounts.

Based on the procedures performed above, we considered that the key estimates and assumptions used in the impairment assessments by management are supported by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT AND COMPLIANCE COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit and Compliance Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Nim Tsz, Elizabeth.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2024

STATEMENT OF ACCOUNTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000 (restated)
Continuing operations			
Revenue	5	47,407,559	82,329,565
Direct operating expenses	7	(42,506,403)	(73,555,194)
Gross profit		4,901,156	8,774,371
Other income and net gains	6	86,060	561,893
Administration expenses	7	(2,709,690)	(3,199,585)
Operating profit before fair value change of investment properties		2,277,526	6,136,679
Change in fair value of investment properties	14	10,499	9,315
Operating profit		2,288,025	6,145,994
Finance expenses	8	(576,720)	(370,566)
Share of results of associates and a joint venture	17(b)	195,371	166,894
Profit before taxation		1,906,676	5,942,322
Taxation	9	(464,119)	(1,424,766)
Profit for the year from continuing operations		1,442,557	4,517,556
Discontinued operations:			
Loss for the year from discontinued operations	38	(836,672)	(697,538)
Profit for the year		605,885	3,820,018
Profit attributable to:			
Company's shareholders		791,165	3,579,191
From continuing operations		1,209,818	3,959,459
From discontinued operations		(418,653)	(380,268)
Non-controlling interests		(198,150)	240,827
From continuing operations		219,869	558,097
From discontinued operations		(418,019)	(317,270)
Holders of perpetual convertible securities		12,870	-
From continuing operations		12,870	-
From discontinued operations		-	-
		605,885	3,820,018
Earnings per share from continuing operations			
Basic	11	HK\$ 0.67	HK\$ 2.19
Diluted		0.67	2.19
Earnings per share from discontinued operations			
Basic		HK\$ (0.23)	HK\$ (0.21)
Diluted		(0.23)	(0.21)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000 (restated)
Profit for the year	605,885	3,820,018
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss		
Defined benefit pension plans		
– Actuarial gain	10,141	6,869
– Deferred income tax	(2,028)	(1,374)
Fair value change on financial assets at fair value through other comprehensive income	(10,292)	(29,912)
Fair value gain recognised upon the transfer from property, plant and equipment to investment properties, net of tax	258,495	–
Items that may be reclassified to profit or loss		
Net translation differences on foreign operations	(115,032)	(1,290,709)
Other comprehensive income/(loss) for the year (net of tax)	141,284	(1,315,126)
Total comprehensive income for the year	747,169	2,504,892
Total comprehensive income/(loss) attributable to:		
Company's shareholders		
From continuing operations	1,320,990	2,881,907
From discontinued operations	(379,945)	(431,589)
Non-controlling interests	(206,746)	54,574
Holders of perpetual convertible securities	12,870	–
	747,169	2,504,892

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets	13	5,785,503	5,855,895
Investment properties	14	2,538,606	1,819,589
Property, plant and equipment	16	6,986,802	7,869,412
Right-of-use assets	15	2,543,977	3,221,273
Associates and a joint venture	17	1,681,808	1,642,761
Financial assets at fair value through other comprehensive income	18	461,270	554,962
Investment in convertible bonds	19	5,831	5,538
Other non-current assets	16	314,556	-
Deferred taxation	30	381,120	463,169
		20,699,473	21,432,599
Current assets			
Financial assets at fair value through profit or loss	21	389	38,137
Inventories	20	410,790	482,035
Accounts receivable, prepayments and deposits	22	11,920,703	13,406,909
Tax recoverable		429,375	721,645
Amounts due from fellow subsidiaries	23	45,682	-
Amounts due from related companies	23	106	-
Amounts due from associates	17	9,431	-
Restricted and pledged bank deposits	24(a)	12,843	12,383
Cash at bank and in hand	24(b)	6,521,438	9,240,365
		19,350,757	23,901,474
Assets classified as held for distribution	38	2,070,685	-
		21,421,442	23,901,474
Current liabilities			
Lease liabilities	15	927,103	1,196,141
Accounts payable, deposits received and accrued charges	25	8,409,541	10,695,071
Amounts due to fellow subsidiaries	23	160	278,252
Amounts due to related companies	23	157,537	166,063
Taxation		363,631	492,536
Loans from non-controlling interests	28	-	6,862
Short-term bank loans and current portion of long-term bank loans	29	3,262,675	2,226,402
Bank overdrafts	24(b)	62,535	83,801
		13,183,182	15,145,128
Liabilities associated with assets classified as held for distribution	38	1,471,618	-
		14,654,800	15,145,128

	Note	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Loans from non-controlling interests	28	270,841	209,144
Long-term bank loans	29	5,235,456	6,586,447
Lease liabilities	15	1,100,566	1,453,234
Deferred taxation	30	731,734	614,209
Retirement benefit obligations	31	20,259	52,110
Other non-current liabilities	25	-	24,096
		7,358,856	8,939,240
ASSETS LESS LIABILITIES		20,107,259	21,249,705
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	903,715	903,712
Share premium		4,074,218	4,074,169
Shares held for share award scheme	26	(27,639)	-
Retained profits and other reserves	27	11,861,985	13,451,213
		16,812,279	18,429,094
Perpetual convertible securities	32	774,101	-
Non-controlling interests		2,520,879	2,820,611
TOTAL EQUITY		20,107,259	21,249,705

On behalf of the Board

CHEUNG Ping Chuen Vicky

Director

CHENG Chi Wai

Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Operating activities			
Net cash generated in operations	33(a)	3,838,544	7,881,848
Interest paid		(498,711)	(299,355)
Income tax paid		(393,547)	(2,198,581)
Net cash generated from operating activities		2,946,286	5,383,912
Investing activities			
Additions of property, plant and equipment	16	(761,191)	(1,612,847)
Additions of non-current assets		(362,477)	-
Additions of intangible assets acquired	13	(4,430)	-
Additions of investment properties	14	(20,713)	(3,326)
Additions of right-of-use assets – leasehold land and land use rights		(52,641)	(2,260)
Purchase of financial assets at fair value through other comprehensive income		(58,923)	(377,633)
Disposal of financial assets at fair value through other comprehensive income		146,858	572,446
Purchase of financial assets at fair value through profit or loss		-	(244,942)
Disposal of financial assets at fair value through profit or loss		37,562	977,854
Proceeds from sale of property, plant and equipment		86,473	119,378
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	33(c)	96,092	-
Proceeds from sale of associates		-	935,826
Dividends received from associates and a joint venture		121,611	100,006
Net decrease in balances with associates and a joint venture		26	21,532
Interest received		71,539	72,791
Acquisition of subsidiaries, net of cash and cash equivalents acquired	33(b)	(1,044,130)	(1,131,724)
Acquisition of associates and a joint venture		(4,141)	(500)
Increase in restricted and pledged bank deposits		(460)	(635)
Net cash used in investing activities		(1,748,945)	(574,034)

	Note	2023 HK\$'000	2022 HK\$'000
Financing activities			
Repayment of bank loans		(8,324,764)	(6,181,819)
Drawdown of bank loans		8,092,021	9,216,347
Dividends of subsidiaries paid to non-controlling interests		(252,104)	(894,804)
Capital injection from non-controlling interests		85,005	187,154
Drawdown of loans from non-controlling interests		39,751	12,802
Repayments of loans from non-controlling interests		(13,974)	(7,849)
Payments of lease liabilities		(1,309,722)	(1,381,398)
Net cash consideration paid to non-controlling interests without change of control	33(d)	(1,845,318)	(3,688,212)
Dividends paid		(849,492)	(1,409,766)
Proceeds from exercise of Pre-IPO Share Option Scheme allotments		46	1,172
Interest paid for perpetual convertible securities		(12,870)	-
Purchase of shares under share award scheme		(76,499)	-
Issuance of perpetual convertible securities		774,101	-
Net cash used in financing activities		(3,693,819)	(4,146,373)
(Decrease)/increase in cash and cash equivalents		(2,496,478)	663,505
Effect of exchange rate changes		(35,122)	(391,845)
Cash and cash equivalents at beginning of the year		9,156,564	8,884,904
Cash and cash equivalents at end of the year		6,624,964	9,156,564
Included in cash and cash equivalents per the balance sheet	24(b)	6,458,903	9,156,564
Included in the assets classified as held for distribution	38(b)	166,061	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Note	Attributable to shareholders of the Company									
		Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Perpetual convertible securities HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2023		903,712	4,074,169	-	(4,507,357)	17,271,749	686,821	18,429,094	-	2,820,611	21,249,705
Profit for the year		-	-	-	-	791,165	-	791,165	12,870	(198,150)	605,885
Defined benefit pension plans											
- Actuarial gain		-	-	-	-	5,853	-	5,853	-	4,288	10,141
- Deferred income tax		-	-	-	-	(1,170)	-	(1,170)	-	(858)	(2,028)
Net translation differences on foreign operations	27	-	-	-	(102,783)	-	-	(102,783)	-	(12,249)	(115,032)
Fair value gain recognised upon the transfer from leasehold land and warehouse and logistics centres to investment properties, net of tax	27	-	-	-	258,495	-	-	258,495	-	-	258,495
Fair value change on financial assets at fair value through other comprehensive income	27	-	-	-	(10,515)	-	-	(10,515)	-	223	(10,292)
Total comprehensive income		-	-	-	145,197	795,848	-	941,045	12,870	(206,746)	747,169
Dividends of subsidiaries paid to non-controlling interests		-	-	-	-	-	-	-	-	(221,405)	(221,405)
2022 final dividend paid		-	-	-	-	(2)	(686,821)	(686,823)	-	-	(686,823)
2023 interim dividend paid		-	-	-	-	(162,669)	-	(162,669)	-	-	(162,669)
2023 proposed final dividend		-	-	-	-	(234,966)	234,966	-	-	-	-
Transfers	27	-	-	-	89,473	(89,473)	-	-	-	-	-
Acquisition of subsidiaries	34	-	-	-	-	-	-	-	-	52,195	52,195
Disposal of subsidiaries		-	-	-	-	-	-	-	-	4,436	4,436
Capital injection from non-controlling interests		-	-	-	-	-	-	-	-	85,005	85,005
Changes in ownership of interests in subsidiaries without change of control	33(d)	-	-	-	(1,701,075)	-	-	(1,701,075)	-	(13,217)	(1,714,292)
Exercise of pre-IPO share option scheme allotment	27	3	49	-	(6)	-	-	46	-	-	46
Share option lapsed	27	-	-	-	(755)	755	-	-	-	-	-
Share-based compensation under share award scheme	27	-	-	-	69,160	-	-	69,160	-	-	69,160
Issuance of perpetual convertible securities	32	-	-	-	-	-	-	-	774,101	-	774,101
Distribution paid on perpetual convertible securities		-	-	-	-	-	-	-	(12,870)	-	(12,870)
Share purchase for share award scheme	26	-	-	(76,499)	-	-	-	(76,499)	-	-	(76,499)
Vesting of shares under share award scheme	26	-	-	48,860	(48,860)	-	-	-	-	-	-
Total transactions with owners		3	49	(27,639)	(1,592,063)	(486,355)	(451,855)	(2,557,860)	761,231	(92,986)	(1,889,615)
Balance at 31 December 2023		903,715	4,074,218	(27,639)	(5,954,223)	17,581,242	234,966	16,812,279	774,101	2,520,879	20,107,259

Attributable to shareholders of the Company

Note	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Put options written on non-controlling interests HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2022	903,655	4,072,917	261,024	14,907,229	903,655	(4,593)	21,043,887	3,792,829	24,836,716
Profit for the year	-	-	-	3,579,191	-	-	3,579,191	240,827	3,820,018
Defined benefit pension plans									
- Actuarial gain	-	-	-	3,575	-	-	3,575	3,294	6,869
- Deferred taxation	-	-	-	(715)	-	-	(715)	(659)	(1,374)
Net translation differences on foreign operations	27	-	(1,105,714)	-	-	-	(1,105,714)	(184,995)	(1,290,709)
Fair value change on financial assets at fair value through other comprehensive income	27	-	(26,019)	-	-	-	(26,019)	(3,893)	(29,912)
Total comprehensive income for the year		-	(1,131,733)	3,582,051	-	-	2,450,318	54,574	2,504,892
Dividends of subsidiaries paid to non-controlling interests		-	-	-	-	-	-	(1,079,118)	(1,079,118)
2021 final dividend paid		-	-	(32)	(903,655)	-	(903,687)	-	(903,687)
2022 interim dividend paid		-	-	(506,079)	-	-	(506,079)	-	(506,079)
2022 proposed final dividend		-	-	(686,821)	686,821	-	-	-	-
Transfers	27	-	24,599	(24,599)	-	-	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	10,819	10,819
Capital injection from non-controlling interests		-	-	-	-	-	-	187,154	187,154
Changes in ownership of interests in subsidiaries without change of control		-	(3,661,110)	-	-	4,593	(3,656,517)	(145,647)	(3,802,164)
Exercise of pre-IPO share option scheme allotment	27	57	1,252	(137)	-	-	1,172	-	1,172
Total transactions with owners		57	1,252	(3,636,648)	(1,217,531)	(216,834)	4,593	(5,065,111)	(1,026,792)
Balance at 31 December 2022		903,712	4,074,169	(4,507,357)	17,271,749	686,821	-	18,429,094	2,820,611
								2,820,611	21,249,705

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Kerry Logistics Network Limited (the “Company”) was incorporated in the British Virgin Islands in 1991 and migrated to Bermuda to become an exempted company with limited liability in 2000. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of logistics and freight forwarding services. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

During the year ended 31 December 2023, the Group has reinforced its strategy of focusing on its core business of integrated logistics and international freight forwarding, with an aim to enhancing its overall performance and prospects. The Group has disposed of its companies engaging in express delivery services in the Asia Pacific and Europe (“KEX Operations”) to S.F. Holding in the third quarter of 2023 and subsequently announced in December 2023 for a conditional declaration of special interim dividend by way of a distribution in species of all its shares held in Kerry Express (Thailand) Public Company Limited (“KETH”). Since the express delivery services being disposed of or held for distribution constituted

discontinued operations (“Discontinued Operations”) under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operation”, the related financial information of the Discontinued Operations is required to be presented separately as discontinued operations of the Group in the consolidated financial statements for the year ended 31 December 2023. The results of the discontinued operations has been presented separately as one-line item below profit for the year from continuing operations as “discontinued operations”, and the comparative figures in the consolidated income statement and the notes thereto have also been restated accordingly, the comparative figures in the consolidated statement of financial position and consolidated statement of cash flows were not represented. Further details of financial information of the Discontinued Operations are set out in note 38.

Shenzhen Mingde Holding Development Co., Ltd., a private company incorporated in the PRC, is the ultimate holding company.

The consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors of the Company on 26 March 2024.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. Except as described below, these policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The material accounting policies applied in the preparation of the consolidated financial statements which are in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) are set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(i) ADOPTION OF AMENDMENTS TO EXISTING STANDARDS

The following amendments to existing standards that are effective for the accounting period of the Group beginning on 1 January 2023 have been published:

Amendments to HKAS 1 and HKFRS Practice Statement 2, ‘Disclosure of accounting policies’

Amendments to HKAS 8, ‘Definition of accounting estimates’

Amendments to HKAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’

Amendments to HKAS 12, ‘International Tax Reform – Pillar Two Model Rules (amendments)’

HKFRS 17, ‘Insurance contracts’

Amendments to HKFRS 17, ‘Insurance contracts’

Amendments to HKFRS 17, ‘Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information’

In the current year, the Group has applied, for the first time, the above amendments to existing standards issued by the HKICPA. The adoption of the above amendments to existing standards had no material impact on the consolidated financial statements of the Group.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(a) BASIS OF PREPARATION (CONTINUED)

(ii) AMENDMENTS TO EXISTING STANDARDS, INTERPRETATION WHICH ARE NOT YET EFFECTIVE

The following amendments to existing standards and interpretation have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2024, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Amendments to HKAS 1, 'Classification of liabilities as current or non-current'	1 January 2024
Amendments to HKAS 1, 'Non-current liabilities with covenants'	1 January 2024
Amendment to HKFRS 16, 'Lease liability in a sale and leaseback'	1 January 2024
Hong Kong Interpretation 5 (Revised), 'Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause'	1 January 2024
Amendments to HKAS 7 and HKFRS 7, 'Supplier Finance Arrangements (amendments)'	1 January 2024
Amendments to HKAS 21, 'Lack of Exchangeability'	1 January 2025
Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

The Group will adopt the above amendments to existing standards and interpretation as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group.

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) CONSOLIDATION

(i) SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) CONSOLIDATION (CONTINUED)

(i) SUBSIDIARIES (CONTINUED)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

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

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) CONSOLIDATION (CONTINUED)

(iii) PARTIAL DISPOSAL

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) PROPERTY, PLANT AND EQUIPMENT

Construction in progress represents logistics centres and warehouses under construction and is stated at cost less impairment losses. It will be reclassified to the relevant property, plant and equipment category upon completion and depreciation begins when the relevant assets are available for use.

Properties comprise mainly warehouses and logistics centres, staff quarters, freehold land and buildings and port facilities. All property, plant and equipment are stated at historical cost less aggregate depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values or principal annual rates over their estimated useful lives as follows:

Port facilities	2.5% to 3.6%
Warehouse and logistics centres	Shorter of remaining lease term of 20 to 50 years or useful lives
Leasehold improvements	5% to 33.33%
Warehouse operating equipment	5% to 25%
Motor vehicles, furniture, fixtures and office equipment	5% to 50%

No amortisation is provided for freehold land. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of all property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in profit or loss.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) INVESTMENT PROPERTIES

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases, warehouse and office held for long-term rental yields.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at cost, including related transaction costs and borrowing costs.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuer. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, except that the land portion is reclassified as right-of-use assets if it is operating lease in nature, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any increase from the carrying amount to the fair value of this item at the date of transfer is recognised in equity as a revaluation reserve of property, plant and equipment under HKAS 16, except any increase which reverses a previous impairment loss is recognised in profit or loss. Any decrease in the carrying amount of the property is charged to profit or loss. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) INTANGIBLE ASSETS

(i) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately as a non-current asset. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill on acquisitions of subsidiaries is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment, and carried at cost less accumulated impairment losses. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately and as expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) CUSTOMER RELATIONSHIPS

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment (if any).

Amortisation is calculated using the straight-line method to allocate its cost over the expected life of the customer relationships, which range from five to ten years.

(iii) NON-COMPETE AGREEMENTS

Non-compete agreements acquired in a business combination are recognised at fair value at the acquisition date. The non-compete agreements have a finite useful life and are carried at cost less accumulated amortisation and impairment (if any).

Amortisation is calculated using the straight-line method to allocate its cost over the term of the agreements, which range from three to ten years.

(iv) TRADEMARKS

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment (if any).

Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of five to eight years.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(E) IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(f) FINANCIAL ASSETS

(I) CLASSIFICATION

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets change.

(II) RECOGNITION AND DERECOGNITION

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) FINANCIAL ASSETS (CONTINUED)

(III) MEASUREMENT

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and net gains/(losses) together with foreign exchange gains and losses. Impairment losses are recognised in profit or loss.

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income and net gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and net gains/(losses) and impairment expenses are recognised in the consolidated income statement.

- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. Investment in convertible bonds are accounted for as fair value through profit or loss under HKFRS 9.

EQUITY INSTRUMENTS

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) FINANCIAL ASSETS (CONTINUED)

(III) MEASUREMENT (CONTINUED)

EQUITY INSTRUMENTS (CONTINUED)

Changes in the fair value of financial assets at FVPL are recognised in other income and net gains/(losses) in the consolidated income statement as applicable.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(IV) IMPAIRMENT

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see notes 2.2(g) and 3(a)(II) for further details.

The Group's other financial assets carried at amortised cost include other receivables, amounts due from fellow subsidiaries, related companies, associates and joint ventures. The impairment loss of other financial assets carried at amortised cost is measured based on twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

The carrying amount of the receivables is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within direct operating expenses and administration expenses.

Subsequent recoveries of amounts previously written off are credited against direct operating expenses and administration expenses in the consolidated income statement.

(g) ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within normal operating cycle and therefore are all classified as current.

Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.2(f)(IV) for a description of the Group's impairment policies.

Contract assets primarily related to the Group's rights to consideration for delivered goods or services but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. See note 2.2(f)(IV) for a description of the Group's impairment policies.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) CURRENT AND DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary difference arising on investments in subsidiaries and associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) PROVISIONS (CONTINUED)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(j) LEASES

(I) THE GROUP IS THE LESSEE

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) LEASES (CONTINUED)

(I) THE GROUP IS THE LESSEE (CONTINUED)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The Group also has interests in leasehold land and land use rights for use in its operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateable value set by the relevant government authorities. These payments are stated at cost and are amortised over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(II) THE GROUP IS THE LESSOR

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 14). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

(k) EMPLOYEE BENEFITS

(I) EMPLOYEE LEAVE ENTITLEMENTS

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(II) DEFINED CONTRIBUTION PLAN

A defined contribution plan is a pension plan which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) EMPLOYEE BENEFITS (CONTINUED)

(III) DEFINED BENEFIT PLAN

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. When there is significant change to the plan and key assumptions, the defined benefit obligation will be recalculated by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds yield that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and immediately recognised in retained profits in the year in which they arise.

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

Past-service costs are recognised immediately in profit or loss.

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

(IV) SHARE-BASED COMPENSATION

The Group operates two equity-settled, share-based compensation plans.

(A) SHARE OPTION SCHEME

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets) and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The related balance previously recognised in the share options reserve is also credited to the share premium.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) EMPLOYEE BENEFITS (CONTINUED)

(IV) SHARE-BASED COMPENSATION (CONTINUED)

(B) SHARE AWARD SCHEME

The Group operates the share award scheme under which awarded shares of the Company can be granted to the employees of the Group and the Company's directors as part of their remuneration package.

When shares are acquired for the share award scheme from the market, the total consideration of shares acquired is debited to shares held for share award scheme under equity. Upon granting of awarded shares, share-based compensation expenses is charged to profit or loss and the amount of which is determined by reference to the fair value of the awarded shares granted, taking into account all market performance conditions (e.g. the Company's share price) and non-vesting conditions associated with the grants on grant date, excluding the impact of any service and non-market performance vesting conditions. The total expense is recognised over the vesting periods (or on the grant date if the shares vest immediately), with a corresponding credit to the share award reserve under equity. At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

Upon vesting of awarded shares, the related total consideration of the vested awarded shares when acquired are credited to shares held for share award scheme, with a corresponding decrease in share award reserve for awarded shares.

(V) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(VI) BONUS PLANS

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(I) REVENUE RECOGNITION

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

LOGISTICS AND FREIGHT FORWARDING SERVICES

The Group provides logistics services, including freight forwarding services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue is recognised over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(I) REVENUE RECOGNITION (CONTINUED)

GENERAL STORAGE AND OTHER ANCILLARY SERVICES

The Group provides general storage and other ancillary services to customers. Revenue from leased storage is recognised over time when general storage and other ancillary services are rendered according to the terms of the respective contracts.

Sales are recognised at a point in time when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with the credit policies, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(m) EARNINGS PER SHARE

(I) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(II) DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(n) DISPOSAL GROUPS HELD FOR DISTRIBUTION AND DISCONTINUED OPERATIONS

Disposal groups are classified as held for distribution if their carrying amount will be recovered principally through a distribution transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement. An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to distribute. A gain is recognised for any subsequent increases in fair value less costs to distribute of disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the distribution of the disposal group is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for distribution. Interest and other expenses attributable to the liabilities of a disposal group classified as held for distribution continue to be recognised.

The assets of a disposal group classified as held for distribution are presented separately from the other assets in the consolidated statement of financial position. The liabilities associated with assets of a

disposal group classified as held for distribution are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for distribution and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

(o) PERPETUAL CONVERTIBLE SECURITIES

Perpetual convertible securities issued by the Group, which satisfied with the following criteria are classified as equity instruments:

- (i) Financial instruments exclude those are settled on a net basis in cash (or other financial assets);
- (ii) Financial instruments must or can be settled on own equity:
 - a. For non-derivative contracts, they exclude those are settled gross by delivery of a variable number of own shares;
 - b. Derivative contracts that result in the delivery of a fixed amount of cash or other financial assets for a fixed number of an entity's own equity instruments.

Dividends for the perpetual convertible securities, which are classified as equity instruments, are accounted for as profit distribution.

Transaction costs that relate to the issue of the perpetual convertible securities are charged directly to equity.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.3 SUMMARY OF OTHER ACCOUNTING POLICIES

(a) ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or when significant influence is obtained by the Group through participation in the board of directors of the entity. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the impairment loss in profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

(b) JOINT ARRANGEMENTS

Under HKFRS 11 'Joint arrangements', investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

JOINT VENTURES

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.3 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(b) JOINT ARRANGEMENTS (CONTINUED)

JOINT VENTURES (CONTINUED)

When the Group's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the impairment loss in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) FOREIGN CURRENCY TRANSLATION

(i) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollars (HK\$), which are the Company's functional and the Group's presentation currency.

(ii) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.3 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(c) FOREIGN CURRENCY TRANSLATION (CONTINUED)

(III) GROUP COMPANIES

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) INVENTORIES

Inventories of finished goods are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(e) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as a separate current liability in the consolidated statement of financial position. Restricted and pledged bank deposits are not included in cash and cash equivalents.

(f) ACCOUNTS PAYABLE AND CONTRACT LIABILITIES

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, which are provided to the Group prior to the end of reporting period and unpaid. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Contract liability is recognised in the amount of the prepayment from customers for the Group's performance obligation to transfer, or to stand ready to transfer, goods or services in future.

The contract liabilities primarily relate to the advance consideration received from customers, where the Group has the unconditional right to considerations before the goods or services are delivered. They are released and revenues are recognised when the performance obligations are satisfied upon transferring of goods and services to customers.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.3 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(g) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(h) FINANCIAL GUARANTEES

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in profit or loss immediately.

(i) DIRECT OPERATING EXPENSES

Direct operating expenses mainly represent the freight and transportation costs and direct labour costs directly attributable to the business operations of the Group, and are charged to profit or loss in the year in which they are incurred.

(j) BORROWING COSTS

Borrowing costs are accounted for on the accrual basis and charged to profit or loss in the year in which they are incurred, except for costs related to funding of construction or acquisition of qualifying assets which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

(k) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably estimated, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES (CONTINUED)

2.3 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(l) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(m) DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders in the case of final dividends.

3 FINANCIAL RISK MANAGEMENT

(a) FINANCIAL RISK FACTORS

The Group's major financial instruments include financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, accounts and other receivables, cash and bank balances, investment in convertible bonds, restricted and pledged bank deposits, accounts payable, bank overdrafts, bank loans, balances with group and related companies, balances with associates and a joint venture and loans from non-controlling interests. Details of these financial instruments are disclosed in the respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's management under the supervision of the Board of Directors. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board of Directors provides guidance for overall risk management.

(l) MARKET RISK

(i) FOREIGN EXCHANGE RISK

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group entities' functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign exchange risk. At 31 December 2023, if major currencies such as Renminbi and Euro, to which the Group had exposure had strengthened/weakened by 5% (2022: 5%) against HK dollar with all variables held constant, there would have insignificant impact on the Group's profit for the year. Income in foreign currencies are generated from the Group's investments outside Hong Kong and cash in these foreign currencies are maintained in the relevant foreign currencies for operational needs. The Group ensures that its exposure to fluctuations in foreign exchange rates is minimised. Accordingly, no sensitivity analysis is performed as the impact would not be significant to the profit for the year. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments when the need arises.

The aggregate net foreign exchange losses recognised in the consolidated income statement were HK\$1,288,000 (2022: gains of HK\$136,985,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(i) MARKET RISK (CONTINUED)

(ii) INTEREST RATE RISK

The Group is primarily exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings which carry prevailing market interest rates. The Group has not entered into any interest rate swap contracts to hedge the exposure as the Board of Directors consider the risk is not significant.

INTEREST RATE SENSITIVITY

For the year ended 31 December 2023, if interest rates had increased/decreased by 25 basis points and all other variables were held constant, the profit of the Group would have decreased/increased by approximately HK\$21,182,000 (2022: HK\$20,009,000) resulting from the change in borrowing costs of bank borrowings and interest income on bank deposits.

(ii) CREDIT RISK

The carrying amounts of cash and bank balances, restricted and pledged bank deposits, accounts and other receivable and amounts due from associates, fellow subsidiaries and related companies, represent the Group's major exposure to credit risk in relation to financial assets.

- *CREDIT RISK OF CASH AND BANK BALANCES, RESTRICTED AND PLEDGED BANK DEPOSITS*

To manage this risk arising from cash and cash equivalents and restricted bank balances, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is minimal.

- *CREDIT RISK OF ACCOUNTS AND OTHER RECEIVABLES*

For accounts receivable, there is no concentration of credit risk with respect to accounts receivable from third party customers as the Group has a large number of customers which are internationally dispersed. In order to minimise the credit risk, management of the Company has delegated a team in each business unit responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group has closely monitored the credit qualities and the collectability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made. In this regard, the Directors of the Company consider that the expected credit risks on accounts receivable are adequately covered.

To assess whether there is a significant increase in credit risk in accounts and other receivables, the Group compares the risk of a default occurring on the assets at the end of each reporting period with the risk of default at the date of initial recognition. It considers available, reasonable, supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(II) CREDIT RISK (CONTINUED)

- *CREDIT RISK OF ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)*
 - actual or expected significant changes in the operating results of the counterparty; and
 - significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of the counterparty and changes in the operating results of the counterparty.

A default on accounts and other receivables is when the counterparty fails to make contractual payments when they fall due.

Accounts and other receivables are written off when there is no reasonable expectation of recovery.

The Group provides for credit losses against accounts receivable to customers by geographical location and the lifetime expected credit loss rate ranged from 1.09%-10.26%.

- *CREDIT RISK OF AMOUNTS DUE FROM ASSOCIATES, RELATED PARTIES AND FELLOW SUBSIDIARIES*

The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the reporting period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- (1) actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- (2) actual or expected significant changes in the operating results of the counterparty;
- (3) significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates, and adjusts for forward looking macroeconomic data. In addition, the Group monitors the exposure to credit risk in respect of financial assistance provided to associates through exercising influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. No significant changes to estimation techniques or assumptions were made during the reporting period.

Based on historical experiences, amounts due from associates and fellow subsidiaries were settled within 12 months after upon maturity hence the expected credit loss is minimal.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(III) LIQUIDITY RISK

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The following tables detail the contractual maturity of the Group for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 3 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
At 31 December 2023						
Bank loans	3,729,303	2,279,832	3,556,823	86,101	9,652,059	8,498,131
Accounts payable, deposits received and accrued charges excluding other tax payable and contract liabilities	8,082,216	-	-	-	8,082,216	8,082,216
Bank overdrafts	62,535	-	-	-	62,535	62,535
Loans from non-controlling interests	-	270,841	-	-	270,841	270,841
Amounts due to fellow subsidiaries	160	-	-	-	160	160
Amounts due to related companies	157,537	-	-	-	157,537	157,537
Lease liabilities	929,670	425,580	536,641	265,644	2,157,535	2,027,669
At 31 December 2022						
Bank loans	2,339,789	2,898,821	3,922,721	90,985	9,252,316	8,812,849
Accounts payable, deposits received and accrued charges excluding other tax payable and contract liabilities	10,370,066	-	-	-	10,370,066	10,370,066
Bank overdrafts	83,801	-	-	-	83,801	83,801
Loans from non-controlling interests	6,862	209,144	-	-	216,006	216,006
Amounts due to fellow subsidiaries	278,252	-	-	-	278,252	278,252
Amounts due to related companies	166,063	-	-	-	166,063	166,063
Lease liabilities	1,246,249	611,312	663,152	281,133	2,801,846	2,649,375
Other non-current liabilities	-	24,096	-	-	24,096	24,096

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the loan and equity balance.

The Directors of the Company regularly monitor the capital structure, which consists of the equity attributable to the Company's shareholders as disclosed in the statement of financial position. The Directors of the Company could balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital by maintaining prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as total bank loans and overdrafts (including bank loans associated with assets classified as held for distribution), divided by equity attributable to the Company's shareholders and perpetual convertible securities.

The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 HK\$ million	2022 HK\$ million
Bank loans and overdrafts (note)	8,638	8,897
Equity attributable to the Company's shareholders and perpetual convertible securities	17,586	18,429
Gearing ratio	49.1%	48.3%

Note: Including bank loans associated with assets classified as held for distribution.

As at 31 December 2023, the gearing ratio for the Group was 49.1% (31 December 2022: 48.3%), the Group's overall strategy remains unchanged throughout the year.

(c) FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) FAIR VALUE ESTIMATION (CONTINUED)

The following table presents the Group's financial investments that are measured at fair value as at 31 December 2023 and 2022:

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2023				
Assets				
Investment in convertible bonds	-	-	5,831	5,831
Financial assets at fair value through other comprehensive income	201,000	-	260,270	461,270
Financial assets at fair value through profit or loss	389	-	-	389
Total assets	201,389	-	266,101	467,490
At 31 December 2022				
Assets				
Investment in convertible bonds	-	-	5,538	5,538
Financial assets at fair value through other comprehensive income	-	142,484	412,478	554,962
Financial assets at fair value through profit or loss	38,137	-	-	38,137
Total assets	38,137	142,484	418,016	598,637

One of the financial assets at fair value through other comprehensive income was transferred from level 3 to level 1 during the year (2022: Nil).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) FAIR VALUE ESTIMATION (CONTINUED)

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 instruments.

As at 31 December 2023	Financial assets at fair value through other comprehensive income HK\$'000	Investment in convertible bonds HK\$'000
At beginning of year	412,478	5,538
Fair value adjustment	(6,251)	-
Additions	58,923	-
Transfer	(206,793)	-
Exchange adjustment	1,913	293
At end of year	260,270	5,831

As at 31 December 2022	Financial assets at fair value through other comprehensive income HK\$'000	Investment in convertible bonds HK\$'000	Put options written on non- controlling interests HK\$'000
At beginning of year	112,868	5,911	4,208
Fair value adjustment	(30,077)	-	14,148
Additions	331,983	-	-
Settlement	-	-	(18,356)
Exchange adjustment	(2,296)	(373)	-
At end of year	412,478	5,538	-

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the year (2022: Nil).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) FAIR VALUE ESTIMATION (CONTINUED)

VALUATION PROCESSES OF THE GROUP

The Group's finance department includes a team that performs the valuation of financial assets required for financial reporting purposes, including level 2 and level 3 fair values. Discussions of valuation processes and results are held between the management and the valuation team at each reporting date. Reasons for the fair value movements are explained during the discussions.

The following summarise the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as level 2 and 3 and the valuation process for assets and liabilities classified as level 2 and 3.

INVESTMENT IN CONVERTIBLE BONDS

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group established fair value of financial assets at fair value through other comprehensive income by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group established fair value of financial assets at fair value through profit or loss by using valuation techniques. These valuation techniques maximise the use of observable market data including quoted prices where available, and rely as little as possible on entity-specific estimates.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

The fair value of the following financial assets and liabilities approximate their carrying amount as at 31 December 2023 and 2022:

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) ESTIMATE OF FAIR VALUE OF INVESTMENT PROPERTIES

The valuation of investment properties is performed in accordance with “The HKIS Valuation Standards on Properties (2020 Edition)” published by the Hong Kong Institute of Surveyors and the “International Valuation Standards” published by the International Valuation Standards Committee. The valuation is performed by qualified valuer by adopting the income approach of valuation by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests at appropriate capitalisation rates or wherever appropriate the direct comparison approach by making reference to comparable sales evidence as available in the relevant market subject to suitable adjustments between the subject properties and the comparable properties including but not limited to location, time, size, age and maintenance standard etc.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(II) INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(III) ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests whether goodwill (note 13) has suffered any impairment, in accordance with the accounting policy stated in note 2.2(d)(I). The recoverable amounts of cash-generating units have been determined based on the higher of value-in-use calculations and fair value less costs of disposal. These calculations require the use of estimates. The key assumptions and sensitivity test was disclosed in note 13. The recoverable amounts of the relevant cash generating units were determined based on the conditions as of 31 December 2023 and the impact of any adjusting subsequent events (if any) will be considered in the goodwill impairment test to be performed in 2024.

(IV) USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(V) IMPAIRMENT OF NON-FINANCIAL ASSETS

Management regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset, including property, plant and equipment, right-of-use assets, is lower than its recoverable amount which is the greater of its fair value less costs of disposal or its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(VI) IMPAIRMENT OF INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE

Intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Intangible assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(VII) IMPAIRMENT OF ASSOCIATES AND A JOINT VENTURE

The Group determines whether an investment in associates and a joint venture is impaired by evaluating the duration and extent to which the recoverable amount of the investment is less than its carrying amount. This evaluation is subject to changes in factors, such as industry and sector performance and operational cash flows.

(VIII) IMPAIRMENT OF ACCOUNTS RECEIVABLE

The provision for impairment of accounts receivable are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3(a)(II).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

DETERMINATION OF THE LEASE TERM

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of equipment, buildings and motor vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liabilities, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

- (a) Revenue from continuing operations recognised during the year is as follows:

	2023	2022
	HK\$'000	HK\$'000 (restated)
Integrated logistics	14,280,309	14,809,282
International freight forwarding	33,127,250	67,520,283
	47,407,559	82,329,565

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(b) An analysis of the Group's financial results by operating segment and geographical area for the year ended 31 December 2023, together with comparative figures for the year ended 31 December 2022, is as follows:

	For the year ended 31 December											
	Continuing operations								Discontinued operations after elimination			
	Integrated logistics		International freight forwarding		Elimination		Consolidation				Consolidation	
	2023 HK\$'000	2022 HK\$'000 (restated)	2023 HK\$'000	2022 HK\$'000 (restated)	2023 HK\$'000	2022 HK\$'000 (restated)	2023 HK\$'000	2022 HK\$'000 (restated)	2023 HK\$'000	2022 HK\$'000 (restated)	2023 HK\$'000	2022 HK\$'000 (restated)
Revenue												
Turnover	14,280,309	14,809,282	33,127,250	67,520,283	-	-	47,407,559	82,329,565	3,298,670	4,319,898	50,706,229	86,649,463
Inter-segment revenue	750,872	986,983	5,527,704	12,489,428	(6,278,576)	(13,476,411)	-	-	-	-	-	-
	15,031,181	15,796,265	38,654,954	80,009,711	(6,278,576)	(13,476,411)	47,407,559	82,329,565	3,298,670	4,319,898	50,706,229	86,649,463
<i>Turnover by geographical area</i>												
Hong Kong	5,999,487	6,338,906	1,734,329	3,605,919	(797,581)	(1,333,234)	6,936,235	8,611,591	-	-	6,936,235	8,611,591
Mainland of China	6,065,342	6,647,517	12,983,361	21,678,918	(2,786,337)	(4,884,959)	16,262,366	23,441,476	-	-	16,262,366	23,441,476
Asia	2,811,947	2,668,871	5,884,240	12,940,465	(1,348,293)	(4,807,782)	7,347,894	10,801,554	3,183,939	4,293,073	10,531,833	15,094,627
Americas	-	-	10,395,704	29,231,522	(661,852)	(1,861,306)	9,733,852	27,370,216	-	-	9,733,852	27,370,216
EMEA	-	-	6,868,690	10,847,382	(639,884)	(542,925)	6,228,806	10,304,457	99,348	26,825	6,328,154	10,331,282
Oceania	154,405	140,971	788,630	1,705,505	(44,629)	(46,205)	898,406	1,800,271	15,383	-	913,789	1,800,271
	15,031,181	15,796,265	38,654,954	80,009,711	(6,278,576)	(13,476,411)	47,407,559	82,329,565	3,298,670	4,319,898	50,706,229	86,649,463
Segment profit by geographical area												
Hong Kong	591,271	775,527	50,480	127,747	-	-	641,751	903,274	-	-	641,751	903,274
Mainland of China	401,660	342,414	494,775	1,196,494	-	-	896,435	1,538,908	-	-	896,435	1,538,908
Asia	285,837	258,268	222,591	879,849	-	-	508,428	1,138,117	(998,170)	(854,473)	(489,742)	283,644
Americas	-	-	386,636	1,978,372	-	-	386,636	1,978,372	-	-	386,636	1,978,372
EMEA	-	-	176,961	417,320	-	-	176,961	417,320	(434)	62	176,527	417,382
Oceania	16,298	9,221	62,455	121,476	-	-	78,753	130,697	(1,108)	-	77,645	130,697
	1,295,066	1,385,430	1,393,898	4,721,258	-	-	2,688,964	6,106,688	(999,712)	(854,411)	1,689,252	5,252,277
Less: Unallocated administration expenses							(481,467)	(461,965)	(9)	(76)	(481,476)	(462,041)
Core operating profit							2,207,497	5,644,723	(999,721)	(854,487)	1,207,776	4,790,236
Interest income							70,029	62,379	1,510	10,412	71,539	72,791
Finance costs							(576,720)	(370,566)	(19,134)	(22,402)	(595,854)	(392,968)
Share of results of associates and a joint venture							195,371	166,894	(254)	-	195,117	166,894
Gain on disposal of associates [#]							-	397,611	-	-	-	397,611
Profit/(loss) before taxation [*]							1,896,177	5,901,041	(1,017,599)	(866,477)	878,578	5,034,564
Taxation [*]							(461,735)	(1,390,527)	162,697	168,939	(299,038)	(1,221,588)
Profit/(loss) for the year [*]							1,434,442	4,510,514	(854,902)	(697,538)	579,540	3,812,976
Non-controlling interests [*]							(220,368)	(558,071)	418,019	317,270	197,651	(240,801)
Core net profit							1,214,074	3,952,443	(436,883)	(380,268)	777,191	3,572,175
Change in fair value of investment properties							10,499	9,315	-	-	10,499	9,315
Deferred tax of change in fair value of investment properties							(2,384)	(2,273)	-	-	(2,384)	(2,273)
Less: Non-controlling interests' share of after-tax change in fair value of investment properties							499	(26)	-	-	499	(26)
Gain on disposal of KEX operation							-	-	18,230	-	18,230	-
Profit attributable to Company's shareholders and holders of perpetual convertible securities							1,222,688	3,959,459	(418,653)	(380,268)	804,035	3,579,191
Less: Profit attributable to holders of perpetual convertible securities							(12,870)	-	-	-	(12,870)	-
Profit attributable to Company's shareholders							1,209,818	3,959,459	(418,653)	(380,268)	791,165	3,579,191
Depreciation and amortisation	1,278,922	1,240,015	438,543	384,012	-	-	1,717,465	1,624,027	461,823	584,743	2,179,288	2,208,770

[#] Only the gain on disposal (net of tax) of Asia Airfreight Terminal Company Limited and Beijing Bei Jian Tong Cheng International Logistics Co., Ltd. are included.

^{*} Excluding the change in fair value of investment properties and its related deferred tax, gain on disposal of KEX operation.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(c) DISAGGREGATION OF REVENUE

In the following table, revenue of the Group from contracts with customers is disaggregated by timing of satisfaction of performance obligations. The table also includes a reconciliation to the segment information in respect of revenue of the Group that is disclosed in the operating segment note.

By operating segment	2023				2022			
	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000 (restated)
Revenue from contracts with customers								
Integrated logistics	1,265,745	12,881,467	133,097	14,280,309	1,484,566	13,192,077	132,639	14,809,282
International freight forwarding	-	33,127,250	-	33,127,250	-	67,520,283	-	67,520,283
Discontinued operations	-	3,298,670	-	3,298,670	-	4,319,898	-	4,319,898
	1,265,745	49,307,387	133,097	50,706,229	1,484,566	85,032,258	132,639	86,649,463

By geographical area	2023				2022			
	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000 (restated)
Revenue from contracts with customers								
- Hong Kong	1,029,638	5,906,597	-	6,936,235	1,303,897	7,307,694	-	8,611,591
- Mainland of China	215,969	15,960,572	85,825	16,262,366	156,367	23,194,832	90,277	23,441,476
- Asia	20,138	7,280,484	47,272	7,347,894	24,302	10,734,890	42,362	10,801,554
- Americas	-	9,733,852	-	9,733,852	-	27,370,216	-	27,370,216
- EMEA	-	6,228,806	-	6,228,806	-	10,304,457	-	10,304,457
- Oceania	-	898,406	-	898,406	-	1,800,271	-	1,800,271
Discontinued operations	-	3,298,670	-	3,298,670	-	4,319,898	-	4,319,898
	1,265,745	49,307,387	133,097	50,706,229	1,484,566	85,032,258	132,639	86,649,463

Note:

Revenue recognised at a point in time is represented by the revenue from sales of goods for the year.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

- (d) Management has determined the operating segments based on the reports reviewed by the executive directors. The executive directors assess the performance of the two principal activities in continuing operations of the Group, in 2023 namely integrated logistics and international freight forwarding, in each geographical area.

As set out in note 1, the results of KEX operations and KETH, which was presented in a separate segment namely, E-commerce and express in prior year, are presented under “Discontinued Operations” in the current segmental analysis of operations. The prior period corresponding segment information that is presented for comparative purpose has been restated accordingly. The reclassification has no impact on the profit for the current and comparative period of the Group for the years ended 31 December 2023 and 31 December 2022 nor on the assets and liabilities of the Group as of 31 December 2022. Further details of financial information of the discontinued operations are set out in note 38.

Integrated logistics segment derives revenue from provision of logistics services and sales of goods.

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

Segment revenue 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 a joint venture, gain on disposal 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 and gain on disposal of KEX operations.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(d) (CONTINUED)

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

	Segment	
	non-current assets [#]	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong	1,499,881	1,665,857
Mainland of China	7,589,767	7,068,214
Asia	6,548,548	7,512,809
Americas	2,866,405	2,870,537
EMEA	1,186,944	1,153,674
Oceania	159,707	137,839
	19,851,252	20,408,930

[#] Other than financial assets at fair value through other comprehensive income, investment in convertible bonds and deferred taxation.

(e) UNSATISFIED PERFORMANCE OBLIGATIONS

For general storage and other ancillary services, the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the general storage and ancillary contracts do not have a fixed term. The Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

For logistics and freight forwarding services, they are rendered in short period of time and within a year and the Group has elected the practical expedient for not to disclose the remaining performance obligations at the end of respective periods.

(f) ASSETS RECOGNISED FROM INCREMENTAL COSTS TO OBTAIN A CONTRACT

There was no significant incremental costs to obtain a contract for the year ended 31 December 2023 (2022: Nil).

6 OTHER INCOME AND NET GAINS

	2023	2022
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
Interest income from banks	69,652	61,458
Interest income from associates	377	921
Gain on disposal of property, plant and equipment	2,364	10,442
Gain on disposal of subsidiaries	-	21,355
Gain on disposal of associates (note)	-	429,941
Fair value change of financial assets at fair value through profit or loss (note 21)	(31)	-
Gain on early termination of lease contracts	8,605	51,924
Net gain on settlement of consideration payable	5,093	-
Net loss from settlement of put option written on non-controlling interest	-	(14,148)
	86,060	561,893

Note:

The amount mainly represented the gains on disposals of the Group's 15% interest in Asia Airfreight Terminal Company Limited and 24% interest in Beijing Bei Jian Tong Cheng International Logistics Co., Ltd, with the consideration of HK\$310,500,000 and the consideration of RMB588,000,000 (approximately HK\$679,081,000) respectively, for the year ended 31 December 2022.

7 EXPENSES BY NATURE

Expenses from continuing operations included in direct operating expenses and administration expenses are analysed as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
Continuing operations		
Auditors' remuneration	41,425	37,675
Business tax and other taxes	7,425	21,556
Cost of goods sold (note 20)	1,019,523	1,251,023
Freight and transportation costs	36,340,626	66,967,021
Depreciation of property, plant and equipment (note 16)	559,126	566,087
Depreciation of right-of-use assets (note 15(II)(a))	989,491	901,260
Amortisation of intangible assets (note 13)	168,848	156,680
Provision for impairment of receivables (note (22)(c))	100,569	136,693
Reversal of provision for impairment of receivables (note (22)(c))	(26,728)	(31,793)
Rental expenses on land and buildings (note 15(II)(c))	463,947	474,179
Employee benefit expenses (note 12)	4,966,083	5,724,411

Government grants amounting to HK\$16,332,000 (2022: HK\$37,111,000) have been recognised and deducted in employee benefit expenses for the year ended 31 December 2023.

8 FINANCE EXPENSES

	2023 HK\$'000	2022 HK\$'000 (restated)
Continuing operations		
Interest expenses on bank loans and overdrafts	493,748	295,603
Interest expenses on lease liabilities (note (15)(II)(b))	82,972	74,963
	576,720	370,566

9 TAXATION

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) for the year ended 31 December 2023 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% (2022: 25%) on the estimated assessable profit for the year.

OECD PILLAR TWO MODEL RULES

The Group is within the scope of the OECD Pillar Two model rules. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023. The Group is in the process of working together with the holding company in assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating Global Anti-Base Erosion ("GloBE") income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications.

9 TAXATION (CONTINUED)

WITHHOLDING TAX ON DISTRIBUTED/ UNDISTRIBUTED PROFITS

Withholding tax in the Group's subsidiaries and associates and a joint venture 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 Mainland of China and overseas countries.

	2023 HK\$'000	2022 HK\$'000 (restated)
Continuing operations		
Hong Kong profits tax		
– Current	92,277	221,265
– Over provision in prior years	(4,343)	(1,105)
– Deferred	(2,517)	(19,417)
	85,417	200,743
Mainland of China taxation		
– Current	181,417	260,883
– (Over)/under provision in prior years	(9,624)	22,529
– Deferred	70,228	2,108
	242,021	285,520
Overseas taxation		
– Current	251,737	748,088
– Under/(over) provision in prior years and tax refunds	2,377	(41,485)
– Deferred	(117,433)	231,900
	136,681	938,503
	464,119	1,424,766

The Group's share of taxation from associates and a joint venture for the year ended 31 December 2023 is HK\$51,309,000 (2022: HK\$37,189,000) and included in the share of results of associates and a joint venture in the consolidated income statement.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
Continuing operations		
Profit before taxation	1,906,676	5,942,322
Less: Share of results of associates and a joint venture	(195,371)	(166,894)
	1,711,305	5,775,428
Calculated at Hong Kong profits tax rate of 16.5% (2022: 16.5%)	282,365	952,946
Tax effect of different taxation rates in other countries	145,201	351,560
Income not subject to taxation	(31,266)	(48,413)
Expenses not deductible in determining taxable profit	41,247	77,352
Tax losses not recognised	31,010	25,208
Utilisation of previously unrecognised tax losses	(5,746)	(3,964)
Over provision in prior years	(11,590)	(20,061)
Withholding tax on undistributed profits	12,898	90,138
Taxation charge	464,119	1,424,766

10 DIVIDENDS

A final dividend in respect of the year ended 31 December 2023 of 13 HK cents per share, amounting to a total dividend of HK\$234,966,000 is to be proposed at the annual general meeting on Wednesday, 22 May 2024. These financial statements do not reflect this dividend payable.

	2023 HK\$'000	2022 HK\$'000
Interim dividend paid of 9 HK cents (31 December 2022: 28 HK cents) per ordinary share	162,669	506,079
Proposed final dividend of 13 HK cents (31 December 2022: 38 HK cents) per ordinary share	234,966	686,821
	397,635	1,192,900

The proposed final dividend for the year ended 31 December 2023, as referred to above, is calculated on the basis of 1,807,429,342 ordinary shares in issue as at 31 December 2023, and at a final dividend of 13 HK cents per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2023 will be subject to the actual number of ordinary shares in issue on the record date 28 May 2024.

11 EARNINGS PER SHARE

BASIC

Basic earnings per share is calculated by dividing the profit attributable to the Company's shareholders from continuing operations and discontinued operations by the adjusted weighted average number of ordinary shares in issue during the year.

	2023	2022 (restated)
Adjusted weighted average number of ordinary shares in issue	1,806,455,075	1,807,383,897
Profit attributable to the Company's shareholders (HK\$'000)		
From continuing operations	1,209,818	3,959,459
From discontinued operations	(418,653)	(380,268)
Basic earnings per share (HK\$)		
From continuing operations	0.67	2.19
From discontinued operations	(0.23)	(0.21)

11 EARNINGS PER SHARE (CONTINUED)

DILUTED

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

	2023	2022 (restated)
Adjusted weighted average number of ordinary shares in issue	1,806,455,075	1,807,383,897
Adjustment for share options and share awards	3,091,004	257,232
Adjustment for perpetual convertible securities	25,802,973	-
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,835,349,052	1,807,641,129
Profit attributable to the Company's shareholders (HK\$'000)		
From continuing operations	1,209,818	3,959,459
Adjustment for profit attributable to holders of perpetual convertible securities	12,870	-
From continuing operations for the purpose of calculating diluted earnings per share	1,222,688	3,959,459
From discontinued operations	(418,653)	(380,268)
Diluted earnings per share (HK\$)		
From continuing operations	0.67	2.19
From discontinued operations	(0.23)	(0.21)

12 EMPLOYEE BENEFIT EXPENSES

	2023 HK\$'000	2022 HK\$'000 (restated)
Continuing operations		
Staff costs, including directors' emoluments	4,787,622	5,455,276
Pension costs		
– defined contribution plans	178,641	266,643
– defined benefit plans (note 31(b))	(180)	2,492
	4,966,083	5,724,411

Out of the total employee benefit expenses from continuing operations for the year ended 31 December 2023 of HK\$4,966,083,000 (2022: HK\$5,724,411,000), HK\$2,920,323,000 (2022: HK\$3,058,383,000) was included in direct operating expenses.

12 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) DIRECTORS' EMOLUMENTS

The remuneration of the Directors for the year ended 31 December 2023, excluding share option and share award benefits, is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (i) HK\$'000	Housing allowance HK\$'000	Estimating money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
WANG Wei	-	-	-	-	-	-	-
KUOK Khoon Hua	-	-	-	-	-	-	-
CHEUNG Ping Chuen Vicky	-	5,584	1,244	-	654	270	7,752
CHENG Chi Wai (appointment effective from 22 May 2023)	-	3,262	1,520	-	-	73	4,855
HO Chit	470	-	-	-	-	-	470
OOI Bee Ti (appointment effective from 31 October 2023)	55	-	-	-	-	-	55
CHEN Keren	330	-	-	-	-	-	330
CHEUNG Wai Man	390	-	-	-	-	-	390
LAI Sau Cheong Simon	630	-	-	-	-	-	630
TAN Chuen Yan Paul	485	-	-	-	-	-	485
WONG Yu Pok Marina	620	-	-	-	-	-	620
MA Wing Kai William (retirement effective from 22 May 2023)	-	2,528	2,531	-	-	7	5,066
CHAN Fei (resignation effective from 31 October 2023)	275	-	-	-	-	-	275

12 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

The remuneration of the Directors for the year ended 31 December 2022, excluding share option and share award benefits, is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (i) HK\$'000	Housing allowance HK\$'000	Estimating money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
WANG Wei	-	-	-	-	-	-	-
KUOK Khoon Hua	-	-	-	-	-	-	-
MA Wing Kai William	-	6,456	25,846	-	-	18	32,320
CHEUNG Ping Chuen Vicky	-	5,040	7,040	-	735	263	13,078
CHAN Fei	330	-	-	-	-	-	330
HO Chit	470	-	-	-	-	-	470
CHEN Keren	330	-	-	-	-	-	330
CHEUNG Wai Man	395	-	-	-	-	-	395
LAI Sau Cheong Simon	625	-	-	-	-	-	625
TAN Chuen Yan Paul	480	-	-	-	-	-	480
WONG Yu Pok Marina	620	-	-	-	-	-	620

Note:

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

12 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) SENIOR MANAGEMENT'S EMOLUMENTS

The Group considers a team of eight (2022: nine) senior executives who report to the Board of Directors as senior management. The emoluments of the eight (2022: nine) individuals, excluding share option and share award benefits, are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other short-term benefits	60,121	75,254

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

During the year ended 31 December 2023, no share options of KPL was granted to or exercised by directors of the Company (2022: Nil).

As at 31 December 2023 and 2022, no director of the Company held share option of KPL to acquire share of KPL.

The closing market price of shares of KPL as at 31 December 2023 was HK\$14.28 (2022: HK\$17.00).

(d) SHARE OPTIONS GRANTED BY THE COMPANY TO THE DIRECTORS OF THE COMPANY

During the year ended 31 December 2023, no share options of the Company was granted to or exercised by directors of the Company (2022: Nil).

As at 31 December 2023 and 2022, no director of the Company held share option of the Company to acquire share of the Company.

The closing market price of the Company's shares as at 31 December 2023 was HK\$8.22 (2022: HK\$14.04).

(e) SHARE AWARDS GRANTED BY THE COMPANY TO THE DIRECTORS OF THE COMPANY

Certain directors of the Company were awarded shares under the Share Award Scheme of the Company. Movement of the awarded shares during the years presented as follows:

	No. of awarded shares	
	2023	2022
Unvested as at 1 January	566,296	583,651
Granted	1,744,661	686,482
Vested	(1,330,650)	(703,837)
Transfer (note)	(281,251)	-
Unvested as at 31 December	699,056	566,296

Note: On 22 May 2023, Cheng Chi Wai was appointed as director of the Company with outstanding awarded shares of 151,321 as of the appointment date. On the same date, Ma Wing Kai William was retired from director of the Company with outstanding awarded Shares of 432,572 as of the retirement date.

12 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(f) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 included one Directors (2022: two). The emoluments payable to the remaining four (2022: three) highest paid individuals during the years are as follows:

	2023 HK\$'000	2022 HK\$'000
Basic salaries, housing allowances, share options, share awards, other allowances and benefits in kind	34,390	23,405
Discretionary bonuses	8,176	17,096
Pension contributions	953	155
	43,519	40,656

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$6,000,001 – HK\$6,500,000	1	–
HK\$6,500,001 – HK\$7,000,000	–	–
HK\$7,000,001 – HK\$7,500,000	–	–
HK\$7,500,001 – HK\$8,000,000	–	–
HK\$8,000,001 – HK\$8,500,000	1	–
HK\$8,500,001 – HK\$9,000,000	–	–
HK\$9,000,001 – HK\$9,500,000	–	–
HK\$10,000,001 – HK\$10,500,000	–	–
HK\$10,500,001 – HK\$11,000,000	–	–
HK\$11,000,001 – HK\$11,500,000	–	–
HK\$11,500,001 – HK\$12,000,000	–	1
HK\$12,500,001 – HK\$13,500,000	–	–
HK\$13,500,001 – HK\$14,000,000	–	1
HK\$15,000,001 – HK\$15,500,000	–	1
HK\$20,000,001 – HK\$25,500,000	1	–
	4	3

(g) REMUNERATION PAYABLE TO SENIOR MANAGEMENT

The remuneration payable to the senior management during the year fell within the following bands:

	Number of individuals	
	2023	2022
HK\$500,001 – HK\$1,000,000	–	–
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	–
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	–	–
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	2	–
HK\$5,500,001 – HK\$6,000,000	1	1
HK\$6,000,001 – HK\$6,500,000	1	1
HK\$6,500,001 – HK\$7,000,000	–	1
HK\$7,000,001 – HK\$7,500,000	–	–
HK\$7,500,001 – HK\$8,000,000	–	1
HK\$8,000,001 – HK\$8,500,000	1	–
HK\$8,500,001 – HK\$9,000,000	–	–
HK\$9,000,001 – HK\$9,500,000	–	–
HK\$10,000,001 – HK\$10,500,000	–	–
HK\$11,500,001 – HK\$12,000,000	–	1
HK\$12,000,001 – HK\$12,500,000	–	–
HK\$13,500,001 – HK\$14,000,000	–	1
HK\$15,000,001 – HK\$15,500,000	–	1
HK\$20,000,001 – HK\$25,500,000	1	–
	8	9

13 INTANGIBLE ASSETS

	Goodwill HK\$'000	Customer relationships HK\$'000	Non-compet agreements HK\$'000	Trademarks HK\$'000	Total HK\$'000
At 1 January 2022	3,654,164	600,602	39,550	8,803	4,303,119
Acquisition of subsidiaries	1,414,489	433,510	11,692	-	1,859,691
Amortisation	-	(137,718)	(14,366)	(4,596)	(156,680)
Exchange adjustment	(132,430)	(16,249)	(1,533)	(23)	(150,235)
At 31 December 2022	4,936,223	880,145	35,343	4,184	5,855,895
At 31 December 2022					
Cost	5,228,686	1,591,136	159,099	89,812	7,068,733
Accumulated amortisation and impairment	(292,463)	(710,991)	(123,756)	(85,628)	(1,212,838)
	4,936,223	880,145	35,343	4,184	5,855,895
At 1 January 2023	4,936,223	880,145	35,343	4,184	5,855,895
Additions	-	-	-	4,430	4,430
Acquisition of subsidiaries (note 34)	98,929	-	-	12	98,941
Disposal of subsidiaries (note 33(c))	(15,607)	-	-	-	(15,607)
Amortisation	-	(150,513)	(14,128)	(4,207)	(168,848)
Exchange adjustment	13,283	2,148	(333)	(4,406)	10,692
At 31 December 2023	5,032,828	731,780	20,882	13	5,785,503
At 31 December 2023					
Cost	5,325,291	1,601,157	159,025	89,916	7,175,389
Accumulated amortisation and impairment	(292,463)	(869,377)	(138,143)	(89,903)	(1,389,886)
	5,032,828	731,780	20,882	13	5,785,503

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

13 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units (CGUs) that are expected to benefit from business combinations and impairment testing is performed annually and when there is indication that they may be impaired.

The recoverable amount of a CGU is determined based on the higher of its fair value less costs of disposal and value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering five years.

The annual impairment assessment of goodwill was conducted at 31 December 2023. There was no impairment in goodwill for the year ended 31 December 2023.

A segment-level summary of the goodwill allocation based on geographical regions is presented below:

	2023 HK\$'000	2022 HK\$'000
Integrated logistics		
Hong Kong	281,150	281,150
Mainland of China	609,858	522,517
Asia	121,277	137,347
Oceania	9,442	9,355
	1,021,727	950,369
International freight forwarding		
Hong Kong	100,440	100,440
Mainland of China	572,271	580,998
Asia	500,994	500,713
EMEA	699,893	675,889
Americas	2,120,623	2,110,905
Oceania	16,880	16,909
	4,011,101	3,985,854
	5,032,828	4,936,223

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

For the year ended 31 December 2023

INTEGRATED LOGISTICS

	Hong Kong	Mainland of China	Asia
Average profit before tax margin	5%-10%	4%	3%-23%
Average revenue growth rate	1%-4%	6%	4%-7%
Discount rate	12.5%	12%	11%-14%

13 INTANGIBLE ASSETS (CONTINUED)

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS (CONTINUED)

For the year ended 31 December 2023

INTERNATIONAL FREIGHT FORWARDING

	Hong Kong	Mainland of China	Asia	EMEA	Americas
Average profit before tax margin	4%-10%	1%-4%	3%-11%	3%-4%	3%-6%
Average revenue growth rate	1%-3%	6%	1%-10%	4%-7%	1%-5%
Discount rate	12.5%	12%	11%-19%	10.5%-16%	11%-15.5%

For the year ended 31 December 2022

INTEGRATED LOGISTICS

	Hong Kong	Mainland of China	Asia
Average profit before tax margin	5%-10%	3%	3%-23%
Average revenue growth rate	3%-7%	5%	(2%)-8%
Discount rate	12%	13.5%	11%-14%

INTERNATIONAL FREIGHT FORWARDING

	Hong Kong	Mainland of China	Asia	EMEA	Americas
Average profit before tax margin	4%-10%	2%-3%	3%-23%	3%-4%	3%-5%
Average revenue growth rate	(4%)-3%	5%-8%	(8%)-19%	(3%)-21%	(6%)-5%
Discount rate	12%	13.5%	11%-19%	10.5%-16%	10.5%-13%

13 INTANGIBLE ASSETS (CONTINUED)

Management determined budgeted profit margins and revenue growth rates based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs. In performing the impairment assessments, management has considered reasonably possible changes for key assumptions. Assuming revenue growth rate decreased by 50 basis points and discount rate increased by 50 basis points, no impairment charge would be required for the goodwill for the year ended 31 December 2023 (2022: Nil).

14 INVESTMENT PROPERTIES

	2023	2022
	HK\$'000	HK\$'000
At beginning of year	1,819,589	1,939,636
Additions	20,713	3,326
Transfer from right-of-use assets and, property, plant and equipment	373,243	-
Change in fair value through profit or loss	10,499	9,315
Change in fair value through other comprehensive income	344,660	-
Exchange adjustment	(30,098)	(132,688)
At end of year	2,538,606	1,819,589

(a) Investment properties were valued by independent professional valuer, namely Cushman & Wakefield Limited as at 31 December 2023 and 31 December 2022, by mainly adopting the income approach of valuation.

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

	2023	2022
	HK\$'000	HK\$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	2,538,606	1,819,589

As at 31 December 2023, investment properties amounting to HK\$122,162,000 (2022: HK\$116,801,000) was pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 36).

(c) For the year ended 31 December 2023, rental income recognised in the consolidated income statement for investment properties amounted to HK\$133,097,000 (2022: HK\$132,639,000), and direct operating expenses amounted to HK\$78,964,000 (2022: HK\$70,048,000) (from property that generated rental income).

14 INVESTMENT PROPERTIES (CONTINUED)

(d) VALUATION OF INVESTMENT PROPERTIES

	Mainland of China HK\$'000	Overseas HK\$'000	Total HK\$'000
At 1 January 2022	1,617,290	322,346	1,939,636
Additions	3,326	-	3,326
Change in fair value through profit or loss	2,464	6,851	9,315
Exchange adjustment	(133,153)	465	(132,688)
At 31 December 2022	1,489,927	329,662	1,819,589
At 1 January 2023	1,489,927	329,662	1,819,589
Additions	-	20,713	20,713
Transfer from right-of-use assets and property, plant and equipment	373,243	-	373,243
Change in fair value through profit or loss	5,938	4,561	10,499
Change in fair value through other comprehensive income	344,660	-	344,660
Exchange adjustment	(33,727)	3,629	(30,098)
At 31 December 2023	2,180,041	358,565	2,538,606

The Group measures its investment properties at fair value. The investment properties were revalued by Cushman & Wakefield Limited, an independent qualified valuer not connected with the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued at 31 December 2023. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management and the Audit and Compliance Committee. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

14 INVESTMENT PROPERTIES (CONTINUED)

(d) VALUATION OF INVESTMENT PROPERTIES (CONTINUED)

VALUATION TECHNIQUES

Fair value of investment properties in the Mainland of China and overseas are generally derived using the income approach and wherever appropriate, by direct comparison approach. Income approach is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison approach is based on comparing the property to be valued directly with other comparable properties, which have recently transacted.

SIGNIFICANT UNOBSERVABLE INPUTS USED TO DETERMINE FAIR VALUE

Capitalisation rates are estimated by valuer based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings for the Mainland of China and overseas investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The capitalisation rates used are as follows:

	2023	2022
Capitalisation rate	5.50% - 9.75%	5.50% - 10.00%

The following tables show the increase/(decrease) of the fair value of the investment properties if the capitalisation rate was to increase or decrease by 10%.

	2023 HK\$'000	2022 HK\$'000
Decrease of capitalisation rate by 10%	299,304	173,858
Increase of capitalisation rate by 10%	(240,149)	(153,753)

The following tables show the (decrease)/increase of the fair value of the investment properties if the reversionary income was to decrease or increase by 10%.

	2023 HK\$'000	2022 HK\$'000
Decrease of reversionary income by 10%	(206,588)	(145,886)
Increase of reversionary income by 10%	212,466	147,080

14 INVESTMENT PROPERTIES (CONTINUED)

(e) LEASING ARRANGEMENTS:

The Group leases various offices and warehouses to tenants under non-cancellable operating lease agreements with rentals receivable monthly. The lease terms are mainly between 1 year and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rates. No contingent rents were recognised during the year (2022: Nil).

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

	2023 HK\$'000	2022 HK\$'000
Land and buildings:		
Within one year	75,991	66,496
In the second to fifth year, inclusive	65,994	91,706
Over five years	-	10,472
	141,985	168,674

15 LEASES

As at 31 December 2023, leasehold land and land use rights amounting to HK\$159,061,000 (2022: HK\$126,283,000) were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 36).

This note provides information for leases where the Group is a lessee.

(I) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2023 HK\$'000	2022 HK\$'000
Right-of-use assets		
Leasehold land and land use rights	675,887	697,708
Equipment	43,323	37,103
Buildings	1,813,989	2,065,114
Motor vehicles	10,778	421,348
	2,543,977	3,221,273
Lease liabilities		
Current	927,103	1,196,141
Non-current	1,100,566	1,453,234
	2,027,669	2,649,375

Additions to the right-of-use assets during the year were HK\$1,403,241,000 (2022: HK\$1,078,293,000), of which HK\$40,384,000 in relation to acquisition of subsidiaries (2022: HK\$Nil).

Transfer from the right-of-use assets to investment properties during the year were HK\$86,060,000 (2022: HK\$1,522,000 for transfer from property, plant and equipment to the right-of-use assets).

15 LEASES (CONTINUED)

(II) AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement shows the following amounts relating to leases:

	Note	2023 HK\$'000	2022 HK\$'000
Depreciation charge of right-of-use assets			
Leasehold land and land use rights		14,559	12,252
Equipment		20,550	10,912
Buildings		1,077,460	1,052,442
Motor vehicles		133,047	189,620
	(Note a)	1,245,616	1,265,226
Interest expense (included in finance cost)	(Note b)	96,744	93,613
Expense relating to short-term leases (included in direct operating expenses and administrative expenses) (note 7)	(Note c)	567,270	597,786

The total cash outflow for leases in 2023 was HK\$1,876,992,000 (2022: HK\$1,979,184,000)

Notes:

- (a) The depreciation of right-of-use assets of HK\$1,245,616,000 (2022: HK\$1,265,226,000) includes HK\$989,491,000 (2022: HK\$901,260,000) arising from continuing operations and HK\$256,125,000 (2022: HK\$363,966,000) arising from discontinued operations.
- (b) The interest expenses on lease liabilities of HK\$96,744,000 (2022: HK\$93,613,000) includes HK\$82,972,000 (2022: HK\$74,963,000) arising from continuing operations and HK\$13,772,000 (2022: HK\$18,650,000) arising from discontinued operations.
- (c) The expense relating to short-term leases of HK\$567,270,000 (2022: HK\$597,786,000) includes HK\$463,947,000 (2022: HK\$474,179,000) arising from continuing operations and HK\$103,323,000 (2022: HK\$123,607,000) arising from discontinued operations.

(III) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases various leasehold land, land use rights, equipment, buildings and motor vehicles. Rental contracts are typically made for fixed periods of 1 month to 53 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets except leasehold land may not be used as security for borrowing purposes.

16 PROPERTY, PLANT AND EQUIPMENT

	Warehouse and logistics centres	Freehold land and buildings	Port facilities	Leasehold improvements	Warehouse operating equipment	Motor vehicles, furniture, fixtures and office equipment	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost								
At 1 January 2023	3,007,260	1,875,694	771,901	710,048	2,409,610	1,905,640	366,846	11,046,999
Additions, at cost	23,637	33,041	-	126,493	153,418	204,185	220,417	761,191
Acquisition of subsidiaries (note 34)	72,279	-	-	-	1,638	666	-	74,583
Disposals	(4,450)	(8,434)	-	(49,723)	(124,852)	(95,699)	-	(283,158)
Disposal of subsidiaries (note 33(c))	(4,806)	-	-	(12,336)	(9,810)	(112,897)	-	(139,849)
Transfer to assets classified as held for distribution	-	-	-	-	(341,799)	(1,013,301)	-	(1,355,100)
Transfer/reclassification	167,737	-	-	-	-	-	(454,920)	(287,183)
Exchange adjustment	(60,139)	13,205	25,265	(7,857)	21,835	(54,088)	(8,324)	(70,103)
At 31 December 2023	3,201,518	1,913,506	797,166	766,625	2,110,040	834,506	124,019	9,747,380
Accumulated depreciation								
At 1 January 2023	534,324	251,470	202,414	290,971	697,929	1,200,479	-	3,177,587
Charge for the year	86,015	41,632	14,933	109,244	274,673	238,327	-	764,824
Disposals	-	(5,720)	-	(35,079)	(78,862)	(80,439)	-	(200,100)
Disposal of subsidiaries (note 33(c))	(891)	-	-	(7,682)	(2,923)	(65,643)	-	(77,139)
Transfer to assets classified as held for distribution	-	-	-	-	(222,159)	(652,876)	-	(875,035)
Exchange adjustment	(20,525)	4,525	1,561	(586)	20,931	(35,465)	-	(29,559)
At 31 December 2023	598,923	291,907	218,908	356,868	689,589	604,383	-	2,760,578
Net book value								
At 31 December 2023	2,602,595	1,621,599	578,258	409,757	1,420,451	230,123	124,019	6,986,802

Note: The depreciation of property, plant and equipment of HK\$764,824,000, includes HK\$559,126,000 arising from continuing operations and HK\$205,698,000 arising from discontinued operations.

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Warehouse and logistics centres	Freehold land and buildings	Port facilities	Leasehold improvements	Warehouse operating equipment	Motor vehicles, furniture, fixtures and office equipment	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost								
At 1 January 2022	2,706,878	1,861,886	802,126	633,759	2,138,609	1,888,727	352,654	10,384,639
Additions, at cost	313,186	20,438	-	143,670	595,879	238,444	301,230	1,612,847
Acquisition of subsidiaries	-	-	-	3,788	78	3,671	-	7,537
Disposals	-	(15)	-	(48,267)	(213,090)	(109,700)	-	(371,072)
Transfer/reclassification	173,992	73,538	-	7,084	14,123	(4,552)	(265,707)	(1,522)
Exchange adjustment	(186,796)	(80,153)	(30,225)	(29,986)	(125,989)	(110,950)	(21,331)	(585,430)
At 31 December 2022	3,007,260	1,875,694	771,901	710,048	2,409,610	1,905,640	366,846	11,046,999
Accumulated depreciation								
At 1 January 2022	486,096	225,596	195,057	241,147	623,615	1,086,900	-	2,858,411
Charge for the year	80,560	42,115	14,552	103,465	286,474	259,698	-	786,864
Disposals	-	(15)	-	(32,132)	(148,993)	(79,835)	-	(260,975)
Transfer/reclassification	-	227	-	(898)	697	(26)	-	-
Exchange adjustment	(32,332)	(16,453)	(7,195)	(20,611)	(63,864)	(66,258)	-	(206,713)
At 31 December 2022	534,324	251,470	202,414	290,971	697,929	1,200,479	-	3,177,587
Net book value								
At 31 December 2022	2,472,936	1,624,224	569,487	419,077	1,711,681	705,161	366,846	7,869,412

Note: The depreciation of property, plant and equipment of HK\$786,864,000 includes HK\$566,087,000 arising from continuing operations and HK\$220,777,000 arising from discontinued operations.

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) As at 31 December 2023 and 2022, certain freehold land and buildings, warehouse and logistics centres and port facilities were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 36) with aggregate net book values as follows:

	2023	2022
	HK\$'000	HK\$'000
Freehold land and building	118,771	119,874
Warehouse and logistics centres	255,358	199,711
Port facilities	215,974	224,206
	590,103	543,791

- (b) The Group's freehold land and buildings and port facilities are located outside Hong Kong.
- (c) The amount of other non-current assets represents prepayment for purchases of property, plant and equipment.

17 ASSOCIATES AND A JOINT VENTURE

	2023	2022
	HK\$'000	HK\$'000
Non-current		
Share of net assets (note (b))	1,681,808	1,633,304
Amounts due from associates (note (c), (d))	-	9,457
Current		
Amounts due from associates (note (c), (d))	9,431	-
	1,691,239	1,642,761

17 ASSOCIATES AND A JOINT VENTURE (CONTINUED)

(a) The Group held interests in the following principal associates and a joint venture:

Name	Place of incorporation/ establishment	Principal activities	Registered capital	Interest held indirectly	
				2023	2022
Chiwan Container Terminal Co., Ltd ⁽¹⁾	PRC	Port operation	US\$95,300,000	25%	25%
Giao Hang Tiet Kiem Joint Stock Company	Vietnam	Express business	VND12,900,000,000	42%	42%
PT. Puninar Saranaraya	Indonesia	Logistics business	IDR783,625,580,000	40%	40%

(1) Sino-foreign equity joint venture enterprise

17 ASSOCIATES AND A JOINT VENTURE (CONTINUED)

(b) The Group's share of results of its associates and a joint venture and its aggregate assets and liabilities from continuing operations are as follows:

	2023	2022
	HK\$'000	HK\$'000
Aggregate attributable amounts of total assets	2,201,256	2,155,147
Aggregate attributable amounts of total liabilities	519,448	521,843
Aggregate attributable amounts of total revenue	1,139,305	1,265,705
Aggregate attributable amounts of net profit after tax (note)	195,371	166,894

Note:

The shares of results of associate and a joint venture of HK\$195,117,000 (2022: HK\$166,894,000) includes share of profit of HK\$195,371,000 (2022: HK\$166,894,000) arising from continuing operations and share of loss of HK\$254,000 (2022: Nil) arising from discontinued operations.

(c) Except for the amounts of HK\$4,600,000 (2022: HK\$9,015,000) which bear interests at 5% per annum (2022: 2.5%-4.07%), all the other amounts due from associates are interest-free.

The amounts due from associates are unsecured, and expected (2022: not expected) to be received within twelve months from the end of the respective reporting periods.

(d) The carrying amounts of the amounts due from associates are denominated in the following currencies:

	2023	2022
	HK\$'000	HK\$'000
Hong Kong dollar	9,087	4,669
Other currencies	344	4,788
	9,431	9,457

(e) There is no associate and joint venture that is individually material to the Group.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	HK\$'000	HK\$'000
Non-current		
- Unlisted equity investments, at fair value	260,270	554,962
- Listed equity investments, at fair value	201,000	-
	461,270	554,962

19 INVESTMENT IN CONVERTIBLE BONDS

On 17 March 2017, Kerry Express Services (Asia) Pte. Ltd. ("KESA"), a wholly owned subsidiary of the Company, entered in to a convertible bond issuance and subscription agreement with PT Nusa Prima Express ("NPE"), whereby KESA has subscribed for the convertible bond with coupon rate of the lower of (i) SIBOR + 1% or (ii) 5% per annum issued by NPE in the amount of Indonesian Rupiah 9,826,950,000 (approximately HK\$5,831,000 (2022: HK\$5,538,000)) ("Principal Amount"). KESA may at any time convert all of the Principal Amount of the convertible bond it holds into issued shares in NPE.

Upon completion of the conversion of the convertible bond, KESA will own 55% interest in the total issued share capital of NPE.

20 INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Finished goods	410,790	482,035

The cost of inventories recognised as expenses and included in direct operating expenses for the year ended 31 December 2023 amounted to HK\$1,019,523,000 (2022: HK\$1,251,023,000).

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$'000	2022 HK\$'000
Unlisted fund investments, at fair value	389	38,137

Fair value losses of financial assets at fair value through profit or loss of HK\$255,000 (2022: HK\$5,191,000) are recorded in 'other income and net gains/(losses)' in the consolidated income statement (note (a)).

Note (a): During the year ended 31 December 2023, the net fair value losses on financial assets at fair value through profit or loss amounts to HK\$255,000 (2022: HK\$5,191,000) which includes HK\$31,000 (2022: Nil) arising from continuing operations and HK\$224,000 (2022: HK\$5,191,000) arising from discontinued operations.

22 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2023 HK\$'000	2022 HK\$'000
Accounts receivable	8,904,379	10,556,089
Less: Provision for impairment of receivable (note (c))	(336,178)	(357,895)
Accounts receivable – net	8,568,201	10,198,194
Prepayments (note (d))	793,562	971,481
Deposits (note (e))	586,447	669,559
Others (note (f))	1,972,493	1,567,675
	11,920,703	13,406,909

Notes:

- (a) The Group has various credit policies for different business operations depending on the requirements of the markets and businesses. The ageing analysis of the accounts receivable based on date of the invoice and net of provision for impairment is as follows:

	2023 HK\$'000	2022 HK\$'000
Below 1 month	5,242,078	5,922,246
Between 1 month and 3 months	2,455,724	3,219,285
Over 3 months	870,399	1,056,663
	8,568,201	10,198,194

There is no concentration of credit risk with respect to accounts receivable, as the Group has a large number of customers.

- (b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. The Group determines the provision for expected credit losses by grouping together accounts and other receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions.
- (c) As of 31 December 2023, HK\$336,178,000 (2022: HK\$357,895,000) was recognised in the consolidated income statement as provision for impairment of receivables.

Movements on the provision for impairment of receivables are as follows:

	2023 HK\$'000	2022 HK\$'000
At beginning of year	357,895	343,838
Provision for impairment of receivables (g)	103,821	138,790
Reversal of provision	(26,728)	(31,793)
Disposal of subsidiaries	(3,422)	-
Receivables written off during the year as uncollectible	(92,358)	(83,364)
Transfer to assets classified as held for distribution	(5,474)	-
Exchange adjustment	2,444	(9,576)
At end of year	336,178	357,895

- (d) The balances mainly comprise prepaid rent and freight and transportation costs.

- (e) The balances mainly comprise rental deposits and deposits to suppliers.

- (f) The balance mainly comprise contract assets of HK\$1,041,074,000 (2022: HK\$945,362,000). These assets are stated at the expected recoverable amount. No provision for impairment of contract assets has been made (2022: Nil). The Group measures the loss allowance for its contract assets at an amount equal to the lifetime expected credit losses.

Contract assets primarily relate to the Group's rights to consideration for delivered services but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The Group's historical credit loss experience does not indicate a substantial different loss pattern for contract assets as compared to accounts receivable for similar customer bases. The Group makes reference to the expected credit loss provision rates for accounts receivable to measure the contract assets' expected credit losses. The rates are adjusted to reflect information specific to the contract assets that may affect the recovery of the carrying amount of the contract assets.

- (g) The provision for impairment of receivables of HK\$103,821,000 (2022: HK\$138,790,000) includes HK\$100,569,000 (2022: HK\$136,693,000) arising from continuing operations and HK\$3,252,000 (2022: HK\$2,097,000) arising from discontinued operations.

- (h) The carrying amounts of the accounts receivable, prepayments and deposits are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Renminbi	4,331,554	3,367,441
Hong Kong dollar	1,827,832	308,475
Thai Baht	286,861	776,499
United States dollar	2,337,096	5,340,333
Euro	1,481,812	1,359,428
Pound sterling	69,251	109,281
Indian Rupee	400,485	358,131
Malaysian Ringgit	83,423	192,044
United Arab Emirates Dirham	195,075	154,276
Australian dollar	104,769	221,563
Vietnamese Dong	11,262	352,686
Other currencies	791,283	866,752
	11,920,703	13,406,909

- (i) The carrying amount of accounts receivable approximates the fair value of these balances. The provision and reversal of provision for impairment of receivables have been included in direct operating expenses in the consolidated income statement. Amounts charged to the allowance account are written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

23 BALANCES WITH GROUP COMPANIES

The balances with group companies are unsecured, interest-free and have no fixed terms of repayment. They are denominated mainly in Hong Kong dollars.

The collection of receivables with group companies is closely monitored in order to minimise any credit risk associated with the receivables. All of these financial assets are considered to have low credit risk as they have a low risk of default and the counterparty has strong capability to meet its contractual cash flow obligations in the near term. Therefore, impairment provision was limited to twelve months expected losses and estimated to be minimal.

Note:

- (a) None of the amounts due to non-controlling interests was included in the amounts due to related companies (2022: HK\$6,600,000). The balance are denominated in United States dollar.
- (b) Balances with fellow subsidiaries represent the balances with S.F. Holding companies while the balances with related companies represent the balances with KGL and KPL companies.

24 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) RESTRICTED AND PLEDGED BANK DEPOSITS

As at 31 December 2023, the Group's bank balances amounting to approximately HK\$12,843,000 (2022: HK\$12,383,000) represented deposits pledged to secure general banking facilities granted to the Group.

(b) CASH AND CASH EQUIVALENTS

	2023 HK\$'000	2022 HK\$'000
Cash at bank and in hand	6,302,247	8,913,950
Short-term bank deposits	219,191	326,415
Cash and bank balances	6,521,438	9,240,365

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

	2023 HK\$'000	2022 HK\$'000
Cash and bank balances	6,521,438	9,240,365
Secured bank overdrafts	-	(20,187)
Unsecured bank overdrafts	(62,535)	(63,614)
	6,458,903	9,156,564

**24 RESTRICTED AND PLEDGED BANK DEPOSITS
AND CASH AND CASH EQUIVALENTS
(CONTINUED)**

**(b) CASH AND CASH EQUIVALENTS
(CONTINUED)**

Cash and cash equivalents are denominated in the following currencies:

	2023	2022
	HK\$'000	HK\$'000
Renminbi	2,412,140	2,585,423
Hong Kong dollar	984,290	955,443
United States dollar	1,618,242	3,023,871
Pound sterling	160,261	284,401
Vietnamese Dong	60,836	48,785
Singapore dollar	85,360	86,323
Thailand baht	359,411	1,220,582
Other currencies	778,363	951,736
	6,458,903	9,156,564

For the Group's subsidiaries incorporated in the PRC, conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

**25 ACCOUNTS PAYABLE, DEPOSITS RECEIVED
AND ACCRUED CHARGES**

	2023	2022
	HK\$'000	HK\$'000
Accounts payables	4,310,572	4,531,800
Accrued charges (note (c))	3,120,434	3,882,202
Customer deposits	256,677	198,743
Consideration payable for business combinations	122,106	1,141,119
Contract liabilities (note (d))	174,043	221,685
Others (note (d))	425,709	743,618
	8,409,541	10,719,167
Less: Non-current consideration payable for business combinations	-	(24,096)
	8,409,541	10,695,071

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

(a) The ageing analysis of accounts payable based on the date of the invoice of the Group is as follows:

	2023	2022
	HK\$'000	HK\$'000
Below 1 month	2,864,692	2,763,461
Between 1 month and 3 months	810,182	904,035
Over 3 months	635,698	864,304
	4,310,572	4,531,800

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

	2023	2022
	HK\$'000	HK\$'000
Renminbi	3,567,269	2,765,021
Hong Kong dollar	1,508,220	1,268,337
United States dollar	1,442,922	3,183,223
Euro	909,756	1,255,809
Pound sterling	85,701	193,071
Thai baht	295,575	772,111
Indian Rupee	159,802	185,546
Malaysian Ringgit	59,774	122,776
Other currencies	380,522	973,273
	8,409,541	10,719,167

(c) The balances mainly comprise accrued employee benefit expenses and freight and transportation costs.

(d) The balances mainly comprise freight charges received in advance and value added tax payables.

26 SHARE CAPITAL AND SHARES HELD FOR SHARE AWARD SCHEME

	2023	2022
Share capital		
Authorised, issued and fully paid:		
1,807,429,342 ordinary shares of HK\$0.5 each (2022: 1,807,424,842 ordinary shares of HK\$0.5 each)	903,715	903,712

	2023		2022	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 January	1,807,424,842	903,712	1,807,309,842	903,655
Exercise of pre-IPO share option scheme allotment	4,500	3	115,000	57
At 31 December	1,807,429,342	903,715	1,807,424,842	903,712

Shares held for share award scheme

	2023	
	No. of shares	HK\$'000
At 1 January	-	-
Share purchase for share award scheme	(8,861,437)	(76,499)
Vesting of shares under share award scheme	5,141,471	48,860
At 31 December	(3,719,966)	(27,639)

During the year ended 31 December 2023, the share award scheme of the Group acquired 8,861,437 ordinary shares in the Company through purchases in the open market and 5,141,471 shares were transferred to the awardees upon vesting of the awarded shares. The remaining 3,719,966 shares were held in trust under the share award scheme as at 31 December 2023. Details of the share award scheme were disclosed in Note 37 to this consolidated financial statements.

27 RETAINED PROFITS AND OTHER RESERVES

	Other properties revaluation reserve HK\$'000	Share options reserve HK\$'000	Share award reserve HK\$'000	Capital reserve (note (a)) HK\$'000	Enterprise expansion and general reserve funds (note (b)) HK\$'000	Exchange fluctuation reserve HK\$'000	Acquisition reserve (note (c)) HK\$'000	FVOCI reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1 January 2023	142,934	761	-	7,586	123,975	(1,243,771)	(3,511,061)	(27,781)	17,271,749	686,821	13,451,213
Profit for the year	-	-	-	-	-	-	-	-	791,165	-	791,165
Defined benefit pension plans											
- Actuarial gain	-	-	-	-	-	-	-	-	5,853	-	5,853
- Deferred income tax	-	-	-	-	-	-	-	-	(1,170)	-	(1,170)
2022 final dividend paid	-	-	-	-	-	-	-	-	(2)	(686,821)	(686,823)
2023 interim dividend paid	-	-	-	-	-	-	-	-	(162,669)	-	(162,669)
2023 proposed final dividend	-	-	-	-	-	-	-	-	(234,966)	234,966	-
Net translation differences on foreign operations	-	-	-	-	-	(102,783)	-	-	-	-	(102,783)
Fair value gain recognised upon the transfer from leasehold land and warehouse and logistics centres to investment properties, net of tax	258,495	-	-	-	-	-	-	-	-	-	258,495
Fair value change on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(10,515)	-	-	(10,515)
Exercise of pre-IPO share option scheme allotment	-	(6)	-	-	-	-	-	-	-	-	(6)
Share option lapsed	-	(755)	-	-	-	-	-	-	755	-	-
Share-based compensation under share award scheme	-	-	69,160	-	-	-	-	-	-	-	69,160
Vesting of shares under share award scheme	-	-	(48,860)	-	-	-	-	-	-	-	(48,860)
Change in ownership of interests in subsidiaries without change of control	-	-	-	-	-	-	(1,701,075)	-	-	-	(1,701,075)
Transfers from/(to) retained profits	-	-	-	-	33,975	-	55,498	-	(89,473)	-	-
At 31 December 2023	401,429	-	20,300	7,586	157,950	(1,346,554)	(5,156,638)	(38,296)	17,581,242	234,966	11,861,985

27 RETAINED PROFITS AND OTHER RESERVES (CONTINUED)

	Other properties revaluation reserve HK\$'000	Share options reserve HK\$'000	Capital reserve (note (a)) HK\$'000	Enterprise expansion and general reserve funds (note (b)) HK\$'000	Exchange fluctuation reserve HK\$'000	Acquisition reserve (note (c)) HK\$'000	FVOCI reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1 January 2022	142,934	898	7,586	99,376	(138,057)	150,049	(1,762)	14,907,229	903,655	16,071,908
Profit for the year	-	-	-	-	-	-	-	3,579,191	-	3,579,191
Defined benefit pension plans										
– Actuarial gain	-	-	-	-	-	-	-	3,575	-	3,575
– Deferred income tax	-	-	-	-	-	-	-	(715)	-	(715)
2021 final dividend paid	-	-	-	-	-	-	-	(32)	(903,655)	(903,687)
2022 interim dividend paid	-	-	-	-	-	-	-	(506,079)	-	(506,079)
2022 proposed final dividend	-	-	-	-	-	-	-	(686,821)	686,821	-
Net translation differences on foreign operations	-	-	-	-	(1,105,714)	-	-	-	-	(1,105,714)
Fair value change on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(26,019)	-	-	(26,019)
Exercise of pre-IPO share option scheme allotment	-	(137)	-	-	-	-	-	-	-	(137)
Change in ownership of interests in subsidiaries without change of control	-	-	-	-	-	(3,661,110)	-	-	-	(3,661,110)
Transfers from/(to) retained profits	-	-	-	24,599	-	-	-	(24,599)	-	-
At 31 December 2022	142,934	761	7,586	123,975	(1,243,771)	(3,511,061)	(27,781)	17,271,749	686,821	13,451,213

Notes:

- (a) Capital reserve of the Group arose from the Group's reorganisation in preparation for the listing of Kerry Properties Limited, its fellow subsidiary, on the Stock Exchange of Hong Kong Limited in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.
- (b) Enterprise expansion and general reserve funds are set up by subsidiaries established and operating in the Mainland of China. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.
- (c) The acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a change of control by the Group, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.

28 LOANS FROM NON-CONTROLLING INTERESTS

Except for a balance of HK\$6,862,000 as at 31 December 2022 which was expected to be repayable within twelve months from the end of reporting period, loans from non-controlling interests of certain subsidiaries are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.

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

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollar	78,723	62,816
Other currencies	192,118	153,190
	270,841	216,006

29 BANK LOANS

	2023 HK\$'000	2022 HK\$'000
Non-current		
– unsecured	5,230,744	6,485,426
– secured (note 36)	4,712	101,021
	5,235,456	6,586,447
Current		
– unsecured	3,195,994	2,111,300
– secured (note 36)	66,681	115,102
	3,262,675	2,226,402
Total bank loans	8,498,131	8,812,849

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

	2023 HK\$'000	2022 HK\$'000
Within 1 year	3,262,675	2,226,402
Between 1 and 2 years	1,971,477	2,770,797
Between 3 and 5 years	3,181,425	3,731,710
Repayable within 5 years	8,415,577	8,728,909
Over 5 years	82,554	83,940
	8,498,131	8,812,849

29 BANK LOANS (CONTINUED)

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

	2023			
	United States dollar	Hong Kong dollar	Singapore dollar	Renminbi
Bank loans	7.11%	4.84%	4.85%	3.88%

	2022				
	United States dollar	Hong Kong dollar	Singapore dollar	Renminbi	Thai baht
Bank loans	1.68%	3.64%	4.60%	4.37%	1.71%

(c) The carrying amounts of the bank loans approximate their fair values.

(d) The carrying amounts of the bank loans are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollar	6,447,451	6,059,448
United States dollar	382,807	757,886
Thai baht	-	8,647
Singapore dollar	304,306	355,458
Renminbi	1,142,487	1,336,180
Other currencies	221,080	295,230
	8,498,131	8,812,849

30 DEFERRED TAXATION

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

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	(381,120)	(463,169)
Deferred tax liabilities		
- Deferred tax liability to be settled after more than 12 months	693,397	614,209
- Deferred tax liability to be settled within 12 months	38,337	-
	731,734	614,209
Deferred tax liabilities (net)	350,614	151,040

30 DEFERRED TAXATION (CONTINUED)

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

	2023 HK\$'000	2022 HK\$'000
At beginning of year	151,040	250,128
Acquisition of subsidiaries	7,940	(87,055)
Disposal of subsidiaries (note 33(c))	(267)	-
Deferred taxation (credit)/charged to profit or loss (note)	(220,544)	39,588
Deferred taxation charged to other comprehensive income	88,193	1,374
Transfer to current tax liabilities upon the distribution of dividends	(44,464)	(45,035)
Exchange adjustment	10,611	(7,960)
Transfer to assets classified as held for distribution	358,105	-
At end of year	350,614	151,040

Note: The deferred taxation credit of HK\$220,544,000 (2022: deferred taxation charge of HK\$39,588,000) includes deferred taxation credit of HK\$49,722,000 (2022: deferred taxation charge of HK\$214,591,000) arising from continuing operations and deferred taxation credit of HK\$170,822,000 (2022: deferred taxation credit of HK\$175,003,000) arising from discontinued operations.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2023, the Group has unrecognised tax losses of HK\$606,431,000 (2022: HK\$574,544,000) arising from continuing operations and HK\$272,561,000 (2022: HK\$ Nil) arising from discontinued operations. These tax losses have no expiry dates except for the tax losses of HK\$317,801,000 (2022: HK\$378,771,000) arising from continuing operations and HK\$272,561,000 (2022: HK\$ Nil) arising from discontinued operations, which can be carried forward up to a maximum period of 10 years.

As at 31 December 2023, the aggregate amount of unrecognised deferred tax liabilities associated with undistributed earnings in subsidiaries totalled approximately HK\$186,601,000 (2022: HK\$177,347,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

30 DEFERRED TAXATION (CONTINUED)

The movements in deferred income tax (assets) and liabilities during the year were as follows:

	Group							Total HK\$'000
	Pension obligation HK\$'000	Accelerated depreciation allowances, accruals, provisions and intangible assets from business combination and others HK\$'000	Right-of-use assets HK\$'000	Lease liabilities HK\$'000	Revaluation HK\$'000	Tax losses HK\$'000	Withholding tax on distributed profits of subsidiaries and associates HK\$'000	
At 1 January 2022	(8,286)	84,529	11,974	(7,025)	153,484	(79,326)	94,778	250,128
Deferred taxation charged/(credited) to profit or loss	(1,406)	107,600	2,832	(3,209)	2,273	(158,640)	90,138	39,588
Deferred taxation credited to other comprehensive income	1,374	-	-	-	-	-	-	1,374
Acquisition of subsidiaries	-	(87,055)	-	-	-	-	-	(87,055)
Exchange adjustment	(242)	20,704	(460)	269	(18,196)	(6,439)	(3,596)	(7,960)
Transfer to current tax liabilities upon the distribution of dividends	-	-	-	-	-	-	(45,035)	(45,035)
At 31 December 2022	(8,560)	125,778	14,346	(9,965)	137,561	(244,405)	136,285	151,040
At 1 January 2023	(8,560)	125,778	14,346	(9,965)	137,561	(244,405)	136,285	151,040
Deferred taxation charged/(credited) to profit or loss	4,594	(42,528)	112,376	(117,671)	2,384	(192,597)	12,898	(220,544)
Deferred taxation charged to other comprehensive income	2,028	-	-	-	86,165	-	-	88,193
Acquisition of subsidiaries	-	7,940	-	-	-	-	-	7,940
Disposal of subsidiaries	-	(356)	-	-	41	48	-	(267)
Exchange adjustment	(243)	28,680	(130)	168	(2,390)	(7,026)	(8,448)	10,611
Transfer to current tax liabilities upon the distribution of dividends	-	-	-	-	-	-	(44,464)	(44,464)
Transfer to assets classified as held for distribution	(843)	7,588	-	-	-	351,360	-	358,105
At 31 December 2023	(3,024)	127,102	126,592	(127,468)	223,761	(92,620)	96,271	350,614

30 DEFERRED TAXATION (CONTINUED)

The Group previously presented deferred tax assets and liabilities in connection with the Group's lease liabilities and right-of-use assets, respectively on a net basis in the disclosure note of deferred income tax which was permitted by the HKAS 12. Following the adoption of the Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" ("HKAS 12 Amendments"), the Group has presented deferred tax assets/liabilities in connection with the Group's lease liabilities/right-of-use assets separately on a gross basis. Accordingly, the disclosure notes of the deferred tax are represented. The adoption of HKAS 12 Amendments has no other impact on the Group's consolidated statement of financial position as at 31 December 2023 and the Group's consolidated income statement for the year then ended and also the Group's retained profits as at 1 January 2023.

31 RETIREMENT BENEFITS

The Group operates various pension schemes. The schemes are funded through payments to independent trustee-administered funds. The Group has both defined contribution and defined benefit plans during the year.

(a) DEFINED CONTRIBUTION PLANS

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and is governed by Hong Kong law. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,500 (prior to 1 June 2014: HK\$1,250) per employee per month (the "MPF Contribution"). The

employees also contribute a corresponding amount to the MPF Scheme if their relevant income is HK\$7,100 (prior to 1 June 2014: HK\$6,500) per month or more. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the "Fund") which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK\$10,000 (2022: HK\$10,000) per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. No forfeited contributions were available during the year to reduce the employer's contribution (2022: HK\$Nil).

31 RETIREMENT BENEFITS (CONTINUED)

(a) DEFINED CONTRIBUTION PLANS (CONTINUED)

The subsidiaries operating in the Mainland of China and overseas participate in the defined contribution retirement schemes as required by the relevant local government authorities. The Group is required to make contributions at a certain percentage of employees' salary in accordance with the schemes set up by the Mainland of China and overseas subsidiaries and/or under statutory requirements.

(b) DEFINED BENEFIT PLANS

The Group operates defined benefit pension plans in Thailand. The plans are valued by independent qualified actuaries, Mercer (Thailand) Limited and Actuarial Business Solutions Consulting Co., Ltd, annually using the projected unit credit method. The defined benefit plans are unfunded, as allowed under local regulations. Therefore, there is no market value of the plan assets.

The amounts recognised in the consolidated income statement were as follows:

	2023 HK\$'000	2022 HK\$'000
Current service cost	7,642	9,312
Interest cost, net	1,404	991
Total, included in staff costs	9,046	10,303

The amount includes net credit of HK\$180,000 (net charge of 2022: HK\$2,492,000) arising from continuing operations (note 12) and HK\$9,226,000 arising from discontinued operations (2022: HK\$7,811,000).

Out of the total charge, for the year ended 31 December 2023, HK\$8,416,000 (2022: HK\$1,217,000) were included in direct operating expenses, and HK\$630,000 (2022: HK\$9,086,000) were included in administration expenses, respectively.

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

	2023 HK\$'000	2022 HK\$'000
Fair value of plan assets	-	-
Present value of funded obligations	(20,259)	(52,110)
Total pension liabilities	(20,259)	(52,110)

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

	2023 HK\$'000	2022 HK\$'000
At beginning of year	52,110	50,028
Current service cost	7,642	9,312
Interest cost	1,404	991
Remeasurements	(10,141)	(6,869)
Benefits paid	(1,890)	(2,545)
Exchange adjustment	362	1,193
Transfer to liabilities associated with assets classified as held for distribution	(29,228)	-
At end of year	20,259	52,110

31 RETIREMENT BENEFITS (CONTINUED)

(b) DEFINED BENEFIT PLANS (CONTINUED)

The principal actuarial assumptions used are as follows:

	2023	2022
Discount rate applied to pension obligations	3.00%-4.00%	1.91%-3.20%
Future salary increases	4.00%	3.00%-4.00%

The amounts of the defined benefit obligations (excluding defined benefit obligations associated with assets classified as held for distribution) after applying the weighted principal assumptions in the result of the sensitivity analysis are as follows:

	Unfavourable change	
	2023	2022
	HK\$'000	HK\$'000
Discount rate applied to pension obligations decreases by 0.5%	17,429	54,864
Future salary increases by 0.5%	17,529	54,865

	Favourable change	
	2023	2022
	HK\$'000	HK\$'000
Discount rate applied to pension obligations increases by 0.5%	15,665	49,566
Future salary decreases by 0.5%	15,775	49,583

Expected employer contribution to the plans of the Group for the year ending 31 December 2024 is Nil.

32 PERPETUAL CONVERTIBLE SECURITIES

On 29 March 2023, the Company, Natixis and SF Holding Limited entered into a subscription and placing agency agreement pursuant to which: (i) the Company agreed to issue perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 with distribution rate of 3.30% per annum payable semi-annually (the "Convertible Securities") to SF Holding Limited; (ii) Natixis conditionally agreed to use all reasonable efforts to procure SF Holding Limited to subscribe for the Convertible Securities; and (iii) SF Holding Limited conditionally agreed to subscribe and pay for the Convertible Securities at 100% of the principal amount subject to, and in accordance with, the terms of the subscription and placing agency agreement. There is no fixed redemption date on the Convertible Securities and the redemption is at the option of the Company. Completion of the subscription and placing agency agreement has taken place on 18 May 2023. For the year ended 31 December 2023, after considering the transaction cost, the net proceeds from the issue of the perpetual convertible securities were approximately HK\$774,101,000.

Based on the initial conversion price of HK\$18.80 per Conversion Share (subject to adjustments) and assuming full conversion of the Convertible Securities, the Convertible Securities will be convertible into 41,489,361 Shares of nominal value of HK\$0.50 each in the Company to be allotted and issued by the Company ("Conversion Shares").

They are classified as equity instruments and recorded in equity in the consolidated financial statements.

During the year, a distribution of HK\$12,870,000 was paid (2022: HK\$Nil).

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation of both continuing operations and discontinued operations to net cash generated from operations:

	2023 HK\$'000	2022 HK\$'000
Profit before taxation	907,307	5,075,845
Share of results of associates and a joint venture	(195,117)	(166,894)
Interest income	(71,539)	(72,791)
Finance expenses	595,854	392,968
Fair value change of financial assets at fair value through profit or loss	255	5,191
Change in fair value of investment properties	(10,499)	(9,315)
Gain on disposal of associates	-	(429,941)
Gain on disposal of subsidiaries	(18,230)	(21,355)
Gain on disposal of property, plant and equipment	(3,415)	(9,281)
Provision for impairment of receivables	103,821	138,790
Reversal of provision for impairment of receivables	(26,728)	(31,793)
Amortisation of intangible assets	168,848	156,680
Depreciation of property, plant and equipment and right-of-use assets	2,010,440	2,052,090
Net loss from settlement of put option written on non-controlling interest	-	14,148
Gain on settlement of consideration payable	(5,093)	-
Gain on early termination of lease contracts	(13,781)	(55,820)
Share award scheme expenses	69,160	-
Operating cash flow before working capital changes	3,511,283	7,038,522
Decrease in inventories, accounts receivable, prepayments and deposits	1,197,411	5,140,984
Decrease in current liabilities, excluding taxation, bank loans and bank overdrafts	(879,196)	(4,307,961)
Change in net pension liabilities	9,046	10,303
Net cash generated from operations	3,838,544	7,881,848

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

	2023 HK\$'000	2022 HK\$'000
Cash consideration paid	(153,723)	(1,150,598)
Cash consideration paid for prior year's acquisitions	(896,803)	(123,906)
Cash and bank balances acquired	6,396	142,780
Net cash outflow in respect of the acquisition of subsidiaries	(1,044,130)	(1,131,724)

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

(c) Disposal of subsidiaries

	2023 HK\$'000	2022 HK\$'000
Net assets disposed		
Goodwill (note 13)	15,607	-
Property, plant and equipment (note 16)	62,710	-
Right-of-use assets	22,786	-
Accounts receivable, prepayments and deposits	337,306	-
Accounts payable, deposits received and accrued charges	(355,129)	-
Bank loans	(20,654)	-
Deferred tax liabilities (note 30)	(267)	-
Lease liabilities	(22,280)	-
Non-controlling interests	4,436	-
Other assets	22,259	-
Book value of net assets disposed (excluding cash and cash equivalents)	66,774	-
Cash and cash equivalents disposed	120,858	-
Book value of net assets disposed	187,632	-

Analysis of gain on disposal of subsidiaries

	2023 HK\$'000	2022 HK\$'000
Consideration received or receivable	240,924	-
Less: Net assets disposed	(187,632)	-
Reclassification of other reserve	(35,062)	-
	18,230	-

Analysis of the net cash inflow in respect of the sale of subsidiaries:

	2023 HK\$'000	2022 HK\$'000
Consideration received	216,950	-
Less: Cash and cash equivalents disposed	(120,858)	-
Net cash inflow in respect of the sale of subsidiaries	96,092	-

(d) Transactions with non-controlling interests

During the year, the Group changed its ownership interests in certain subsidiaries without change of its control.

The effect of these transactions are summarised as follows:

	HK\$'000
Net cash consideration paid to non-controlling interests	(1,845,318)
Net cash consideration paid for prior year transactions to non-controlling interests	131,026
Total consideration	(1,714,292)
Net decrease in non-controlling interests	13,217
Changes in equity attributable to the Company's shareholders arising from changes in ownership of interests in subsidiaries without change of control	(1,701,075)

(e) Major non-cash transactions

During the current year, one of the property, plant and equipment of HK\$287,183,000 and leasehold land of HK\$86,060,000 were transferred from property, plant, equipment and right-of-use assets to investment properties (2022: Nil).

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

(f) Reconciliation of liabilities arising from financing activities

	Bank loans	Leases	Loans from non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2022	(5,910,510)	(3,761,861)	(233,297)	(9,905,668)
Net cash flows	(3,034,528)	1,381,398	(4,953)	(1,658,083)
Foreign exchange adjustments	132,189	112,139	889	245,217
Disposal of subsidiaries	-	-	21,355	21,355
Interest on lease liabilities	-	(93,613)	-	(93,613)
Lease cancellation	-	788,595	-	788,595
Increase in lease liabilities from entering into new contracts	-	(1,076,033)	-	(1,076,033)
Balance as at 31 December 2022	(8,812,849)	(2,649,375)	(216,006)	(11,678,230)
Balance as at 1 January 2023	(8,812,849)	(2,649,375)	(216,006)	(11,678,230)
Net cash flows	232,743	1,309,722	(25,777)	1,516,688
Foreign exchange adjustments	(2,895)	15,255	(29,058)	(16,698)
Acquisition of a subsidiary	(13,233)	-	-	(13,233)
Disposal of subsidiaries	20,654	22,280	-	42,934
Interest on lease liabilities	-	(96,744)	-	(96,744)
Lease cancellation	-	215,618	-	215,618
Increase in lease liabilities from entering into new contracts	-	(1,350,600)	-	(1,350,600)
Transfer to liabilities associated with assets classified as held for distribution	77,449	506,175	-	583,624
Balance as at 31 December 2023	(8,498,131)	(2,027,669)	(270,841)	(10,796,641)

34 BUSINESS COMBINATIONS

During the year, the Group acquired controlling equity interests in two integrated logistics companies, which is principally operating in the Mainland of China and Hong Kong respectively.

Aggregate consideration of the acquisition transactions is as follows:

	HK\$'000
Consideration paid during the year	153,723

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

	HK\$'000
Property, plant and equipment (note 16)	74,583
Right-of-use assets	40,384
Accounts receivable, prepayments and deposits	56,969
Cash and bank balances	6,396
Accounts payable, deposits received and accrued charges	(50,449)
Bank loans	(13,233)
Other net liabilities	(7,673)
Total identifiable net assets (excluding intangible assets)	106,977
Intangible assets (note 13)	12
Goodwill (note 13)	98,929
Non-controlling interests	(52,195)
Total	153,723

The acquired businesses contributed revenue of HK\$72,739,000 and net profit of HK\$2,316,000 to the Company's shareholders for the period from their respective acquisition dates up to 31 December 2023.

35 COMMITMENTS

- (a) At 31 December 2023, the Group had capital commitments in respect of property, plant and equipment and acquisition of subsidiaries not provided for in these consolidated financial statements as follows:

	2023 HK\$'000	2022 HK\$'000
Contracted but not provided for	384,661	2,053,791

Note:

On 9 June 2022, Kerry Freight Services (China) Limited (as the "Buyer"), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "KA Agreement") with Summer Way International Limited (as the "Seller"). Subject to the terms and conditions of KA Agreement, the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to acquire the remaining 39% interest in K-Apex Logistics (HK) Co., Limited ("K-Apex HK"), an indirect 61% owned subsidiary of the Company. The acquisition of 18% additional interest in K-Apex HK was completed on 10 June 2022. Closing of the remaining 21% interest ("Remaining Shares") is subject to a condition under KA Agreement (the "Condition"), that has not been satisfied by 10 June 2022, having been fulfilled and/or waived before the consideration in respect of the Remaining Shares is payable. Before the Condition is fulfilled and/or waived, both the Buyer and the Seller have the right (but not the obligation) to opt not to proceed with closing of the Remaining Shares by giving written notice to other party. In July 2023, the acquisition of the remaining 21% interest was completed.

- (b) At 31 December 2023, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2023 HK\$'000	2022 HK\$'000
Land and buildings:		
Within one year	45,036	21,430

The Group has recognised right-of-use assets for non-cancellable operating leases, except for short-term and low-value leases, see note 15 for further information.

- (c) The Group's future aggregate minimum lease payments receivable on leases of investment properties are disclosed in note 14(e).

36 PLEDGE OF ASSETS

At 31 December 2023, including bank loans associated with assets classified as held for distribution the Group's total bank loans of HK\$8,575,580,000 (2022: HK\$8,812,849,000) included an aggregate amount of HK\$71,393,000 (2022: HK\$216,123,000) which is secured. The Group's total bank overdrafts of HK\$62,535,000 are unsecured (2022: HK\$20,187,000 out of total bank overdraft of HK\$83,801,000 was 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, freehold land and buildings, warehouse and logistics centres and port facilities with an aggregate net book value of HK\$871,326,000 (2022: HK\$786,875,000) (notes 14, 15 and 16);
- (ii) assignments of insurance proceeds of certain properties; and
- (iii) certain balances of restricted and pledged deposits.

37 SHARE OPTIONS AND SHARE AWARD

KPL SHARE OPTIONS SCHEME

The fair value of share options granted to the Directors and employees of the Group were recharged to the Group by KPL.

The 2020 Share Option Scheme was adopted by KPL on 20 May 2020. Under the 2020 Share Option Scheme, the directors of KPL may, at their discretion, grant share options to executives and key employees and other persons who may make a contribution to KPL and its subsidiaries. The exercise price for any particular share option shall be such price as the board of directors of KPL may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

The 2020 Share Option Scheme will expire on 19 May 2030. No share option has been granted under the 2020 Share Option Scheme since its adoption on 20 May 2020.

KLN SHARE OPTIONS SCHEMES

(a) 2013 PRE-IPO SHARE OPTION SCHEME

The 2013 Pre-IPO Share Option Scheme was adopted by KLN on 25 November 2013. Under the 2013 Pre-IPO Share Option Scheme, the Directors of KLN may, at their absolute discretion, grant share options to motivate executives and key employees and other persons who may make a contribution to the Group, and enables KLN to attract and retain individuals with experience and ability and to reward them for their contributions. The exercise price of the options granted under the Pre-IPO Share Option Scheme is the offer price pursuant to the Global Offering of the shares of KLN.

Details of the movement of the share options granted to the Directors and employees of the Group under the 2013 Pre-IPO Share Option Scheme are as follows:

	2023		2022	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	HK\$10.2	638,200	HK\$10.2	753,200
Exercised during the year (note (i))	HK\$10.2	(4,500)	HK\$10.2	(115,000)
Lapsed during the year (note (ii))	HK\$10.2	(633,700)	-	-
At 31 December (note (iii))	HK\$10.2	-	HK\$10.2	638,200

For the share options exercised during the year ended 31 December 2023, the related weighted average share price at the time of exercise was HK\$11.14 (2022: HK\$17.68), and the total amount of proceeds received was approximately HK\$45,900 (2022: HK\$1,173,000). No share option was granted, granted for adjustment or cancelled during the year (2022: Nil).

37 SHARE OPTIONS AND SHARE AWARD (CONTINUED)

KLN SHARE OPTIONS SCHEMES (CONTINUED)

(a) 2013 PRE-IPO SHARE OPTION SCHEME (CONTINUED)

Notes:

(i) Details of share options exercised:

Exercise price per share (HK\$)	Number of share options	
	2023	2022
10.2	4,500	115,000

(ii) Details of share options lapsed:

Exercise price per share (HK\$)	Number of share options	
	2023	2022
10.2	633,700	-

(iii) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK\$)	Number of share options	
		2023	2022
19/12/2013-01/12/2023	10.2	-	255,000
02/12/2014-01/12/2023	10.2	-	383,200
		-	638,200

(iv) The weighted average fair value of the share options granted on 2 December 2013 to the directors and employees of the Group was HK\$1.19 per share. The valuation was based on a Binomial Model with the following data and assumptions:

Share price at grant date: HK\$8.16
 Exercise price: HK\$10.2
 Expected volatility¹: 30% per annum
 Share options life: 10 years
 Average risk-free interests rate²: 2.11% per annum
 Expected dividend yield: 3.35% per annum

Notes:

- I It was determined based on historical share price movement.
- II It is taken to be equal to the yield of Hong Kong government bonds over the exercise period.

The valuation has also taken into account the assumed rate of leaving service of 10% per annum and the assumption of early exercise of the share options by the optionholders when the share price is at least 180% of the exercise price.

The value of the share options varies with different values of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of the share options.

(b) 2013 POST-IPO SHARE OPTION SCHEME

The 2013 Post-IPO Share Option Scheme was adopted by the Company on 25 November 2013 and became effective on 19 December 2013 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

Under the 2013 Post-IPO Share Option Scheme, the Directors of the Company may, at their absolute discretion, grant share options to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Company to attract and retain individuals with experience and ability and to reward them for their contributions.

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 30% of the total number of shares in issue.

The exercise period of the share options granted is determinable and notified by the directors, and may commence after the date of grant but shall not be later than 10 years from the date of grant.

The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares on the date of the offer of the share options; and (iii) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

37 SHARE OPTIONS AND SHARE AWARD (CONTINUED)

KLN SHARE OPTIONS SCHEMES (CONTINUED)

(b) 2013 POST-IPO SHARE OPTION SCHEME (CONTINUED)

There were (i) no outstanding options granted under the Post-IPO Share Option Scheme as at 1 January 2022, 31 December 2022 and 31 December 2023, and (ii) no movements in options during the years ended 31 December 2022 and 2023.

SHARE AWARDS SCHEME

The Company has adopted the Share Award Scheme by a resolution of the Board on 25 January 2019.

Details of the movement of awarded shares granted to the Directors and employees of the Group under the Share Award Scheme are as follows:

	No. of awarded shares	
	2023	2022
Unvested as at 1 January	1,869,355	1,893,394
Granted	6,862,855	1,510,254
Vested	(5,141,471)	(1,534,293)
Unvested as at 31 December	3,590,739	1,869,355

For the year ended 31 December 2023, a total of 6,862,855 shares and 5,141,471 shares were granted and vested to the qualified awardees, respectively. A total of 3,719,966 shares were held in trust under the share award scheme as at 31 December 2023. During the year, an expense of HK\$69,160,000 for the awarded shares granted was charged to the consolidated income statement.

38 DISCONTINUED OPERATIONS

Analysis of the results relating to the Discontinued Operations is presented below.

(a) RESULTS FROM DISCONTINUED OPERATIONS

	2023 HK\$'000	2022 HK\$'000
Revenue	3,298,670	4,319,898
Direct operating expenses	(3,932,207)	(4,742,618)
Other income and net gains	7,514	7,956
Administration expenses	(372,188)	(429,311)
Finance expenses	(19,134)	(22,402)
Share of results of associates	(254)	-
Loss before taxation	(1,017,599)	(866,477)
Taxation	162,697	168,939
Loss after taxation	(854,902)	(697,538)
Gain on disposal of KEX operation	18,230	-
Loss for the year from discontinued operations	(836,672)	(697,538)
Exchange differences on translation of discontinued operations	34,946	(55,938)
Other comprehensive income from discontinued operations	4,372	2,971

38 DISCONTINUED OPERATIONS (CONTINUED)

(b) ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATIONS

The assets and liabilities related to the Discontinued Operations have been presented as assets classified as held for distribution and liabilities associated with assets classified as held for distribution. The Discontinued Operations' assets and liabilities were measured at the lower of carrying amount and fair value less costs to sell at the date of held for distribution classification. The major classes of assets and liabilities of the Discontinued Operations are as follows:

31
December
2023
HK\$'000

(i) Assets classified as held for distribution	
Property, plant and equipment	480,065
Right-of-use assets	559,050
Associates	3,831
Non-current assets	47,921
Deferred taxation	358,105
Inventories	11,989
Accounts receivable, prepayments and deposits	440,985
Tax recoverable	658
Amounts due from fellow subsidiaries	2,020
Cash and bank balances	166,061
Assets classified as held for distribution	2,070,685

31
December
2023
HK\$'000

(ii) Liabilities associated with assets classified as held for distribution	
Lease liabilities	506,175
Accounts payable, deposits received and accrued charges	853,137
Amounts due to fellow subsidiaries	1,525
Taxation	4,104
Short-term bank loans and current portion of long-term bank loans	70,734
Long-term bank loans	6,715
Retirement benefit obligations	29,228
Liabilities associated with assets classified as held for distribution	1,471,618

38 DISCONTINUED OPERATIONS (CONTINUED)

(c) CASH FLOWS FROM DISCONTINUED OPERATIONS

	2023 HK\$'000	2022 HK\$'000
Net cash used in operating activities	(110,308)	(278,576)
Net cash generated from investing activities	274,448	794,510
Net cash used in financing activities	(198,987)	(405,027)
(Decrease)/increase in cash and cash equivalents	(34,847)	110,907
Effect of exchange rate changes	2,945	(17,113)
Net cash from discontinued operations	(31,902)	93,794

39 RELATED PARTY TRANSACTIONS

Except for the related party transactions disclosed in notes 17, 23 and 28 in the consolidated financial statements, the Group had the following material related party transactions carried out in the normal course of business during the year:

(a) SALES/(PURCHASES) OF SERVICES

	2023 HK\$'000	2022 HK\$'000
Associates of the Group/ Kerry Properties Limited/ Kerry Group Limited and subsidiaries of S.F. Holding		
Warehouse management fee income	28,856	31,962
Rental income	11,497	15,294
Logistics services income	218,015	124,558
Freight services income	110,937	218,423
GSA income	155,466	107,671
Ground service income	4,857	-
Freight cost	(850,286)	(886,871)
Logistics cost	(110,868)	(45,008)
Rental expense	(249,601)	(285,446)

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

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) KEY MANAGEMENT COMPENSATION

The key management compensation includes the salaries and other short-term benefits, excluding share option benefits, of the Board of Directors and eight (2022: nine) senior executives who report to the Board of Directors.

	2023 HK\$'000	2022 HK\$'000
Salaries and other short-term benefits	81,049	123,902

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES		
Non-current asset		
Subsidiaries	1,775,280	1,781,030
Current assets		
Prepayments	31,627	6,538
Amounts due from subsidiaries	15,667,325	16,106,935
Cash and bank balances	301,217	373,152
	16,000,169	16,486,625
Current liabilities		
Accrued charges	139,806	120,025
Amounts due to subsidiaries	5,910,776	7,079,577
	6,050,582	7,199,602
ASSETS LESS LIABILITIES	11,724,867	11,068,053
EQUITY		
Share capital	903,715	903,712
Share premium	4,074,218	4,074,169
Shares held for share award scheme	(27,639)	-
Retained profits	5,980,172	6,089,411
Share options reserve	-	761
Share award reserve	20,300	-
Perpetual convertible securities	774,101	-
TOTAL EQUITY	11,724,867	11,068,053

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2024 and was signed on its behalf.

CHEUNG Ping Chuen Vicky
Director

CHEUNG Chi Wai
Director

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

STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Share capital HK\$'000	Share premium HK\$'000	Share held for share award scheme HK\$'000	Retained profits HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Perpetual convertible securities HK\$'000	Total HK\$'000
At 1 January 2022	903,655	4,072,917	-	5,471,853	898	-	-	10,449,323
Profit for the year	-	-	-	2,027,324	-	-	-	2,027,324
2021 final dividend paid	-	-	-	(903,687)	-	-	-	(903,687)
2022 interim dividend paid	-	-	-	(506,079)	-	-	-	(506,079)
Exercise of pre-IPO share option scheme allotment	57	1,252	-	-	(137)	-	-	1,172
At 31 December 2022	903,712	4,074,169	-	6,089,411	761	-	-	11,068,053
At 1 January 2023	903,712	4,074,169	-	6,089,411	761	-	-	11,068,053
Profit for the year	-	-	-	739,498	-	-	12,870	752,368
2022 final dividend paid	-	-	-	(686,823)	-	-	-	(686,823)
2023 interim dividend paid	-	-	-	(162,669)	-	-	-	(162,669)
Exercise of pre-IPO share option scheme allotment	3	49	-	-	(6)	-	-	46
Share option lapsed	-	-	-	755	(755)	-	-	-
Share-based compensation under share award scheme	-	-	-	-	-	69,160	-	69,160
Issuance of perpetual convertible securities	-	-	-	-	-	-	774,101	774,101
Distribution paid on perpetual capital securities	-	-	-	-	-	-	(12,870)	(12,870)
Share purchase for share award scheme	-	-	(76,499)	-	-	-	-	(76,499)
Vesting of shares under share award scheme	-	-	48,860	-	-	(48,860)	-	-
At 31 December 2023	903,715	4,074,218	(27,639)	5,980,172	-	20,300	774,101	11,724,867

41 EVENTS AFTER THE REPORTING PERIOD

On 29 December 2023, the Company has declared a special interim dividend, to be effected by way of a distribution in specie of 907,200,000 shares of KETH (representing approximately 52.1% of all issued shares of KETH) indirectly held by the Company to qualifying shareholders, subject to obtaining a waiver from the Securities and Exchange Commission, Thailand (the "Thai SEC") in respect of its tender offer obligations arising out of the distribution. On 5 February 2024, the Company has obtained a waiver from the Thai SEC in respect of its tender offer obligations arising out of the distribution, and that the condition to the distribution has been satisfied and the distribution has become unconditional. The completion of the distribution took place on 26 March 2024. Upon completion of the distribution, the Company would no longer hold any shares of KETH and KETH would cease to be an indirect subsidiary of the Company.

42 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES

At 31 December 2023, the Company held interests in the following principal subsidiaries:

Name	Place of incorporation and principal place of operation	Principal activities	Issued share capital ⁽⁷⁾ / registered capital	Interest held indirectly	
				2023	2022
⁽¹⁾⁽²⁾ APEX Maritime Co. (LAX), Inc.	US	Freight forwarding	US\$100,000 ⁽⁹⁾	100%	100%
⁽¹⁾⁽²⁾ APEX Maritime Co., Inc.	US	Freight forwarding	US\$238,203 ⁽⁹⁾	100%	100%
⁽¹⁾⁽¹⁾⁽²⁾ ASAV Logistics Services Inc.	Turkey	Freight forwarding	TRY3,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹⁾⁽²⁾ Beijing Kerry Logistics Ltd.	PRC	Logistics business	US\$12,000,000	100%	100%
⁽¹⁾⁽⁴⁾⁽¹⁾⁽²⁾ Beijing Tengchang International Transportation Service Co., Ltd.	PRC	Freight forwarding	RMB15,000,000	51%	51%
⁽¹⁾⁽³⁾⁽¹⁾⁽²⁾ Chengdu Kerry Shudu Logistics Co., Ltd.	PRC	Logistics business	RMB50,000,000	100%	100%
Columbia International Removals Limited	HK	Logistics business	HK\$5,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹⁾⁽²⁾ CV Global Logistics (Beijing) Limited	PRC	Logistics business	RMB50,000,000	100%	100%
⁽¹⁾⁽²⁾ E.A.E. Freight & Forwarding Sdn. Bhd.	Malaysia	Road freight	MYR500,000	100%	100%
⁽¹⁾⁽²⁾ F.D.I Co.,Ltd	Vietnam	Freight forwarding	VND20,000,000,000	70%	70%
⁽¹⁾⁽²⁾ Globalink Transportation and Logistics Worldwide LLP	Kazakhstan	Freight forwarding	KZT391,027,000	51%	51%
International Enterprise Co. Limited	HK	Investment holding	HK\$10,010	100%	100%
⁽¹⁾⁽⁴⁾⁽¹⁾⁽²⁾ Jia Hui Logistics (Zhangjiagang) Co., Ltd.	PRC	Logistics business	US\$35,000,000	68%	68%
⁽¹⁾⁽³⁾⁽¹⁾⁽²⁾ Jiachang (Zhuhai) Logistics Limited	PRC	Logistics business	RMB121,500,000	100%	100%
⁽¹⁾⁽⁴⁾⁽¹⁾⁽²⁾ JST Logistics Corporation Limited	PRC	Rail logistics	RMB55,016,130	50%	50%
K.A.S. Services Limited	HK	Freight forwarding	HK\$1	100%	100%
⁽¹⁾⁽²⁾⁽¹⁾⁽²⁾ KART (China) Co., Ltd	PRC	Road freight	RMB30,000,000	100%	100%
⁽¹⁾⁽¹⁾⁽²⁾ KART (Thailand) Limited	Thailand	Road freight	THB80,000,000	100%	100%
⁽¹⁾⁽²⁾ KART (Vietnam) Transportation Company Limited	Vietnam	Road freight	VND4,622,000,000	100%	100%
KAS (Germany) GmbH	Germany	Freight forwarding	EUR25,000	100%	100%
Kerry Business Outsourcing Solutions Limited	HK	Documents storage	HK\$2	100%	100%
Kerry Coffee (Hong Kong) Limited	HK	Trading business	HK\$100,000	100%	100%
⁽¹⁾⁽⁴⁾⁽¹⁾⁽²⁾ Kerry Cold Chain Solution Ltd.	PRC	Cold chain solution logistics	RMB50,000,000	51%	51%

42 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and principal place of operation	Principal activities	Issued share capital ⁽⁷⁾ / registered capital	Interest held indirectly	
				2023	2022
Kerry Cold Store (Hong Kong) Limited	HK	Warehouse operator	HK\$20	100%	100%
Kerry Distribution (Hong Kong) Limited	HK	Transportation and distribution services	HK\$500,000	100%	100%
Kerry Distribution Services (Hong Kong) Limited	HK	Transportation and distribution services	HK\$10,000	100%	100%
⁽⁴⁾ ⁽¹²⁾ Kerry EAS Logistics Limited	PRC	Logistics business	RMB270,000,000	70%	70%
Kerry eCommerce Limited	HK	Logistics business	HK\$10,000	60%	60%
Kerry Express (Hong Kong) Limited	HK	Courier services and logistics	HK\$5,000,000	60%	60%
⁽¹⁾ ⁽¹⁴⁾ ⁽¹⁶⁾ Kerry Express (Thailand) Public Company Limited	Thailand	Express business	THB871,288,500	52.06%	52.06%
⁽¹²⁾ Kerry Far East Logistics (Bangladesh) Limited	Bangladesh	Freight forwarding	BDT10,000,000	70%	70%
⁽¹⁾ ⁽³⁾ ⁽¹²⁾ Kerry FFTZ Warehouse (Shenzhen) Ltd.	PRC	Logistics business	HK\$70,000,000	100%	100%
Kerry Freight (Hong Kong) Limited	HK	Freight forwarding	HK\$2,760,000	100%	100%
⁽¹⁾ Kerry Freight (Korea) Inc.	South Korea	Freight forwarding	KRW500,000,000 ⁽⁹⁾	100%	100%
⁽¹⁾ ⁽³⁾ ⁽¹²⁾ Kerry Freight (Shenzhen Qianhai) Limited	PRC	Freight forwarding	RMB50,000,000	100%	100%
Kerry Freight (Singapore) Pte. Ltd.	Singapore	Freight forwarding	SGD500,000	75%	75%
⁽¹²⁾ Kerry Freight (USA) Incorporated	US	Freight forwarding	US\$1,000,000	100%	100%
⁽¹²⁾ Kerry Freight Myanmar Limited	Myanmar	Freight forwarding	US\$100,000	100%	100%
⁽¹⁾ ⁽³⁾ Kerry General Sales Agent (Shenzhen) Co., Ltd.	PRC	Freight forwarding	RMB50,000,000	100%	0%
⁽¹⁾ ⁽³⁾ ⁽¹²⁾ Kerry IMS Chemical Logistics (Cangzhou) Ltd.	PRC	Logistics business	RMB10,000,000	100%	100%
⁽¹⁾ ⁽³⁾ ⁽¹²⁾ Kerry IMS Chemical Logistics (Zhangjiagang) Ltd.	PRC	Logistics business	RMB10,000,000	100%	100%
⁽¹⁾ ⁽³⁾ ⁽¹²⁾ Kerry IMS Chemical Storage and Transportation (Shanghai) Co., Ltd	PRC	Logistics business	RMB60,000,000	100%	100%
⁽⁵⁾ ⁽⁶⁾ ⁽¹²⁾ Kerry Indev Logistics Private Limited	India	Logistics business	INR15,357,400	50%	50%
⁽¹²⁾ Kerry Integrated Logistics (Viet Nam) Co., Ltd	Vietnam	Logistics business	US\$7,900,000	100%	100%
⁽¹⁾ ⁽³⁾ ⁽¹²⁾ Kerry Lanhai (Tianjin) Logistics Ltd.	PRC	Logistics business	RMB20,000,000	51%	51%

42 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and principal place of operation	Principal activities	Issued share capital ⁽⁷⁾ / registered capital	Interest held indirectly	
				2023	2022
⁽¹⁾⁽¹²⁾ Kerry Logistics (Bangna) Limited	Thailand	Logistics business	THB500,000,000	100%	100%
⁽¹²⁾ Kerry Logistics (Cambodia) Pte. Ltd.	Cambodia	Freight forwarding	KHR96,960,000	100%	100%
Kerry Logistics (Canada) Inc.	Canada	Freight forwarding	US\$240	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics (China) Investment Limited	PRC	Investment holding	US\$236,534,362	100%	100%
Kerry Logistics (Germany) GmbH	Germany	Freight forwarding	EUR50,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics (Guangzhou) Limited	PRC	Logistics business	US\$35,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics (Hainan) Co., Ltd.	PRC	Logistics business	US\$18,000,000	100%	100%
Kerry Logistics (Hong Kong) Limited	HK	Logistics business	HK\$10,000,000	100%	100%
⁽¹⁾⁽¹²⁾ Kerry Logistics (Japan) Limited	Japan	Freight forwarding	JPY100,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics (Kunshan) Ltd.	PRC	Logistics business	HK\$128,000,000	100%	100%
⁽¹²⁾ Kerry Logistics (Macau) Limited	Macau	Logistics business	MOP100,000	51%	51%
⁽¹²⁾ Kerry Logistics (Netherlands) B.V. (Formerly known as Kerry Adco Logistics B.V.)	Netherlands	Freight forwarding	EUR227,000	100%	100%
⁽¹²⁾ Kerry Logistics (Oceania) Limited	New Zealand	Freight forwarding	NZD250,000	100%	100%
Kerry Logistics (Oceania) Pty. Ltd.	Australia	Freight forwarding	AUD1,000,000	100%	100%
⁽¹²⁾ Kerry Logistics (Phils.), Inc.	Philippines	Freight forwarding	PHP16,000,000	51%	51%
⁽¹²⁾ Kerry Logistics (South Africa) (Pty) Ltd	South Africa	Freight forwarding	ZAR100,000	100%	100%
Kerry Logistics (Spain), S.A.U.	Spain	Freight forwarding	EUR120,202	100%	100%
Kerry Logistics (Sweden) AB	Sweden	Freight forwarding	SEK500,000	100%	100%
⁽¹⁾⁽¹²⁾ Kerry Logistics (Thailand) Limited	Thailand	Logistics business	THB160,000,000	100%	100%
Kerry Logistics (UK) Limited	United Kingdom	Freight forwarding	GBP20,000	100%	100%
⁽³⁾⁽¹²⁾ Kerry Logistics (Wuxi) Co., Ltd	PRC	Logistics business	HK\$125,000,000	100%	100%
⁽³⁾⁽¹²⁾ Kerry Logistics (Xiamen) Co., Ltd.	PRC	Logistics business	RMB78,000,000	100%	100%
⁽³⁾⁽¹²⁾ Kerry Logistics (Zhengzhou) Limited	PRC	Logistics business	RMB50,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics Anhui Co., Ltd.	PRC	Logistics business	RMB26,000,000	100%	100%
Kerry Logistics Arabia Company Limited	Saudi Arabia	Freight forwarding	SAR1,000,000	100%	100%
⁽¹²⁾ Kerry Logistics Bahrain WLL	Bahrain	Freight forwarding	BHD80,000	100%	100%

42 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and principal place of operation	Principal activities	Issued share capital ⁽⁷⁾ / registered capital	Interest held indirectly	
				2023	2022
⁽¹²⁾ Kerry Logistics Centre (Tampines) Pte. Ltd.	Singapore	Logistics business	SGD1,020,000	100%	100%
Kerry Logistics Cold Chain (Australia) Pty. Ltd.	Australia	Logistics business	AUD1,000,000	73.5%	73.5%
Kerry Logistics Do Brasil – Transportes Internacionais Ltda	Brazil	Freight forwarding	BRL24,135,672	100%	100%
⁽⁶⁾ Kerry Logistics Engineering Limited	HK	Logistics solution engineering and consultancy services	HK\$5,000,000	41%	41%
⁽⁵⁾⁽¹²⁾ Kerry Logistics Lanka (Private) Limited	Sri Lanka	Freight forwarding	LKR30,000,000	51%	51%
⁽¹²⁾ Kerry Logistics Management (Asia) Pte. Ltd.	Singapore	Management services	SGD234,500,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics Management (Shanghai) Company Limited	PRC	Supply chain solutions	US\$2,000,000	100%	100%
Kerry Logistics Mexico S.A. de C.V.	Mexico	Freight forwarding	MXN150,000 ⁽¹⁰⁾ MXN100,000 ⁽¹¹⁾	100%	100%
Kerry Logistics Middle East AUH L.L.C.	UAE	Freight forwarding	AED500,000	75%	75%
⁽¹²⁾ Kerry Logistics Middle East L.L.C.	UAE	Freight forwarding	AED300,000	75%	75%
Kerry Logistics Peru S.A.C.	Peru	Freight forwarding	PEN903,320	100%	100%
Kerry Medical Limited	HK	Pharmaceutical logistics business	HK\$10,000	82%	82%
Kerry PC3 Limited	HK	Logistics business	HK\$1	100%	100%
Kerry Pharma (Hong Kong) Limited	HK	Pharmaceutical logistics business	HK\$500,000	82%	82%
⁽¹²⁾ Kerry Project Logistics (Italia) S.p.A.	Italy	Freight forwarding of project cargo	EUR3,000,000	100%	100%
⁽¹²⁾ Kerry Project Logistics (Kazakhstan) LLP	Kazakhstan	Freight forwarding of project cargo	KZT88,800,000	100%	100%
⁽¹⁾⁽¹²⁾ Kerry Project Logistics (Turkmenistan) ES	Turkmenistan	Freight forwarding of project cargo	TMT80,000	100%	100%
⁽¹²⁾ Kerry Project Logistics Middle East LLC	UAE	Freight forwarding of project cargo	AED500,000	100%	100%
⁽¹⁾ Kerry Siam Seaport Limited	Thailand	Seaport operation	THB650,000,000	84.92%	84.92%
Kerry Warehouse (Hong Kong) Limited	HK	Warehouse operator	HK\$25,000,000	100%	100%

42 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and principal place of operation	Principal activities	Issued share capital ⁽⁷⁾ / registered capital	Interest held indirectly	
				2023	2022
KerryFlex Supply Chain Solutions Limited	HK	Supply chain solutions	HK\$5,000,000	100%	100%
Power Hub Limited	HK	Logistics business	HK\$10,240,000	90%	75%
Pro-Med Technology Limited	HK	Trading business	HK\$40,000	51%	51%
⁽¹²⁾ PT. Kerry Logistics Indonesia	Indonesia	Freight forwarding	IDR21,681,276,712	59%	59%
⁽³⁾⁽¹²⁾ Qingdao SCO Demo Zone Kerry Logistics Co., Ltd.	PRC	Logistics business	US\$15,000,000	100%	100%
Saison Food Service Limited	HK	Trading business	HK\$300,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Shanghai Fengjia Warehouse Services Co., Ltd.	PRC	Logistics business	US\$40,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Shanghai Jingan Transportation Co., Ltd.	PRC	Logistics business	RMB79,250,000	51%	51%
⁽¹⁾⁽⁴⁾⁽¹²⁾ Shanghai TCI Freight Forwarding Co., Ltd.	PRC	Freight forwarding	RMB70,000,000	51%	51%
⁽¹⁾⁽²⁾⁽¹²⁾ Shanghai Wisdom Global Logistics Co., Ltd.	PRC	Freight forwarding	RMB10,000,000	70%	70%
⁽¹⁾⁽⁴⁾⁽¹²⁾ Shenzhen Kerry Yantian Port Logistics Company Limited	PRC	Logistics business	RMB88,000,000	55%	55%
Taishan Insurance Brokers Limited	HK	Insurance brokers	HK\$1,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Tianjin Globe Express Service Logistics Co., Ltd.	PRC	Logistics business	RMB40,584,854	51%	51%
⁽¹⁵⁾ Topocean Consolidation Service (Los Angeles) Inc.	US	Freight forwarding	US\$200,000 ⁽⁹⁾	90%	80%
Transpeed Cargo (S) Pte. Ltd.	Singapore	Freight forwarding	SGD100,000	75%	75%
⁽¹²⁾ Tuvia Italia S.p.A.	Italy	Freight forwarding	EUR1,130,050	100%	100%
Wah Cheong Company, Limited	HK	General merchants	HK\$15,000,000	100%	100%

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

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

42 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

- (1) *English translation of name only*
- (2) *Domestic corporation*
- (3) *Wholly foreign-owned enterprise*
- (4) *Sino-foreign equity joint venture enterprise*
- (5) *Companies having a financial accounting period which is not coterminous with the Group*
- (6) *Control is obtained by the Group through obtaining power over the investee, exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.*
- (7) *All being ordinary shares and fully paid up except otherwise stated*
- (8) *Redeemable preference shares*
- (9) *Common shares/common stock*
- (10) *Fixed capital shares*
- (11) *Variable capital shares*
- (12) *Companies not audited by PricewaterhouseCoopers*
- (13) *Companies incorporated in BVI and operating in HK*
- (14) *Listed company on The Stock Exchange of Thailand. The share price of the Kerry Express Thailand was THB4.94 as at 31 December 2023.*
- (15) *The Group has legally completed the acquisitions of 90% interest as at 31 December 2023.*
- (16) *The Company announced on 29 December 2023 for a conditional declaration of special interim dividend by way of a distribution in species of all its shares held in Kerry Express Thailand, which constituted Discontinued Operations. The completion of the distribution took place on 26 March 2024. Upon completion of the distribution, the Company would no longer hold any shares of Kerry Express Thailand and Kerry Express Thailand would cease to be an indirect subsidiary of the Company.*

HK Hong Kong Special Administrative Region

BVI British Virgin Islands

UAE United Arab Emirates

DEFINITIONS

“3PL”	third-party logistics
“AGM”	annual general meeting of the Company to be held on Wednesday, 22 May 2024
“Asia”	Asia continent, for the purpose of this annual report only, excludes Greater China and Middle East
“BBA”	Business By Air SAS, incorporated in France, an indirect non-wholly owned subsidiary of the Company
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Circular”	the circular of the Company dated 3 May 2021
“CIS”	the Commonwealth of Independent States
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “KLN”	Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Convertible Securities”	the 3.30% perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 issued by the Company
“Director(s)”	director(s) of the Company
“Distribution”	the distribution of a special interim dividend in specie of 0.5019 of a KEX Share for every one Share held by qualifying Shareholders whose names appear on the Registers of Members on the record date for determining Shareholders’ entitlement to the distribution

“ED”	Executive Director
“EMEA”	Europe, Middle East and Africa
“ESG”	environmental, social and governance
“F&B”	food and beverage
“Financial Statements”	the audited consolidated financial statements of the Group for the year ended 31 December 2023
“Flourish Harmony”	Flourish Harmony Holdings Company Limited, a wholly-owned subsidiary of S.F. Holding
“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”	for the purpose of this annual report only, the Mainland of China, Hong Kong, Macau and Taiwan
“Group” or “KLN Group”	the Company and its subsidiaries
“HACCP”	Hazard Analysis Critical Control Point
“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” or “HKSAR”	Hong Kong Special Administrative Region of the PRC

“IFF”	international freight forwarding
“IL”	integrated logistics
“INED”	Independent Non-executive Director
“KEAS”	Kerry EAS Logistics Limited, a limited company established under the law of the PRC, an indirect 70%-owned subsidiary of the Company
“Kerry Express Thailand” or “KEX”	Kerry Express (Thailand) Public Company Limited, a public company with limited liability registered in Thailand and listed on The Stock Exchange of Thailand (stock code: KEX), is a subsidiary of the Company
“Kerry TJ”	Kerry TJ Logistics Company Limited, incorporated under the laws of Taiwan and listed on Taiwan Stock Exchange (stock code: 2608)
“KEX Share(s)”	share(s) of par value of THB0.50 each in Kerry Express Thailand
“KGL”	Kerry Group Limited, one of the Controlling Shareholders of the Company
“KHL”	Kerry Holdings Limited, a wholly-owned subsidiary of KGL
“KPL”	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 683), and is a Substantial Shareholder of the Company
“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 the PRC
“Mainland” or “Mainland of China”	the PRC and, for the purpose of this annual report 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
“MT Programme”	Management Trainee Programme

“NED”	Non-executive Director
“NVOCC”	non-vessel operating common carrier
“Oceania”	for the purpose of this annual report only, Australia and New Zealand
“Ordinary Share(s)” or “Share(s)”	share(s) of nominal value of HK\$0.50 each of the Company, or, if there has been a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company
“Post-IPO Share Option Scheme”	post-IPO share option scheme of the Company
“PRC”	the People’s Republic of China
“Pre-IPO Share Option Scheme”	pre-IPO share option scheme of the Company
“Q1”, “Q2” or “Q3”	first quarter, second quarter or third quarter
“Registers of Members”	registers of members of the Company
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“S.F. Holding”	S.F. Holding Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ), is a subsidiary of Shenzhen Mingde
“SF Holding HK”	SF Holding Limited (now known as SF Holding (HK) Limited), an indirect wholly-owned subsidiary of S.F. Holding
“SF REIT Manager”	SF REIT Asset Management Limited, the manager of SF Real Estate Investment Trust (a Hong Kong collective investment scheme authorised under section 104 of the SFO and listed on the Stock Exchange, stock code 2191)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SFTS”	Shenzhen S.F. Taisen Holding (Group) Co., Ltd., a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of S.F. Holding
“SFTS Group”	SFTS and its subsidiaries

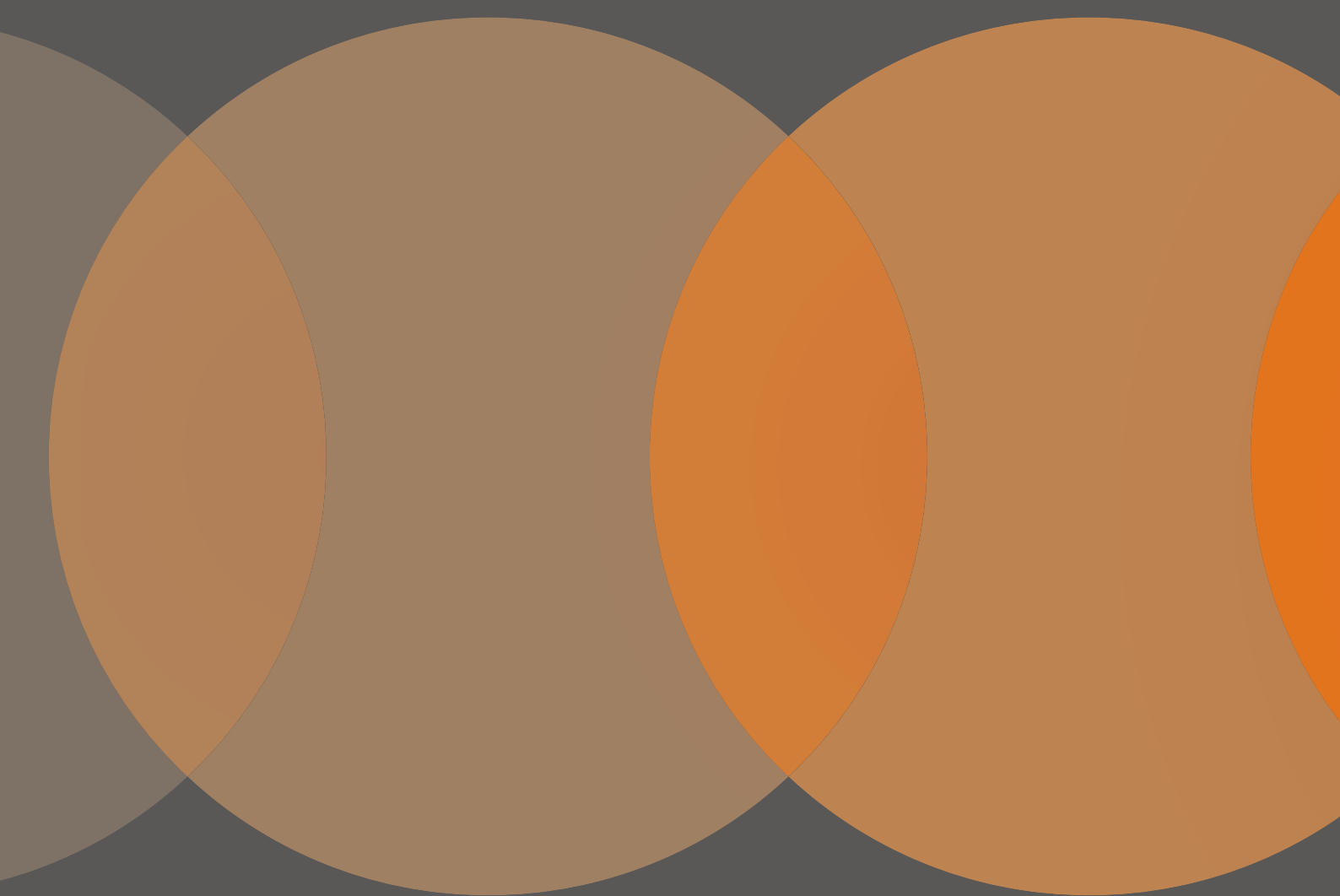
“Share Award Scheme”	share award scheme of the Company
“Shareholders”	the holders of the Shares
“Shenzhen Mingde”	Shenzhen Mingde Holding Development Co., Ltd., one of the Controlling Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Thai SEC”	the Securities and Exchange Commission, Thailand
“THB”	Thai Baht, the lawful currency of Thailand
“UNICEF”	The United Nations Children’s Fund
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“YEA”	Kerry Logistics Young Executives Academy
“%”	per cent



OUR CORE VALUES

VOICE

VALUE CREATION We create real value for our clients, employees and shareholders through innovative solutions, rewarding careers and financial growth. **OPENNESS** We believe in true openness and transparency throughout our company. Our management actively encourages open communication and dialogue at every level of the organisation. **INTEGRITY** Our business is built on integrity. We follow clear ethical guidelines and strictly enforce them throughout the company. **COMMITMENT** As a service provider we are committed to the success of our clients. We are fully dedicated to all projects and assignments we take on. We are also committed to our employees' career development and to meeting shareholders' expectations. **EXCELLENCE** We believe in excellence and practise a continuous process of improvement and innovation.



Kerry Logistics
Network Limited

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

