

INTERIM REPORT 2019



Kerry Logistics Network Limited

0636.HK

KTZE - Khorgos Gateway

QUICK FACTS



53

countries & territories



46,000+

employees worldwide



70M ft²

land & facilities



10,000+

self-owned operating vehicles



ASIA SPECIALIST CHINA FOCUS GLOBAL NETWORK

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Definitions

CORPORATE INFORMATION & KEY DATES

KERRY LOGISTICS NETWORK LIMITED

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

BOARD OF DIRECTORS

Executive Directors

Mr KUOK Khoon Hua (Chairman)

Mr MA Wing Kai William (Group Managing Director)

Mr NG Kin Hang

Non-executive Director

Ms TONG Shao Ming

Independent Non-executive Directors

Ms KHOO Shulamite N K

Ms WONG Yu Pok Marina

Mr YEO Philip Liat Kok

Mr ZHANG Yi Kevin

AUDIT AND COMPLIANCE COMMITTEE

Ms WONG Yu Pok Marina (Chairman)

Ms TONG Shao Ming

Mr ZHANG Yi Kevin

REMUNERATION COMMITTEE

Ms KHOO Shulamite N K (Chairman)

Mr KUOK Khoon Hua

Mr MA Wing Kai William

Mr YEO Philip Liat Kok

Mr ZHANG Yi Kevin

NOMINATION COMMITTEE

Mr KUOK Khoon Hua (Chairman)

Ms KHOO Shulamite N K

Ms WONG Yu Pok Marina

Mr YEO Philip Liat Kok

FINANCE COMMITTEE

Mr MA Wing Kai William (Chairman)

Mr NG Kin Hang

Ms TONG Shao Ming

RISK MANAGEMENT COMMITTEE

Mr MA Wing Kai William (Chairman)

Mr NG Kin Hang

(plus two members of the senior management, who are non-members of the Board)

COMPANY SECRETARY

Ms LEE Pui Nee

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISER

Davis Polk & Wardwell

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

Estera 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
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

INVESTOR RELATIONS

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WEBSITE

www.kerrylogistics.com

KEY DATES

Closure of Registers of Members
13 September 2019

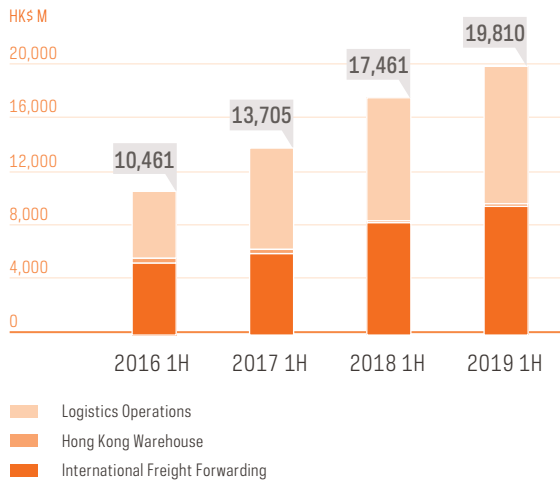
Proposed Payment of Interim Dividend
27 September 2019

FINANCIAL HIGHLIGHTS

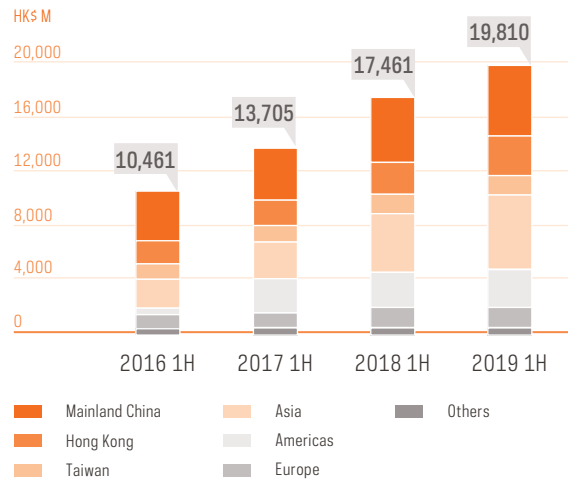
IN HK\$M

<p>TURNOVER</p> <p>▲ 13%</p> <p>19,810</p>	<p>SEGMENT PROFIT IL</p> <p>▲ 5%</p> <p>1,162</p>	<p>SEGMENT PROFIT IFF</p> <p>▲ 22%</p> <p>288</p>				
<p>CORE OPERATING PROFIT</p> <p>▲ 9%</p> <p>1,330</p>	<p>CORE NET PROFIT</p> <p>▼ 4%</p> <p>669</p>					
<p>PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS</p> <p>▲ 194%</p> <p>2,790</p>	<p>DIVIDEND (HK CENTS PER SHARE)</p> <table><tr><td>SPECIAL (PAID)</td><td>INTERIM (DECLARED)</td></tr><tr><td>35</td><td>9</td></tr></table>	SPECIAL (PAID)	INTERIM (DECLARED)	35	9	<p>GROSS GEARING</p> <p>36.7%</p>
SPECIAL (PAID)	INTERIM (DECLARED)					
35	9					

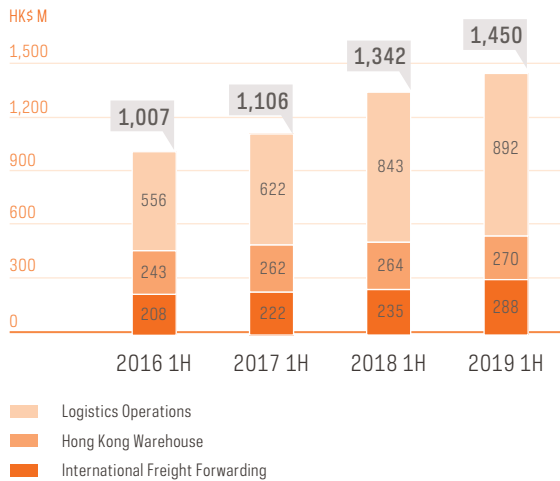
1 TURNOVER BY SEGMENT



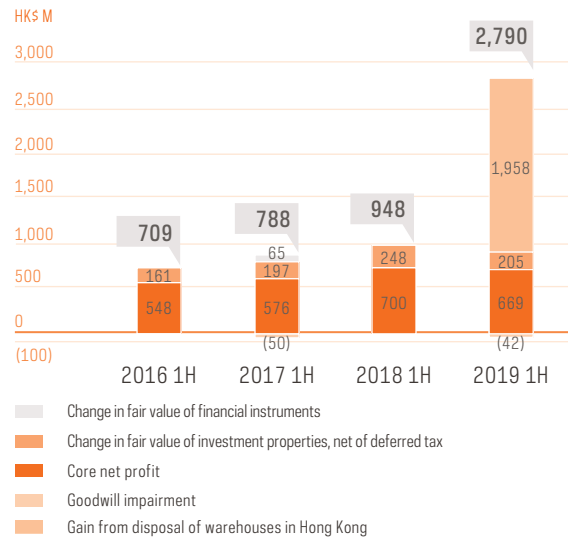
2 TURNOVER BY REGION



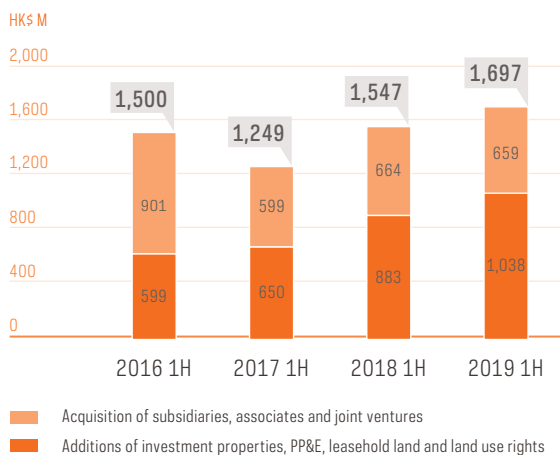
3 SEGMENT PROFIT



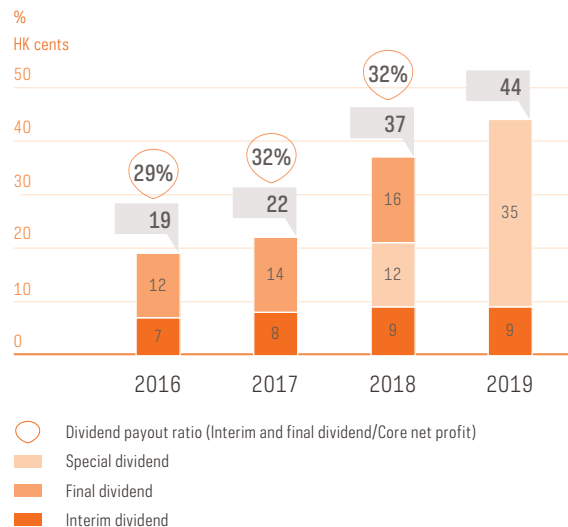
4 PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS



5 CAPEX



6 DIVIDEND PER SHARE & DIVIDEND PAYOUT RATIO



MANAGEMENT DISCUSSION AND ANALYSIS

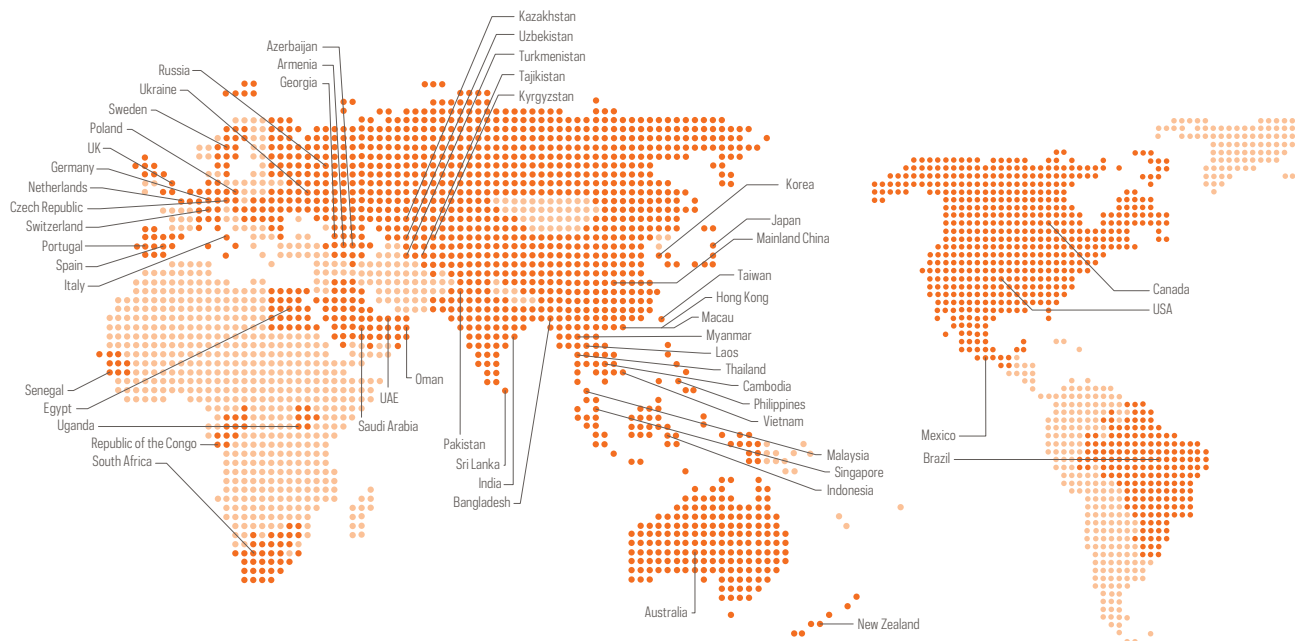
RESULTS OVERVIEW

The Group recorded an increase in turnover of 13% to HK\$19,810 million in 2019 1H (2018 1H: HK\$17,461 million). Core operating profit went up 9% to HK\$1,330 million (2018 1H: HK\$1,216 million). Core net profit was HK\$669 million (2018 1H: HK\$700 million), which represents a slight drop of 4% year-on-year. Profit attributable to the Shareholders, after taking into account the change in fair value of investment properties, goodwill impairment, and gain from disposal of warehouses in Hong Kong, increased 194% to HK\$2,790 million (2018 1H: HK\$948 million).

	2019 1H	2018 1H	
	HK\$ million	HK\$ million	
Segment profit			
IL			
- Logistics operations	892	843	+6%
- Hong Kong warehouse	270	264	+2%
	1,162	1,107	+5%
IFF	288	235	+22%
	1,450	1,342	
Unallocated administrative expenses	(120)	(126)	
Core operating profit	1,330	1,216	+9%
Core net profit	669	700	-4%
Change in fair value of investment properties, net of deferred tax	205	248	
Goodwill impairment	(42)	-	
Gain from disposal of warehouses in Hong Kong	1,958	-	
Profit attributable to the Shareholders	2,790	948	+194%

BUSINESS REVIEW

OUR GLOBAL NETWORK



MARKET OVERVIEW

Global economic growth has markedly slowed down in 2019 1H, with weakened trade and manufacturing. The ongoing international trade disputes and unresolved negotiations have created further adverse conditions and accelerated changes in the global supply chains. Rising political and social turmoil in Hong Kong added pressure to the already softening economy. The markets grapple with a fear of global recession and are bracing for further downturn in 2019 2H. Amidst a weak market environment, the logistics industry has played an important role in facilitating the relocation of manufacturing bases, particularly from Mainland China to its neighbouring countries in Asia.

Despite the challenges ahead, Kerry Logistics is in a resilient position to weather the headwinds, supported by its diversified geographical mix of businesses. Riding on the growing demands in

increased China-Asia and intra-Asia trade, the Group recorded a 13% increase in turnover, 9% increase in core operating profit, and a mild decrease in core net profit in 2019 1H. The reduced profit was a result of the rise in finance cost of approximately HK\$30 million caused by an increase in bank loans for expansion and increased interest rates, and a higher proportion of profit contributed by non wholly-owned subsidiaries.

The growth of the IFF division is faster than that of the IL division riding on the increased cross-border cargo flows, in particular from Mainland China to other Southeast Asian countries and intra-ASEAN. In view of the slower world economy, the Group continued its efforts in strengthening its service capabilities, expanding its network coverage and building its business scale in order to give itself a competitive advantage in adapting to the changing global logistics landscape.



IL PROFIT ROSE

Buoyed by positive performance of its Hong Kong business and continued expansion in Taiwan, coupled with the steady growth of its operation in Asia, the Group's IL division recorded a moderate increase in segment profit, which accounted for 80% of the Group's total segment profit in 2019 1H.

HONG KONG EARNINGS INCREASED

Supported by new customer wins across various industries and business growth of some of the key accounts in the fashion and F&B industries, the segment profit of the logistics operations in Hong Kong remained in an upward trend by rising 18% in 2019 1H.

In May 2019, the Group launched Kerry Coffee, the sole distributor of illycaffè's complete product range in Hong Kong and Macau, to extend its business into the trading of coffee and related products, as well as to further deepen its partnership with the Italian coffee group, illycaffè.

MAINLAND CHINA ADJUSTED

Benefitting from shifting the focus to multiple higher-growth verticals including pharmaceutical, imported F&B and automotive parts to minimise impact from global trade volatility, the segment profit of the Group's IL business in Mainland China turned around in 2019 1H. Taking into account the rising demand for high-value niche products in Mainland China, in January 2019, Kerry Cold Chain Solution commenced operation to tap into the fast-growing niche food product market.

TAIWAN GROWTH CONTINUED

Driven by Kerry Pharma and the newly acquired Science Park Logistics, the IL profit in Taiwan grew by 11% in 2019 1H. Kerry Pharma, as the sole certified pharmaceutical logistics provider in Taiwan, has continued to expand in the niche market. The acquisition of Science Park Logistics in January 2019 strengthened the Group's capability in serving high-tech customers.

ASIA GROWTH MODERATED

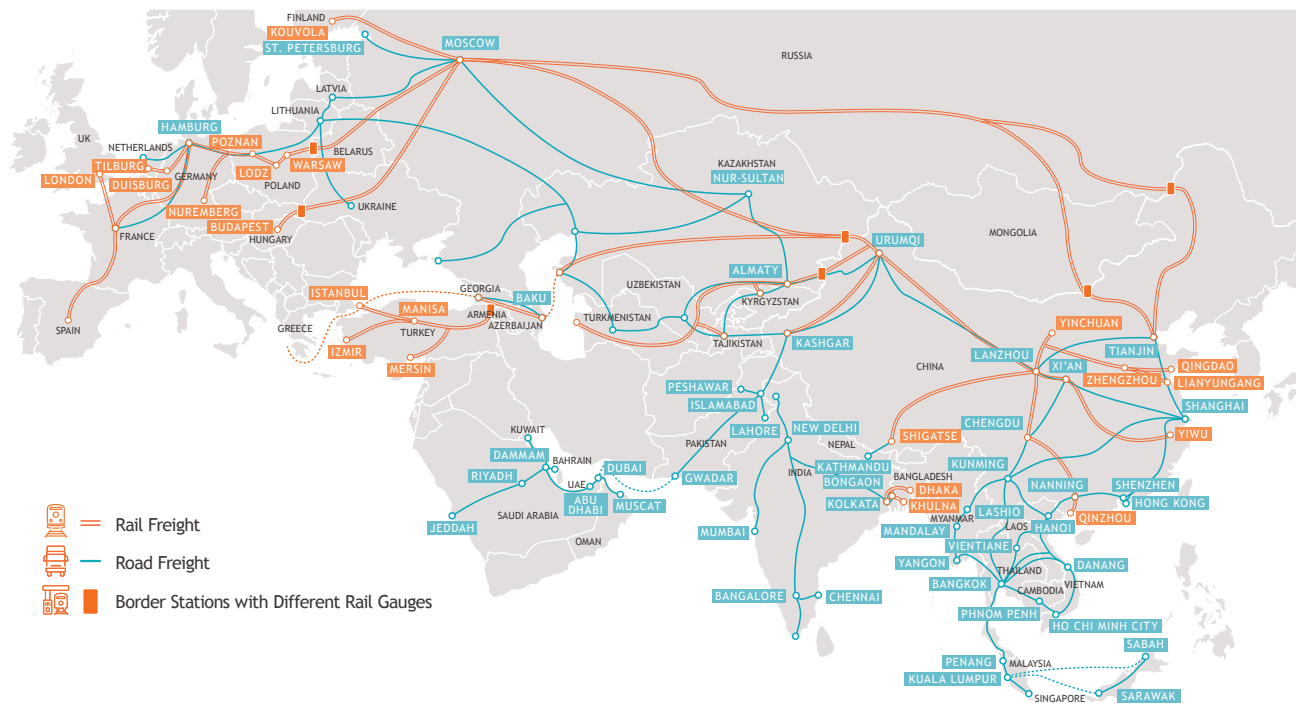
The growth momentum of the Group's Asia business moderated in 2019 1H. While Kerry Express Thailand continued to expand its service coverage and business scale across Thailand, the profit growth was slower. The performance of the Thailand operation remained robust. Kerry Express Thailand's daily delivery quantity has grown to more than 1 million parcels, and the number of service points has doubled (compared to 2018 Q4) to 10,000 locations. Segment profit in Asia increased by 7% during the period. The increment was only moderate as the Group is still financing the Kerry Express operations in Malaysia, Vietnam and Indonesia, which incurred an aggregated loss of approximately HK\$40 million during the period.

The Group announced in March 2019 its proposed spin-off and separate listing of the shares of Kerry Express Thailand on the Stock Exchange of Thailand. The spin-off proposal was subsequently approved by the Hong Kong Stock Exchange in June 2019. The Group is currently in discussion with professional parties to decide on the submission date of the application to the Stock Exchange of Thailand.

In April 2019, the Group signed a memorandum of understanding through its subsidiary, KLN (Singapore) Pte. Ltd., with Sitthi Logistic Lao Co., Ltd for the establishment of a joint venture to develop a dry port in the Vientiane Logistics Park in Laos to seek accelerated growth in ASEAN.



EURASIAN RAIL & ROAD FREIGHT NETWORK



IFF VOLUME SWELLED

Riding on the increased trade from Mainland China to other Southeast Asian countries and within Asia, the IFF division achieved a 22% growth in segment profit, which contributed 20% to the Group's total segment profit in 2019 1H.

In the global rankings published by Transport Topics and Armstrong & Associates, Inc. for 2019, Kerry Logistics jumped from 19th in 2018 to 16th among the Top 50 Airfreight Forwarders and rose from 8th to 7th among the Top 50 Ocean Freight Forwarders.

FACILITY PORTFOLIO ENHANCED

In Mainland China, the logistics centre in Wuhan was completed in 2019 Q2.

In Taiwan, the 154,000-square-foot transit hub in Xinshi District commenced operation in 2019 Q2, and the 430,000-square-foot logistics centre in Guanyin is expected to complete in 2019 Q4.

In Thailand, construction of Phase three of the Kerry Bangna Logistics Centre began in 2018 Q4, and is expected to complete in 2020 Q1.

ASSET MONETISED

In June 2019, the disposal of the Group's warehouses in Chai Wan and Shatin to a subsidiary of KPL was completed. The total gain of the disposal was approximately HK\$2 billion.

The Group will continue to actively consider opportunities to unlock the value of its assets on the balance sheet, which will provide capital for strategic investments and ongoing expansion, and crystallise value for its shareholders.

OUTLOOK

Global economic growth lost momentum in 2019, witnessing a notable drop of 1% from 3.6% in 2018 to 2.6% in 2019, according to The World Bank in its Global Economic Prospects report published in June 2019. It is expected to remain weak in 2020, as policy uncertainties and geopolitical tensions continue to cloud the trade environment. The current political and social disquiet in Hong Kong, which is the Group's key market, is expected to adversely impact the Group's performance in 2019 2H. Nevertheless, the Group is in a resilient position to withstand difficult market conditions, sustained by its expanding global network and diverse range of businesses. Taking into consideration the challenging market outlook, the Group will remain watchful and keep reinforcing its foundation through enhancing its service capabilities, expanding its network presence and enlarging its business scale.

SOFTENING ASIA GROWTH

Recent events in Hong Kong are creating unfavourable conditions for the Group's business in 2019 2H. However, the Group believes that the stronger results elsewhere in Asia should be able to offset the weak performance in Hong Kong. In particular, Taiwan will remain one of the growth drivers in Asia in 2019 2H. Despite the Group's ongoing financing of the Kerry Express business in certain ASEAN countries, these markets are expected to deliver a gradual turnaround. The express business will continue to deepen its foothold in ASEAN by extending its network coverage and broadening its business scale.

ENRICHING BUSINESS MIX

Following the extension of its business into new verticals such as coffee trading and distribution, and the expansion of its service in pharmaceutical and food-related cold chain to tap into emerging business segments, the Group will keep on diversifying its business capabilities in local markets to position itself for growth opportunities in various sectors.

SEIZING E-COMMERCE GROWTH

E-commerce has increasingly gained prevalence as a mode of consumption. In view of the strong growth impetus in cross-border e-commerce, in particular the exports from Mainland China and the intra-Asia e-commerce trade, the Group will pursue further strategic setups that will optimally deploy its resources to seize the e-commerce growth potential in the region. It has already begun implementing such plan by forming a joint venture with Spain's national postal service, Sociedad Estatal Correos y Telégrafos SA S.M.E., in June 2019 to capitalise on the China's growing e-commerce exports.

PURSUING ASSET-LIGHTER MODEL

Taking into account the positive profit growth and expansion potential in the IFF division, the Group will continue to focus on expanding its less asset-heavy IFF business both organically and through mergers and acquisitions.

FINANCIAL REVIEW

The Group has centralised financing policies and control over all its operations. With tight control on treasury operations, average cost of funds is maintained at a relatively low level.

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 joint ventures. 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 period, 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 30 June 2019, total foreign currency borrowings amounted to the equivalent of HK\$4,937 million (including HK\$2,933 million denominated in New Taiwan Dollar and HK\$738 million denominated in Thai Baht), which represented approximately 58% of the Group's total bank loans of HK\$8,543 million.

Out of the Group's total bank loans as at 30 June 2019, HK\$3,366 million (representing approximately 40%) was repayable within one year, HK\$3,425 million (representing approximately 40%) in the second year, HK\$1,634 million (representing approximately 19%) in the third to fifth years and HK\$118 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 87% of total bank loans. In relation to the secured bank loans

of HK\$1,109 million as at 30 June 2019, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK\$3,141 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 30 June 2019, the gearing ratio for the Group was 36.7% (31 December 2018: 45.7%). The ratio was calculated as total bank loans and overdrafts, divided by equity attributable to the Shareholders excluding put options written on non-controlling interests.

As at 30 June 2019, the Group had total undrawn bank loan and overdraft facilities of HK\$9,693 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 30 June 2019, the Group had no material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 30 June 2019, the Group had approximately 46,700 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 option schemes.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2019, 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⁽¹⁾

Directors	Ordinary Shares in the Company					Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
KUOK Khoon Hua ⁽²⁾	1,101,000	-	-	3,018,492	-	4,119,492	0.24%
MA Wing Kai William ⁽³⁾	4,291,510	-	-	1,300,000	-	5,591,510	0.33%
NG Kin Hang ⁽⁴⁾	120,000	-	-	-	-	120,000	0.01%
WONG Yu Pok Marina ⁽⁵⁾	200,000	-	-	-	-	200,000	0.01%
YE0 Philip Liat Kok ⁽⁶⁾	200,000	-	-	-	-	200,000	0.01%

Notes:

- (1) All interests in Ordinary Shares in the Company were as at 30 June 2019.
- (2) Mr Kuok is interested in (i) 101,000 Ordinary Shares as beneficial owner; (ii) options granted under the Pre-IPO Share Option Scheme to subscribe for 800,000 Ordinary Shares; (iii) options granted under the Post-IPO Share Option Scheme to subscribe for 200,000 Ordinary Shares; and (iv) 3,018,492 Ordinary Shares held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.
- (3) Mr Ma is interested in (i) 291,510 Ordinary Shares as beneficial owner; (ii) options granted under the Pre-IPO Share Option Scheme to subscribe for 3,000,000 Ordinary Shares; (iii) options granted under the Post-IPO Share Option Scheme to subscribe for 1,000,000 Ordinary Shares; and (iv) 1,300,000 Ordinary Shares held through a discretionary trust of which Mr Ma is a discretionary beneficiary.
- (4) Mr Ng is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 120,000 Ordinary Shares.
- (5) Ms Wong is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Ordinary Shares.
- (6) Mr Yeo is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Ordinary Shares.

(II) ASSOCIATED CORPORATIONS

Kerry Group Limited⁽¹⁾

Directors	Ordinary shares in KGL					Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
KUOK Khoon Hua ⁽²⁾	2,000,000	-	-	224,475,033	-	226,475,033	14.95%
MA Wing Kai William ⁽³⁾	1,810,620	-	-	-	-	1,810,620	0.12%
TONG Shao Ming ⁽⁴⁾	1,000,000	-	-	-	-	1,000,000	0.07%

Notes:

(1) All interests in ordinary shares in KGL were as at 30 June 2019.

(2) Mr Kuok is interested in (i) 5,000 ordinary shares in KGL as beneficial owner; (ii) options granted under the share option scheme of KGL to subscribe for 1,995,000 ordinary shares in KGL; and (iii) 224,475,033 ordinary shares in KGL held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.

(3) Mr Ma is interested in (i) 1,310,620 ordinary shares in KGL as beneficial owner; and (ii) options granted under the share option scheme of KGL to subscribe for 500,000 ordinary shares in KGL.

(4) Ms Tong is interested in 1,000,000 ordinary shares in KGL as beneficial owner.

Kerry Properties Limited⁽¹⁾

Directors	Ordinary shares in KPL					Approximate percentage of issued share capital
	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	
KUOK Khoon Hua ⁽²⁾	1,179,413	-	-	3,297,763	4,477,176	0.31%
MA Wing Kai William ⁽³⁾	841,020	-	-	50,000	891,020	0.06%

Notes:

(1) All interests in ordinary shares in KPL were as at 30 June 2019.

(2) Mr Kuok is interested in (i) 1,179,413 ordinary shares in KPL as beneficial owner; and (ii) 3,297,763 ordinary shares in KPL held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.

(3) Mr Ma is interested in (i) 341,020 ordinary shares in KPL as beneficial owner; (ii) options granted under the share option scheme of KPL to subscribe for 500,000 ordinary shares in KPL; and (iii) 50,000 ordinary shares in KPL held through a discretionary trust of which Mr Ma is a discretionary beneficiary.

Hopemore Ventures Limited⁽¹⁾

Director	Ordinary shares in Hopemore					Approximate percentage of issued share capital
	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	
KUOK Khoon Hua	50 ⁽²⁾	-	-	-	50	3.57%

Notes:

(1) All interests in ordinary shares in Hopemore were as at 30 June 2019.

(2) Mr Kuok is interested in 50 ordinary shares in Hopemore as beneficial owner.

Majestic Tulip Limited⁽¹⁾

Director	Ordinary shares in Majestic					Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
KUOK Khoon Hua	10 ⁽²⁾	-	-	-		10	3.33%

Notes:

(1) All interests in ordinary shares in Majestic were as at 30 June 2019.

(2) Mr Kuok is interested in 10 ordinary shares in Majestic as beneficial owner.

Medallion Corporate Limited⁽¹⁾

Director	Ordinary shares in Medallion					Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
KUOK Khoon Hua	48 ⁽²⁾	-	-	-		48	4.80%

Notes:

(1) All interests in ordinary shares in Medallion were as at 30 June 2019.

(2) Mr Kuok is interested in 48 ordinary shares in Medallion as beneficial owner.

Rubyhill Global Limited⁽¹⁾

Director	Ordinary shares in Rubyhill					Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
KUOK Khoon Hua	1 ⁽²⁾	-	-	-	-	1	10.00%

Notes:

- (1) All interests in ordinary shares in Rubyhill were as at 30 June 2019.
(2) Mr Kuok is interested in 1 ordinary share in Rubyhill as beneficial owner.

Vencedor Investments Limited⁽¹⁾

Director	Ordinary shares in Vencedor					Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
KUOK Khoon Hua	5 ⁽²⁾	-	-	-	-	5	5.00%

Notes:

- (1) All interests in ordinary shares in Vencedor were as at 30 June 2019.
(2) Mr Kuok is interested in 5 ordinary shares in Vencedor as beneficial owner.

Save as disclosed above, as at 30 June 2019, 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 30 June 2019, 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
Kerry Group Limited	Interest of controlled corporations	1,121,178,932 ⁽¹⁾	65.46%
Kerry Holdings Limited	Interest of controlled corporations	1,090,758,684 ⁽¹⁾	63.68%
Kerry Properties Limited	Beneficial owner	718,340,998 ⁽¹⁾	41.94%
Caninco Investments Limited	Beneficial owner	156,124,097 ⁽¹⁾	9.12%
Darmex Holdings Limited	Beneficial owner	128,449,630 ⁽¹⁾	7.50%
GIC Private Limited	Investment manager	102,189,240	5.97%

Notes:

(1) KPL is a subsidiary of KHL. Caninco and Darmex are wholly-owned subsidiaries of KHL. KHL is a wholly-owned subsidiary of KGL. Accordingly, KHL is deemed to be interested in the shareholding interest of each of KPL, Caninco and Darmex in the Company and KGL is deemed to be interested in the shareholding interest of each of KHL, KPL, Caninco and Darmex in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at 30 June 2019, 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.

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. No further options will be granted under the Pre-IPO Share Option Scheme.

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, representing 2.58% of the issued share capital as at 19 December 2013.

As at 30 June 2019, a total of 19,827,000 options granted under the Pre-IPO Share Option Scheme were outstanding.

Movement of the options, which were granted under the Pre-IPO Share Option Scheme, during the six months ended 30 June 2019 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant (Note c)	Tranche	Number of options			Outstanding as at 30/06/2019	Exercise price HK\$	Exercise period
			Outstanding as at 01/01/2019	Exercised (Notes a and b)	Lapsed			
1. Directors								
YEO George Yong-boon (retirement effective from 31 May 2019)	02/12/2013	I	1,000,000	(1,000,000)	-	-	10.20	19/12/2013 - 01/12/2023
	02/12/2013	II	1,000,000	(1,000,000)	-	-	10.20	02/12/2014 - 01/12/2023
KUOK Khoon Hua	02/12/2013	I	400,000	-	-	400,000	10.20	19/12/2013 - 01/12/2023
	02/12/2013	II	400,000	-	-	400,000	10.20	02/12/2014 - 01/12/2023
MA Wing Kai William	02/12/2013	I	1,500,000	-	-	1,500,000	10.20	19/12/2013 - 01/12/2023
	02/12/2013	II	1,500,000	-	-	1,500,000	10.20	02/12/2014 - 01/12/2023
NG Kin Hang	02/12/2013	I	60,000	-	-	60,000	10.20	19/12/2013 - 01/12/2023
	02/12/2013	II	60,000	-	-	60,000	10.20	02/12/2014 - 01/12/2023
CHIN Siu Wa Alfred (retirement effective from 31 May 2019)	02/12/2013	I	-	-	-	-	10.20	19/12/2013 - 01/12/2023
	02/12/2013	II	100,000	(100,000)	-	-	10.20	02/12/2014 - 01/12/2023
WAN Kam To (retirement effective from 31 May 2019)	02/12/2013	I	100,000	(100,000)	-	-	10.20	19/12/2013 - 01/12/2023
	02/12/2013	II	100,000	(100,000)	-	-	10.20	02/12/2014 - 01/12/2023
WONG Yu Pok Marina	02/12/2013	I	100,000	-	-	100,000	10.20	19/12/2013 - 01/12/2023
	02/12/2013	II	100,000	-	-	100,000	10.20	02/12/2014 - 01/12/2023
YEO Philip Liat Kok	02/12/2013	I	100,000	-	-	100,000	10.20	19/12/2013 - 01/12/2023
	02/12/2013	II	100,000	-	-	100,000	10.20	02/12/2014 - 01/12/2023
2. Continuous Contract	02/12/2013	I	8,257,000	(2,081,500)	(100,000)	6,075,500	10.20	19/12/2013 - 01/12/2023
Employees	02/12/2013	II	10,711,500	(1,180,000)	(100,000)	9,431,500	10.20	02/12/2014 - 01/12/2023
Total:			25,588,500	(5,561,500)	(200,000)	19,827,000		

INTERIM REPORT 2019

Notes:

- The weighted average closing price of the Ordinary Shares of the Company immediately before the dates on which the options were exercised was HK\$13.81.
- During the period, no option was granted/granted for adjustment, transferred from/to other category or cancelled under the Pre-IPO Share Option Scheme.
- The vesting period of the options is from the date of grant until the commencement of the exercise period.
- There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

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.

On 9 January 2015, a total of 4,350,000 options were granted under the Post-IPO Share Option Scheme. As at 30 June 2019, a total of 2,152,500 options granted under the Post-IPO Share Option Scheme were outstanding.

Movement of the options, which were granted under the Post-IPO Share Option Scheme, during the six months ended 30 June 2019 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant (Note c)	Tranche	Number of options			Outstanding as at 30/06/2019	Exercise price HK\$	Exercise period
			Outstanding as at 01/01/2019	Exercised (Note a and b)	Lapsed			
1. Directors								
YEO George Yong-boon (retirement effective from 31 May 2019)	09/01/2015	I	500,000	(500,000)	-	-	12.26	09/01/2015 - 08/01/2020
	09/01/2015	II	500,000	(500,000)	-	-	12.26	09/01/2016 - 08/01/2020
KUOK Khoon Hua	09/01/2015	I	100,000	-	-	100,000	12.26	09/01/2015 - 08/01/2020
	09/01/2015	II	100,000	-	-	100,000	12.26	09/01/2016 - 08/01/2020
MA Wing Kai William	09/01/2015	I	500,000	-	-	500,000	12.26	09/01/2015 - 08/01/2020
	09/01/2015	II	500,000	-	-	500,000	12.26	09/01/2016 - 08/01/2020
2. Continuous Contract	09/01/2015	I	965,000	(562,500)	-	402,500	12.26	09/01/2015 - 08/01/2020
Employees	09/01/2015	II	975,000	(425,000)	-	550,000	12.26	09/01/2016 - 08/01/2020
Total:			4,140,000	(1,987,500)	-	2,152,500		

Notes:

- The weighted average closing price of the Ordinary Shares of the Company immediately before the dates on which the options were exercised was HK\$14.12.
- During the period, no option was granted/granted for adjustment, transferred from/to other category, lapsed or cancelled under the Post-IPO Share Option Scheme.
- The vesting period of the options is from the date of grant until the commencement of the exercise period.
- There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

SUMMARY OF THE SHARE OPTION SCHEMES

Details

Pre-IPO Share Option Scheme

Post-IPO Share Option Scheme

- | | | |
|-----------------------------|--|--|
| 1. Purpose | To motivate eligible persons to optimise 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 | |
| 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 | |
| 3. Maximum number of Shares | As at 30 June 2019, a total of 19,827,000 options granted under the Pre-IPO Share Option Scheme were outstanding, representing approximately 1.16% and 1.16% of the issued share capital of the Company as at 30 June 2019 and the date of this interim report, respectively. No further option could be granted under the Pre-IPO Share Option Scheme | As at 30 June 2019, a total of 2,152,500 options granted under the Post-IPO Share Option Scheme were outstanding

As at 30 June 2019, the maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme is 122,966,411 Shares, representing approximately 7.18% and 7.17% of the issued share capital of the Company as at 30 June 2019 and the date of this interim report, respectively

The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time |

Details

Pre-IPO Share Option Scheme

Post-IPO Share Option 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	
5. Option period	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	
	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	
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	
7. Exercise 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
8. Remaining life of the scheme	It expired on 19 December 2013	It shall be valid and effective for a period of ten years commencing on 19 December 2013

COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in the CG Code. During the six months ended 30 June 2019, the Company has complied with the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors (including Ms TONG Shao Ming, the newly appointed Non-executive Director) and the Directors have confirmed that they have complied with the Model Code (i) during the six months ended 30 June 2019; or (ii) from their respective appointment dates, and up to the six months ended 30 June 2019, as the case may be.

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

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 six months ended 30 June 2019.

REVIEW OF INTERIM REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The interim report has been reviewed by the audit and compliance committee of the Company and the unaudited condensed consolidated interim financial statements have been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the audit and compliance committee of the Company. The review report of the independent auditor is set out on page 25.

EVENTS AFTER THE LATEST ANNUAL REPORT

There were no significant events affecting the Company nor any of its subsidiaries after the latest annual report requiring disclosure in this interim report.

CHANGES IN THE INFORMATION OF THE DIRECTORS SINCE LAST ANNUAL REPORT

The changes in the information of the Directors as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Directors	Details of Changes
KUOK Khoon Hua	<ul style="list-style-type: none">▪ appointed as the chairman of the Company since May 2019▪ appointed as the vice chairman and chief executive officer of KPL since June 2019▪ ceased as a non-executive director of KPL since June 2019
MA Wing Kai William	<ul style="list-style-type: none">▪ retired as a director of Kerry TJ since June 2019
TONG Shao Ming	<ul style="list-style-type: none">▪ appointed as the non-executive director of the Company since June 2019
WONG Yu Pok Marina	<ul style="list-style-type: none">▪ elected as an independent non-executive director of SJM Holdings Limited (a company listed on the Stock Exchange with stock code 880) since June 2019

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed on Friday, 13 September 2019 in order to determine the entitlement of the Shareholders to the interim dividend. All share transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Thursday, 12 September 2019. The interim dividend is payable on Friday, 27 September 2019 to the Shareholders whose names appear on the Registers of Members on Friday, 13 September 2019.

By Order of the Board
KUOK Khoon Hua
Chairman

Hong Kong, 29 August 2019

INDEPENDENT AUDITOR'S REVIEW REPORT



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF KERRY LOGISTICS NETWORK LIMITED

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 27 to 53, which comprise the condensed consolidated interim statement of financial position of Kerry Logistics Network Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in

equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2019

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2019

	Note	Unaudited 2019 HK\$'000	Unaudited 2018 HK\$'000
Turnover	4	19,810,329	17,461,227
Direct operating expenses	5	(17,284,673)	(15,163,182)
Gross profit		2,525,656	2,298,045
Other income and net gains	6	2,069,671	166,925
Administrative expenses	5	(1,331,567)	(1,231,109)
Operating profit before fair value change of investment properties		3,263,760	1,233,861
Change in fair value of investment properties	11	205,020	239,917
Operating profit		3,468,780	1,473,778
Finance costs	7	(161,724)	(106,684)
Share of results of associates and joint ventures		45,934	43,648
Profit before taxation		3,352,990	1,410,742
Taxation	8	(295,049)	(253,026)
Profit for the period		3,057,941	1,157,716
Profit attributable to:			
Company's shareholders	4	2,789,744	947,838
Non-controlling interests		268,197	209,878
		3,057,941	1,157,716
Earnings per share	10		
– Basic		HK\$1.63	HK\$0.56
– Diluted		HK\$1.63	HK\$0.56

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Unaudited 2019 HK\$'000	Unaudited 2018 HK\$'000
Profit for the period	3,057,941	1,157,716
Item that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	85,636	(268,001)
Item that will not be reclassified to consolidated income statement		
Fair value change on financial assets at fair value through other comprehensive income	8,273	14,196
Other comprehensive income/(loss) for the period	93,909	(253,805)
Total comprehensive income for the period	3,151,850	903,911
Total comprehensive income attributable to:		
Company's shareholders	2,880,109	751,535
Non-controlling interests	271,741	152,376
	3,151,850	903,911

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets	11	4,629,864	4,250,877
Investment properties	11	9,637,231	11,039,020
Leasehold land and land use rights	11	–	590,450
Property, plant and equipment	11	11,344,171	10,347,048
Right-of-use assets	2	3,398,037	–
Associates and joint ventures		1,391,248	1,472,268
Financial assets at fair value through other comprehensive income		147,936	170,799
Investment in convertible bonds		193,407	192,710
Deferred taxation		77,673	85,580
		30,819,567	28,148,752
Current assets			
Financial assets at fair value through profit or loss		108,293	261,884
Investment in convertible bond		350,208	351,052
Inventories		664,685	425,217
Accounts receivable, prepayments and deposits	12	9,350,301	9,502,889
Tax recoverable		39,688	15,281
Amounts due from fellow subsidiaries		3,727	1,508
Restricted and pledged bank deposits		20,050	20,148
Cash and bank balances		6,052,540	4,305,949
		16,589,492	14,883,928

	Note	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Current liabilities			
Lease liabilities	2	652,699	-
Accounts payable, deposits received and accrued charges	13	6,269,929	6,795,738
Amounts due to fellow subsidiaries		8,523	-
Amounts due to related companies		32,586	24,795
Taxation		287,126	368,407
Short-term bank loans and current portion of long-term bank loans	14	3,366,462	4,936,902
Bank overdrafts		230,087	193,076
		10,847,412	12,318,918
Non-current liabilities			
Loans from non-controlling interests		200,548	177,833
Long-term bank loans	14	5,176,242	4,569,564
Lease liabilities	2	2,119,606	-
Deferred taxation		689,115	673,955
Retirement benefit obligations		102,100	112,921
Other non-current liabilities		1,496,850	1,511,941
		9,784,461	7,046,214
ASSETS LESS LIABILITIES		26,777,186	23,667,548
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	15	856,406	852,632
Share premium and other reserves		2,953,235	3,140,183
Retained profits		20,093,819	17,221,259
		23,903,460	21,214,074
Put option written on non-controlling interests		(1,170,801)	(1,170,801)
		22,732,659	20,043,273
Non-controlling interests		4,044,527	3,624,275
TOTAL EQUITY		26,777,186	23,667,548

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Unaudited 2019 HK\$'000	Unaudited 2018 HK\$'000
Operating activities		
Net cash generated from operations	1,410,059	1,225,522
Interest paid	(161,724)	(106,684)
Income tax paid	(395,243)	(187,311)
Net cash generated from operating activities	853,092	931,527
Investing activities		
Additions of property, plant and equipment	(1,013,065)	(882,364)
Additions of investment properties	(2,284)	-
Addition of right-of-use assets -leasehold land and land use rights	(23,448)	(121)
Purchase of financial assets at fair value through other comprehensive income	-	(46,749)
Disposal of financial assets at fair value through profit or loss	198,055	-
Proceeds from sale of property, plant and equipment	81,907	99,025
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	3,535,227	111,434
Dividend income from financial assets at fair value through other comprehensive income	6,629	7,984
Dividends received from associates	71,593	10,050
Net decrease/(increase) in balances with associates and joint ventures	87,929	(53,515)
Interest received	18,515	17,618
Interest income from investment in convertible bonds	10,543	10,542
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(384,993)	(301,099)
Acquisition of associates and joint ventures	(4,208)	(4,075)
Cash consideration paid for prior year's acquisition	(70,323)	(22,081)
Increase in investments in associates and joint ventures	(37,594)	(27,104)
Capital reduction in investments in associates and joint ventures	8,196	-
Decrease in restricted and pledged bank deposits	98	676
Net cash from/(used in) investing activities	2,482,777	(1,079,779)

	Unaudited 2019 HK\$'000	Unaudited 2018 HK\$'000
Financing activities		
Repayment of bank loans	(4,548,445)	(2,227,091)
Drawdown of bank loans	3,604,064	3,142,053
Dividends of subsidiaries paid to non-controlling interests	(89,651)	(157,393)
Capital injection from non-controlling interests	22,060	4,323
Drawdown of loans from non-controlling interests	-	31,270
Repayment of loans from non-controlling interests	(72)	(16,945)
Payments of lease liabilities	(433,070)	-
Changes in ownership of interests in subsidiaries without change of control	500	(35,061)
Dividend paid	(273,954)	(237,671)
Proceeds from exercise of pre-/post-IPO share option scheme allotment	81,091	15,927
Net cash (used in)/from financing activities	(1,637,477)	519,412
Increase in cash and cash equivalents	1,698,392	371,160
Effect of exchange rate changes	11,188	(41,745)
Cash and cash equivalents at beginning of the period	4,112,873	3,518,620
Cash and cash equivalents at end of the period	5,822,453	3,848,035
Analysis of balances of cash and cash equivalents		
Cash and bank balances	6,052,540	3,914,670
Bank overdrafts	(230,087)	(66,635)
	5,822,453	3,848,035

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Put option written on non-controlling interests HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
(unaudited)									
Balance at 1 January 2019	852,632	3,108,610	31,573	16,948,417	272,842	(1,170,801)	20,043,273	3,624,275	23,667,548
Profit for the period	-	-	-	2,789,744	-	-	2,789,744	268,197	3,057,941
Net translation differences on foreign operations	-	-	84,310	-	-	-	84,310	1,326	85,636
Fair value change on financial assets at fair value through other comprehensive income	-	-	6,055	-	-	-	6,055	2,218	8,273
Total comprehensive income for the six months ended 30 June 2019	-	-	90,365	2,789,744	-	-	2,880,109	271,741	3,151,850
Dividends paid	-	-	-	(1,112)	(272,842)	-	(273,954)	(112,368)	(386,322)
2019 proposed interim dividend	-	-	-	(154,323)	154,323	-	-	-	-
Transfers	-	-	(356,532)	356,532	-	-	-	-	-
Changes in ownership of interest in a subsidiary without change of control (note 16)	-	-	2,140	-	-	-	2,140	2,960	5,100
Acquisition of subsidiaries (note 17)	-	-	-	-	-	-	-	235,859	235,859
Capital injection from non-controlling interests	-	-	-	-	-	-	-	22,060	22,060
Exercise of pre-IPO share option scheme allotment	2,780	60,581	(6,636)	-	-	-	56,725	-	56,725
Exercise of post-IPO share option scheme allotment	994	27,248	(3,876)	-	-	-	24,366	-	24,366
Share option lapsed	-	-	(238)	238	-	-	-	-	-
Total transactions with owners	3,774	87,829	(365,142)	201,335	(118,519)	-	(190,723)	148,511	(42,212)
Balance at 30 June 2019	856,406	3,196,439	(243,204)	19,939,496	154,323	(1,170,801)	22,732,659	4,044,527	26,777,186

Attributable to shareholders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Put option written on non-controlling interests HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
(unaudited)									
Balance at 1 January 2018	848,044	3,008,626	(215,263)	15,163,133	237,452	(1,218,331)	17,823,661	3,443,217	21,266,878
Profit for the period	-	-	-	947,838	-	-	947,838	209,878	1,157,716
Net translation differences on foreign operations	-	-	(203,641)	-	-	-	(203,641)	(64,360)	(268,001)
Fair value change on financial assets at fair value through other comprehensive income	-	-	7,338	-	-	-	7,338	6,858	14,196
Total comprehensive income for the six months ended 30 June 2018	-	-	(196,303)	947,838	-	-	751,535	152,376	903,911
Dividends paid	-	-	-	(219)	(237,452)	-	(237,671)	(157,393)	(395,064)
2018 proposed interim dividend	-	-	-	(356,507)	356,507	-	-	-	-
Transfers	-	-	3,633	(3,633)	-	-	-	-	-
Changes in ownership of interest in a subsidiary without change of control	-	-	(60,520)	-	-	23,417	(37,103)	(11,258)	(48,361)
Acquisition of subsidiaries	-	-	-	-	-	-	-	80,605	80,605
Capital injection from non-controlling interests	-	-	-	-	-	-	-	4,323	4,323
Exercise of pre-IPO share option scheme allotment	783	17,057	(1,865)	-	-	-	15,975	-	15,975
Share option lapsed	-	-	(48)	48	-	-	-	-	-
Total transactions with owners	783	17,057	(58,800)	(360,311)	119,055	23,417	(258,799)	(83,723)	(342,522)
Balance at 30 June 2018	848,827	3,025,683	(470,366)	15,750,660	356,507	(1,194,914)	18,316,397	3,511,870	21,828,267

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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, freight and warehouse leasing and operations services. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements are prepared in accordance with HKAS 34 'Interim Financial Reporting' issued by the HKICPA and the disclosure requirements of Appendix 16 to the Listing Rules.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with HKFRS. Except as described below, the accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018.

The following new standards, improvements, interpretations and amendments to existing standards that are effective for the accounting period of the Group beginning on 1 January 2019 have been published:

HKFRS 16, "Leases"

Annual improvements project, "Annual improvements 2015-2017 cycle"

Amendments to HKAS 19, "Plan amendment, curtailment or settlement"

Amendments to HKAS 28, "Long-term interests in associates and joint ventures"

Amendments to HKFRS 9, "Prepayment features with negative compensation"

HK(IFRIC) - Int 23, "Uncertainty over income tax treatments"

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

In the current interim period, the Group has applied, for the first time, the above new standards, improvements, interpretations and amendments to existing standards issued by the HKICPA. The impact of the adoption of HKFRS 16 “Leases” and the new accounting policies are disclosed in note 2. The adoption of the other improvements, interpretations and amendments to existing standards had no material impact on the Group’s accounting policies and did not require retrospective adjustments.

The Group has not yet adopted the following new standards and amendments to existing standards and interpretations that have been issued by the HKICPA but are not yet effective.

Amendments to HKAS 1, “Presentation of financial statements” and HKAS 8, “Accounting policies, changes in accounting estimates and errors”¹

Amendments to HKFRS 3, “Definition of a business”¹

HKFRS 17, “Insurance contract”²

Amendments to HKAS 28 (2011) and HKFRS 10, “Sales or contribution of assets between an investor and its associate or joint venture”³

1 *Effective for annual periods beginning on or after 1 January 2020*

2 *Effective for annual periods beginning on or after 1 January 2021*

3 *Effective date to be determined*

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

2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 2(b) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.95%.

2(a) ADJUSTMENTS RECOGNISED ON THE ADOPTION OF HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

All right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2(a) ADJUSTMENTS RECOGNISED ON THE ADOPTION OF HKFRS 16 (CONTINUED)

The following is a reconciliation of the opening effect on adoption of HKFRS 16 as at 1 January 2019:

	Right-of-use assets	Leasehold land and land use rights	Lease liabilities - current portion	Lease liabilities - non-current portion
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2018	-	590,450	-	-
Reclassification to right-of-use assets on adoption of HKFRS 16	590,450	(590,450)	-	-
Adjustment on adoption of HKFRS 16	2,505,941	-	673,190	1,832,751
At 1 January 2019	3,096,391	-	673,190	1,832,751

The Group had operating lease commitments of HK\$1,663,251,000 as disclosed as at 31 December 2018 and on adoption of HKFRS 16, the Group recognised lease liabilities of HK\$2,505,941,000 as at 1 January 2019. The key differences between the disclosed operating lease commitments and the recognised lease liabilities have mainly arisen from the discounting impact on operating lease commitments in using the lessee's incremental borrowing rate as of 1 January 2019, additional lease liabilities recognised under the scope of HKFRS 16 and exclusion of short-term and low-value leases recognised on a straight-line basis as expense.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
	HK\$'000	HK\$'000
Leasehold land and land use right	593,700	590,450
Equipments	30,264	29,629
Buildings	1,967,069	1,829,715
Motor vehicles	807,004	646,597
Total right-of-use assets	3,398,037	3,096,391

The change in accounting policy affected the right-of-use assets and lease liabilities, and both increased by HK\$2.5 billion on 1 January 2019. In addition, leasehold land and land use rights of HK\$590 million reclassified to right-of-use assets on 1 January 2019. There is no material impact on retained earnings on 1 January 2019.

PRACTICAL EXPEDIENTS APPLIED

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the use of recognition exemption to leases with a remaining lease term of 12 months or less at 1 January 2019.
- the use of recognition exemption to leases for which the underlying asset is of low value.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- the use of hindsight in determining lease term at the date of initial application.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2(b) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases various offices, buildings, equipment and motor vehicles. Rental contracts are typically made for fixed periods. 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, but leased assets may not be used as security for borrowing purposes.

Until the end of 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

- payments of penalties for terminating the lease, if the lease term reflects such option of the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate (being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions) is used.

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.

Payments associated with short-term leases and 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.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

CRITICAL JUDGEMENTS IN DETERMINING 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). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

3 FINANCIAL RISK MANAGEMENT

(a) FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price 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.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; and should be read in conjunction with the Group's annual financial statements as at 31 December 2018. There have been no changes in the Group's financial risk management structure and policies since the year end.

(b) 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, 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).

There were no transfers between levels during the period (2018: nil).

The following table presents the Group's financial instruments that are measured at fair value as at 30 June 2019 and 31 December 2018.

At 30 June 2019	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Investment in convertible bonds	-	-	543,615	543,615
Financial assets at fair value through other comprehensive income	60,285	-	87,651	147,936
Financial assets at fair value through profit or loss	-	108,293	-	108,293
Total assets	60,285	108,293	631,266	799,844
Liability				
Put option written on non-controlling interests	-	-	1,171,913	1,171,913
At 31 December 2018				
Assets				
Investment in convertible bonds	-	-	543,762	543,762
Financial assets at fair value through other comprehensive income	52,614	-	118,185	170,799
Financial assets at fair value through profit or loss	158,383	103,501	-	261,884
Total assets	210,997	103,501	661,947	976,445
Liability				
Put option written on non-controlling interests	-	-	1,171,600	1,171,600

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) FAIR VALUE ESTIMATION (CONTINUED)

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 instruments.

	Financial assets at fair value through other comprehensive income	Investment in convertible bonds	Put option written on non- controlling interests
As at 30 June 2019	HK\$'000	HK\$'000	HK\$'000
Opening balance	118,185	543,762	1,171,600
Fair value adjustment	(177)	-	-
Further acquisition of interests in an investment (note 17)	(28,809)	-	-
Exchange adjustment	(1,548)	(147)	313
Closing balance	87,651	543,615	1,171,913

	Financial assets at fair value through other comprehensive income	Investment in convertible bonds	Put option written on non- controlling interests
As at 30 June 2018	HK\$'000	HK\$'000	HK\$'000
Opening balance	47,173	564,397	1,218,242
Fair value adjustment	12,951	-	-
Additions	46,749	-	-
Settlement	-	-	(23,417)
Exchange adjustment	(1,019)	(620)	(2,288)
Closing balance	105,854	563,777	1,192,537

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.

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 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 binomial method. 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 the 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.

PUT OPTION WRITTEN ON NON-CONTROLLING INTERESTS

The Group established fair value of written put option liabilities by using valuation techniques. These include the use of assumptions of estimated exercise price determined by the estimated performance of the newly acquired subsidiaries, estimated time to exercise, discount rate and volatility.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) FAIR VALUE ESTIMATION (CONTINUED)

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group established fair value of the 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 30 June 2019 and 31 December 2018:

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

4 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

(a) Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Integrated logistics		
Logistics operations	9,339,537	8,057,454
Hong Kong warehouse	179,124	108,082
International freight forwarding	10,291,668	9,295,691
	19,810,329	17,461,227

4 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 six months ended 30 June 2019, together with comparative figures for the six months ended 30 June 2018 is as follows:

	For the six months ended 30 June									
	Integrated logistics				International freight forwarding		Elimination		Consolidation	
	Logistics operations		Hong Kong warehouse							
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover										
Turnover	9,339,537	8,057,454	179,124	108,082	10,291,668	9,295,691	-	-	19,810,329	17,461,227
Inter-segment turnover	198,916	157,371	217,790	274,480	2,150,447	1,543,531	(2,567,153)	(1,975,382)	-	-
	9,538,453	8,214,825	396,914	382,562	12,442,115	10,839,222	(2,567,153)	(1,975,382)	19,810,329	17,461,227
Turnover by geographical area:										
Hong Kong	2,234,053	1,956,744	396,914	382,562	925,347	791,883	(688,975)	(754,384)	2,867,339	2,376,805
Mainland China	2,329,498	2,330,061	-	-	3,965,044	3,210,134	(1,087,940)	(709,276)	5,206,602	4,830,919
Taiwan	1,419,383	1,327,997	-	-	216,751	211,557	(92,355)	(75,804)	1,543,779	1,463,750
Asia	3,480,671	2,532,452	-	-	2,390,023	2,028,460	(415,324)	(197,990)	5,455,370	4,362,922
Americas	-	-	-	-	2,887,338	2,812,822	(239,097)	(172,761)	2,648,241	2,640,061
Europe	-	-	-	-	1,828,231	1,602,938	(28,549)	(52,176)	1,799,682	1,550,762
Others	74,848	67,571	-	-	229,381	181,428	(14,913)	(12,991)	289,316	236,008
	9,538,453	8,214,825	396,914	382,562	12,442,115	10,839,222	(2,567,153)	(1,975,382)	19,810,329	17,461,227
Segment profit by geographical area:										
Hong Kong	195,177	165,204	269,766	264,011	27,030	20,925	-	-	491,973	450,140
Mainland China	156,087	151,325	-	-	87,334	69,080	-	-	243,421	220,405
Taiwan	217,102	195,327	-	-	12,864	10,837	-	-	229,966	206,164
Asia	324,160	303,650	-	-	67,346	44,651	-	-	391,506	348,301
Americas	-	-	-	-	96,922	74,596	-	-	96,922	74,596
Europe	-	-	-	-	(9,260)	7,351	-	-	(9,260)	7,351
Others	(430)	27,617	-	-	5,450	7,647	-	-	5,020	35,264
	892,096	843,123	269,766	264,011	287,686	235,087	-	-	1,449,548	1,342,221
Less: Unallocated administrative expenses									(119,991)	(125,978)
Core operating profit									1,329,557	1,216,243
Finance income									18,515	17,618
Finance costs									(161,724)	(106,684)
Share of results of associates and joint ventures									45,934	43,648
Profit before taxation*									1,232,282	1,170,825
Taxation*									(295,300)	(260,525)
Profit for the period*									936,982	910,300
Non-controlling interests*									(267,784)	(210,077)
Core net profit									669,198	700,223
Change in fair value of investment properties									205,020	239,917
Deferred tax on change in fair value of investment properties									251	7,499
Less: Non-controlling interests' share of after-tax change in fair value of investment properties									(413)	199
Gain on disposal of warehouses									1,957,540	-
Goodwill impairment									(41,852)	-
Profit attributable to the Company's shareholders									2,789,744	947,838
Depreciation and amortisation	686,131	266,598	26,443	27,368	135,504	85,941	-	-	848,078	379,907

* Excluding the change in fair value of investment properties and its related deferred tax, gain on disposal of warehouses and goodwill impairment

4 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	For the six months ended 30 June							
	2019				2018			
	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	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers								
Integrated logistics								
– Logistics operations	920,916	8,364,395	54,226	9,339,537	766,812	7,227,861	62,781	8,057,454
– Hong Kong warehouse	–	68,645	110,479	179,124	–	7,216	100,866	108,082
International freight forwarding	–	10,291,668	–	10,291,668	–	9,295,691	–	9,295,691
	920,916	18,724,708	164,705	19,810,329	766,812	16,530,768	163,647	17,461,227

By geographical area	For the six months ended 30 June							
	2019				2018			
	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	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers								
Hong Kong	919,881	1,836,979	110,479	2,867,339	765,709	1,510,230	100,866	2,376,805
Mainland China	1,035	5,166,835	38,732	5,206,602	1,103	4,782,818	46,998	4,830,919
Taiwan	–	1,543,779	–	1,543,779	–	1,463,750	–	1,463,750
Asia	–	5,439,876	15,494	5,455,370	–	4,347,139	15,783	4,362,922
Americas	–	2,648,241	–	2,648,241	–	2,640,061	–	2,640,061
Europe	–	1,799,682	–	1,799,682	–	1,550,762	–	1,550,762
Others	–	289,316	–	289,316	–	236,008	–	236,008
	920,916	18,724,708	164,705	19,810,329	766,812	16,530,768	163,647	17,461,227

4 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 three principal activities of the Group, namely logistics operations, Hong Kong warehouse and international freight forwarding, in each geographical area.

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

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

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

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

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

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

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

	Segment non-current assets[#]	
	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Hong Kong	9,820,341	11,083,800
Mainland China	5,601,866	4,904,953
Taiwan	4,852,559	3,464,146
Asia	8,141,605	6,380,010
Americas	1,009,199	960,427
Europe	746,870	769,337
Others	228,111	136,990
	30,400,551	27,699,663

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

5 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Business tax and other taxes	5,527	7,236
Cost of goods sold	806,239	690,265
Freight and transportation costs	13,280,794	11,881,656
Depreciation of property, plant and equipment (note 11)	396,471	325,012
Depreciation of right-of-use assets	386,525	-
Amortisation of leasehold land and land use rights	-	5,329
Amortisation of intangible assets (note 11)	65,082	49,566
Provision for impairment of receivables	12,207	23,246
Reversal of provision for impairment of receivables	(350)	(5,500)
Operating lease charges on land and buildings	269,976	414,788
Employee benefit expenses	2,947,448	2,429,352

6 OTHER INCOME AND NET GAINS

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Interest income from investment in convertible bonds	10,543	10,542
Interest income from banks	14,981	15,206
Gain on disposal of property, plant and equipment	30,305	41,949
Interest income from associates	3,534	2,412
Dividend income from financial assets at fair value through other comprehensive income	6,629	7,984
Gain on disposal of subsidiaries	2,001,448	84,086
Gain on disposal of financial assets at fair value through profit or loss	39,672	-
Fair value change of financial assets at fair value through profit or loss	4,411	4,746
Goodwill impairment	(41,852)	-
	2,069,671	166,925

7 FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Interest expenses on bank loans and overdrafts	137,258	106,684
Interest expenses on lease liabilities	24,466	-
	161,724	106,684

8 TAXATION

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) for the six months ended 30 June 2019 on the estimated assessable profit for the period. Income tax on the overseas profits has been calculated on the estimated assessable profit for the period 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% (2018: 25%) on the estimated assessable profit for the period.

WITHHOLDING TAX ON DISTRIBUTED/UNDISTRIBUTED PROFITS

Withholding tax in the Group's associates and joint ventures is levied on the undistributed earnings for the period at the rates of taxation prevailing in the PRC and overseas countries.

Withholding tax on undistributed earnings of the Group's certain subsidiaries are not provided 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.

The amount of taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Hong Kong profits tax		
– Current	79,157	63,980
– Overprovision in prior years	(24)	(18)
– Deferred	(4,128)	(248)
	75,005	63,714
PRC taxation		
– Current	29,828	61,493
– Underprovision/ (overprovision) in prior years	930	(598)
– Deferred	24,447	(6,944)
	55,205	53,951
Overseas taxation		
– Current	162,134	144,415
– Underprovision/ (overprovision) in prior years	2,426	(2,750)
– Deferred	279	(6,304)
	164,839	135,361
	295,049	253,026

9 DIVIDENDS

The Directors have declared an interim dividend of 9 HK cents per share for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 9 HK Cents and a special dividend of 12 HK Cents), which is payable on Friday, 27 September 2019 to shareholders whose names appear on the registers of members of the Company on Friday, 13 September 2019. These financial statements do not reflect this dividends payable. Special dividend of 35 HK cents per share was declared and paid on Tuesday, 23 July 2019, considering the cash value unleashed from the disposal of two warehouses in Hong Kong.

10 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

BASIC

	Six months ended 30 June	
	2019	2018
Adjusted weighted average number of ordinary shares in issue ('000)	1,708,928	1,697,077
Profit attributable to the Company's shareholders (HK\$'000)	2,789,744	947,838
Basic earnings per share (HK\$)	1.63	0.56

DILUTED

	Six months ended 30 June	
	2019	2018
Adjusted weighted average number of ordinary shares in issue ('000)	1,708,928	1,697,077
Adjustment for share options ('000)	5,038	3,307
Weighted average number of shares for the purpose of calculating diluted earnings per share ('000)	1,713,966	1,700,384
Profit attributable to the Company's shareholders (HK\$'000)	2,789,744	947,838
Diluted earnings per share (HK\$)	1.63	0.56

11 NON-CURRENT ASSETS

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000	Intangible assets HK\$'000
Opening net book value at 1 January 2018	9,423,181	9,892,482	625,550	3,884,482
Additions	882,364	-	121	-
Acquisition of subsidiaries	2,424	-	-	469,891
Change in fair value	-	239,917	-	-
Disposals	(99,399)	-	(10,561)	-
Depreciation and amortisation	(325,012)	-	(5,329)	(49,566)
Transfer/reclassification	(20,848)	20,848	-	-
Exchange adjustment	(130,041)	(15,632)	(11,591)	(40,954)
Closing net book value at 30 June 2018	9,732,669	10,137,615	598,190	4,263,853
Opening net book value at 1 January 2019, as previously reported	10,347,048	11,039,020	590,450	4,250,877
Reclassification to right-of-use assets on adoption of HKFRS 16 (note 2(a))	-	-	(590,450)	-
Opening net book value at 1 January 2019, as restated	10,347,048	11,039,020	-	4,250,877
Additions	1,013,065	2,284	-	-
Acquisition of subsidiaries (note 17)	391,405	-	-	495,785
Change in fair value	-	205,020	-	-
Disposal of subsidiaries	(50,725)	(1,625,709)	-	-
Disposals	(51,602)	-	-	-
Depreciation and amortisation	(396,471)	-	-	(65,082)
Transfer/reclassification	(17,341)	17,341	-	-
Exchange adjustment	108,792	(725)	-	(9,864)
Goodwill impairment	-	-	-	(41,852)
Closing net book value at 30 June 2019	11,344,171	9,637,231	-	4,629,864

**VALUATION OF INVESTMENT PROPERTIES
FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUTS**

	Hong Kong HK\$'000	PRC HK\$'000	Overseas HK\$'000	Total HK\$'000
Opening balance as at 1 January 2018	8,510,920	883,173	498,389	9,892,482
Change in fair value	267,150	(27,530)	297	239,917
Transfer from property, plant and equipment	-	20,848	-	20,848
Exchange adjustment	-	(12,587)	(3,045)	(15,632)
Closing balance as at 30 June 2018	8,778,070	863,904	495,641	10,137,615
Opening balance as at 1 January 2019	9,686,800	861,448	490,772	11,039,020
Additions	2,284	-	-	2,284
Change in fair value	206,025	1,784	(2,789)	205,020
Disposal of subsidiaries	(1,625,709)	-	-	(1,625,709)
Transfer from property, plant and equipment	-	17,341	-	17,341
Exchange adjustment	-	(1,813)	1,088	(725)
Closing balance as at 30 June 2019	8,269,400	878,760	489,071	9,637,231

11 NON-CURRENT ASSETS (CONTINUED)

VALUATION OF INVESTMENT PROPERTIES (CONTINUED) FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUTS (CONTINUED)

All investment properties are included in level 3 category, which requires recurring fair value measurement at each period end. There were no transfers between levels during the period (2018: nil).

VALUATION PROCESSES OF THE GROUP

The Group measures its investment properties at fair value. For all investment properties, their current use equates to the highest and best use.

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 period end the finance department:

- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

VALUATION TECHNIQUES

Fair value of investment properties in Hong Kong, the PRC 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. Fair value of certain investment properties in Vietnam are generally derived using Depreciated Replacement Cost ("DRC") approach.

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 Hong Kong, the PRC and overseas investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

12 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

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

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Below 1 month	4,248,879	4,372,337
Between 1 month and 3 months	2,242,391	2,662,406
Over 3 months	694,794	498,890
Total trade receivables, net	7,186,064	7,533,633
Prepayments, deposits and other receivables (note a)	2,164,237	1,969,256
	9,350,301	9,502,889

Notes:

- (a) The balances mainly comprise prepaid rent, freight and transportation costs, rental deposits, deposits to suppliers, and temporary payment made on behalf of the customers.
- (b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group determines the provision for expected credit losses by grouping together trade and other receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and other receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

13 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in accounts payable, deposits received and accrued charges are trade payables.

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Trade payables	3,412,974	3,707,939
Deposits received, accrued charges and other payables (note a)	4,353,805	4,599,740
	7,766,779	8,307,679
Less: Non-current contingent consideration payable for acquisition of subsidiaries	(362,748)	(348,513)
Non-current written put option liability (note b)	(1,134,102)	(1,163,428)
	6,269,929	6,795,738

The ageing analysis of trade payables based on the date of the invoice of the Group is as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Below 1 month	2,114,950	2,322,677
Between 1 month and 3 months	629,690	761,110
Over 3 months	668,334	624,152
Total trade payables	3,412,974	3,707,939

Notes:

- (a) The balances mainly comprise customer deposits, consideration payable for acquisition of subsidiaries, accrued charges which mainly comprise accrued employee benefit expenses, freight and transportation costs, freight charges received in advance and value added tax payables.

13 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES (CONTINUED)

Notes: (Continued)

(b) Pursuant to agreements entered into between the Group with Transpeed and APEX respectively in 2016, the Group has granted put options which entitle the non-controlling interests of Transpeed and APEX to sell the remaining interests to the Group. In addition, the Group has been granted call options to acquire the remaining interest in the acquired entities at the same exercise prices, (the "Transpeed options" and "Apex options" respectively). The exercise prices are determined by the estimated post-acquisition financial performance of the acquired entities. The Transpeed options will be exercisable before the end of June 2020 and the APEX options will be exercisable between 2019 and 2021. The Apex options that are exercisable in 2019 have been rolled over to 2020. The options are initially recognised at fair value within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest. The options liability shall be re-measured at its fair value resulting from the change in the expected performance of Transpeed and APEX at the end of each reporting date, with any resulting gain or loss recognised in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognised with a corresponding adjustment to equity.

14 BANK LOANS

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Non-current		
– unsecured	4,653,774	3,918,104
– secured	522,468	651,460
	5,176,242	4,569,564
Current		
– unsecured	2,779,733	4,437,736
– secured	586,729	499,166
	3,366,462	4,936,902
Total bank loans	8,542,704	9,506,466

15 SHARE CAPITAL

	As at 30 June 2019		As at 31 December 2018	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares, authorised, issued and fully paid:				
At beginning of the period/year	1,705,263,112	852,632	1,696,087,112	848,044
Exercise of pre-IPO share option scheme allotment	5,561,500	2,780	9,166,000	4,583
Exercise of post-IPO share option scheme allotment	1,987,500	994	10,000	5
At end of the period/year	1,712,812,112	856,406	1,705,263,112	852,632

16 TRANSACTION WITH NON-CONTROLLING INTERESTS

During the period, 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
Consideration received from non-controlling interests	500
Consideration to be received from non-controlling interests	4,600
Increase in non-controlling interests	(2,960)
Changes in equity attributable to the Company's shareholders arising from changes in ownership of interests in subsidiaries without change of control	2,140

17 BUSINESS COMBINATION

During the period, the Group acquired controlling equity interests in several international freight forwarding companies, which are principally operated in Taiwan, PRC and Indonesia.

Aggregate consideration of the above transactions is as follows:

	HK\$'000
Cash consideration paid	497,000
Cash consideration to be paid	90,540
Total	587,540

17 BUSINESS COMBINATION (CONTINUED)

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 11)	391,405
Right-of-use assets	315,996
Accounts receivable, prepayments and deposits	72,951
Cash and bank balances	112,007
Accounts payable, deposits received and accrued charges	(169,841)
Pension liabilities	(4,659)
Lease liabilities	(315,996)
Taxation	(2,595)
Deferred taxation	(42,845)
Total identifiable net assets	356,423
Intangible assets (note 11)	495,785
Interests originally held by the Group as financial assets at fair value through other comprehensive income	(28,809)
Non-controlling interests	(235,859)
Total	587,540

* As at 30 June 2019, verification of individual assets/liabilities of the acquired businesses/subsidiaries is in progress and the Group has not finalised the fair value assessments. The relevant fair value of individual assets/liabilities stated as above are provisional.

The intangible assets of HK\$495,785,000 arising from these acquisitions are primarily attributable to the future profitability of the acquired businesses.

The acquired businesses contributed turnover of HK\$436,220,000 and net profit of HK\$20,800,000 to the Company's shareholders for the period from their respective acquisition dates up to 30 June 2019. If the acquisitions had occurred on 1 January 2019, the contributed turnover and profit attributable to the Company's shareholders for the period ended 30 June 2019 would have been HK\$448,122,000 and HK\$28,172,000 respectively.

18 COMMITMENTS

As at 30 June 2019, the Group had capital commitments in respect of property, plant and equipment and acquisition of subsidiaries not provided for in these financial statements as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Contracted but not provided for	575,146	1,014,433

19 PLEDGE OF ASSETS

As at 30 June 2019, the Group's total bank loans of HK\$8,542,704,000 (31 December 2018: HK\$9,506,466,000) included an aggregate amount of HK\$1,109,197,000 (31 December 2018: HK\$1,150,626,000) which are secured. The Group's total bank overdrafts of HK\$230,087,000 (31 December 2018: HK\$193,076,000) included an aggregate amount of HK\$57,184,000 (31 December 2018: HK\$46,541,000) which are secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (i) legal charges over certain investment properties, leasehold land and land use rights, construction in progress and buildings and port facilities of the Group with an aggregate net book value of HK\$3,140,910,000 (31 December 2018: HK\$2,872,808,000);
- (ii) assignments of insurance proceeds of certain properties of the Group; and
- (iii) certain balances of restricted and pledged deposits of the Group.

20 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Interim Financial Statements, the following transaction during the period is considered significant to the Group.

On 28 June 2019, the Group has completed the disposal of the entire issued share capital in Dec Limited and Belminton Inc. and its subsidiaries (the "Target Companies") at a cash consideration of HK\$3.6 billion to a subsidiary of KPL, a controlling shareholder and substantial shareholder of the Group, with a disposal gain of approximately HK\$2 billion. The Group, on the same day, has entered into the agreements with the Target Companies on the provision of building management and related services.

DEFINITIONS

“1H” or “2H”	first half or second half
“APEX”	a group of 51%-owned US subsidiaries of KLN Investment (US) LLC, an indirect wholly-owned subsidiary of the Company
“ASEAN”	the Association of Southeast Asian Nations
“Asia”	Asia continent, for the purpose of this interim report only, excludes Greater China
“Board”	the board of Directors
“Caninco”	Caninco Investments Limited, a wholly-owned subsidiary of KHL
“CAPEX”	capital expenditure
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Darmex”	Darmex Holdings Limited, a wholly-owned subsidiary of KHL
“Directors”	directors of the Company

“F&B”	food and beverage
“Global Offering”	the initial public offering of the Shares whereby the Shares were listed on the Main Board of the Stock Exchange on 19 December 2013
“Greater China”	Mainland China, Hong Kong, Macau and Taiwan
“Group” or “Kerry Logistics”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK(IFRIC) - Int”	Hong Kong (International Financial Reporting Interpretations Committee) - Interpretation
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of Mainland China
“Hong Kong Warehouse”	Hong Kong warehousing business
“Hopemore”	Hopemore Ventures Limited, a subsidiary of KHL
“IFF”	international freight forwarding
“IL”	integrated logistics
“Kerry Coffee”	Kerry Coffee (Hong Kong) Limited, a limited company incorporated in Hong Kong, an indirect wholly-owned subsidiary of the Company

“Kerry Cold Chain Solution”	Kerry Cold Chain Solution Ltd., a limited company incorporated in PRC, an indirect 51%-owned subsidiary of the Company
“Kerry Express Thailand”	Kerry Express (Thailand) Limited, a company incorporated in Thailand with limited liability, an indirect 63%-owned subsidiary of the Company
“Kerry Pharma”	Kerry Pharma Logistics Co., Ltd., incorporated under the laws of Taiwan with limited liability by shares, a deemed 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), is a deemed subsidiary of the Company
“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 one of the Controlling Shareholders of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Macao”	Macao Special Administrative Region of Mainland China
“Mainland China” or “PRC”	The People’s Republic of China and, for the purpose of this interim report only, excludes Hong Kong, Macau and Taiwan
“Majestic”	Majestic Tulip Limited, a subsidiary of KHL
“Medallion”	Medallion Corporate Limited, a subsidiary of KHL
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

“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
“PP&E”	property, plant and equipment
“Pre-IPO Share Option Scheme”	pre-IPO share option scheme of the Company
“Q1”, “Q2” or “Q4”	first quarter, second quarter or fourth quarter
“Registers of Members”	registers of members of the Company
“Rubyhill”	Rubyhill Global Limited, a subsidiary of KHL
“Science Park Logistics”	Science Park Logistics Co., Ltd., incorporated under the laws of Taiwan with limited liability by shares, a deemed subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transpeed”	Transpeed Cargo (S) Pte. Ltd., a private company limited by shares incorporated in Singapore, an indirect 75%-owned subsidiary of the Company
“US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“Vencedor”	Vencedor Investments Limited, a subsidiary of KHL

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assurance. Currently, it acts as the local distributor for a number of foreign brands in the pharmaceutical and medical device sectors. In Taiwan, Kerry Pharma is the sole certified pharmaceutical logistics service provider, offering complete logistics solutions to hospitals, clinics, pharmacies, chain medical sales channels, blood centres and pharmaceutical companies.

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