

INTERIM REPORT
2023



Kerry Logistics
Network Limited

0636.HK

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

QUICK FACTS

59

countries & territories

36,000+

employees worldwide

67M ft²

land & facilities

6,900+

self-owned operating vehicles

THE ONE · IN ASIA

CONTENTS

02 Corporate Information & Key Dates

03 Financial Highlights

06 Results Overview

07 Management Discussion and Analysis

07 Business Review

10 Financial Review

10 Staff and Remuneration Policies

11 Corporate Governance and Other Information

23 Independent Auditor's Review Report

25 Interim Financial Statements

50 Definitions

CORPORATE INFORMATION & KEY DATES

BOARD OF DIRECTORS

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

Executive Directors
Mr CHEUNG Ping Chuen Vicky (Managing Director)
Mr CHENG Chi Wai

Non-executive Directors
Mr CHAN Fei
Mr HO Chit
Ms CHEN Keren

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

AUDIT AND COMPLIANCE COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FINANCE COMMITTEE

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

RISK MANAGEMENT COMMITTEE[#]

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

SUSTAINABILITY COMMITTEE[#]

Mr CHENG Chi Wai (Chairman)

COMPANY SECRETARY

Ms LEE Pui Nee

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor

LEGAL ADVISER

Norton Rose Fulbright Hong Kong

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR RELATIONS

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WEBSITE

www.kln.com

KEY DATES

Closure of Registers of Members
12 September 2023

Proposed Payment of Interim Dividend
On or around 22 September 2023

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

FINANCIAL HIGHLIGHTS

HK\$M

REVENUE

25,315 ▼ **47%**

SEGMENT PROFIT

IL

718 ▲ **0.2%**

E&E

(505) N/A

IFF

621 ▼ **82%**

CORE OPERATING PROFIT

568 ▼ **84%**

CORE NET PROFIT

368 ▼ **85%**

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

368 ▼ **85%**

INTERIM DIVIDEND

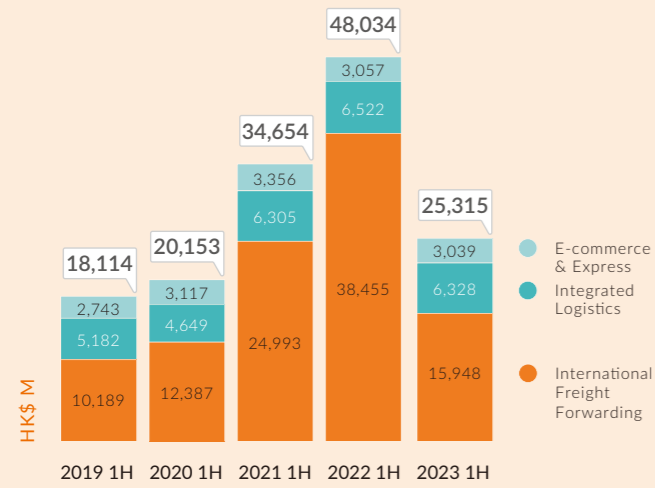
HK CENTS PER SHARE

9

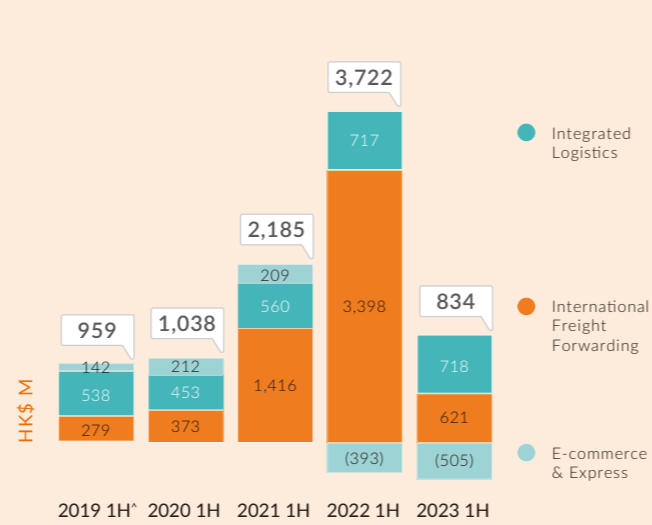
GEARING

44.5%/2.6%
GROSS NET

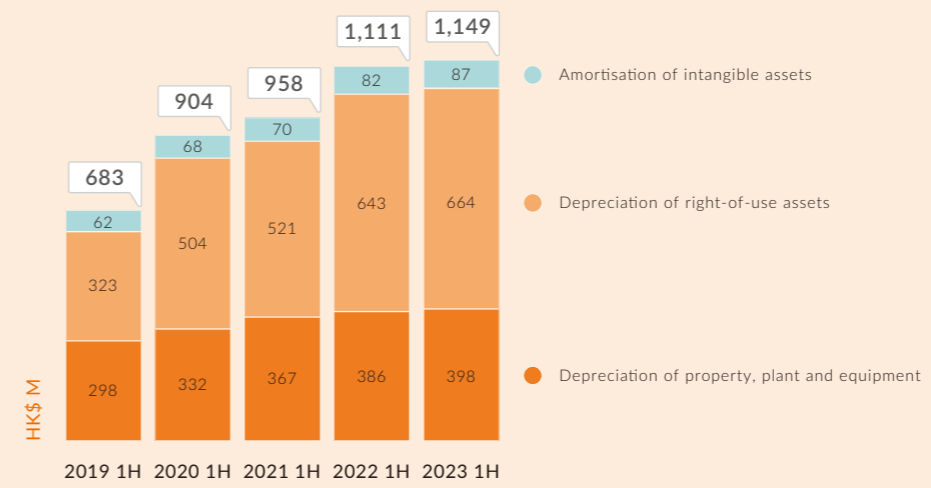
REVENUE BY SEGMENT*



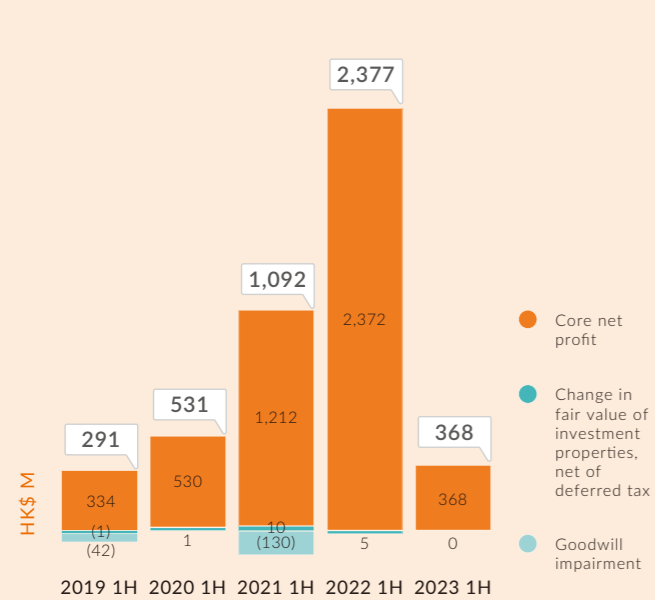
SEGMENT PROFIT*



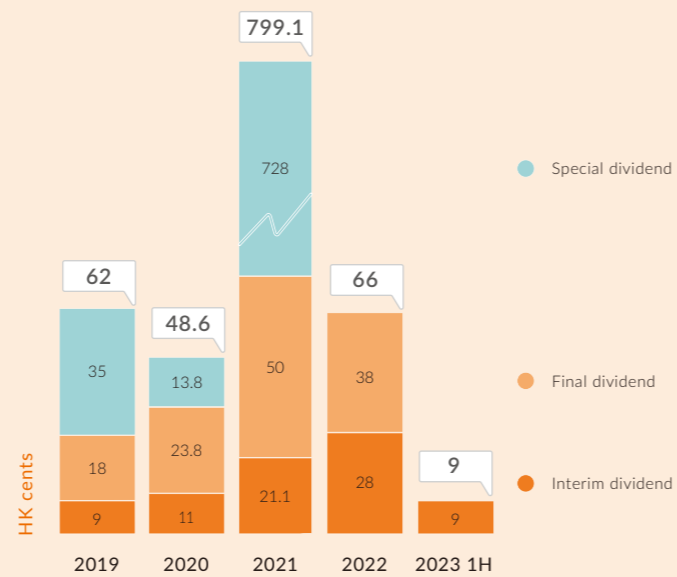
DEPRECIATION AND AMORTISATION*



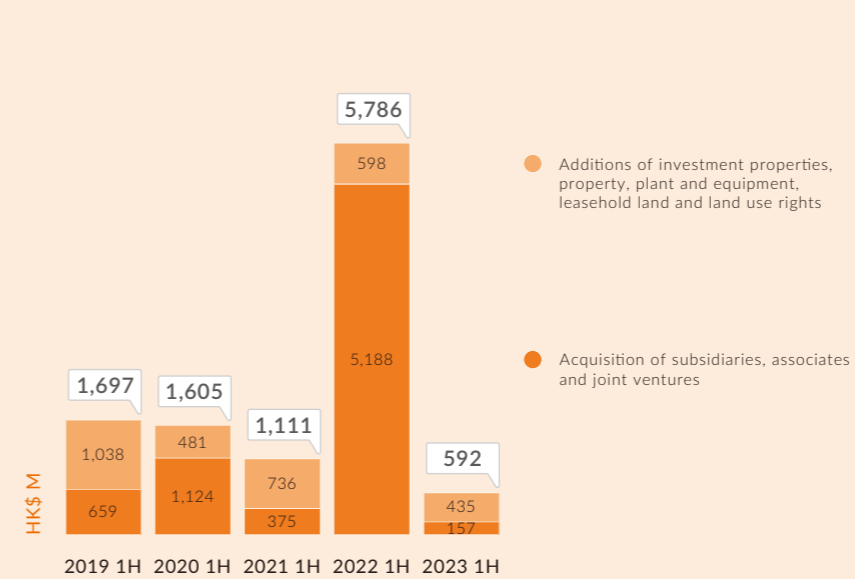
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS*



DIVIDEND PER SHARE



CAPEX



* For continuing operations only
^ Restated

* For continuing operations only

RESULTS OVERVIEW

The Group recorded a drop in revenue of 47% to HK\$25,315 million in 2023 1H (2022 1H: HK\$48,034 million). Core operating profit decreased by 84% to HK\$568 million (2022 1H: HK\$3,461 million). Core net profit also dropped by 85% year-on-year to HK\$368 million (2022

1H: HK\$2,372 million). Profit attributable to the Shareholders was HK\$368 million (2022 1H: HK\$2,377 million), which represents a year-on-year drop of 85%.

	2023 1H HK\$ million	2022 1H HK\$ million	
Segment profit/(loss)			
IL	718	717	+0.2%
E&E	(505)	(393)	N/A
IFF	621	3,398	-82%
	834	3,722	
Unallocated administrative expenses and others	(266)	(261)	
Core operating profit	568	3,461	-84%
Core net profit	368	2,372	-85%
Changes in fair value of investment properties, net of deferred tax	-	5	
Profit attributable to the Shareholders	368	2,377	-85%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

MARKET OVERVIEW

While the global economy showed a slow recovery in 2023 1H, persistently high inflation, rising geopolitical instability and heightened market uncertainties continued to dampen consumer spending. Global trade volume and growth remained subdued as a result. Freight rates and volume stayed depressed while supply chain demand remained stagnant.

During the three years ended 31 December 2022, KLN Group's flexible and innovative supply chain solutions enabled it to benefit from the supply and demand mismatch during the pandemic and achieved exceptionally good results. However, the extraordinary circumstances in 2021 and 2022 proved an anomaly that distorted year-on-year comparisons for logistics companies including KLN Group.

After the particularly difficult 2023 Q1, the Group's overall performance has bottomed out. Although the Group's core net profit reported a decrease of 85% in year-on-year terms, the performance in 2023 Q2 recorded more than 30% quarter-on-quarter growth. The Group's resilience, agility and unique position in Asia are expected to carry it through the storm in 2023.

INTEGRATED LOGISTICS

The overall IL businesses remained stable in 2023 1H. The economic activities in Asia have gradually

picked up, with the Group's IL business in the Mainland of China and the Kerry Siam Seaport in Thailand recording satisfactory results. Yet, the Group's IL business in Hong Kong did not grow proportionally due to a sharp decline in the demand for pandemic-related services. Nevertheless, the Hong Kong business is expected to improve riding on the economic reopening, further rebound in retail sales and new customer wins.

E-COMMERCE AND EXPRESS

While the E&E division continued to register a segment loss, Kerry Express Thailand, the major contributor of the E&E business, is expected to stabilise in 2024 Q4. On 25 July 2023, KLN Group announced the transfer of certain companies engaging in express delivery services in the Asia Pacific and Europe to SF Holding Limited, an indirect wholly-owned subsidiary of S.F. Holding as a move to reorient gradually its focus towards expanding the Group's core IL and IFF businesses, as well as creating greater synergies with S.F. Holding.

INTERNATIONAL FREIGHT FORWARDING

The IFF division reported an 82% decline in segment profit in 2023 1H mainly caused by weak global demand, slower-than-expected recovery in Asia exports and plunged freight rates. As the global logistics market continues to normalise and returns to pre-pandemic levels, both air and ocean freight rates have been going down since 2022 Q3 from the historical highs in 2021, causing further contraction in profit margin compared to that of the corresponding period in 2022.

The Trans-Pacific trade lane remains the major contributor of the Group's IFF division, which accounted for more than 80% of the business. Although the volume of this trade lane has declined by 22%, the drop in the Group's IFF business was comparatively smaller, riding on the Group's scale in this trade lane and its determination to maintain volume and retain customers within the bounds of its profit margin. Therefore, it is expected that when the market turns around, the IFF division is likely to outperform the market.

In 2023 1H, KLN Group actively pursued new market opportunities and developed more emerging trade lanes leveraging the synergies with S.F. Holding, such as using Abu Dhabi as a cargo transshipment hub in the Middle East for cargoes to Europe, Africa and other countries as well as opening new freight routes between the Mainland of China and the US. The Group has also launched a global less-than-container load (LCL) programme

to offer weekly direct LCL services from key Asian gateways to multiple country destinations across the globe, catering to the increasing demand for smaller-volume cargoes post-pandemic. Overall, the Group's IFF performance in 2023 Q2 grew by 28% compared with the previous quarter.

SUSTAINABILITY

Following the release of the first International Sustainability Standards Board (ISSB) standards in June 2023, KLN Group has been undergoing a feasibility study to strengthen its governance practices and more closely align its sustainability-related disclosures with the ISSB standards. To achieve this, the Group is refining its infrastructure for managing environmental data to better monitor its environmental footprint. While following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in its Sustainability Reporting, the Group is currently conducting climate-related financial impact



KLN Group was the global number one NVOCC from Asia to the US for 2023 1H

assessments. The results of these assessments will be disclosed in 2024. The Group will also continue to collaborate with its partners to launch various programmes and events designed to create positive social impact. Going forward, the Group will maintain its focus on enhancing its environmental and social sustainability performance.

OUTLOOK

2023 is shaping up to be a tough year for the global logistics industry. Yet, the extreme circumstances under the pandemic are gradually fading in global logistics activities and there are signs of improvement in both freight rates and volumes in KLN Group's key markets.

Using the pre-pandemic FY 2019 as the base, KLN Group is confident to deliver healthy and sustainable Compound Annual Growth Rate (CAGR) growth in segment profits in its IL and IFF divisions. The Group is also optimistic that the stable performance of the IL business is likely to

keep up the momentum in 2023 2H. Within the E&E segment, Kerry Express Thailand is expected to stabilise in 2024 Q4.

Throughout the pandemic, KLN Group has supported its customers continually and consistently with flexible alternatives and ad-hoc solutions. The Group's unwavering commitment to serving customers well under unprecedented market conditions has deepened customers' trust in the Group which will enable it to capture opportunities when the market recovers.

Looking ahead, KLN Group will continue its ongoing efforts in strategic alignment and cost improvement across its global network while further growing its key markets where greater potential for long-term growth is offered. Together with the synergies created with S.F. Holding, KLN Group is fully prepared to seize every business opportunity promptly and generate sustainable value for its shareholders for 2023.

FINANCIAL REVIEW

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

Most of the Group's assets and liabilities are denominated in different functional currencies of the overseas subsidiaries' respective countries. The Group generally does not enter into foreign exchange hedges in respect of its long-term equity investments in overseas subsidiaries, associates and 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 year, the amount of which was insignificant to the Group. The Group will continue to closely monitor its foreign exchange position and if necessary, hedge its foreign exchange exposure by entering into appropriate hedging instruments. As at 30 June 2023, total foreign currency borrowings amounted to the equivalent of HK\$2,651 million (including HK\$1,307 million denominated in Renminbi and HK\$799 million denominated in USD), which represented approximately 32% of the Group's total bank loans of HK\$8,196 million.

Out of the Group's total bank loans as at 30 June 2023, HK\$2,890 million (representing approximately 35%) was repayable within one year, HK\$1,935 million (representing approximately 24%) in the second year, HK\$3,288 million (representing approximately 40%) in the third to fifth years and HK\$83 million (representing approximately 1%) over five years. The Group maintains most of its bank loans on an unsecured basis, with unsecured debt accounting for approximately 99% of total bank loans. In relation to the secured bank loans of HK\$78 million as at 30 June 2023, the securities provided include legal charges over certain non-

current assets with aggregate net book value of HK\$845 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 interest rates are going up and are expected to rise continuously, the Group is reviewing the loan portfolio and replacing the existing facilities by fixed rate loans where appropriate, and will continue to monitor the market development and minimize the Group's interest risk exposure.

As at 30 June 2023, the gearing ratio for the Group was 44.5% (31 December 2022: 48.3%). The ratio was calculated as total bank loans and overdrafts, divided by equity attributable to the Shareholders.

As at 30 June 2023, the Group had total undrawn bank loan and overdraft facilities of HK\$6,496 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 2023, the Group had no material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 30 June 2023, the Group had approximately 36,100 employees. The remuneration to employees includes salaries maintained at competitive levels while bonuses are granted on a discretionary basis. The Group provides training to its staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees. Other employee benefits include provident fund, insurance, medical, sponsorship for educational or training programmes, share option schemes and share award scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

(I) THE COMPANY

Directors	Ordinary Shares in the Company				Total interests	Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
WANG Wei ⁽²⁾	-	-	972,698,478	-	972,698,478	53.82%
KUOK Khooon Hua ⁽³⁾	600,428	-	-	1,132,479	1,732,907	0.10%
CHEUNG Ping Chuen Vicky ⁽⁴⁾	3,585,178	-	-	-	3,585,178	0.20%
CHENG Chi Wai (appointment effective from 22 May 2023) ⁽⁵⁾	741,303	-	-	-	741,303	0.04%
WONG Yu Pok Marina ⁽⁶⁾	20,796	-	-	-	20,796	<0.01%

Notes:

- (1) Base on 1,807,429,342 Ordinary Shares in issue as at 30 June 2023.
- (2) Mr Wang is interested in 972,698,478 Ordinary Shares held through his controlled corporations, which includes the 41,489,361 Convertible Securities Mr Wang is deemed to be interested in pursuant to the disclosure requirements under the SFO.
- (3) Mr Kuok is interested in (i) 600,428 Ordinary Shares as beneficial owner; and (ii) 1,132,479 Ordinary Shares held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.
- (4) Mr Cheung is interested in (i) 3,449,443 Ordinary Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 135,735 Ordinary Shares.
- (5) Mr Cheng is interested in (i) 589,982 Ordinary Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 151,321 Ordinary Shares.
- (6) Ms Wong is interested in 20,796 Ordinary Shares as beneficial owner.

(II) ASSOCIATED CORPORATIONS

Shenzhen Mingde Holding Development Co., Ltd.

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

Notes:

(1) Base on a total registered capital of Shenzhen Mingde of RMB113,400,000 as at 30 June 2023.

(2) Mr Wang is interested in registered capital of Shenzhen Mingde in the amount of RMB113,286,600 as beneficial owner.

S.F. Holding Co., Ltd.

Directors	Ordinary shares in S.F. Holding				Total interests	Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
CHAN Fei ⁽²⁾	488,000	-	-	-	488,000	0.01%
HO Chit ⁽³⁾	488,000	-	-	-	488,000	0.01%

Notes:

(1) Base on 4,895,202,373 ordinary shares in S.F. Holding in issue as at 30 June 2023.

(2) Mr Chan is interested in options granted under the 2022 stock option incentive plan of S.F. Holding to subscribe for 488,000 ordinary shares in S.F. Holding.

(3) Mr Ho is interested in options granted under the 2022 stock option incentive plan of S.F. Holding to subscribe for 488,000 ordinary shares in S.F. Holding.

Kerry Express (Thailand) Public Company Limited

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

Notes:

(1) Base on 1,742,577,000 ordinary shares in Kerry Express Thailand in issue as at 30 June 2023.

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

Save as disclosed above, as at 30 June 2023, the Company is not aware of any other Director or the chief executive of the Company who has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at 30 June 2023, the following are the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

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

Notes:

(1) Based on 1,807,429,342 Ordinary Shares in issue as at 30 June 2023.

(2) Mr WANG Wei is the executive director of Shenzhen Mingde.

(3) Mr WANG Wei is an executive director, the chairman of the board of directors and the general manager of S.F. Holding. Mr CHAN Fei is an assistant chief executive officer of S.F. Holding. Mr HO Chit is an executive director, a deputy general manager and the chief financial officer of S.F. Holding.

(4) Mr KUOK Khooon Hua is a director of KGL. Ms CHEN Keren is the group co-general counsel, the company secretary, the head of company secretarial and compliance and the director of corporate services of KGL.

(5) Mr KUOK Khooon Hua is the chairman and a director of KHL.

(6) Mr KUOK Khooon Hua is the chairman, the chief executive officer and an executive director of KPL. Ms WONG Yu Pok Marina is an independent non-executive director of KPL.

(7) Flourish Harmony is interested in 931,209,117 Ordinary Shares as beneficial owner. SF Holding Limited is interested in 41,489,361 Convertible Securities as beneficial owner. Each of Flourish Harmony and SF Holding Limited is wholly owned by S.F. Holding. S.F. Holding is a subsidiary of Shenzhen Mingde which is in turn controlled by Mr WANG Wei. Accordingly, S.F. Holding, Shenzhen Mingde and Mr WANG Wei are deemed to be interested in the interest held by Flourish Harmony and SF Holding Limited in the Company pursuant to the disclosure requirements under the SFO.

(8) KPL is a subsidiary of KHL. KHL is a wholly-owned subsidiary of KGL. Accordingly, KHL is deemed to be interested in the interest held by KPL in the Company and KGL is deemed to be interested in the interest held by each of KHL and KPL in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at 30 June 2023, the Company is not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

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

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

As at 30 June 2023, a total of 618,200 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 2023 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant (Note a)	Tranche	Number of options			Exercise price HK\$	Exercise period
			Outstanding as at 01/01/2023	Exercised (Notes b and c)	Lapsed		
Continuous Contract Employees	02/12/2013	I	255,000	-	-	255,000	19/12/2013-01/12/2023
	02/12/2013	II	383,200	(4,500)	(15,500)	363,200	02/12/2014-01/12/2023
Total			638,200	(4,500)	(15,500)	618,200	

Notes:

- The vesting period of the options is from the date of grant until the commencement of the exercise period.
- The weighted average closing price of the Ordinary Shares of the Company immediately before the dates on which the options were exercised was HK\$11.28.
- During the six months ended 30 June 2023, no option was granted/granted for adjustment, transferred from/to other category or cancelled under the Pre-IPO Share Option Scheme.
- There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

POST-IPO SHARE OPTION SCHEME

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

There were (i) no outstanding options granted under the Post-IPO Share Option Scheme as at 1 January 2023 and 30 June 2023, and (ii) no movements in options during the six months ended 30 June 2023.

SHARE AWARD SCHEME

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

During the six months ended 30 June 2023, 2,417,855 awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 30 June 2023, a total of 7,528,196 awarded Shares have been granted under the Share Award Scheme (representing approximately 0.42% and 0.42% of the issued share capital of the Company as at 30 June 2023 and the date of this interim report, respectively), of which 6,173,457 have vested and 1,354,739 remain unvested.

Movement of the awarded Shares, which were granted under the Share Award Scheme, during the six months ended 30 June 2023 are listed below:

Category	Date of grant	Tranche	Number of awarded Shares								Vesting period (Note e)	
			Unvested as at 01/01/2023	Transfer from other category during the six months ended 30/06/2023	Granted during the six months ended 30/06/2023 (Note a)	Granted for adjustment during the six months ended 30/06/2023 (Note b)	Vested (Notes c and d)	Transfer to other category during the six months ended 30/06/2023	Unvested as at 30/06/2023	Purchase price HK\$		
1. Directors												
MA Wing Kai William (retirement effective from 22 May 2023) (Note f)	01/04/2020	IV	241,192	-	-	192,953	434,145	-	-	N/A	01/04/2020-01/04/2023	
	01/04/2021	III	36,850	-	-	-	36,850	-	-	N/A	01/04/2021-01/04/2023	
	01/04/2021	IV	36,849	-	-	-	-	36,849	-	N/A	01/04/2021-01/04/2024	
	01/04/2022	II	65,443	-	-	-	65,443	-	-	N/A	01/04/2022-01/04/2023	
	01/04/2022	III	65,443	-	-	-	-	65,443	-	N/A	01/04/2022-01/04/2024	
	01/04/2022	IV	65,443	-	-	-	-	65,443	-	N/A	01/04/2022-01/04/2025	
	01/04/2023	I	-	-	264,837	-	264,837	-	-	N/A	N/A	
	01/04/2023	II	-	-	88,279	-	-	88,279	-	N/A	01/04/2023-01/04/2024	
	01/04/2023	III	-	-	88,279	-	-	88,279	-	N/A	01/04/2023-01/04/2025	
	01/04/2023	IV	-	-	88,279	-	-	88,279	-	N/A	01/04/2023-01/04/2026	

Category	Date of grant	Tranche	Number of awarded Shares							Purchase price HK\$	Vesting period (Note e)	
			Unvested as at 01/01/2023	Transfer from other category during the six months ended 30/06/2023	Granted during the six months ended 30/06/2023 (Note a)	Granted for adjustment during the six months ended 30/06/2023 (Note b)	Vested (Notes c and d)	Transfer to other category during the six months ended 30/06/2023	Unvested as at 30/06/2023			
1. Directors (continued)	CHEUNG Ping Chuen Vicky	01/04/2022	II	18,358	-	-	-	18,358	-	-	N/A	01/04/2022-01/04/2023
		01/04/2022	III	18,358	-	-	-	-	-	18,358	N/A	01/04/2022-01/04/2024
		01/04/2022	IV	18,360	-	-	-	-	-	18,360	N/A	01/04/2022-01/04/2025
		01/04/2023	I	-	-	99,017	-	99,017	-	-	N/A	N/A
		01/04/2023	II	-	-	33,005	-	-	-	33,005	N/A	01/04/2023-01/04/2024
		01/04/2023	III	-	-	33,005	-	-	-	33,005	N/A	01/04/2023-01/04/2025
		01/04/2023	IV	-	-	33,007	-	-	-	33,007	N/A	01/04/2023-01/04/2026
CHENG Chi Wai (appointment effective from 22 May 2023) (Note g)	01/04/2021	IV	-	13,431	-	-	-	-	13,431	N/A	01/04/2021-01/04/2024	
	01/04/2022	III	-	22,264	-	-	-	-	22,264	N/A	01/04/2022-01/04/2024	
	01/04/2022	IV	-	22,265	-	-	-	-	22,265	N/A	01/04/2022-01/04/2025	
	01/04/2023	II	-	31,120	-	-	-	-	31,120	N/A	01/04/2023-01/04/2024	
	01/04/2023	III	-	31,120	-	-	-	-	31,120	N/A	01/04/2023-01/04/2025	
	01/04/2023	IV	-	31,121	-	-	-	-	31,121	N/A	01/04/2023-01/04/2026	
2. Continuous Contract Employees	01/04/2020	IV	747,728	-	-	598,168	1,345,896	-	-	N/A	01/04/2020-01/04/2023	
	01/04/2021	III	99,912	-	-	-	99,912	-	-	N/A	01/04/2021-01/04/2023	
	01/04/2021	IV	99,907	36,849	-	-	-	13,431	123,325	N/A	01/04/2021-01/04/2024	
	01/04/2022	II	118,500	-	-	-	118,500	-	-	N/A	01/04/2022-01/04/2023	
	01/04/2022	III	118,500	65,443	-	-	-	22,264	161,679	N/A	01/04/2022-01/04/2024	
	01/04/2022	IV	118,512	65,443	-	-	-	22,265	161,690	N/A	01/04/2022-01/04/2025	
	01/04/2023	I	-	-	449,513	-	449,513	-	-	N/A	N/A	
	01/04/2023	II	-	88,279	149,835	-	-	31,120	206,994	N/A	01/04/2023-01/04/2024	
	01/04/2023	III	-	88,279	149,835	-	-	31,120	206,994	N/A	01/04/2023-01/04/2025	
	01/04/2023	IV	-	88,279	149,843	-	-	31,121	207,001	N/A	01/04/2023-01/04/2026	
Total:			1,869,355	583,893	1,626,734	791,121	2,932,471	583,893	1,354,739			

Notes:

- The closing price of the Ordinary Shares immediately before the date of grant was HK\$12.20.
- The date of grant for adjustment during the six months ended 30 June 2023 was on 1 April 2023, the closing price of the Ordinary Shares immediately before the date of grant for adjustment was HK\$12.20 and the vesting period was from 1 April 2023 to 1 April 2023.
- The weighted average closing price of the Ordinary Shares immediately before the date on which the awarded Shares were vested was HK\$12.20.
- During the six months ended 30 June 2023, no awarded Shares was cancelled or lapsed under the Share Award Scheme.
- The vesting period of the awarded Shares is from the date of grant until the date of vesting.
- Mr Ma's retirement as Executive Director was effective from 22 May 2023 and his awarded Shares were re-categorised from Directors to Continuous Contract Employees.
- Mr Cheng's appointment as Executive Director was effective from 22 May 2023 and his awarded Shares were re-categorised from Continuous Contract Employees to Directors.
- There are no participants with awarded Shares granted in excess of the individual limit and no grants to suppliers of goods and services.
- The funds provided by the Company to the trustee of the Share Award Scheme for purchase of Shares from the market are expensed as part of the discretionary bonuses under the employee benefit expenses at the year of grant, which is determined based on the overall performance of the eligible participants and the Group.

SUMMARY OF THE SHARE SCHEMES

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
1. Purpose	To motivate eligible persons to 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	To support the long-term growth of the Group and enhance its reputation as an employer-of-choice in the industry, to attract and incentivise suitable personnel for the further development of the Group, to recognise contributions by participants, to retain talent and to help align the interests of the Directors and senior management of the Group with the Group's long-term performance	
2. Participants	Eligible persons include (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group (an "Employee"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (ii) a director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (iv) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; (v) an associate (as defined under the Listing Rules) of any of the foregoing persons	Eligible persons include any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group unless otherwise necessary or expedient to be excluded	

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
3. Maximum number of Shares	As at 30 June 2023, a total of 618,200 options granted under the Pre-IPO Share Option Scheme were outstanding, representing approximately 0.03% and 0.03% of the issued share capital of the Company as at 30 June 2023 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 2023, no option granted under the Post-IPO Share Option Scheme was outstanding 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 6.80% and 6.80% of the issued share capital of the Company as at 30 June 2023 and the date of this interim report, respectively The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme is 118,616,411 Shares, representing approximately 6.56% and 6.56% of the issued share capital of the Company as at 30 June 2023 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	During the six months ended 30 June 2023, 2,417,855 awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 30 June 2023, a total of 7,528,196 awarded Shares have been granted under the Share Award Scheme (representing approximately 0.42% and 0.42% of the issued share capital of the Company as at 30 June 2023 and the date of this interim report, respectively), of which 6,173,457 have vested and 1,354,739 remain unvested The maximum number of the Shares which can be awarded under the Share Award Scheme is 10% of the total number of Shares in issue from time to time
4. Maximum entitlement of each participant	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant		1% of the issued share capital of the Company from time to time

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
5. Option period/ Vesting 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		The Board may, from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested The Board may in its absolute discretion decide whether any award shall lapse or shall be subject to such conditions or limitations as the Board may decide
6. Acceptance of offer	Options granted must be accepted within the period as stated in the offer of the grant, upon payment of HK\$1.0 per grant		N/A
7. Exercise price/ Purchase price	Exercise price is HK\$10.2, the offer price of the Shares for the Global Offering	The exercise price of the 4,350,000 options granted on 9 January 2015 is HK\$12.26 Exercise price shall be at least the highest of (i) the nominal value of Share; (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant; and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the grant	N/A
8. Remaining life of the scheme	It expired on 19 December 2013	It shall be valid and effective for a period of ten years commencing on 19 December 2013	It shall be valid and effective for the award period, which commences on the adoption date, namely 25 January 2019, and ends on the business day immediately prior to the 10th anniversary of the adoption date

CONVERTIBLE SECURITIES

On 29 March 2023, the Company, Natixis and SF Holding Limited (an indirect wholly-owned subsidiary of S.F. Holding) entered into a subscription and placing agency agreement pursuant to which: (i) the Company agreed to issue the Convertible Securities, being perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 with distribution rate of 3.30% per annum payable semi-annually to SF Holding Limited (as subscriber); (ii) Natixis conditionally agreed to use all reasonable efforts to procure SF Holding Limited to subscribe for the Convertible Securities; and (iii) SF Holding Limited conditionally agreed to subscribe and pay for the Convertible Securities at 100% of the principal amount subject to, and in accordance with, the terms of the subscription and placing agency agreement. Completion of the issue of Convertible Securities took place on 18 May 2023 in accordance with the terms and conditions of the subscription and placing agency agreement.

The Convertible Securities are convertible by holders into share(s) of nominal value of HK\$0.50 each in the Company to be allotted and issued by the Company upon conversion ("Conversion Share(s)") at the initial conversion price of HK\$18.80 per Conversion Share subject to adjustments ("Conversion Price"). Based on the initial Conversion Price and assuming full conversion of the Convertible Securities at the initial Conversion Price, the Convertible Securities will be convertible into 41,489,361 Conversion Shares.

For the period ended 30 June 2023, after considering the transaction cost, the net proceeds from the issue of the Convertible Securities was approximately HK\$774,101,000, and will be used by the Company for supporting the future growth and expansion of its international express delivery business in Southeast Asia, particularly to support Kerry Express Thailand, replenishment of working capital for general corporate purposes and repayment of existing debt. The subscription for the Convertible Securities by SF Holding Limited also in turn enables it to support the Company in expanding its international express delivery business in Southeast Asia, particularly to support Kerry Express Thailand.

Please refer to the Company's announcement dated 29 March 2023, circular dated 24 April 2023 and announcement dated 18 May 2023 for details.

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

The Convertible Securities are classified as equity instruments and recorded in equity in the condensed consolidation interim financial information of the Group.

COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in Part 2 of the CG Code. During the six months ended 30 June 2023, the Company has complied with the code provisions as set out in Part 2 of 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 Mr CHENG Chi Wai, an Executive Director, appointment became effective on 22 May 2023) and the Directors have confirmed that they have complied with the Model Code (i) during the six months ended 30 June 2023; or (ii) during the period from their respective appointment dates up to 30 June 2023, as the case may be.

The Company's employees, who are likely to be in possession of inside information of the Company, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees during the reporting period 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 2023.

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 23.

EVENTS AFTER THE REPORTING PERIOD

On 25 July 2023, the Company entered into a master agreement to sell and procure its subsidiaries to sell the equity interests and (if applicable) the shareholder's loans of ten subsidiaries of the Group engaging in express delivery services in the Asia Pacific and Europe (the "Target Companies"), to SF Holding Limited (an indirect wholly-owned subsidiary of S.F. Holding), at a total consideration of approximately HK\$243,196,000 calculated based on the formula set out in the master agreement with reference to the management accounts of the Target Companies as at 30 June 2023. Completion of the disposals have not taken place as at the date of this financial statements. Upon completion, the Target Companies will cease to be subsidiaries of the Company. Please refer to the Company's announcement dated 25 July 2023 for details.

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
WANG Wei	<ul style="list-style-type: none">Re-designated as an executive director of S.F. Holding with effect from August 2023Resigned as a non-executive director and ceased as the chairman of the board of directors of the SF REIT Manager from August 2023
MA Wing Kai William	<ul style="list-style-type: none">Retired as an executive director of the Company since May 2023 and will remain as the Group Managing Director until September 2023
CHEUNG Ping Chuen Vicky	<ul style="list-style-type: none">To be re-designated as the Group Managing Director of the Company with effect from October 2023
CHENG Chi Wai	<ul style="list-style-type: none">Appointed as an executive director of the Company since May 2023

Directors

HO Chit

Details of Changes

- Re-designated as an executive director of S.F. Holding with effect from August 2023
- Appointed as the chairman of board of directors of the SF REIT Manager since August 2023

TAN Chuen Yan Paul

- Appointed as an independent non-executive director of Hung Hing Printing Group Limited (a company listed on the Stock Exchange with stock code 450) since May 2023
- Appointed as an independent non-executive director of HSBC Provident Fund Trustee (Hong Kong) Limited, which is regulated by the Mandatory Provident Fund Schemes Authority, since August 2023

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed on Tuesday, 12 September 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, 11 September 2023. The interim dividend is payable on or around Friday, 22 September 2023 to the Shareholders whose names appear on the Registers of Members on Tuesday, 12 September 2023.

By Order of the Board

WANG Wei

Chairman

Hong Kong, 28 August 2023

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 25 to 49, which comprises 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 2023 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 selected 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 interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this 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.

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

INTERIM FINANCIAL STATEMENTS

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, 28 August 2023

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2023

	Note	Unaudited 2023 HK\$'000	Unaudited 2022 HK\$'000
Revenue	3	25,314,623	48,034,324
Direct operating expenses	4	(23,185,834)	(42,746,293)
Gross profit		2,128,789	5,288,031
Other income and net gains	5	49,391	162,412
Administrative expenses	4	(1,572,513)	(1,838,500)
Operating profit before fair value change of investment properties		605,667	3,611,943
Change in fair value of investment properties	10	4	6,706
Operating profit		605,671	3,618,649
Finance costs	6	(275,643)	(150,592)
Share of results of associates and joint ventures		82,596	92,458
Profit before taxation		412,624	3,560,515
Taxation	7	(112,445)	(865,923)
Profit for the period		300,179	2,694,592
Profit attributable to:			
Company's shareholders	3	367,619	2,376,815
Non-controlling interests		(67,440)	317,777
		300,179	2,694,592
Earnings per share	9		
– Basic		HK\$0.20	HK\$1.32
– Diluted		HK\$0.20	HK\$1.31

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited 2023 HK\$'000	Unaudited 2022 HK\$'000
Profit for the period	300,179	2,694,592
Item that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	(362,178)	(928,919)
Items that will not be reclassified to consolidated income statement		
Fair value change on financial assets at fair value through other comprehensive income	(52,606)	(41,043)
Other comprehensive loss for the period	(414,784)	(969,962)
Total comprehensive (loss)/income for the period	(114,605)	1,724,630
Total comprehensive (loss)/income attributable to:		
Company's shareholders	18,595	1,580,160
Non-controlling interests	(133,200)	144,470
	(114,605)	1,724,630

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets	10	5,893,965	5,855,895
Investment properties	10	1,782,704	1,819,589
Property, plant and equipment	10	7,761,821	7,869,412
Right-of-use assets		3,327,441	3,221,273
Associates and joint ventures		1,600,812	1,642,761
Financial assets at fair value through other comprehensive income		398,137	554,962
Investment in convertible bonds		5,864	5,538
Deferred taxation		666,287	463,169
Other non-current assets		198,583	-
		21,635,614	21,432,599
Current assets			
Financial assets at fair value through profit or loss		428	38,137
Inventories		509,479	482,035
Accounts receivable, prepayments and deposits	11	11,982,859	13,406,909
Tax recoverable		499,092	721,645
Amounts due from fellow subsidiaries		25,068	-
Amounts due from associates		9,340	-
Restricted and pledged bank deposits		12,850	12,383
Cash and bank balances		7,759,501	9,240,365
		20,798,617	23,901,474

	Note	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Current liabilities			
Lease liabilities		1,257,691	1,196,141
Accounts payable, deposits received and accrued charges	12	8,761,724	10,695,071
Amounts due to fellow subsidiaries		-	278,252
Amounts due to related companies		137,131	166,063
Taxation		318,151	492,536
Short-term bank loans and current portion of long-term bank loans	13	2,890,010	2,226,402
Loans from non-controlling interests		6,862	6,862
Bank overdrafts		45,996	83,801
		13,417,565	15,145,128
Non-current liabilities			
Loans from non-controlling interests		237,875	209,144
Long-term bank loans	13	5,305,914	6,586,447
Lease liabilities		1,499,093	1,453,234
Deferred taxation		683,378	614,209
Retirement benefit obligations		56,379	52,110
Other non-current liabilities	12	-	24,096
		7,782,639	8,939,240
ASSETS LESS LIABILITIES		21,234,027	21,249,705
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	14	903,715	903,712
Share premium		4,074,218	4,074,169
Retained profits and other reserves		13,558,921	13,451,213
		18,536,854	18,429,094
Non-controlling interests		2,697,173	2,820,611
TOTAL EQUITY		21,234,027	21,249,705

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited 2023 HK\$'000	Unaudited 2022 HK\$'000
Operating activities		
Net cash generated from operations	1,566,354	3,664,486
Interest paid	(226,118)	(94,911)
Income tax paid	(204,047)	(1,294,479)
Net cash generated from operating activities	1,136,189	2,275,096
Investing activities		
Additions of property, plant and equipment	(413,645)	(959,399)
Additions of investment properties	(21,619)	(3,461)
Additions of intangible assets acquired	(4,430)	-
Additions of right-of-use assets – leasehold land and land use rights	-	(80)
Additions of financial assets at fair value through other comprehensive income	(40,000)	(375,633)
Disposal of financial assets at fair value through other comprehensive income	146,858	263,072
Additions of financial assets at fair value through profit or loss	-	(238,335)
Disposal of financial assets at fair value through profit or loss	37,562	740,494
Proceeds from sale of property, plant and equipment	52,165	60,052
Proceeds from sale of associate	-	309,883
Dividends received from associates	121,611	3,264
Net increase in balances with associates and joint ventures	117	(4,997)
Interest received	37,517	23,489
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(139,082)	(744,948)
Acquisition of associates and joint ventures	(4,141)	(500)
Cash consideration paid for prior year's acquisition	(847,925)	(102,982)
Increase in restricted and pledged bank deposits	(467)	(385)
Net cash used in investing activities	(1,075,479)	(1,030,466)

	Unaudited 2023 HK\$'000	Unaudited 2022 HK\$'000
Financing activities		
Repayment of bank loans	(3,599,041)	(3,093,907)
Drawdown of bank loans	2,992,574	7,730,786
Dividends of subsidiaries paid to non-controlling interests	(103,561)	(682,479)
Capital injection from non-controlling interests	28,045	108,279
Increase in loans from non-controlling interests	5,700	-
Repayment of loans from non-controlling interests	(7,112)	(270)
Payments of lease liabilities	(688,181)	(653,840)
Issuance of perpetual convertible securities	774,101	-
Changes in ownership of interests in subsidiaries without change of control	(129,028)	(3,518,732)
Dividend paid	(686,823)	(903,687)
Proceeds from exercise of pre-IPO share option scheme allotment	46	662
Net cash used in financing activities	(1,413,280)	(1,013,188)
(Decrease)/increase in cash and cash equivalents	(1,352,570)	231,442
Effect of exchange rate changes	(90,489)	(263,297)
Cash and cash equivalents at beginning of the period	9,156,564	8,884,904
Cash and cash equivalent at end of the period	7,713,505	8,853,049
Analysis of balances of cash and cash equivalents		
Cash and bank balances	7,759,501	9,039,890
Bank overdrafts	(45,996)	(186,841)
	7,713,505	8,853,049

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Perpetual convertible securities HK\$'000			Total HK\$'000
(unaudited)									
Balance at 1 January 2023	903,712	4,074,169	(4,507,357)	17,271,749	686,821	-	18,429,094	2,820,611	21,249,705
Profit for the period	-	-	-	367,619	-	-	367,619	(67,440)	300,179
Net translation differences on foreign operations	-	-	(295,613)	-	-	-	(295,613)	(66,565)	(362,178)
Fair value change on financial assets at fair value through other comprehensive income	-	-	(53,411)	-	-	-	(53,411)	805	(52,606)
Total comprehensive income for the six months ended 30 June 2023	-	-	(349,024)	367,619	-	-	18,595	(133,200)	(114,605)
Dividends paid	-	-	-	(2)	(686,821)	-	(686,823)	-	(686,823)
Dividends of subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	(70,636)	(70,636)
2023 proposed interim dividend	-	-	-	(162,669)	162,669	-	-	-	-
Transfers	-	-	23,606	(23,606)	-	-	-	-	-
Acquisition of subsidiaries (note 18)	-	-	-	-	-	-	-	52,195	52,195
Changes in ownership of interests in subsidiaries without change of control (note 15)	-	-	1,841	-	-	-	1,841	158	1,999
Capital injection from non-controlling interests	-	-	-	-	-	-	-	28,045	28,045
Exercise of pre-IPO share option scheme allotment	3	49	(6)	-	-	-	46	-	46
Share option lapsed	-	-	(18)	18	-	-	-	-	-
Issuance of perpetual convertible securities (note 17)	-	-	-	-	-	774,101	774,101	-	774,101
Total transactions with owners	3	49	25,423	(186,259)	(524,152)	774,101	89,165	9,762	98,927
Balance at 30 June 2023	903,715	4,074,218	(4,830,958)	17,453,109	162,669	774,101	18,536,854	2,697,173	21,234,027

	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 2022	903,655	4,072,917	261,024	14,907,229	903,655	(4,593)	21,043,887	3,792,829	24,836,716
Profit for the period	-	-	-	2,376,815	-	-	2,376,815	317,777	2,694,592
Net translation differences on foreign operations	-	-	(775,802)	-	-	-	(775,802)	(153,117)	(928,919)
Fair value change on financial assets at fair value through other comprehensive income	-	-	(20,853)	-	-	-	(20,853)	(20,190)	(41,043)
Total comprehensive income for the six months ended 30 June 2022	-	-	(796,655)	2,376,815	-	-	1,580,160	144,470	1,724,630
Dividends paid	-	-	-	(32)	(903,655)	-	(903,687)	-	(903,687)
Dividends of subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	(880,657)	(880,657)
2022 proposed interim dividend	-	-	-	(506,079)	506,079	-	-	-	-
Transfers	-	-	24,835	(24,835)	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	175,379	175,379
Changes in ownership of interests in subsidiaries without change of control	-	-	(3,484,973)	-	-	-	(3,484,973)	(124,639)	(3,609,612)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	108,279	108,279
Exercise of pre-IPO share option scheme allotment	32	708	(78)	-	-	-	662	-	662
Total transactions with owners	32	708	(3,460,216)	(530,946)	(397,576)	-	(4,387,998)	(721,638)	(5,109,636)
Balance at 30 June 2022	903,687	4,073,625	(3,995,847)	16,753,098	506,079	(4,593)	18,236,049	3,215,661	21,451,710

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 forwarding and e-commerce & express services. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

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

These unaudited condensed consolidated interim financial information 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 information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with HKFRS issued by the HKICPA. The accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2022.

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

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

Amendments to HKAS 8, 'Definition of accounting estimates'

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

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

HKFRS 17, 'Insurance contracts'

Amendments to HKFRS 17, 'Insurance contracts'

Amendments to HKAS 17, 'Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information'

In the current interim period, the Group has applied, for the first time, the above new standards and amendments to existing standards issued by the HKICPA. The adoption of the above standards and amendments to existing standards had no material impact on the Group's accounting policies and did not require retrospective adjustments.

The disclosures in respect of the current tax expenses related to the Pillar Two income taxes and the known or reasonably estimable exposure to Pillar Two income tax are required for annual reporting periods beginning on or after 1 January 2023, but they are not required to be disclosed in interim financial reports for any interim period ending on or before 31 December 2023.

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, 'Classification of liabilities as current or non-current'¹

Amendments to HKAS 1, 'Non-current liabilities with covenants'¹

Amendment to HKFRS 16, 'Lease liability in a sale and leaseback'¹

Hong Kong Interpretation 5 (Revised), 'Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause'¹

Amendments to HKAS 7 and HKFRS 7, 'Supplier Finance Arrangements (amendments)'¹

Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective date to be determined

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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 information of the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2022 except for the adoption of new standards as set out above.

2 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 information 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 2022. 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 (2022: nil).

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) FAIR VALUE ESTIMATION (CONTINUED)

The following table presents the Group's financial instruments that are measured at fair value as at 30 June 2023 and 31 December 2022.

At 30 June 2023	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Investment in convertible bonds	-	-	5,864	5,864
Financial assets at fair value through other comprehensive income	-	-	398,137	398,137
Financial assets at fair value through profit or loss	428	-	-	428
Total assets	428	-	404,001	404,429

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

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 instruments.

As at 30 June 2023	Financial assets at fair value through other comprehensive income HK\$'000	Investment in convertible bonds HK\$'000
Opening balance	412,478	5,538
Fair value adjustment	(54,312)	-
Additions	40,000	-
Exchange adjustment	(29)	326
Closing balance	398,137	5,864

As at 30 June 2022	Financial assets at fair value through other comprehensive income HK\$'000	Investment in convertible bonds HK\$'000	Put option written on non-controlling interests HK\$'000
Opening balance	112,868	5,911	4,208
Fair value adjustment	(28,293)	-	-
Additions	329,983	-	-
Exchange adjustment	(2,936)	(206)	(28)
Closing balance	411,622	5,705	4,180

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) FAIR VALUE ESTIMATION (CONTINUED)

LEVEL 3 FINANCIAL INSTRUMENTS (CONTINUED)

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

There were no changes in valuation techniques during the period (2022: nil).

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 levels 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 levels 2 and 3 and the valuation process for assets and liabilities classified as levels 2 and 3.

INVESTMENT IN CONVERTIBLE BONDS

The Group established fair value of investment in convertible bonds by using discounted cash flow model and market approach. The unobservable inputs of the valuation include fair value of 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.

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 2023 and 31 December 2022:

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

3 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000 (restated)
Integrated logistics	6,328,266	6,559,322
E-commerce & Express	3,038,878	3,057,128
International freight forwarding	15,947,479	38,417,874
	25,314,623	48,034,324

3 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 2023, together with comparative figures for the six months ended 30 June 2022 is as follows:

	Integrated logistics		E-commerce and Express		International freight forwarding		Elimination		Consolidation	
	2023 HK\$'000	2022 HK\$'000 (restated)	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000 (restated)	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue										
Turnover	6,328,266	6,559,322	3,038,878	3,057,128	15,947,479	38,417,874	-	-	25,314,623	48,034,324
Inter-segment revenue	354,707	433,295	366,924	468,008	2,690,365	7,416,268	(3,411,996)	(8,317,571)	-	-
	6,682,973	6,992,617	3,405,802	3,525,136	18,637,844	45,834,142	(3,411,996)	(8,317,571)	25,314,623	48,034,324
Turnover by Geographic										
Hong Kong	2,130,548	2,261,655	756,763	841,396	816,384	2,209,413	(385,661)	(696,404)	3,318,034	4,616,060
Mainland of China	3,070,131	3,281,497	-	-	6,253,578	11,926,444	(1,234,944)	(2,555,882)	8,088,765	12,652,059
Asia	1,404,146	1,378,861	2,367,429	2,646,481	2,993,994	8,134,265	(1,078,045)	(3,726,479)	5,687,524	8,433,128
Americas	-	-	120,209	-	4,642,457	17,425,295	(376,871)	(967,506)	4,385,795	16,457,789
EMEA	-	-	146,017	37,259	3,493,519	5,344,624	(314,679)	(325,444)	3,324,857	5,056,439
Oceania	78,148	70,604	15,384	-	437,912	794,101	(21,796)	(45,856)	509,648	818,849
	6,682,973	6,992,617	3,405,802	3,525,136	18,637,844	45,834,142	(3,411,996)	(8,317,571)	25,314,623	48,034,324
Segment profit/(loss)										
Hong Kong	285,733	393,179	2,025	11,403	9,182	178,068	-	-	296,940	582,650
Mainland of China	229,125	158,932	-	-	229,307	768,519	-	-	458,432	927,451
Asia	195,122	160,478	(511,316)	(410,728)	134,636	601,664	-	-	(181,558)	351,414
Americas	-	-	(885)	-	125,872	1,613,293	-	-	124,987	1,613,293
EMEA	-	-	6,014	5,886	80,993	179,534	-	-	87,007	185,420
Oceania	8,538	4,433	(1,108)	-	41,011	57,213	-	-	48,441	61,646
	718,518	717,022	(505,270)	(393,439)	621,001	3,398,291	-	-	834,249	3,721,874
Less: Unallocated administration expenses									(266,099)	(266,682)
Core operating profit									568,150	3,461,192
Interest income									37,517	23,489
Finance costs									(275,643)	(150,592)
Share of results of associates and joint ventures									82,596	92,458
Gain on disposal of an associate									-	127,262
Profit before taxation*									412,620	3,553,809
Taxation*									(112,499)	(864,246)
Profit for the period*									300,121	2,689,563
Non-controlling interests*									67,440	(317,751)
CORE NET PROFIT									367,561	2,371,812
Change in fair value of investment properties									4	6,706
Deferred tax of change in fair value of investment properties									54	(1,677)
Less: Non-controlling interests' share of change in fair value of investment properties and its related deferred tax									-	(26)
Profit attributable to Company's shareholder									367,619	2,376,815
Depreciation and amortisation	649,286	600,030	285,947	324,626	214,074	185,984	-	-	1,149,307	1,110,640

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

Prior period corresponding segment turnover figures of both integrated logistics and international freight forwarding have been reclassified to conform with current period classification.

3 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(c) DISAGGREGATION OF REVENUE

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

By operating segment	2023				2022			
	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Rental income HK\$'000	Total HK\$'000	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000 (restated)	Rental income HK\$'000	Total HK\$'000 (restated)
Revenue from contracts with customers								
Integrated logistics	815,751	5,449,640	62,875	6,328,266	717,835	5,777,243	64,244	6,559,322
E-commerce & Express	-	3,038,878	-	3,038,878	-	3,057,128	-	3,057,128
International freight forwarding	-	15,947,479	-	15,947,479	-	38,417,874	-	38,417,874
	815,751	24,435,997	62,875	25,314,623	717,835	47,252,245	64,244	48,034,324

By geographical area	2023				2022			
	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Rental income HK\$'000	Total HK\$'000	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Rental income HK\$'000	Total HK\$'000
Revenue from contracts with customers								
Hong Kong	671,568	2,646,466	-	3,318,034	645,373	3,970,687	-	4,616,060
Mainland of China	135,523	7,913,190	40,052	8,088,765	59,930	12,549,054	43,075	12,652,059
Asia	8,660	5,656,041	22,823	5,687,524	12,532	8,399,427	21,169	8,433,128
Americas	-	4,385,795	-	4,385,795	-	16,457,789	-	16,457,789
EMEA	-	3,324,857	-	3,324,857	-	5,056,439	-	5,056,439
Oceania	-	509,648	-	509,648	-	818,849	-	818,849
	815,751	24,435,997	62,875	25,314,623	717,835	47,252,245	64,244	48,034,324

3 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, in 2023 namely integrated logistics, e-commerce & express and international freight forwarding, in each geographical area.

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

E-commerce & Express segment derives revenue primarily from e-commerce businesses and domestic parcel delivery services.

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

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

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

The executive directors also assess the performance of the Group based on core operating profit, which is the profit before taxation excluding interest income, finance costs, share of results of associates and joint ventures, gain on disposal of an associate 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.

(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 2023 HK\$'000	As at 31 December 2022 HK\$'000
Hong Kong	1,734,233	1,665,857
Mainland of China	7,172,875	7,068,214
Asia	7,372,789	7,512,809
Americas	2,964,181	2,870,537
EMEA	1,182,458	1,153,674
Oceania	138,790	137,839
	20,565,326	20,408,930

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

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Business tax and other taxes	3,525	9,017
Cost of goods sold	696,298	604,876
Freight and transportation costs	18,946,476	38,128,166
Depreciation of property, plant and equipment (note 10)	397,587	385,285
Depreciation of right-of-use assets	664,502	643,204
Amortisation of intangible assets (note 10)	87,218	82,151
Provision for impairment of receivables	41,516	109,791
Reversal of provision for impairment of receivables	(15,179)	(4,282)
Expenses relating to short-term and low-value leases	281,119	300,028
Employee benefit expenses (note)	3,151,864	3,975,144

Note:

Government grants amounting to HK\$16,260,000 (2022: HK\$18,459,000) have been recognised and deducted in employee benefit expenses for the six months ended 30 June 2023.

5 OTHER INCOME AND NET GAINS

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Interest income from banks	37,321	22,995
Gain on disposal of property, plant and equipment	2,766	7,524
Interest income from associates	196	494
Gain on disposal of associates	-	127,262
Gain on early termination of lease contracts	11,676	3,688
Fair value change of financial assets at fair value through profit or loss	(224)	449
Loss on settlement of consideration payable	(2,344)	-
	49,391	162,412

6 FINANCE COSTS

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Interest expenses on bank loans and overdrafts	226,118	94,911
Interest expenses on lease liabilities	49,525	55,681
	275,643	150,592

7 TAXATION

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) for the six months ended 30 June 2023 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% (2022: 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	
	2023 HK\$'000	2022 HK\$'000
Hong Kong profits tax		
- Current	45,047	150,981
- Overprovision in prior years	(125)	(1,170)
- Deferred	(15,319)	1,130
	29,603	150,941
PRC taxation		
- Current	63,687	117,084
- (Over)/underprovision in prior years	(8,791)	20,855
- Deferred	47,546	4,615
	102,442	142,554
Overseas taxation		
- Current	146,080	642,254
- Under/(over)provision in prior years	921	(706)
- Deferred	(166,601)	(69,120)
	(19,600)	572,428
	112,445	865,923

8 DIVIDENDS

The Directors have declared an interim dividend of 9 HK cents per share for the six months ended 30 June 2023 (for the six months ended 30 June 2022: an interim dividend of 28 HK cents), which is payable on or around Friday, 22 September 2023 to shareholders whose names appear on the registers of members of the Company on Tuesday, 12 September 2023. These financial information do not reflect this dividend payable.

9 EARNINGS PER SHARE

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

BASIC

	Six months ended 30 June	
	2023	2022
Adjusted weighted average number of ordinary shares in issue ('000)	1,807,385	1,807,356
Profit attributable to the Company's shareholders (HK\$'000) (note)	364,587	2,376,815
Basic earnings per share (HK\$)	0.20	1.32

DILUTED

	Six months ended 30 June	
	2023	2022
Adjusted weighted average number of ordinary shares in issue ('000)	1,807,385	1,807,356
Adjustment for share options ('000)	102	312
Weighted average number of shares for the purpose of calculating diluted earnings per share ('000)	1,807,487	1,807,668
Profit attributable to the Company's shareholders (HK\$'000) (note)	364,587	2,376,815
Diluted earnings per share (HK\$)	0.20	1.31

The computation of diluted earnings per share for the six months ended 30 June 2023 does not assume the issue of potential ordinary shares in relation to the perpetual convertible securities as they have anti-dilutive effect.

Note: Reconciliations of earnings used in calculating earnings per share

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Profit attributable to the Company's shareholders	367,619	2,376,815
Less:		
Cumulative dividend of perpetual convertible securities	(3,032)	-
Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	364,587	2,376,815

10 NON-CURRENT ASSETS

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Intangible assets HK\$'000
Opening net book value at 1 January 2022	7,526,228	1,939,636	4,303,119
Additions	959,399	3,461	-
Change in fair value	-	6,706	-
Disposals	(52,528)	-	-
Depreciation and amortisation	(385,285)	-	(82,151)
Acquisition of subsidiaries	6,322	-	2,202,631
Transfer/reclassification	(1,431)	-	-
Exchange adjustment	(304,884)	(74,293)	(103,235)
Closing net book value at 30 June 2022	7,747,821	1,875,510	6,320,364
Opening net book value at 1 January 2023	7,869,412	1,819,589	5,855,895
Additions	413,645	21,619	4,430
Change in fair value	-	4	-
Disposals	(49,399)	-	-
Depreciation and amortisation	(397,587)	-	(87,218)
Acquisition of subsidiaries (note 18)	62,392	-	130,689
Exchange adjustment	(136,642)	(58,508)	(9,831)
Closing net book value at 30 June 2023	7,761,821	1,782,704	5,893,965

Goodwill of HK\$5,026,769,000 (At 31 December 2022: HK\$4,936,223,000) was included in the balances of intangible assets. Goodwill is allocated to the Group's cash generating units (CGUs) that are expected to benefit from business combination and impairment testing is performed annually and when there is indication that they may be impaired.

The recoverable amount of a CGU is determined based on higher of its fair value less costs of disposal and value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering five years.

10 NON-CURRENT ASSETS (CONTINUED)

Management did not identify any major adverse changes indicating any impairment in the carrying amounts of goodwill for all business units at 30 June 2023.

VALUATION OF INVESTMENT PROPERTIES

FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUTS

	PRC HK\$'000	Overseas HK\$'000	Total HK\$'000
Opening balance as at 1 January 2022	1,617,290	322,346	1,939,636
Additions	3,461	-	3,461
Change in fair value	1,339	5,367	6,706
Exchange adjustment	(72,672)	(1,621)	(74,293)
Closing balance as at 30 June 2022	1,549,418	326,092	1,875,510
Opening balance as at 1 January 2023	1,489,927	329,662	1,819,589
Additions	-	21,619	21,619
Change in fair value	4,861	(4,857)	4
Exchange adjustment	(59,282)	774	(58,508)
Closing balance as at 30 June 2023	1,435,506	347,198	1,782,704

10 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 (2022: 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 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.

SIGNIFICANT UNOBSERVABLE INPUTS USED TO DETERMINE FAIR VALUE

Capitalisation rates are estimated by valuer based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings for the PRC and overseas investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The valuations of investment properties were based on the economic, market and other conditions as they exist on, and with information available to management as of 30 June 2023.

11 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

Included in accounts receivable, prepayments and deposits are mainly trade receivables. The Group has various credit policies for different business operations depending on the requirement of the markets and business. 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 2023 HK\$'000	As at 31 December 2022 HK\$'000
Below 1 month	5,747,592	5,922,246
Between 1 month and 3 months	2,131,982	3,219,285
Over 3 months	750,323	1,056,663
Total trade receivables, net	8,629,897	10,198,194
Prepayments, deposits and other receivables (note a)	3,352,962	3,208,715
	11,982,859	13,406,909

Notes:

- (a) The balances mainly comprise prepaid 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.

12 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Trade payables	4,145,624	4,531,800
Deposits received, accrued charges and other payables (note a)	4,616,100	6,187,367
	8,761,724	10,719,167
Less: Non-current contingent consideration payable for acquisition of subsidiaries	-	(24,096)
	8,761,724	10,695,071

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

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Below 1 month	2,836,323	2,763,461
Between 1 month and 3 months	628,027	904,035
Over 3 months	681,274	864,304
Total trade payables	4,145,624	4,531,800

Note:

- (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 BANK LOANS

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Non-current		
– unsecured	5,286,934	6,485,426
– secured	18,980	101,021
	5,305,914	6,586,447
Current		
– unsecured	2,831,318	2,111,300
– secured	58,692	115,102
	2,890,010	2,226,402
Total bank loans	8,195,924	8,812,849

14 SHARE CAPITAL

	As at 30 June 2023		As at 31 December 2022	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares, authorised, issued and fully paid:				
At beginning of the period/year	1,807,424,842	903,712	1,807,309,842	903,655
Exercise of pre-IPO share option scheme allotment	4,500	3	115,000	57
At end of the period/year	1,807,429,342	903,715	1,807,424,842	903,712

15 TRANSACTION WITH NON-CONTROLLING INTERESTS

During the period, the Group changed its ownership interests in a subsidiary without change of its control.

The effect of this transaction is summarised as follows:

	HK\$'000
Net cash consideration received from non-controlling interests	1,999
Net increase in non-controlling interests	(158)
Changes in other reserves arising from changes in ownership of interests in subsidiary without change of control	1,841

16 COMMITMENTS

As at 30 June 2023, 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 2023 HK\$'000	As at 31 December 2022 HK\$'000
Contracted but not provided for	1,979,213	2,053,791

Note:

On 9 June 2022, Kerry Freight Services (China) Limited (as the "Buyer"), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "KA Agreement") with Summer Way International Limited (as the "Seller"). Subject to the terms and conditions of KA Agreement, the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to acquire the remaining 39% interest in K-Apex Logistics (HK) Co., Limited ("K-Apex HK"), an indirect 61%-owned subsidiary of the Company. The acquisition of 18% additional interest in K-Apex HK was completed on 10 June 2022. Closing of the remaining 21% interest ("Remaining Shares") is subject to a condition under the KA Agreement (the "Condition") that has not been satisfied by 10 June 2022 having been fulfilled and/or waived before the consideration in respect of the Remaining Shares is payable. Before the Condition is fulfilled and/or waived, both the Buyer and the Seller have the right (but not the obligation) to opt not to proceed with closing of the Remaining Shares by giving written notice to other party. In July 2023, the acquisition of the remaining 21% interest was completed.

17 PERPETUAL CONVERTIBLE SECURITIES

On 29 March 2023, the Company, Natixis and SF Holding Limited entered into a subscription and placing agency agreement pursuant to which: (i) the Company agreed to issue perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 with distribution rate of 3.30% per annum payable semi-annually (the "Convertible Securities") to SF Holding Limited; (ii) Natixis conditionally agreed to use all reasonable efforts to procure SF Holding Limited to subscribe for the Convertible Securities; and (iii) SF Holding Limited conditionally agreed to subscribe and pay for the Convertible Securities at 100% of the principal amount subject to, and in accordance with, the terms of the subscription and placing agency agreement. There is no fixed redemption date on the Convertible Securities and the redemption is at the option of the Company. Completion of the subscription and placing agency agreement has taken place as at 18 May 2023. For the period ended 30 June 2023, after considering the transaction cost, the net proceeds was approximately HK\$774,101,000. They are classified as equity instruments, and recorded in equity in the condensed consolidation interim financial information of the Group.

18 BUSINESS COMBINATIONS

During the period, the Group acquired controlling equity interests in an integrated logistics company, which is principally operated in the Mainland of China.

Aggregate consideration of the acquisition transactions is as follows:

	HK\$'000
Cash consideration paid during the period	142,323
Consideration payable	10,931
	153,254

The recognised amounts of identifiable assets acquired and liabilities assumed as at the respective date of such acquisition are as follow:*

	HK\$'000
Property, plant and equipment (note 10)	62,392
Accounts receivable, prepayments and deposits	54,459
Cash and bank balances	3,241
Accounts payable, deposits received and accrued charges	(45,187)
Other liabilities	(145)
Total identifiable net assets (excluding intangible assets)	74,760
Intangible assets (note 10)	31,760
Goodwill (note 10)	98,929
Non-controlling interests	(52,195)
Total	153,254

* As at 30 June 2023, verification of individual assets/liabilities of the acquired subsidiary 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 goodwill of HK\$98,929,000 arising from this acquisition is attributable to the future profitability of the acquired businesses.

The acquired businesses contributed revenue of HK\$23,666,000 and net profit of HK\$1,732,000 to the Company's shareholders for the period from the respective acquisition date up to 30 June 2023.

19 PLEDGE OF ASSETS

As at 30 June 2023, the Group's total bank loans of HK\$8,195,924,000 (31 December 2022: HK\$8,812,849,000) included an aggregate amount of HK\$77,672,000 (31 December 2022: HK\$216,123,000) which are secured. The Group's total bank overdrafts of HK\$45,996,000 (31 December 2022: HK\$83,801,000) included an aggregate amount of HK\$Nil (31 December 2022: HK\$20,187,000) 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, freehold land and buildings, warehouse and logistics centres and port facilities with an aggregate net book value of HK\$844,963,000 (31 December 2022: HK\$786,875,000);
- (ii) assignments of insurance proceeds of certain properties; and
- (iii) certain balances of restricted and pledged deposits.

20 EVENT AFTER THE REPORTING PERIOD

On 25 July 2023, the Company entered into a master agreement to sell and procure its subsidiaries to sell the equity interests and (if applicable) the shareholder's loans of ten subsidiaries of the Group engaging in express delivery services in the Asia Pacific and Europe (the "Target Companies"), to SF Holding Limited (an indirect wholly-owned subsidiary of S.F. Holding), at a total consideration of approximately HK\$243,196,000 calculated based on the formula set out in the master agreement with reference to the management accounts of the Target Companies as at 30 June 2023. Completion of the disposals have not taken place as at the date of this financial information.

DEFINITIONS

“1H” or “2H”	first half or second half
“Asia”	Asia continent, for the purpose of this interim report only, excludes Greater China and Middle East
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company” or “KLN”	Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Convertible Securities”	the 3.30% perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 issued by the Company
“Director(s)”	director(s) of the Company
“E&E”	e-commerce & express
“EMEA”	Europe, Middle East and Africa
“Flourish Harmony”	Flourish Harmony Holdings Company Limited, a wholly-owned subsidiary of S.F. Holding
“Global Offering”	the initial public offering of the Shares whereby the Shares were listed on the Main Board of the Stock Exchange on 19 December 2013
“Greater China”	for the purpose of this interim report only, the Mainland of China, Hong Kong, Macau and Taiwan
“Group” or “KLN Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFF”	international freight forwarding
“IL”	integrated logistics
“Kerry Express Thailand”	Kerry Express (Thailand) Public Company Limited, a public company with limited liability registered in Thailand and listed on The Stock Exchange of Thailand (stock code: KEX), is a subsidiary of the Company
“KGL”	Kerry Group Limited, one of the Controlling Shareholders of the Company
“KHL”	Kerry Holdings Limited, a wholly-owned subsidiary of KGL
“KPL”	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 683), and is a Substantial Shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Macau”	Macao Special Administrative Region of the PRC
“Mainland of China”	the PRC and, for the purpose of this interim report only, excludes Hong Kong, Macau and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“NVOCC”	non-vessel operating common carrier
“Oceania”	for the purpose of this interim report only, Australia and New Zealand
“Ordinary Share(s)” or “Share(s)”	share(s) of nominal value of HK\$0.50 each of the Company, or, if there has been a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company

“Post-IPO Share Option Scheme”	post-IPO share option scheme of the Company
“PRC”	the People’s Republic of China
“Pre-IPO Share Option Scheme”	pre-IPO share option scheme of the Company
“Q1”, “Q2”, “Q3” or “Q4”	first quarter, second quarter, third quarter or fourth quarter
“Registers of Members”	registers of members of the Company
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“S.F. Holding”	S.F. Holding Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ), is a subsidiary of Shenzhen Mingde
“SF REIT Manager”	SF REIT Asset Management Limited, the manager of SF Real Estate Investment Trust (a Hong Kong collective investment scheme authorised under section 104 of the SFO and listed on the Stock Exchange, stock code 2191)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Award Scheme”	share award scheme of the Company
“Shareholders”	the holders of the Shares
“Shenzhen Mingde”	Shenzhen Mingde Holding Development Co., Ltd., one of the Controlling Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent