

INTERIM REPORT
2022

**NEW PAGE
NEW GROWTH**



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

49,000+

employees worldwide

69M ft²

land & facilities

5,200+

self-owned operating vehicles

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ASIA SPECIALIST
CHINA FOCUS
GLOBAL NETWORK

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 MA Wing Kai William (Group Managing Director)
Mr CHEUNG Ping Chuen Vicky (Managing Director)

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 MA Wing Kai William
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 MA Wing Kai William (Chairman)
Mr CHEUNG Ping Chuen Vicky
Mr CHAN Fei

RISK MANAGEMENT COMMITTEE

Mr MA Wing Kai William (Chairman)
(plus a member of the senior management and a department head, who are non-members of the Board)

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
15 September 2022

Proposed Payment of Interim Dividend
On or around 30 September 2022

FINANCIAL HIGHLIGHTS

HK\$M

REVENUE

48,034 ▲ **39%***

SEGMENT PROFIT

IL **717** ▲ **28%***

E&E **(393)** —

IFF **3,398** ▲ **140%***

CORE OPERATING PROFIT

3,461 ▲ **74%***

CORE NET PROFIT

2,372 ▲ **96%***

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

2,377 ▲ **118%*** ▼ **30% STATUTORY**

INTERIM DIVIDEND

HK CENTS PER SHARE

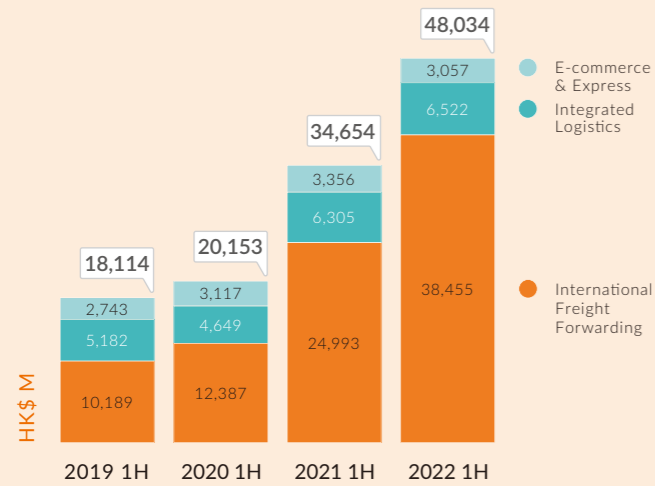
28

GEARING

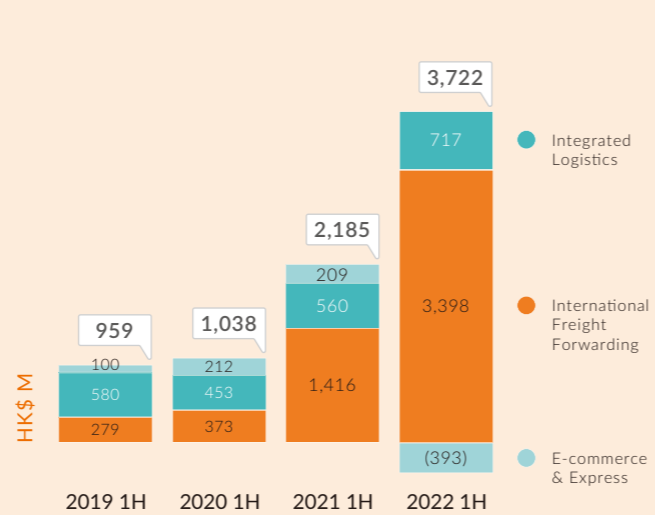
58.4%/8.8%
GROSS NET

* For continuing operations only

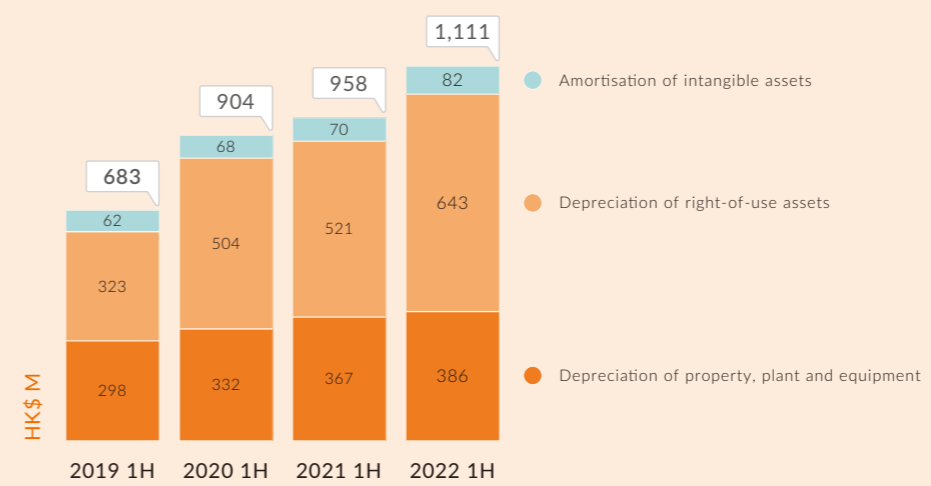
REVENUE BY SEGMENT*



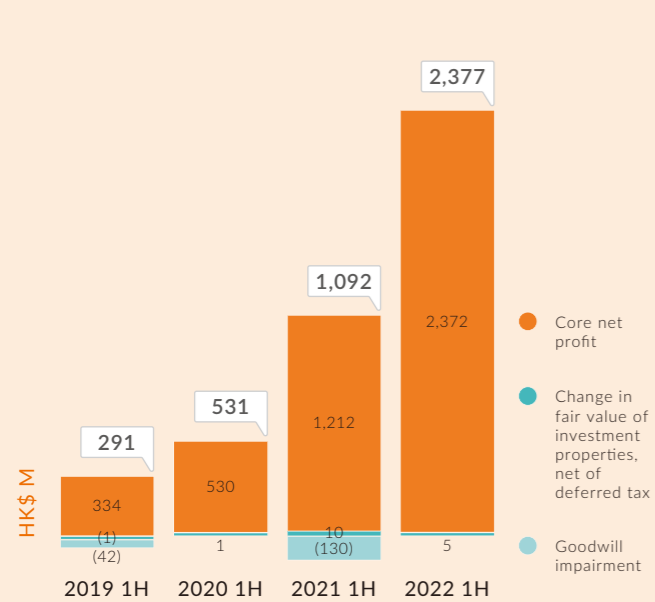
SEGMENT PROFIT*



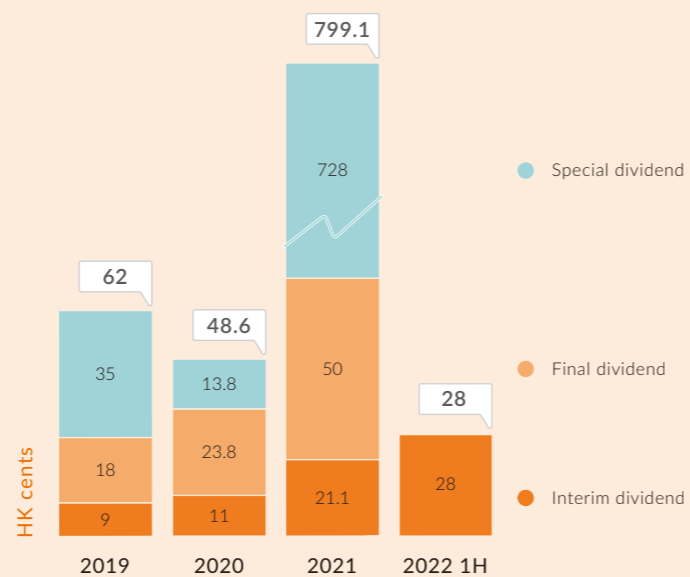
DEPRECIATION AND AMORTISATION*



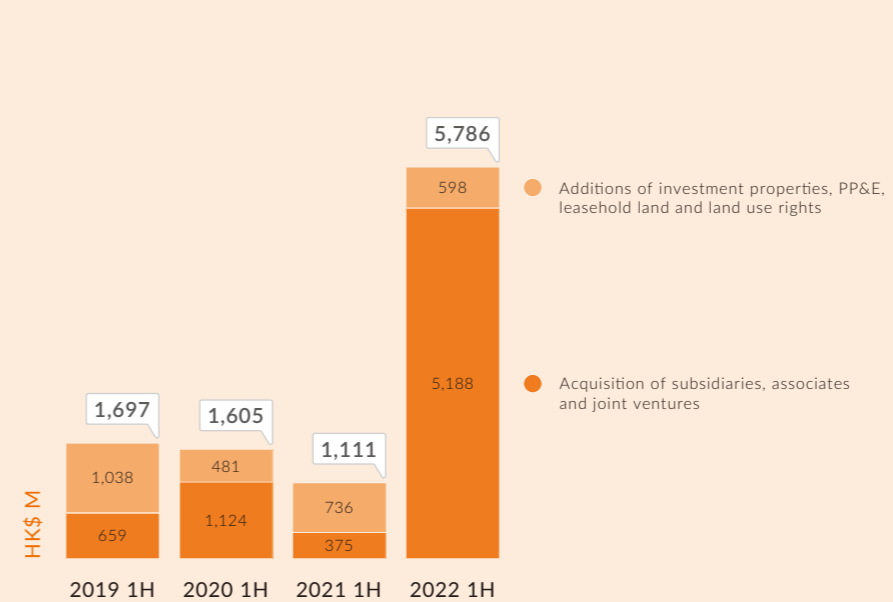
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS*



DIVIDEND PER SHARE



CAPEX



* For continuing operations only

* For continuing operations only

RESULTS OVERVIEW

The Group recorded an increase in revenue of 39% to HK\$48,034 million in 2022 1H (2021 1H: HK\$34,654 million, excluding revenue from discontinued operations). Core operating profit went up 74% to HK\$3,461 million (2021 1H: HK\$1,993 million, excluding profit from discontinued operations). Core net profit also rose 96% year-on-year to HK\$2,372 million (2021 1H: HK\$1,212 million, excluding profit from

discontinued operations). Profit attributable to the Shareholders, after taking into account the change in fair value of investment properties and goodwill impairment, increased 118% to HK\$2,377 million (2021 1H: HK\$1,092 million, excluding profit from discontinued operations). Year-on-year drop on profit attributable to the Shareholders is 30% if profit from discontinued operations in 2021 1H is also included.

	2022 1H HK\$ million	2021 1H HK\$ million	
Segment profit/(loss)			
IL	717	560	+28%
E & E	(393)	209	-
IFF	3,398	1,416	+140%
	3,722	2,185	
Unallocated administrative expenses and others	(261)	(192)	
Core operating profit	3,461	1,993	+74%
Core net profit	2,372	1,212	+96%
Changes in fair value of investment properties, net of deferred tax	5	10	
Goodwill impairment	-	(130)	
Profit attributable to the Shareholders, excluding profit from discontinued operations	2,377	1,092	+118%
Profit from discontinued operations	-	2,288	-
Profit attributable to the Shareholders	2,377	3,380	-30%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

MARKET OVERVIEW

The world continued to face unprecedented volatility and uncertainty in the global economy in 2022 1H. The supply-demand mismatches and chokeholds persisted with limited improvements. Disruptions to the global supply chains remained, driven by labour shortages, port congestion, geopolitical tensions and divergence in governments' COVID and fiscal policies.

The Omicron outbreak in Greater China that raged through 2022 1H has crippled cross-border transportation and affected the logistics connectivity between Hong Kong and the Mainland of China. The prolonged and scattered anti-COVID measures in different cities have disrupted manufacturing activities in the Mainland of China and global supply chains, leading to unforeseeable challenges, yet at the same time creating unprecedented opportunities for logistics.

Capitalising on the new opportunities, KLN Group responded and reacted swiftly to market changes and global supply chain reshuffling by providing innovative and customised solutions to meet customer needs under the unsettled market conditions.

In 2022 1H, KLN Group continued to deliver strong results with core net profits generated from its continuing operations jumping by 96% year-on-year. The performance of 1H demonstrated the Group's resilience and capabilities in handling crises while capturing opportunities in a highly complex and volatile global supply chain despite limitless challenges.

As the international business arm of S.F. Holding, the Group has added new customer base in the Mainland of China, started to serve as the exclusive cargo General Sales Agent (GSA) for S.F. Airlines since May 2022 and continued to integrate S.F. Holding's ex-China operations into its global network. The further integration and synergies between the two companies are expected to benefit KLN Group's business in terms of scale, coverage and capabilities.

SEGMENTAL REPORTING

During the period, the Group adopted a new segmental reporting by carving out the E&E related business from the IL division as a standalone business segment, reflecting the internal management and different strategies of the two segments. The new reportable segments are Integrated Logistics (IL), E-commerce & Express (E&E) and International Freight Forwarding (IFF). The new reporting will provide a clearer picture for stakeholders to review the performance of different operations within the Group.

INTEGRATED LOGISTICS

The segment profit of the IL division in Asia reported strong growth on the back of reopening of borders across countries, easing of COVID-19 restrictions and a pickup in manufacturing and domestic consumption in 2022 1H. Nevertheless, the pandemic prevention and lockdown measures in the Mainland of China have curtailed manufacturing activities, causing an 11% drop in IL business segment profit in the Mainland of China during the period.

E-COMMERCE AND EXPRESS

Performance of the E&E segment contracted as KETH in Thailand was caught in a price war during 2021 2H and 2022 1H. Nevertheless, losses have started to narrow since May 2022 and KETH is expected to come close to breakeven by the end of 2022.

KLN Group was the global number one NVOCC from Asia to the US for 2022 1H



The Group ramped up its Kerry Freight Controlled Network (KCN) with three weekly flights from Hanoi, Vietnam to Huntsville, Alabama, US in July 2022

INTERNATIONAL FREIGHT FORWARDING

The IFF segment remained as the growth driver of KLN Group and delivered a segment profit growth of 140% in 2022 1H. Greater China, including Hong Kong, contributed 28% and ex-Greater China contributed 72% of the total segment profit. The core base of the IFF business maintained its focus on Asia's export market.

The segment also added Topocean as a new member of the Group in April 2022, further strengthening the Group's capabilities to capture new growth in the Trans-Pacific trade lane.

SUSTAINABILITY

KLN Group commits to taking strides toward achieving net zero by 2050. The Group has extended its focus on Scope 3 emissions (according to Greenhouse Gas Protocol's Corporate Value Chain Standard) to enrich its sustainability disclosure and plan for carbon reduction. KLN Group continues to evaluate climate risks, explore science-based targets and increase the use of renewable energy to meet its sustainability goals.

OUTLOOK

Interest rates and inflation keep rising. Macro volatility and economic uncertainty are expected to further heighten in 2022 2H. The overall market braces for a downturn with softening global demand and lingering impact of the pandemic. The global transportation landscape, including cargo capacities, freight rates, trade restrictions and other issues, for different verticals was forced to change rapidly. Leveraging its strong position in Asia, KLN Group will continue to support global supply chain reshuffling through effective and efficient multimodal solutions.

Based on its strong performance in 2022 1H and forecast for the rest of the year, KLN Group is optimistic that for its continuing operations, the FY2022 results are expected to demonstrate a new growth as well as its capabilities in handling unpredictable events and enabling its customers to adopt new and different supply chain strategies and solutions to meet new business and operational needs.

“
Leveraging its strong position in Asia, KLN Group will continue to support global supply chain reshuffling through effective and efficient multimodal solutions.”

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 period, the amount of which was insignificant to the Group. The Group will continue to closely monitor its foreign exchange position and if necessary, hedge its foreign exchange exposure by entering into appropriate hedging instruments. As at 30 June 2022, total foreign currency borrowings amounted to the equivalent of HK\$3,641 million (including HK\$1,486 million denominated in Renminbi and HK\$1,397 million denominated in USD), which represented approximately 35% of the Group's total bank loans of HK\$10,463 million.

Out of the Group's total bank loans as at 30 June 2022, HK\$3,108 million (representing approximately 30%) was repayable within one year, HK\$2,556 million (representing approximately 24%) in the second year, HK\$4,745 million (representing approximately 45%) in the third to fifth years, and HK\$54 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 98% of total bank loans. In relation to the secured bank loans of HK\$169 million as at 30 June 2022, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK\$789 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 2022, the gearing ratio for the Group was 58.4% (31 December 2021: 29.0%). The ratio was calculated as total bank loans and overdrafts, divided by equity attributable to the Shareholders excluding put options written on non-controlling interests.

As at 30 June 2022, the Group had total undrawn bank loan and overdraft facilities of HK\$8,934 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 2022, the Group had no material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 30 June 2022, the Group had approximately 49,700 employees. The remuneration to employees includes salaries maintained at competitive levels while bonuses are granted on a discretionary basis. The Group provides training to its staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees. Other employee benefits include provident fund, insurance, medical, sponsorship for educational or training programmes, 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 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

(I) THE COMPANY ⁽¹⁾

Directors	Ordinary Shares in the Company					Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	
WANG Wei ⁽²⁾	-	-	931,209,117	-	931,209,117	51.52%
KUOK Khoo Hua ⁽³⁾	600,428	-	-	1,132,479	1,732,907	0.10%
MA Wing Kai William ⁽⁴⁾	1,680,745	-	-	717,588	2,398,333	0.13%
CHEUNG Ping Chuen Vicky ⁽⁵⁾	3,387,144	-	-	-	3,387,144	0.19%
WONG Yu Pok Marina ⁽⁶⁾	20,796	-	-	-	20,796	< 0.01%

Notes:

- All interests in Ordinary Shares in the Company were as at 30 June 2022.
- Mr Wang is interested in 931,209,117 Ordinary Shares held through his controlled corporations.
- 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.
- Mr Ma is interested in (i) 1,169,525 Ordinary Shares as beneficial owner; (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 511,220 Ordinary Shares; and (iii) 717,588 Ordinary Shares held through a discretionary trust of which Mr Ma is a discretionary beneficiary.
- Mr Cheung is interested in (i) 3,332,068 Ordinary Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 55,076 Ordinary Shares.
- Ms Wong is interested in 20,796 Ordinary Shares as beneficial owner.

(II) ASSOCIATED CORPORATIONS

Shenzhen Mingde Holding Development Co., Ltd.⁽¹⁾

Director	Registered capital of Shenzhen Mingde				Total interests	Approximate percentage of registered capital
	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:

- All interests in registered capital of Shenzhen Mingde were as at 30 June 2022.
- 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.⁽¹⁾

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

Notes:

- All interests in ordinary shares in S.F. Holding were as at 30 June 2022.
- Mr Chan is interested in options to subscribe for 488,000 shares in S.F. Holding as beneficial owner.
- Mr Ho is interested in options to subscribe for 488,000 shares in S.F. Holding as beneficial owner.

Kerry Express (Thailand) Public Company Limited⁽¹⁾

Director	Ordinary shares in Kerry Express Thailand				Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
MA Wing Kai William ⁽²⁾	14,211,700	-	-	-	14,211,700	0.82%

Notes:

- All interests in ordinary shares in Kerry Express Thailand were as at 30 June 2022.
- Mr Ma is interested in 14,211,700 ordinary shares in Kerry Express Thailand as beneficial owner.

Save as disclosed above, as at 30 June 2022, 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 2022, 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
WANG Wei	Interest of controlled corporations	931,209,117 ⁽¹⁾	51.52%
Shenzhen Mingde Holding Development Co., Ltd.	Interest of controlled corporations	931,209,117 ⁽¹⁾	51.52%
S.F. Holding Co., Ltd.	Interest of controlled corporations	931,209,117 ⁽¹⁾	51.52%
Kerry Group Limited	Interest of controlled corporations	595,928,608 ⁽²⁾	32.97%
Kerry Holdings Limited	Interest of controlled corporations	572,100,979 ⁽²⁾	31.65%
Kerry Properties Limited	Beneficial owner	376,702,721 ⁽²⁾	20.84%

Notes:

- (1) Flourish Harmony is interested in 931,209,117 Ordinary Shares as beneficial owner. It 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 are deemed to be interested in the shareholding interest of Flourish Harmony pursuant to the disclosure requirements under the SFO.
- (2) KPL is a subsidiary of KHL. KHL is a wholly-owned subsidiary of KGL. Accordingly, KHL is deemed to be interested in the shareholding interest of KPL in the Company and KGL is deemed to be interested in the shareholding interest of each of KHL and KPL in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at 30 June 2022, 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 2022, a total of 688,200 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 2022 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant (Note c)	Tranche	Number of options			Exercise price HK\$	Exercise period
			Outstanding as at 01/01/2022	Exercised (Notes a and b)	Lapsed		
Continuous Contract Employees	02/12/2013	I	320,000	(40,000)	-	280,000	19/12/2013-01/12/2023
	02/12/2013	II	433,200	(25,000)	-	408,200	02/12/2014-01/12/2023
Total:			753,200	(65,000)	-	688,200	

Notes:

- a. The weighted average closing price of the Ordinary Shares of the Company immediately before the dates on which the options were exercised was HK\$19.65.
- b. During the period, no option was granted/granted for adjustment, transferred from/to other category, lapsed or cancelled under the Pre-IPO Share Option Scheme.
- c. The vesting period of the options is from the date of grant until the commencement of the exercise period.
- d. 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 2022 and 30 June 2022, and (ii) no movements in options during the six months ended 30 June 2022.

SUMMARY OF THE SHARE OPTION SCHEMES

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1. Purpose	To motivate eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group	
2. Participants	Eligible persons include (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group (an "Employee"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (ii) a director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (iv) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; (v) an associate (as defined under the Listing Rules) of any of the foregoing persons	
3. Maximum number of Shares	As at 30 June 2022, a total of 688,200 options granted under the Pre-IPO Share Option Scheme were outstanding, representing approximately 0.04% and 0.04% of the issued share capital of the Company as at 30 June 2022 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 2022, 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 2022 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 2022 and the date of this interim report, respectively The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
4. Maximum entitlement of each participant	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant	
5. Option period	The option period is determined by the Board provided that it is not longer than 10 years commencing on the date of grant. There is no minimum period for which an option must be held before it can be exercised The Board may in its absolute discretion specify any conditions, restrictions or limitations, including continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the Shares to which the option relates	
6. Acceptance of offer	Options granted must be accepted within the period as stated in the offer of the grant, upon payment of HK\$1.0 per grant	
7. Exercise price	Exercise price is HK\$10.2, the offer price of the Shares for the Global Offering	The exercise price of the 4,350,000 options granted on 9 January 2015 is HK\$12.26 Exercise price shall be at least the highest of (i) the nominal value of Share; (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant; and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the grant
8. Remaining life of the scheme	It expired on 19 December 2013	It shall be valid and effective for a period of ten years commencing on 19 December 2013

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 not subject to the provisions of Chapter 17 of the Listing Rules as the Share Award Scheme does not involve the grant of options by the Company to subscribe for new Shares.

The purpose of the Share Award Scheme is 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.

During the six months ended 30 June 2022, 1,510,254 awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 30 June 2022, a total of 5,110,341 awarded Shares have been granted under the Share Award Scheme (representing approximately 0.28% and 0.28% of the issued share capital of the Company as at 30 June 2022 and the date of this interim report, respectively), of which 3,240,986 have vested and 1,869,355 remain unvested.

The maximum number of Shares which can be awarded under the Share Award Scheme is 10% of the total number of Shares in issue from time to time.

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 2022, 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 and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2022.

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 2022.

MATERIAL ACQUISITIONS OF SUBSIDIARIES

On 17 February 2022 (US time), the Company (through a wholly-owned subsidiary) entered into a stock purchase agreement to acquire from Robert Chin Yang Wang and Andy Hsien Cheng Wang the entire equity interest in Topocean at a total consideration of not exceeding USD240 million. Topocean and its subsidiaries are principally engaged in IFF and logistics services. Upon completion, Topocean will become a wholly-owned subsidiary of the Company. Please refer to the Company's announcement dated 18 February 2022 for details.

On 9 June 2022, the Company (through a wholly-owned subsidiary) entered into a sale and purchase agreement to acquire from Summer Way International Limited the remaining 39% interest in K-Apex Logistics (HK) Co., Limited, at a total consideration of not exceeding HK\$5,924 million. The target and its subsidiary are principally engaged in IFF, logistics and other related services in Hong Kong and the Mainland. Prior to the acquisition, the Company indirectly held 61% interest in the target. Upon completion, the target became a wholly-owned subsidiary of the Company. Please refer to the Company's announcement dated 9 June 2022 for details.

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 21.

EVENTS AFTER THE REPORTING PERIOD

There are no important events affecting the Group which have occurred since 30 June 2022.

CHANGES IN THE INFORMATION OF THE DIRECTORS SINCE LAST ANNUAL REPORT

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

Directors	Details of Changes
KUOK Khoon Hua	<ul style="list-style-type: none">Elected as the chairman of KPL since May 2022
CHEUNG Ping Chuen Vicky	<ul style="list-style-type: none">Appointed as the managing director of the Company since July 2022
HO Chit	<ul style="list-style-type: none">Ceased to be the independent director of China Great Wall Securities Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code 002939.SZ) since May 2022

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed on Thursday, 15 September 2022 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 Wednesday, 14 September 2022. The interim dividend is payable on or around Friday, 30 September 2022 to the Shareholders whose names appear on the Registers of Members on Thursday, 15 September 2022.

By Order of the Board
WANG Wei
Chairman

Hong Kong, 30 August 2022

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 23 to 48, which comprise the condensed consolidated interim statement of financial position of Kerry Logistics Network Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 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 notes, comprising significant accounting policies and other

explanatory information. 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". 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
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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, 30 August 2022

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2022

	Note	Unaudited 2022 HK\$'000	Unaudited 2021 HK\$'000 (restated)
Continuing operations			
Revenue	3	48,034,324	34,653,907
Direct operating expenses	4	(42,746,293)	(31,160,697)
Gross profit		5,288,031	3,493,210
Other income and net gains/(loss)	5	162,412	(29,312)
Administrative expenses	4	(1,838,500)	(1,584,985)
Operating profit before fair value change of investment properties		3,611,943	1,878,913
Change in fair value of investment properties	10	6,706	10,633
Operating profit		3,618,649	1,889,546
Finance costs	6	(150,592)	(119,776)
Share of results of associates and joint ventures		92,458	80,888
Profit before taxation		3,560,515	1,850,658
Taxation	7	(865,923)	(383,511)
Profit for the period from continuing operations		2,694,592	1,467,147
Discontinued operations:			
Profit for the period from discontinued operations		-	2,386,611
Profit for the period		2,694,592	3,853,758

	Note	Unaudited 2022 HK\$'000	Unaudited 2021 HK\$'000 (restated)
Profit attributable to:			
Company's shareholders	3		
From continuing operations		2,376,815	1,092,406
From discontinued operations		-	2,287,942
Non-controlling interests		317,777	473,410
		2,694,592	3,853,758
Earnings per share from continuing operations	9		
- Basic		HK\$1.32	HK\$0.61
- Diluted		HK\$1.31	HK\$0.60
Earning per share from discontinued operations			
- Basic		HK\$-	HK\$1.27
- Diluted		HK\$-	HK\$1.27

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited 2022 HK\$'000	Unaudited 2021 HK\$'000 (restated)
Profit for the period	2,694,592	3,853,758
Item that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	(928,919)	(378,887)
Items that will not be reclassified to consolidated income statement		
Fair value change on financial assets at fair value through other comprehensive income	(41,043)	(23,950)
Defined benefit pension plans		
- Actuarial losses	-	(3,414)
- Deferred income tax	-	683
Other comprehensive loss for the period	(969,962)	(405,568)
Total comprehensive income for the period	1,724,630	3,448,190
Total comprehensive income attributable to:		
Company's shareholders		
From continuing operations	1,580,160	777,721
From discontinued operations	-	2,288,627
Non-controlling interests	144,470	381,842
	1,724,630	3,448,190

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000		Note	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
ASSETS AND LIABILITIES							
Non-current assets							
Intangible assets	10	6,320,364	4,303,119				
Investment properties	10	1,875,510	1,939,636				
Property, plant and equipment	10	7,747,821	7,526,228				
Right-of-use assets		3,927,208	4,348,205				
Associates and joint ventures		2,129,323	2,281,222				
Financial assets at fair value through other comprehensive income		850,730	587,337				
Investment in convertible bonds		5,705	5,911				
Deferred taxation		651,734	155,944				
		23,508,395	21,147,602				
Current assets							
Financial assets at fair value through profit or loss		282,011	800,068				
Financial assets at fair value through other comprehensive income		-	17,166				
Inventories		470,876	374,775				
Accounts receivable, prepayments and deposits	11	17,861,857	16,662,937				
Tax recoverable		519,279	63,972				
Amounts due from fellow subsidiaries		-	3				
Restricted and pledged bank deposits		12,133	11,748				
Cash and bank balances		9,039,890	9,084,105				
		28,186,046	27,014,774				
Current liabilities							
Lease liabilities		1,300,735	1,377,209				
Accounts payable, deposits received and accrued charges	12	13,526,746	11,694,873				
Amounts due to fellow subsidiaries		351,343	-				
Amounts due to related companies		4,317	140,842				
Taxation		846,803	752,201				
Short-term bank loans and current portion of long-term bank loans	13	3,108,157	3,648,671				
Loans from non-controlling interests		27,015	27,703				
Bank overdrafts		186,841	199,201				
		19,351,957	17,840,700				
Non-current liabilities							
Loans from non-controlling interests		205,899	205,594				
Long-term bank loans	13	7,355,277	2,261,839				
Lease liabilities		2,079,238	2,384,652				
Deferred taxation		659,369	406,072				
Retirement benefit obligations		53,573	50,028				
Other non-current liabilities	12	537,418	176,775				
		10,890,774	5,484,960				
ASSETS LESS LIABILITIES						21,451,710	24,836,716
EQUITY							
Capital and reserves attributable to the Company's shareholders							
Share capital	14	903,687	903,655				
Share premium and other reserves		77,778	4,333,941				
Retained profits		17,259,177	15,810,884				
		18,240,642	21,048,480				
Put option written on non-controlling interests		(4,593)	(4,593)				
		18,236,049	21,043,887				
Non-controlling interests		3,215,661	3,792,829				
TOTAL EQUITY						21,451,710	24,836,716

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Unaudited 2022 HK\$'000	Unaudited 2021 HK\$'000
Operating activities		
Net cash generated from operations	3,664,486	2,349,757
Interest paid	(94,911)	(83,795)
Income tax paid	(1,294,479)	(293,427)
Net cash generated from operating activities	2,275,096	1,972,535
Investing activities		
Additions of property, plant and equipment	(959,399)	(638,220)
Additions of investment properties	(3,461)	-
Additions of right-of-use assets – leasehold land and land use rights	(80)	(97,676)
Additions of financial assets at fair value through other comprehensive income	(375,633)	(16,431)
Disposal of financial assets at fair value through other comprehensive income	263,072	5,937
Additions of financial assets at fair value through profit or loss	(238,335)	(1,119,600)
Disposal of financial assets at fair value through profit or loss	740,494	-
Proceeds from sale of property, plant and equipment	60,052	106,519
Proceeds from sale of associate	309,883	27
Dividend income from financial assets at fair value through other comprehensive income	-	3,920
Dividends received from associates	3,264	30,024
Net increase in balances with associates and joint ventures	(4,997)	(34,984)
Interest received	23,489	16,431
Interest income from investment in convertible bonds	-	2,416
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(744,948)	(107,410)
Acquisition of associates and joint ventures	(500)	(30,795)
Cash consideration paid for prior year's acquisition	(102,982)	(120,340)
Decrease/(increase) in restricted and pledged bank deposits	(385)	389
Net cash used in investing activities	(1,030,466)	(1,999,793)

	Unaudited 2022 HK\$'000	Unaudited 2021 HK\$'000
Financing activities		
Repayment of bank loans	(3,093,907)	(3,943,087)
Drawdown of bank loans	7,730,786	4,012,051
Dividends of subsidiaries paid to non-controlling interests	(682,479)	(297,870)
Capital injection from non-controlling interests	108,279	69,015
Increase in loans from non-controlling interests	-	15,393
Repayment of loans from non-controlling interests	(270)	(26,432)
Payments of lease liabilities	(653,840)	(574,953)
Changes in ownership of interests in subsidiaries without change of control (note 15)	(3,518,732)	(81,861)
Dividend paid	(903,687)	(429,145)
Proceeds from exercise of pre-IPO share option scheme allotment	662	69,564
Net cash used in financing activities	(1,013,188)	(1,187,325)
Increase/(decrease) in cash and cash equivalents	231,442	(1,214,583)
Effect of exchange rate changes	(263,297)	(134,195)
Cash and cash equivalents at beginning of the period	8,884,904	8,249,978
Cash and cash equivalent at end of the period	8,853,049	6,901,200
Analysis of balances of cash and cash equivalents		
Cash and bank balances	9,039,890	7,145,858
Bank overdrafts	(186,841)	(244,658)
	8,853,049	6,901,200

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Put option written on non-controlling interests HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
(unaudited)									
Balance at 1 January 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 (note 15)	-	-	(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

	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 2021	898,600	3,962,825	195,504	22,002,829	427,734	(4,593)	27,482,899	4,997,036	32,479,935
Profit for the period	-	-	-	3,380,348	-	-	3,380,348	473,410	3,853,758
Net translation differences on foreign operations	-	-	(289,814)	-	-	-	(289,814)	(89,073)	(378,887)
Defined benefit pension plan	-	-	-	-	-	-	-	-	-
- Actuarial losses	-	-	-	(2,888)	-	-	(2,888)	(526)	(3,414)
- Deferred income tax	-	-	-	578	-	-	578	105	683
Fair value change on financial assets at fair value through other comprehensive income	-	-	(21,876)	-	-	-	(21,876)	(2,074)	(23,950)
Total comprehensive income for the six months ended 30 June 2021	-	-	(311,690)	3,378,038	-	-	3,066,348	381,842	3,448,190
Dividends paid	-	-	-	(1,411)	(427,734)	-	(429,145)	-	(429,145)
Dividends of subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	(297,870)	(297,870)
2021 proposed interim dividend	-	-	-	(381,208)	381,208	-	-	-	-
Transfers	-	-	51,337	(51,337)	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	73,650	73,650
Deemed disposal of a subsidiary with retained interest recognised as an associate	-	-	-	-	-	-	-	(18,349)	(18,349)
Changes in ownership of interests in subsidiaries without change of control	-	-	(71,385)	-	-	-	(71,385)	(10,476)	(81,861)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	69,015	69,015
Exercise of pre-IPO share option scheme allotment	3,410	74,271	(8,117)	-	-	-	69,564	-	69,564
Total transactions with owners	3,410	74,271	(28,165)	(433,956)	(46,526)	-	(430,966)	(184,030)	(614,996)
Balance at 30 June 2021	902,010	4,037,096	(144,351)	24,946,911	381,208	(4,593)	30,118,281	5,194,848	35,313,129

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 statements are prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA and the disclosure requirements of Appendix 16 to the Listing Rules.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, 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 statements are consistent with those used in the annual financial statements for the year ended 31 December 2021.

The following new amendments to existing standards that are effective for the accounting period of the Group beginning on 1 January 2022 have been published:

Amendments to HKFRS 3, HKAS 16 and HKAS 37, "Narrow-scope amendments"

Amendments to HKFRS 16, "Covid-19-Related Rent Concessions"

Annual improvements to HKFRSs 2018 -2020 cycle

Revised Accounting Guideline 5, "Merger accounting for common control combinations"

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

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

HKFRS 17, "Insurance contracts"¹

Amendments to HKFRS 17, "Insurance contracts"¹

Amendments to HKAS 1, "Classification of liabilities as current or non-current"¹

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

Amendments to HKAS 8, "Definition of accounting estimates"¹

Amendments to HKAS 12, "Deferred tax related to assets and liabilities arising from a single transaction"¹

Hong Kong Interpretation 5 (2020), "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause"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 2023

² Effective date to be determined

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

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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 statements 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 statements, 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 2021 except for the adoption of new standards as set out above.

Pursuant to the conditional offer from S.F. Holding to acquire part of the issued shares of the Company, as part of the transaction, the Group entered into sale agreements with Kerry Holding Limited ("KHL"), which has sold the entire interest of the Hong Kong warehouse companies ("Hong Kong Warehouses") and the Taiwan business companies ("Taiwan Operations") (together the "Discontinued Operations"). The disposals of the Hong Kong Warehouses and Taiwan Operations were completed on 4 October 2021 and 27 September 2021 respectively.

In accordance with HKFRS 5 "Non-current Assets Held for Sales and Discontinued Operations", the related financial information of the Hong Kong Warehouses and Taiwan Operations in the comparative figures is required to be restated and presented separately as discontinued operations of the Group in the condensed consolidated interim income statement and the condensed consolidated interim statement of comprehensive income for the period ended 30 June 2022.

Further details of financial information of the discontinued operations are set out in note 19.

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 statements do not include all financial risk management information and disclosures required in the annual financial statements; and should be read in conjunction with the Group's annual financial statements as at 31 December 2021. 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 (2021: 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 2022 and 31 December 2021.

	Level 1	Level 2	Level 3	Total
At 30 June 2022	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Investment in convertible bonds	-	-	5,705	5,705
Financial assets at fair value through other comprehensive income	-	439,108	411,622	850,730
Financial assets at fair value through profit or loss	-	282,011	-	282,011
Total assets	-	721,119	417,327	1,138,446
Liability				
Put option written on non-controlling interests	-	-	4,180	4,180
At 31 December 2021	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Investment in convertible bonds	-	-	5,911	5,911
Financial assets at fair value through other comprehensive income	-	491,635	112,868	604,503
Financial assets at fair value through profit or loss	-	800,068	-	800,068
Total assets	-	1,291,703	118,779	1,410,482
Liability				
Put option written on non-controlling interests	-	-	4,208	4,208

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 instruments.

	Financial assets at fair value through other comprehensive income	Investment in convertible bonds	Put option written on non-controlling interests
As at 30 June 2022	HK\$'000	HK\$'000	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
As at 30 June 2021	Financial assets at fair value through other comprehensive income	Investment in convertible bonds	Put option written on non-controlling interests
	HK\$'000	HK\$'000	HK\$'000
Opening balance	359,189	353,382	4,186
Transfers [#]	-	(359,899)	-
Fair value adjustment	(23,950)	-	-
Additions	16,431	-	-
Disposals	(5,937)	-	-
Exchange adjustment	(471)	12,233	22
Closing balance	345,262	5,716	4,208

[#] In March 2021, KLN (Singapore) Pte. Ltd., a wholly owned subsidiary of the Company, exercised its underlying conversion right of the convertible bond of PT. Puninar Saranaraya ("PT. Puninar") as an acquisition of additional 25% equity interest.

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 (2021: 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.

PUT OPTION WRITTEN ON NON-CONTROLLING INTERESTS

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

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 2022 and 31 December 2021:

- Accounts receivable, deposits, other receivables, amounts due from fellow subsidiaries, associates and joint ventures
- 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 from continuing operations recognised during the period is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000 (restated)
Integrated logistics	6,522,267	6,305,086
E-commerce & Express	3,057,128	3,355,744
International freight forwarding	38,454,929	24,993,077
	48,034,324	34,653,907

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 2022, together with comparative figures for the six months ended 30 June 2021 is as follows:

	For the six months ended 30 June													
	Continuing operations										Discontinued operations		Consolidation	
	Integrated logistics		E-commerce & Express		International freight forwarding		Elimination		Sub-total		2021 HK\$'000 (restated)	2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2022 HK\$'000 (restated)
	2021 HK\$'000 (restated)	2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2022 HK\$'000 (restated)				
Revenue														
Turnover	6,522,267	6,305,086	3,057,128	3,355,744	38,454,929	24,993,077	-	-	48,034,324	34,653,907	2,054,832	48,034,324	36,708,739	
Inter-segment revenue	470,350	380,952	468,008	449,970	7,379,213	6,973,954	(8,317,571)	(7,804,876)	-	-	-	-	-	
	6,992,617	6,686,038	3,525,136	3,805,714	45,834,142	31,967,031	(8,317,571)	(7,804,876)	48,034,324	34,653,907	2,054,832	48,034,324	36,708,739	
Turnover by Geographic														
Hong Kong	2,261,655	1,884,249	841,396	992,176	2,209,413	1,972,468	(696,404)	(936,560)	4,616,060	3,912,333	110,948	4,616,060	4,023,281	
Mainland of China	3,281,497	3,445,295	-	-	11,926,444	11,654,381	(2,555,882)	(3,821,321)	12,652,059	11,278,355	-	12,652,059	11,278,355	
Taiwan	-	-	-	-	-	-	-	-	-	-	1,943,884	-	1,943,884	
Asia	1,378,861	1,287,055	2,646,481	2,809,974	8,134,265	5,113,617	(3,726,479)	(2,695,723)	8,433,128	6,514,923	-	8,433,128	6,514,923	
Americas	-	-	-	-	17,425,295	8,542,091	(967,506)	(138,081)	16,457,789	8,404,010	-	16,457,789	8,404,010	
EMEA	-	-	37,259	3,564	5,344,624	4,179,109	(325,444)	(195,279)	5,056,439	3,987,394	-	5,056,439	3,987,394	
Oceania	70,604	69,439	-	-	794,101	505,365	(45,856)	(17,912)	818,849	556,892	-	818,849	556,892	
	6,992,617	6,686,038	3,525,136	3,805,714	45,834,142	31,967,031	(8,317,571)	(7,804,876)	48,034,324	34,653,907	2,054,832	48,034,324	36,708,739	
Segment profit/(loss)														
Hong Kong	393,179	209,321	11,403	36,192	178,068	139,933	-	-	582,650	385,446	269,428	582,650	654,874	
Mainland of China	158,932	178,514	-	-	768,519	477,331	-	-	927,451	655,845	-	927,451	655,845	
Taiwan	-	-	-	-	-	-	-	-	-	-	274,526	-	274,526	
Asia	160,478	129,191	(410,728)	173,294	601,664	262,973	-	-	351,414	565,458	-	351,414	565,458	
Americas	-	-	-	-	1,613,293	432,214	-	-	1,613,293	432,214	-	1,613,293	432,214	
EMEA	-	-	5,886	(159)	179,534	67,401	-	-	185,420	67,242	-	185,420	67,242	
Oceania	4,433	43,023	-	-	57,213	36,107	-	-	61,646	79,130	-	61,646	79,130	
	717,022	560,049	(393,439)	209,327	3,398,291	1,415,959	-	-	3,721,874	2,185,335	543,954	3,721,874	2,729,289	
Less: Unallocated administration expenses									(260,682)	(192,743)	(1,036)	(260,682)	(193,779)	
Core operating profit									3,461,192	1,992,592	542,918	3,461,192	2,535,510	
Interest income									23,489	16,321	110	23,489	16,431	
Finance costs									(150,592)	(119,776)	(29,702)	(150,592)	(149,478)	
Share of results of associates									92,458	80,888	534	92,458	81,422	
Gain on disposal of an associate									127,262	-	-	127,262	-	
Profit before taxation*									3,553,809	1,970,025	513,860	3,553,809	2,483,885	
Taxation*									(864,246)	(380,949)	(97,169)	(864,246)	(478,118)	
Profit for the year*									2,689,563	1,589,076	416,691	2,689,563	2,005,767	
Non-controlling interests*									(317,751)	(376,735)	(98,669)	(317,751)	(475,404)	
CORE NET PROFIT									2,371,812	1,212,341	318,022	2,371,812	1,530,363	
Change in fair value of investment properties									6,706	10,633	1,969,920	6,706	1,980,553	
Deferred tax of change in fair value of investment properties									(1,677)	(2,562)	-	(1,677)	(2,562)	
Less: Non-controlling interests' share of change in fair value of investment properties and its related deferred tax									(26)	1,994	-	(26)	1,994	
Goodwill impairment									-	(130,000)	-	-	(130,000)	
Profit attributable to Company's shareholder									2,376,815	1,092,406	2,287,942	2,376,815	3,380,348	
Depreciation and amortisation	600,030	466,176	324,626	313,915	185,984	178,855			1,110,640	958,946	179,028	1,110,640	1,137,974	

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

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.

	For the six months ended 30 June							
	2022				2021			
	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 (restated)	Revenue recognised over time HK\$'000 (restated)	Rental income HK\$'000 (restated)	Total HK\$'000 (restated)
By operating segment								
Revenue from contracts with customers								
Integrated logistics	717,835	5,740,188	64,244	6,522,267	591,139	5,655,456	58,491	6,305,086
E&E	-	3,057,128	-	3,057,128	-	3,355,744	-	3,355,744
International freight forwarding	-	38,454,929	-	38,454,929	-	24,993,077	-	24,993,077
Discontinued operations	-	-	-	-	6,073	1,937,806	110,953	2,054,832
	717,835	47,252,245	64,244	48,034,324	597,212	35,942,083	169,444	36,708,739
By geographical area								
Revenue from contracts with customers								
Hong Kong	645,373	3,970,687	-	4,616,060	575,309	3,337,024	-	3,912,333
Mainland of China	59,930	12,549,054	43,075	12,652,059	1,655	11,233,668	43,032	11,278,355
Asia	12,532	8,399,427	21,169	8,433,128	14,175	6,485,289	15,459	6,514,923
Americas	-	16,457,789	-	16,457,789	-	8,404,010	-	8,404,010
EMEA	-	5,056,439	-	5,056,439	-	3,987,394	-	3,987,394
Oceania	-	818,849	-	818,849	-	556,892	-	556,892
Discontinued operations	-	-	-	-	6,073	1,937,806	110,953	2,054,832
	717,835	47,252,245	64,244	48,034,324	597,212	35,942,083	169,444	36,708,739

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 in continuing operations of the Group, in 2022 namely integrated logistics, e-commerce & express and international freight forwarding, in each geographical area. The disposed Hong Kong Warehouse and Taiwan Business were presented under "Discontinued Operation".

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.

During the period, the Group has re-determined a new operating segment namely e-commerce & express, which was originally included in the integrated logistics segment in previous years. After the disposal of the Hong Kong Warehouse segment, with the combination of the continuing business expansion of e-commerce & express segment, for segment presentation purpose, e-commerce & express segment is presented as an operating segment for the current segmental analysis of operations. Prior period corresponding segment information that is presented for comparative purpose has been restated. The reclassification has no impact on the profit for the current and comparative period of the Group for the period ended 30 June 2022 and 30 June 2021 nor on the assets and liabilities of the Group as of 30 June 2022 and 31 December 2021.

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 and goodwill impairment.

(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 2022 HK\$'000	As at 31 December 2021 HK\$'000
Hong Kong	1,820,506	2,062,027
Mainland of China	7,982,152	7,788,141
Asia	7,718,962	8,129,462
Americas	3,195,773	1,055,752
EMEA	1,138,531	1,209,174
Oceania	144,302	153,854
	22,000,226	20,398,410

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

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (restated)
Continuing operations		
Business tax and other taxes	9,017	11,354
Cost of goods sold	604,876	497,859
Freight and transportation costs	38,128,166	27,576,170
Depreciation of property, plant and equipment (note 10)	385,285	367,982
Depreciation of right-of-use assets	643,204	521,110
Amortisation of intangible assets (note 10)	82,151	69,854
Provision for impairment of receivables	109,791	61,270
Reversal of provision for impairment of receivables	(4,282)	(420)
Expenses relating to short-term and low-value leases	300,028	128,681
Employee benefit expenses (note)	3,975,144	3,023,934

Note:

Government grants amounting to HK\$18,459,000 (2021: HK\$1,487,000) have been recognised and deducted in employee benefit expenses for the six months ended 30 June 2022.

5 OTHER INCOME AND NET GAINS/(LOSS)

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (restated)
Continuing operations		
Interest income from investment in convertible bonds	-	2,416
Interest income from banks	22,995	14,653
Gain on disposal of property, plant and equipment	7,524	29,534
Interest income from associates	494	1,668
Gain/(loss) on disposal of associates	127,262	(32)
Gain on disposal of right-of-use assets	3,688	-
Fair value change of financial assets at fair value through profit or loss	449	52,449
Goodwill impairment (note 10)	-	(130,000)
	162,412	(29,312)

6 FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (restated)
Continuing operations		
Interest expenses on bank loans and overdrafts	94,911	61,553
Interest expenses on lease liabilities	55,681	58,223
	150,592	119,776

7 TAXATION

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) for the six months ended 30 June 2022 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% (2021: 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	
	2022 HK\$'000	2021 HK\$'000 (restated)
Continuing operations		
Hong Kong profits tax		
- Current	150,981	100,638
- Overprovision in prior years	(1,170)	-
- Deferred	1,130	(2,675)
	150,941	97,963
PRC taxation		
- Current	117,084	83,669
- Underprovision in prior years	20,855	7,813
- Deferred	4,615	(97)
	142,554	91,385
Overseas taxation		
- Current	642,254	296,443
- Overprovision in prior years and tax refund (note)	(706)	(136,049)
- Deferred	(69,120)	33,769
	572,428	194,163
	865,923	383,511

Note:

In March 2020, US passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES ACT") which allows a five-year carry back of federal net operating losses generated in the tax years beginning in 2018, 2019 and 2020, and received a refund claims of approximately US\$12,000,000 (approximately HK\$93,000,000) in 2021.

8 DIVIDENDS

The Directors have declared an interim dividend of 28 HK cents per share for the six months ended 30 June 2022 (for the six months ended 30 June 2021: an interim dividend of 21.1 HK cents), which is payable on or around Friday, 30 September 2022 to shareholders whose names appear on the registers of members of the Company on Thursday, 15 September 2022. These financial statements 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	
	2022	2021
Adjusted weighted average number of ordinary shares in issue ('000)	1,807,356	1,799,521
Profit attributable to the Company's shareholders (HK\$'000)		
From continuing operations	2,376,815	1,092,406
From discontinued operations	-	2,287,942
Basic earnings per share (HK\$)		
From continuing operations	1.32	0.61
From discontinued operations	-	1.27

DILUTED

	Six months ended 30 June	
	2022	2021
Adjusted weighted average number of ordinary shares in issue ('000)	1,807,356	1,799,521
Adjustment for share options ('000)	312	4,748
Weighted average number of shares for the purpose of calculating diluted earnings per share ('000)	1,807,668	1,804,269
Profit attributable to the Company's shareholders (HK\$'000)		
From continuing operations	2,376,815	1,092,406
From discontinued operations	-	2,287,942
Diluted earnings per share (HK\$)		
From continuing operation	1.31	0.60
From discontinued operation	-	1.27

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 2021	11,693,226	11,503,215	4,771,897
Additions	638,220	-	-
Change in fair value (note a)	-	1,980,553	-
Disposals	(75,694)	-	-
Depreciation and amortisation (note b)	(476,689)	-	(72,895)
Acquisition of subsidiaries	41,252	-	352,552
Deemed disposal of a subsidiary	(146,388)	-	-
Transfer/reclassification	112,487	(168,834)	-
Exchange adjustment	(126,153)	4,475	(20,357)
Goodwill impairment	-	-	(130,000)
Closing net book value at 30 June 2021	11,660,261	13,319,409	4,901,197
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

Notes:

(a) The amount represents change in fair value of investment properties of HK\$1,980,553,000, which includes HK\$10,633,000 (note 3b) arising from continuing operations and HK\$1,969,920,000 (note 3b) arising from discontinued operations for the six month ended 30 June 2021.

(b) The amount represents depreciation of property, plant and equipment of HK\$476,689,000, which includes HK\$367,982,000 (note 4) arising from continuing operations and HK\$108,707,000 arising from discontinued operations for the six months ended 30 June 2021.

The amount represents amortisation of intangible assets of HK\$72,895,000, which includes HK\$69,854,000 (note 4) arising from continuing operations and HK\$3,041,000 arising from discontinued operations for the six months ended 30 June 2021.

Goodwill of HK\$5,124,161,000 (At 31 December 2021: HK\$3,654,164,000) 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)

For the period ended 30 June 2021, the Group recognised an impairment charge against goodwill of HK\$130 million relating to an acquired business within EMEA, primarily resulted from a construction of facilities which has been put on hold due to a dispute with a third party, and slows down the business growth and expansion.

Management did not identify any major adverse changes indicating any impairment in the carrying amounts of goodwill for all business units at 30 June 2022.

VALUATION OF INVESTMENT PROPERTIES

FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUTS

	Hong Kong HK\$'000	PRC HK\$'000	Overseas HK\$'000	Total HK\$'000
Opening balance as at 1 January 2021	9,726,080	1,294,051	483,084	11,503,215
Change in fair value	1,969,920	2,425	8,208	1,980,553
Exchange adjustment	-	8,899	(4,424)	4,475
Transfer	-	-	(168,834)	(168,834)
Closing balance as at 30 June 2021	11,696,000	1,305,375	318,034	13,319,409
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

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 (2021: 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. Fair value of certain investment properties in Vietnam are generally derived using Depreciated Replacement Cost ("DRC") approach.

SIGNIFICANT UNOBSERVABLE INPUTS USED TO DETERMINE FAIR VALUE

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

Prevailing market rents are estimated based on recent lettings for 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 2022.

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 2022 HK\$'000	As at 31 December 2021 HK\$'000
Below 1 month	8,690,315	7,654,779
Between 1 month and 3 months	4,051,973	4,332,734
Over 3 months	897,904	859,476
Total trade receivables, net	13,640,192	12,846,989
Prepayments, deposits and other receivables (note a)	4,221,665	3,815,948
	17,861,857	16,662,937

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 2022 HK\$'000	As at 31 December 2021 HK\$'000
Trade payables	5,945,830	6,274,910
Deposits received, accrued charges and other payables (note a)	8,118,334	5,596,738
	14,064,164	11,871,648
Less: Non-current contingent consideration payable for acquisition of subsidiaries	(533,238)	(172,567)
Non-current written put option liability	(4,180)	(4,208)
	13,526,746	11,694,873

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

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Below 1 month	3,782,825	3,605,375
Between 1 month and 3 months	1,179,945	1,558,885
Over 3 months	983,060	1,110,650
Total trade payables	5,945,830	6,274,910

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 2022 HK\$'000	As at 31 December 2021 HK\$'000
Non-current		
– unsecured	7,328,982	2,231,081
– secured	26,295	30,758
	7,355,277	2,261,839
Current		
– unsecured	2,965,109	3,436,366
– secured	143,048	212,305
	3,108,157	3,648,671
Total bank loans	10,463,434	5,910,510

14 SHARE CAPITAL

	As at 30 June 2022		As at 31 December 2021	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares, authorised, issued and fully paid:				
At beginning of the period/year	1,807,309,842	903,655	1,797,200,042	898,600
Exercise of pre-IPO share option scheme allotment	65,000	32	10,109,800	5,055
At end of the period/year	1,807,374,842	903,687	1,807,309,842	903,655

15 TRANSACTION WITH NON-CONTROLLING INTERESTS

During the period, the Group changed its ownership interests in certain subsidiaries without change of its control.

The effect of these transactions are summarised as follows:

	HK\$'000
Net cash consideration paid to non-controlling interests	(3,518,732)
Net cash consideration payable to non-controlling interests	(90,880)
Net decrease in non-controlling interests	124,639
Changes in other reserves arising from changes in ownership of interests in subsidiaries without change of control	(3,484,973)

16 COMMITMENTS

As at 30 June 2022, 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 2022 HK\$'000	As at 31 December 2021 HK\$'000
Contracted but not provided for	3,669,275	1,428,165

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.

17 BUSINESS COMBINATIONS

During the period, the Group acquired controlling equity interests in several international freight forwarding and trading companies, which are principally operated in Americas and Hong Kong.

Aggregate consideration of the acquisition transactions is as follows:

	HK\$'000
Cash consideration paid during the period	887,728
Consideration payable	1,462,298
	2,350,026

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

	HK\$'000
Property, plant and equipment (note 10)	6,322
Accounts receivable, prepayments and deposits	2,867,307
Cash and bank balances	142,780
Accounts payable, deposits received and accrued charges	(2,851,723)
Other assets	158,088
Total identifiable net assets (excluding intangible assets)	322,774
Intangible assets (note 10)	641,750
Goodwill (note 10)	1,560,881
Non-controlling interests	(175,379)
Total	2,350,026

* As at 30 June 2022, verification of individual assets/liabilities of the acquired business/subsidiaries is in progress and the Group has not finalised the fair value assessments. The relevant fair value of individual assets/liabilities stated as above are provisional.

17 BUSINESS COMBINATIONS (CONTINUED)

The goodwill of HK\$1,560,881,000 arising from these acquisitions is attributable to the future profitability of the acquired businesses.

The acquired businesses contributed revenue of HK\$3,624,356,000 and net profit of HK\$169,857,000 to the Company's shareholders for the period from their respective acquisition dates up to 30 June 2022.

18 PLEDGE OF ASSETS

As at 30 June 2022, the Group's total bank loans of HK\$10,463,434,000 (31 December 2021: HK\$5,910,510,000) included an aggregate amount of HK\$169,343,000 (31 December 2021: HK\$243,063,000) which are secured. The Group's total bank overdrafts of HK\$186,841,000 (31 December 2021: HK\$199,201,000) included an aggregate amount of HK\$3,341,000 (31 December 2021: HK\$45,791,000) 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\$788,967,000 (31 December 2021: HK\$1,303,673,000);
- (ii) assignments of insurance proceeds of certain properties; and
- (iii) certain balances of restricted and pledged deposits.

19 DISCONTINUED OPERATIONS

Pursuant to the conditional offer from S.F. Holding to acquire part of the issued shares of the Company, as part of the transaction, the Group entered into sale agreements with KHL, which has sold the entire interest of the Hong Kong Warehouses and Taiwan Operation. The results of the Hong Kong Warehouses and Taiwan Operation were accounted for as discontinued operations under HKFRS 5 "Non-current assets held for sale and discontinued operations" in the comparative figures.

(a) RESULTS FROM DISCONTINUED OPERATIONS

	2021 HK'000
Revenue	2,054,832
Direct operating expenses	(1,280,418)
Other gains	5,321
Administrative expenses	(236,707)
Change in fair value of investment properties	1,969,920
Finance expenses	(29,702)
Share of results of associated companies	534
Profit before taxation	2,483,780
Taxation	(97,169)
Profit for the period from discontinued operations	2,386,611

(b) CASH FLOWS FROM DISCONTINUED OPERATIONS

	2021 HK'000
Net cash generated from operating activities	274,812
Net cash used in investing activities	(257,737)
Net cash used in financing activities	(156,930)
Decrease in cash and cash equivalents	(139,855)
Effect of exchange rate changes	4,776
Net cash used in discontinued operations	(135,079)

DEFINITIONS

"1H" or "2H"	first half or second half
"3PL"	third-party logistics
"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
"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
"FY2022"	the financial year ending 31 December 2022
"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

<p>“HKAS”</p> <p>“HKFRS”</p> <p>“HKICPA”</p> <p>“Hong Kong”</p> <p>“IFF”</p> <p>“IL”</p> <p>“Kerry Express Thailand” or “KETH”</p> <p>“Kerry Freight Controlled Network” or “KCN”</p> <p>“KGL”</p> <p>“KHL”</p> <p>“KPL”</p> <p>“Listing Rules”</p> <p>“Macau”</p> <p>“Mainland” or “Mainland of China”</p> <p>“Model Code”</p> <p>“NVOCC”</p> <p>“Oceania”</p>	<p>Hong Kong Accounting Standards</p> <p>Hong Kong Financial Reporting Standards</p> <p>Hong Kong Institute of Certified Public Accountants</p> <p>Hong Kong Special Administrative Region of the PRC</p> <p>international freight forwarding</p> <p>integrated logistics</p> <p>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</p> <p>an air freight solution with freight integrator centres set up in Huntsville, Alabama, US. It offers standard air freight services to customers looking for stable and long-term solutions</p> <p>Kerry Group Limited, one of the Controlling Shareholders of the Company</p> <p>Kerry Holdings Limited, a wholly-owned subsidiary of KGL</p> <p>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</p> <p>the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time</p> <p>Macao Special Administrative Region of the PRC</p> <p>the PRC and, for the purpose of this interim report only, excludes Hong Kong, Macau and Taiwan</p> <p>the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules</p> <p>non-vessel operating common carrier</p> <p>Australia and New Zealand, for the purpose of this interim report only</p>	<p>“Ordinary Share(s)” or “Share(s)”</p> <p>“Post-IPO Share Option Scheme”</p> <p>“PRC”</p> <p>“Pre-IPO Share Option Scheme”</p> <p>“Registers of Members”</p> <p>“Renminbi” or “RMB”</p> <p>“S.F. Holding”</p> <p>“SFO”</p> <p>“Share Award Scheme”</p> <p>“Shareholders”</p> <p>“Shenzhen Mingde”</p> <p>“Stock Exchange”</p> <p>“Substantial Shareholder(s)”</p> <p>“Topocean”</p> <p>“United States” or “US”</p> <p>“US\$” or “USD”</p>	<p>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</p> <p>post-IPO share option scheme of the Company</p> <p>the People’s Republic of China</p> <p>pre-IPO share option scheme of the Company</p> <p>registers of members of the Company</p> <p>Renminbi, the lawful currency of the PRC</p> <p>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</p> <p>Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)</p> <p>share award scheme of the Company</p> <p>the holders of the Shares</p> <p>Shenzhen Mingde Holding Development Co., Ltd., one of the Controlling Shareholders of the Company</p> <p>The Stock Exchange of Hong Kong Limited</p> <p>shall have the meaning ascribed to it under the Listing Rules</p> <p>Topocean Consolidation Service (Los Angeles) Inc., a California incorporated corporation, an indirect non-wholly owned subsidiary of the Company</p> <p>the United States of America, its territories and possessions, any State of the United States, and the District of Columbia</p> <p>United States dollars, the lawful currency of the United States</p>
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建基亞洲 服務全球

嘉里物流聯網集團的辦事處遍佈全球59個國家及地區，是以亞洲為基地，擁有高度多元化業務及強大亞洲網絡覆蓋的國際第三方物流服務供應商。其業務涵蓋一系列供應鏈解決方案，包括綜合物流、國際貨運(海陸空、鐵路及多式聯運)、工業項目物流、跨境電子商貿，以及最後一里派送和基建投資等。

二零二一年，隨著與順豐控股的策略合作，嘉里物流聯網集團踏上一個具有龐大機遇的征途，並於國際物流市場展開新一頁。

應對前所未有的挑戰，需要創新的解決方案。憑藉強化的服務能力、深化的合作關係和更大的協同效應，嘉里物流聯網集團致力為客戶提供多種靈活、創新和高度量身定制的解決方案和服務組合，以應付新常態下的特別需求。

ASIA-BASED, GLOBAL 3PL

With a global presence across 59 countries and territories, KLN Group is an Asia-based, global 3PL with a highly diversified business portfolio and the strongest coverage in Asia. Its broad range of supply chain solutions from integrated logistics, international freight forwarding (air, ocean, road, rail and multimodal), industrial project logistics, to cross-border e-commerce, last-mile fulfilment and infrastructure investment.

Following the strategic partnership with S.F. Holding in 2021, KLN Group embarked on a new journey with huge potential and opened a fresh page in the global logistics arena.

Unprecedented challenges require innovative solutions. With strengthened capabilities, deepened collaboration and enhanced synergies, KLN Group is committed to supporting its customers with a more diverse range of flexible, innovative and highly customised solutions and offerings to meet their specific needs in the new normal.

