Kerry Logistics Network Limited
嘉里物流聯網有限公司

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

Stock Code 636

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board of the Company is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2015, together with comparative figures for the six months ended 30 June 2014.

GROUP'S FINANCIAL HIGHLIGHTS

- Turnover increased by 2% year-on-year to HK$10,135 million (2014 1H: HK$9,984 million)
- Core operating profit increased by 16% year-on-year to HK$925 million (2014 1H: HK$796 million)
- Core net profit increased by 11% year-on-year to HK$542 million (2014 1H: HK$490 million)
- Profit attributable to the Shareholders increased by 11% to HK$701 million (2014 1H: HK$634 million)
- IL business achieved a 15% growth in segment profit to HK$807 million (2014 1H: HK$704 million)
- IFF business recorded a 22% growth in segment profit to HK$191 million (2014 1H: HK$157 million)
- Interim dividend of 6 HK cents per Share, to be payable on Wednesday, 23 September 2015

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2015

	Note	Unaudited 2015 HK$'000	Unaudited 2014 HK$'000
Turnover	2	10,134,594	9,984,310
Direct operating expenses	3	(8,450,862)	(8,491,594)
Gross profit		1,683,732	1,492,716
Other income and net gains		78,258	50,799
Administrative expenses	3	(823,575)	(732,970)
Operating profit before fair value change of investment properties		938,415	810,545
Change in fair value of investment properties		165,161	149,730
Operating profit		1,103,576	960,275
Finance costs	4	(68,040)	(53,322)
Share of results of associates		56,285	44,484
Profit before taxation		1,091,821	951,437
Taxation	5	(212,246)	(165,022)
Profit for the period		879,575	786,415
Profit attributable to:			
Company's shareholders	2	701,007	634,497
Non-controlling interests		178,568	151,918
		879,575	786,415
Interim dividend	6	101,643	101,444
Interim dividend per share		6 HK cents	6 HK cents
Earnings per share			
– Basic	7	HK$0.41	HK$0.38
– Diluted		HK$0.41	HK$0.37

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Unaudited 2015 HK$'000	Unaudited 2014 HK$'000
Profit for the period	879,575	786,415
Item that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	(70,464)	(111,195)
Other comprehensive loss for the period	(70,464)	(111,195)
Total comprehensive income for the period	809,111	675,220
Total comprehensive income attributable to:		
Company's shareholders	613,286	547,418
Non-controlling interests	195,825	127,802
	809,111	675,220

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2015 HK$'000	Audited As at 31 December 2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		2,161,186	1,834,776
Investment properties		7,630,181	7,456,242
Leasehold land and land use rights		560,732	580,941
Property, plant and equipment		6,930,003	6,652,889
Associates		1,067,331	1,059,662
Available-for-sale investments		113,108	94,477
Investment in convertible bond		349,021	–
Long-term receivables		20,420	–
		18,831,982	17,678,987
Current assets			
Inventories		320,135	333,866
Accounts receivable, prepayments and deposits	8	4,864,973	4,734,507
Tax recoverable		20,822	21,963
Amounts due from fellow subsidiaries		3,828	2,117
Restricted and pledged bank deposits		39,243	25,422
Cash and bank balances		3,464,668	3,816,198
		8,713,669	8,934,073
Current liabilities			
Accounts payable, deposits received and accrued charges	9	3,311,683	3,659,485
Amounts due to fellow subsidiaries		9,916	8,581
Amounts due to related companies		55,516	14,646
Taxation		191,177	166,381
Short-term bank loans and current portion of long-term bank loans	10	1,236,859	1,245,442
Bank overdrafts		41,833	47,857
		4,846,984	5,142,392
Net current assets		3,866,685	3,791,681
Total assets less current liabilities		22,698,667	21,470,668

	Note	Unaudited As at 30 June 2015 HK$'000	Audited As at 31 December 2014 HK$'000
Non-current liabilities			
Loans from non-controlling interests		237,772	248,342
Long-term bank loans	10	3,830,603	3,010,101
Deferred taxation		549,541	541,527
Retirement benefit obligations		279,618	283,032
Other non-current liabilities		32,993	34,890
		4,930,527	4,117,892
ASSETS LESS LIABILITIES		17,768,140	17,352,776
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		846,960	845,620
Share premium		2,985,028	2,955,547
Retained profits			
– Proposed dividends		101,643	135,299
– Others		11,018,758	10,422,922
Other reserves		119,605	311,401
		15,071,994	14,670,789
Non-controlling interests		2,696,146	2,681,987
TOTAL EQUITY		17,768,140	17,352,776

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 Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of logistics, freight and warehouse leasing and operations services. The Company obtained its primary listing on the Stock Exchange on 19 December 2013.

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 2014, which have been prepared in accordance with HKFRS. Except as described below, the accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014.

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

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

In the current interim period, the Group has applied, for the first time, the above amendments and improvements to existing standards issued by the HKICPA.

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

The Group has not yet adopted the following new or revised standards, amendments or improvements to existing standards that have been issued by the HKICPA but are not yet effective.

HKAS 1 (amendment)	Disclosure initiative[1]
HKAS 27 (amendment)	Equity method in separate financial statements[1]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory deferral accounts[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Bearer Plants[1]
Amendments to HKAS 28 (2011) and HKFRS 10	Sales or contribution assets between an investor and its associate or joint venture[1]
Amendments to HKAS 28 (2011), HKFRS 10 and HKFRS 12	Investment entities: applying the consolidation exception[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Annual improvements project	Annual improvements to 2012 – 2014 cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of assessing the impact of these new or revised standards, amendments and improvements to existing standards, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure and remeasurement of certain items in the condensed consolidated interim financial statements.

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 2014.

2 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

An analysis of the Group's financial results by operating segment and geographical area for the six months ended 30 June:

	For the six months ended 30 June									
	Integrated logistics				International freight forwarding		Elimination		Consolidation	
	Logistics operations		Hong Kong warehouse							
	2015 HK$'000	2014 HK$'000 (reclassified)	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000 (reclassified)	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Turnover										
Turnover	4,852,417	4,596,945	271,866	241,186	5,010,311	5,146,179	–	–	10,134,594	9,984,310
Inter-segment turnover	110,051	114,694	154,273	143,871	420,594	529,105	(684,918)	(787,670)	–	–
	4,962,468	4,711,639	426,139	385,057	5,430,905	5,675,284	(684,918)	(787,670)	10,134,594	9,984,310
Turnover by geographical area:										
Hong Kong	1,224,823	1,102,241	426,139	385,057	265,337	320,077	(183,496)	(279,304)	1,732,803	1,528,071
Mainland China	1,680,060	1,619,292	–	–	2,443,960	2,761,797	(303,454)	(295,552)	3,820,566	4,085,537
Taiwan	1,079,812	1,041,872	–	–	24,054	25,826	(8,245)	(8,735)	1,095,621	1,058,963
South & South East Asia	907,713	874,025	–	–	769,474	725,676	(99,519)	(107,450)	1,577,668	1,492,251
Europe	–	–	–	–	1,163,999	1,505,794	(22,690)	(46,847)	1,141,309	1,458,947
Others	70,060	74,209	–	–	764,081	336,114	(67,514)	(49,782)	766,627	360,541
	4,962,468	4,711,639	426,139	385,057	5,430,905	5,675,284	(684,918)	(787,670)	10,134,594	9,984,310
Segment profit by geographical area:										
Hong Kong	79,386	61,065	241,560	218,152	13,940	8,357	–	–	334,886	287,574
Mainland China	127,666	138,298	–	–	115,595	97,312	–	–	243,261	235,610
Taiwan	210,170	140,121	–	–	899	989	–	–	211,069	141,110
South & South East Asia	142,225	144,409	–	–	23,409	19,318	–	–	165,634	163,727
Europe	–	–	–	–	13,114	32,269	–	–	13,114	32,269
Others	5,647	2,302	–	–	24,405	(1,527)	–	–	30,052	775
	565,094	486,195	241,560	218,152	191,362	156,718	–	–	998,016	861,065
Less: Unallocated administrative expenses									(73,513)	(65,563)
Core operating profit									924,503	795,502
Finance income									13,912	15,043
Finance costs									(68,040)	(53,322)
Share of results of associates									56,285	44,484
Profit before taxation*									926,660	801,707
Taxation*									(208,405)	(162,540)
Profit for the period*									718,255	639,167
Non-controlling interests*									(175,989)	(149,202)
Core net profit									542,266	489,965
Change in fair value of investment properties									165,161	149,730
Deferred tax on change in fair value of investment properties									(3,841)	(2,482)
Less: Non-controlling interests' share of after-tax change in fair value of investment properties									(2,579)	(2,716)
Profit attributable to the Company's shareholders									701,007	634,497
Depreciation and amortisation	173,686	160,412	17,747	15,997	43,795	54,357			235,228	230,766

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

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

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

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

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

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

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

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

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

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

	Segment non-current assets#	
	As at 30 June 2015 HK$'000	As at 31 December 2014 HK$'000
Hong Kong	7,178,277	6,976,055
Mainland China	4,233,683	4,239,847
Taiwan	2,655,991	2,636,897
South & South East Asia	3,195,764	3,038,018
Europe	448,696	475,768
Others	637,022	217,925
	18,349,433	17,584,510

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

3 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Business tax	10,088	16,538
Cost of goods sold	604,420	585,649
Freight and transportation costs	6,251,864	6,354,395
Depreciation of property, plant and equipment	221,117	202,802
Amortisation of leasehold land and land use rights	5,056	5,501
Amortisation of intangible assets	9,055	22,463
Provision for impairment of receivables	17,660	13,130
Reversal of provision for impairment of receivables	(7,732)	(12,639)
Operating lease charges on land and buildings	262,437	265,189
Employee benefit expenses	1,605,513	1,531,489

4 FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Interest expenses on bank loans and overdrafts	68,040	53,322

5 TAXATION

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Hong Kong profits tax		
– Current	46,071	40,803
– Underprovision in prior years	158	–
– Deferred	4,483	4,892
	50,712	45,695
PRC taxation		
– Current	52,107	50,042
– (Over)/underprovision in prior years	(1,832)	715
– Deferred	7,061	1,731
	57,336	52,488
Overseas taxation		
– Current	103,317	67,722
– Underprovision in prior years	239	2,771
– Deferred	642	(3,654)
	104,198	66,839
	212,246	165,022

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) for the period ended 30 June 2015 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 with rates ranging from 17% to 40% (2014: 17% to 40%) in the overseas countries in which the Group operates.

PRC ENTERPRISE INCOME TAX

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

WITHHOLDING TAX ON DISTRIBUTED/UNDISTRIBUTED PROFITS

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

6 DIVIDENDS

A dividend in respect of the six months ended 30 June 2015 of 6 HK cents per share, amounting to a total dividend of HK$101,643,000 is declared. The amount of interim dividend declared was calculated based on the number of ordinary shares in issue at the date of approval of the condensed consolidated interim financial statements. These financial statements do not reflect this dividend payable.

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Proposed dividend of 6 HK cents (for the period ended 30 June 2014: 6 HK cents) per ordinary share	101,643	101,444

7 EARNINGS PER SHARE

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

BASIC

	Six months ended 30 June	
	2015	2014
Adjusted weighted average number of ordinary shares in issue ('000)	1,691,980	1,687,853
Profit attributable to the Company's shareholders (HK$'000)	701,007	634,497
Basic earnings per share (HK$)	0.41	0.38

DILUTED

	Six months ended 30 June	
	2015	2014
Adjusted weighted average number of ordinary shares in issue ('000)	1,691,980	1,687,853
Adjustment for share options ('000)	5,960	6,228
Weighted average number of shares for the purpose of calculating diluted earnings per share ('000)	1,697,940	1,694,081
Profit attributable to the Company's shareholders (HK$'000)	701,007	634,497
Diluted earnings per share (HK$)	0.41	0.37

8 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

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

	As at 30 June 2015 HK$'000	As at 31 December 2014 HK$'000
Below 1 month	2,031,834	2,204,590
Between 1 month and 3 months	1,265,765	1,278,167
Over 3 months	337,013	211,094
Total trade receivables, net	3,634,612	3,693,851
Prepayments, deposits and other receivables	1,230,361	1,040,656
	4,864,973	4,734,507

9 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables based on the date of the invoice is as follows:

	As at 30 June 2015 HK$'000	As at 31 December 2014 HK$'000
Below 1 month	553,328	849,706
Between 1 month and 3 months	517,352	628,866
Over 3 months	509,981	368,685
Total trade payables	1,580,661	1,847,257
Deposits received, accrued charges and other payables	1,731,022	1,812,228
	3,311,683	3,659,485

10 BANK LOANS

	As at 30 June 2015 HK$'000	As at 31 December 2014 HK$'000
Non-current		
– unsecured	3,540,672	2,694,136
– secured	289,931	315,965
	3,830,603	3,010,101
Current		
– unsecured	1,044,323	1,039,828
– secured	192,536	205,614
	1,236,859	1,245,442
Total bank loans	5,067,462	4,255,543

11 COMMITMENTS

As at 30 June 2015, the Group had capital commitments in respect of property, plant and equipment and acquisition of a subsidiary not provided for in these financial statements as follows:

	As at 30 June 2015 HK$'000	As at 31 December 2014 HK$'000
Contracted but not provided for	384,355	693,246
Authorised but not contracted for	350,715	895,537
	735,070	1,588,783

12 CONTINGENT LIABILITIES

The Company has executed guarantees to banks for facilities granted to certain subsidiaries. The utilised amount of such facilities covered by the guarantees of the Company which also represented the financial exposure of the Company as at 30 June 2015 amounted to approximately HK$2,111,485,000 (31 December 2014: HK$1,711,159,000). The total amount of such facilities covered by the Company's guarantees as at 30 June 2015 amounted to approximately HK$3,716,676,000 (31 December 2014: HK$2,508,858,000).

13 PLEDGE OF ASSETS

At 30 June 2015, the Group's total bank loans of HK$5,067,462,000 (31 December 2014: HK$4,255,543,000) included an aggregate amount of HK$482,467,000 (31 December 2014: HK$521,579,000) which are secured. The Group's total bank overdrafts of HK$41,833,000 (31 December 2014: HK$47,857,000) included an aggregate amount of HK$28,226,000 (31 December 2014: HK$13,592,000) which are secured. The securities provided for the secured banking facilities available to the Group are as follows:

(i) legal charges over certain investment properties, leasehold land and land use rights, construction in progress and buildings and port facilities of the Group with aggregate net book value of HK$2,701,570,000 (31 December 2014: HK$2,726,652,000); and

(ii) assignments of insurance proceeds of certain properties of the Group.

OVERALL RESULTS

The Group recorded an increase in turnover of 2% to HK$10,135 million in 2015 1H (2014 1H: HK$9,984 million). Core operating profit increased by 16% to HK$925 million (2014 1H: HK$796 million). Core net profit was HK$542 million (2014 1H: HK$490 million), which represents an increase of 11% year-on-year. Valuation gains on investment properties, net of deferred tax and non-controlling interests' share, amounted to HK$159 million (2014 1H: HK$144 million).

Segment turnover generated from IL in the period amounted to HK$5,388 million (2014 1H: HK$5,097 million), representing an increase of 6% from 2014 1H. The amount comprises HK$426 million (2014 1H: HK$385 million) contributed by Hong Kong Warehouse and HK$4,962 million (2014 1H: HK$4,712 million) by logistics operations. Segment profit for the period was HK$807 million (2014 1H: HK$704 million), of which HK$242 million (2014 1H: HK$218 million) was from Hong Kong Warehouse and HK$565 million (2014 1H: HK$486 million) from logistics operations. In terms of segment profit margin, Hong Kong Warehouse recorded an increase to 56.8% (2014 1H: 56.6%) and logistics operations reached 11.4% (2014 1H: 10.3%). The growth was mainly attributable to the expansion of the Group's IL business in Greater China and ASEAN countries.

IFF segment reported turnover of HK$5,431 million (2014 1H: HK$5,675 million) and profit of HK$191 million (2014 1H: HK$157 million) for 2015 1H. With the strengthening of IFF network and improvement in operation efficiency, the Group achieved an increase in IFF segment profit by 22% year-on-year despite the slight drop in turnover during the period. Segment profit margin reached 3.5% (2014 1H: 2.8%).

The following table reconciles core net profit to profit attributable to the Shareholders for the six months ended 30 June 2015:

	2015 1H HK$ million	2014 1H HK$ million
Core net profit	542	490
Valuation gains on investment properties, net of deferred tax	159	144
Profit attributable to the Shareholders	701	634

BUSINESS REVIEW

SETTING SIGHTS ON LONG-TERM GROWTH

The global economy continued to be plagued with volatilities in 2015 1H. The slowing economy in Mainland China and the instability in Europe, casted by the Greece debt crisis, have brought continued low consumption sentiments to two of the world's largest markets. In face of these challenges, Kerry Logistics focused on honing its core competence in delivering customised supply chain solutions to expanding industry clusters with growth potential, thereby achieving strengthened profitability and sustained double-digit growth in its core earnings. Despite the economic challenges, the Group was able to achieve steady growth in overall operating profits, while businesses in the Greater China region remained relatively stable, driven by strong performances in Hong Kong and Taiwan.

The Group has taken the opportunity, during this economic slowdown, to integrate its businesses, improve the operational efficiency of its lower return projects, and strengthen its core competence by further expanding into newly developed markets such as the pharmaceutical sector in Hong Kong and Taiwan, and the automotive sector in Hong Kong and Mainland China. These initiatives are driven towards making full preparations for sustained growth when the economy improves.

A DIVERSIFIED REGIONAL FACILITY PORTFOLIO

As at 30 June 2015, the Group managed a logistics facility portfolio of 43 million square feet, of which 23 million square feet were self-owned. Additionally, the Group operates with an asset ownership model which enables it to offer greater reliability and flexibility to customers.

The Group continued to enrich its logistics facility portfolio during the period. In Mainland China, two facilities in Chengdu and Xi'an are undergoing construction. Upon completion, these two facilities will add 870,000 square feet of logistics facilities to the Group's portfolio in Mainland China. In Shanghai, the Group purchased a land parcel in November 2014 for the development of a 1.1 million square feet logistics facility. It will be the largest facility of the Group in Mainland China upon completion.

In Thailand, Phase 1 of the Kerry Bangna Logistics Centre has been completed in 2015 Q2. It will serve as a new sorting centre for Kerry Express and a fulfilment centre for e-commerce customers. The Group added a new warehouse and a new Inland Container Depot in Kerry Siam Seaport, Thailand to strengthen its operations and thus its foothold in the country for ASEAN trade.

In Cambodia, the Group held a groundbreaking ceremony in July 2015 for the construction of a 160,000 square feet bonded warehouse at a Free Trade and Special Economic Zone located in Khan Dangkor, Phnom Penh.

Meanwhile, as part of the Group's long-term strategy to enhance the asset quality and productivity of its facility portfolio, the Group disposed one of its facilities, the Fuzhou Logistics Centre, in Fujian province of Mainland China in May 2015.

EXPANSION VIA INVESTMENTS AND ACQUISITIONS

GREATER CHINA

Riding on the national "Going Out" development strategy and the new growth opportunities brought forth by the "One Belt One Road" initiative, Kerry Logistics (China) Investment Limited, a subsidiary of the Group, signed a strategic cooperation agreement with China Railway Import and Export Company ("China Railway") in April 2015 in Beijing. The agreement will leverage China Railway's extensive railway network and experience in undertaking key domestic and international projects, and effectively integrate them with Kerry Logistics' strong network in Southeast Asia and its logistics service expertise.

ASEAN

In March 2015, the Group expanded its business in Indonesia by investing in PT Puninar Saranaraya, one of Indonesia's largest logistics companies. As an archipelago, Indonesia has a high demand for quality inter-island logistics services, which translates into immense growth opportunities. By enabling customers to optimise their supply chains with its integrated logistics services and highly customised solutions, the Group is well-positioned to capture opportunities in the rapidly growing Indonesian logistics market.

In addition, to ride on the success of Kerry Express in Thailand, the Group took further steps to build an ASEAN-wide regional express platform to tap into the increasing intra-ASEAN trade driven by free movement of goods under the AEC to be established in December 2015 and the growing e-commerce market arising from increasing manufacturing activities in Asia.

Following the acquisition of a local express company in Cambodia in 2015, Kerry Logistics targets to complete the expansion into Laos and Malaysia in 2015 2H as well as into the Philippines, Indonesia, Myanmar and Singapore in the near future. The proposed investment shall be financed by the Group's internal resources and/or bank borrowing.

MIDDLE EAST

Kerry Logistics strengthened its IFF capacity and network through acquiring a controlling stake in Able Logistics Group FZCO, an established international freight forwarder headquartered in Dubai with a leading position in the region and offices across UAE, Saudi Arabia, Oman and Greater China. The investment expands Kerry Logistics' capabilities in the Middle East and enables it to offer global connections through a round-the-clock transit hub linking Asia to the Middle East, Europe and Africa. It also strengthens the Group's service offerings to global customers with comprehensive IFF solutions in the Gulf Cooperation Council region and enhanced supply chain efficiency.

CANADA

Kerry Logistics extended its geographic reach via acquiring majority stakes in Total Logistics Partner (TLP) Ocean Consolidators Inc. and Total Logistics Partner (TLP) Air Express Inc. (collectively, "TLP"), two Canadian freight forwarding companies focused on Asia-Canada trade. The acquisition has added Montreal and Toronto to Kerry Logistics' worldwide network. With the addition of TLP, the Group now operates in four countries in the Americas, comprising US, Canada, Mexico and Brazil.

UNITED STATES

As part of its long-term IFF strategy, the Group further expanded its global network by signing a memorandum of understanding with a major NVOCC in the US, focusing on ocean freight from Asia to the US, to acquire a majority interest in the company. Specialising in trans-Pacific trade lanes, the company offers a full suite of services from ocean and air freight, customs brokerage, to logistics, warehousing and trucking services in the US. Further updates regarding the progress of this strategic alliance will be made available in 2015 2H.

HONG KONG WAREHOUSE

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

Unleashing the potential of its facility portfolio has been one of the key objectives of the Group's Hong Kong Warehouse. The Group has submitted an application to the Town Planning Board of Hong Kong during 2015 Q1 to convert one of its warehouse facilities in Chai Wan into a columbarium. The proposed investment, excluding any additional land premium to be paid to the government, is estimated to be around HK$2 billion, which shall be financed by the Group's internal resources and/or bank borrowing. It is one of the Group's long-term initiatives to enhance efficiency and productivity, thereby unlocking the values of its assets and improving its return.

CONTRIBUTIONS FROM ASSOCIATES

Contributions from the Group's investments in two associates posted encouraging year-on-year growth in 2015 1H. The investments included mainly a 25% interest in Chiwan Container Terminal in Mainland China, and a 15% interest in the Asia Airfreight Terminal in Hong Kong.

OUTLOOK

The Group views current market conditions with considerable concern. The overall economic outlook in the near term is bleak, and likely to lead to flattish demand for products and logistics services globally. Mainland China's economic slowdown and Europe and Japan's weak economies have dampened regional growth in ASEAN. While the US is gradually recovering, its growth is uneven and not yet strong. Faced with these challenges, the Group adopts a cautious and disciplined strategy to future operation and investment.

Despite challenges in the near term, the Group maintains a positive outlook for the industry in the medium to long term. The share of investment in Mainland China's GDP will continue to be strong, driven by the 'One Belt One Road' policy. Within the country, infrastructure development has already reached a certain level. Significant investment in better connections with Mainland China's neighbours will give a strong boost to the economy. The new Silk Road, both overland and maritime, will need trillions of dollars' worth of investment. We see Mainland China continuing to deepen its capital market. The clear trend towards liberalisation of the RMB will lead to better use of capital and be good for economic development. The logistics industry in the mainland will become more sophisticated, playing to Kerry Logistics' strengths of providing highly customised solutions tailored to industries with growth potential.

The connectivity between ASEAN and Greater China has been improving dramatically and the growth of the two regions will increasingly be tied with one another. Kerry Logistics sees ASEAN as its next strategic area of growth and will benefit directly from being a local player in both regions.

Internationally, Kerry Logistics has set its sights on delivering long-term sustainable growth, both by organic growth and through selective mergers and acquisitions. Despite the current slowdown, the Group sees South Asia, Middle East and Latin America as sources of growth driven by a Chinese economy that will continue to expand. The US and Japan remain very important because of the size of their economies. The Group will continue to work towards its strategic objective of strengthening trans-Pacific coverage. Despite continued weakness in Europe, Kerry Logistics will continue to expand into niche markets, especially in the fashion business, and rationalise overall European operations.

Kerry Logistics will move deeper into the e-commerce by joining hands with strategic partners across sectors. E-commerce is disintermediating traditional distribution channels in a dramatic way. Taking advantage of our core strengths, we are increasing the scope and scale of integrated cross-border e-commerce logistics solutions for strategic partners. We expect this to become an important growth driver in the coming years.

FINANCIAL REVIEW

On 19 December 2013, the Company was listed on the Stock Exchange. The net proceeds from the Global Offering, including the over-allotment option exercised subsequently, was approximately HK$2,378 million, after deducting underwriting fees and relevant listing expenses. The net proceeds were fully utilised as of 30 June 2015 based on the original planned allocation.

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

Most of the Group's assets and liabilities are denominated in different functional currencies of overseas subsidiaries in their respective countries. The Group generally does not enter into foreign exchange hedges in respect of its long-term equity investments in overseas subsidiaries and associates. In respect of the recent devaluation of Renminbi, the net exposure in terms of its potential impact on both profitability and financial position of the Group is considered not material. For the foreign currency exposure arising from business activities, certain subsidiaries used forward contracts to hedge their foreign exchange exposure from trading transactions during the 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 2015, total foreign currency borrowings amounted to the equivalence of HK$1,993 million (including HK$1,372 million denominated in New Taiwan Dollar and HK$270 million denominated in Thai Baht), which represented approximately 39% of the Group's total bank loans of HK$5,067 million.

Out of the Group's total bank loans as at 30 June 2015, HK$1,237 million (representing approximately 24%) was repayable within one year, HK$1,960 million (representing approximately 39%) in the second year, HK$1,836 million (representing approximately 36%) in the third to fifth years and HK$34 million (representing approximately 1%) over five years. The Group maintains most of its bank loans on an unsecured basis, with unsecured debt accounted for approximately 90% of total bank loans. In relation to the secured bank loans of HK$482 million as at 30 June 2015, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK$2,702 million and assignments of insurance proceeds of certain properties. A majority of the bank loans were borrowed at floating interest rates and were not held for hedging purposes.

As at 30 June 2015, the gearing ratio for the Group was 33.9% (31 December 2014: 29.3%). The ratio was calculated as total bank loans and overdrafts, divided by equity attributable to the Shareholders.

As at 30 June 2015, the Group had total undrawn bank loan and overdraft facilities of HK$4,109 million. The Group will continue to secure financing as and when the need arises.

STAFF AND REMUNERATION POLICIES

As at 30 June 2015, the Group had approximately 20,800 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 and are reviewed by both the remuneration committee of the Company and independent remuneration consultants. Other employee benefits include provident fund, insurance, medical, sponsorship for educational or training programmes, share option schemes and RSU scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in the CG Code and its corporate governance practices are based on such principles and code provisions as set out in the CG Code. The Directors consider that during the six months ended 30 June 2015, the Company has complied with the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2015.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

SHARE OPTIONS AND RSU

The Company has adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme on 25 November 2013. The aforesaid schemes are designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

As at 30 June 2015, a total of 37,794,000 and 4,150,000 options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme were outstanding.

On 19 December 2013, the Company had allotted and issued an aggregate of 815,000 Shares to the RSU trustee, Lion Trust (Hong Kong) Limited. On 24 December 2013, 815,000 awards of RSUs representing 815,000 underlying Shares were granted to 815 grantees pursuant to the RSU Scheme. As at 30 June 2015, a total of 339,000 RSUs remained unexercised under the RSU Scheme.

REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 will be included in the interim report to be sent to the Shareholders.

EVENTS AFTER THE LATEST ANNUAL REPORT

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

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed on Thursday, 10 September 2015 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 branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Wednesday, 9 September 2015. The interim dividend is payable on Wednesday, 23 September 2015 to the Shareholders whose names appear on the Registers of Members on Thursday, 10 September 2015.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kerrylogistics.com).

The interim report for the six months period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

"1H" or "2H"	first half or second half
"AEC"	the ASEAN Economic Community
"ASEAN"	the Association of Southeast Asian Nations
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Directors"	directors of the Company
"GDP"	gross domestic product
"GFA"	gross floor area
"Global Offering"	the initial public offering of the Shares whereby the Shares were listed on the Main Board of the Stock Exchange on 19 December 2013
"Greater China"	Mainland China, Hong Kong, Macau and Taiwan
"Group" or "Kerry Logistics"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	Hong Kong Special Administrative Region of Mainland China
"Hong Kong Warehouse"	Hong Kong warehousing business
"IFF"	international freight forwarding
"IL"	integrated logistics
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Macau"	Macao Special Administrative Region of Mainland China

"Mainland China" or "PRC"	The People's Republic of China and, for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NVOCC"	non-vessel operating common carrier
"Post-IPO Share Option Scheme"	post-IPO share option scheme of the Company
"Pre-IPO Share Option Scheme"	pre-IPO share option scheme of the Company
"Q1" or "Q2"	first quarter or second quarter
"Registers of Members"	registers of members of the Company
"Renminbi" or "RMB"	Renminbi, the lawful currency of Mainland China
"RSU(s)"	restricted share unit(s)
"RSU Scheme"	restricted share unit scheme of the Company
"Share(s)"	share(s) of nominal value of HK$0.50 each of the Company, or, if there has been a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company
"Shareholders"	the holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UAE"	United Arab Emirates
"United States" or "US"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia

By Order of the Board
YEO George Yong-boon
Chairman

Hong Kong, 25 August 2015

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr YEO George Yong-boon, Mr MA Wing Kai William, Mr ERNI Edwardo and Mr KUOK Khoon Hua

Non-executive Director:
Mr QIAN Shaohua

Independent Non-executive Directors:
Ms WONG Yu Pok Marina, Mr WAN Kam To and Mr YEO Philip Liat Kok