Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2017

The Board of the Company is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2017, together with comparative figures for the six months ended 30 June 2016.

GROUP'S FINANCIAL HIGHLIGHTS

- Turnover increased by 31% year-on-year to HK$13,705 million (2016 1H: HK$10,461 million)
- Core operating profit increased by 10% to HK$1,019 million (2016 1H: HK$928 million)
- Core net profit increased by 5% year-on-year to HK$576 million (2016 1H: HK$548 million)
- Profit attributable to the Shareholders increased by 11% to HK$788 million (2016 1H: HK$709 million)
- IL business recorded a segment profit of HK$884 million (2016 1H: HK$799 million) and IFF business recorded HK$222 million (2016 1H: HK$208 million), which represent an increase of 11% and 7%, respectively
- Interim dividend of 8 HK cents per Share, to be payable on Friday, 6 October 2017

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 30 June 2017

	Note	Unaudited 2017 HK$'000	Unaudited 2016 HK$'000
Turnover	2	13,705,335	10,460,893
Direct operating expenses	3	(11,786,516)	(8,753,449)
Gross profit		1,918,819	1,707,444
Other income and net gains		83,823	90,402
Administrative expenses	3	(958,227)	(856,879)
Operating profit before fair value change of investment properties		1,044,415	940,967
Change in fair value of investment properties		189,985	159,111
Operating profit		1,234,400	1,100,078
Finance costs	4	(71,166)	(74,337)
Share of results of associates and joint ventures		26,164	53,947
Profit before taxation		1,189,398	1,079,688
Taxation	5	(216,958)	(177,801)
Profit for the period		972,440	901,887
Profit attributable to:			
Company's shareholders	2	787,809	709,080
Non-controlling interests		184,631	192,807
		972,440	901,887
Earnings per share	7		
– Basic		HK$0.46	HK$0.42
– Diluted		HK$0.46	HK$0.42

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Unaudited 2017 HK$'000	Unaudited 2016 HK$'000
Profit for the period	972,440	901,887
Items that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	530,368	(403)
Fair value change on available-for-sale investments	355	(1,373)
Other comprehensive income/(loss) for the period	530,723	(1,776)
Total comprehensive income for the period	1,503,163	900,111
Total comprehensive income attributable to:		
Company's shareholders	1,185,563	704,362
Non-controlling interests	317,600	195,749
	1,503,163	900,111

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2017 HK$'000	Audited As at 31 December 2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		3,686,734	3,224,599
Investment properties		9,177,709	8,836,851
Leasehold land and land use rights		608,077	560,983
Property, plant and equipment		8,565,358	7,868,952
Associates and joint ventures		1,316,180	1,185,520
Available-for-sale investments		105,435	97,988
Investment in convertible bond		196,231	474,306
Deferred taxation		106,587	118,527
		23,762,311	22,367,726
Current assets			
Financial assets at fair value through profit or loss		106,770	112,708
Investment in convertible bond		349,945	–
Inventories		303,957	282,694
Accounts receivable, prepayments and deposits	8	6,407,517	5,802,531
Tax recoverable		28,095	43,079
Amounts due from fellow subsidiaries		4,733	2,886
Restricted and pledged bank deposits		22,040	18,929
Cash and bank balances		3,168,622	3,334,729
		10,391,679	9,597,556
Current liabilities			
Accounts payable, deposits received and accrued charges	9	4,513,197	4,366,493
Amounts due to fellow subsidiaries		2,815	641
Amounts due to related companies		31,513	34,768
Taxation		181,820	164,564
Short-term bank loans and current portion of long-term bank loans	10	3,062,961	1,427,399
Bank overdrafts		21,626	21,595
		7,813,932	6,015,460

	Note	Unaudited As at 30 June 2017 HK$'000	Audited As at 31 December 2016 HK$'000
Non-current liabilities			
Loans from non-controlling interests		163,555	194,715
Long-term bank loans	10	4,464,281	5,483,632
Deferred taxation		645,913	635,192
Retirement benefit obligations		128,935	142,853
Other non-current liabilities		1,442,049	1,403,253
		6,844,733	7,859,645
ASSETS LESS LIABILITIES		19,495,325	18,090,177
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		847,890	847,711
Share premium and other reserves		2,448,579	2,012,832
Retained profits		14,220,834	13,680,087
		17,517,303	16,540,630
Put option written on non-controlling interests		(1,240,727)	(1,240,727)
		16,276,576	15,299,903
Non-controlling interests		3,218,749	2,790,274
TOTAL EQUITY		19,495,325	18,090,177

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's shares are listed on The Stock Exchange of Hong Kong Limited.

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, 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 2016.

The following amendments to existing standards that are effective for the accounting period of the Group beginning on 1 January 2017 have been published:

- Amendments to HKAS 7, 'Disclosure initiative'
- Amendments to HKAS 12, 'Recognition of deferred tax assets for unrealised losses'
- Amendments to HKFRS 12, 'Disclosure of interest in other entities'

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

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

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

HKFRS 9	Financial instruments [1]
HKFRS 15	Revenue from contracts with customers [1]
HK (IFRIC) — Int 22	Foreign currency transactions and advance consideration [1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts [1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 [1]
Amendments to HKAS 40	Transfers of investment property [1]
Annual improvements project	Annual improvements 2014-2016 cycle [1]
HKFRS 16	Leases [2]
Amendments to HKAS 28 (2011), and HKFRS 10	Sale or contribution of assets between an investor and its associate or joint venture [3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective date to be determined

The Group will adopt the above new standards, amendments and improvements to existing standards and interpretation 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, except the following set out below:

HKFRS 15, "Revenue from Contracts with Customers"

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group's financial statements.

HKFRS 16, "Leases"

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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 2016.

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 2017, together with comparative figures for the six months ended 30 June 2016:

	For the six months ended 30 June									
	Integrated logistics				International freight forwarding		Elimination		Consolidation	
	Logistics operations		Hong Kong warehouse							
	2017 HK$'000	2016 HK$'000 (reclassified)	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000 (reclassified)	2017 HK$'000	2016 HK$'000 (reclassified)	2017 HK$'000	2016 HK$'000 (reclassified)
Turnover										
Turnover	5,822,928	5,152,200	262,769	255,421	7,619,638	5,053,272	–	–	13,705,335	10,460,893
Inter-segment turnover	107,309	85,905	212,242	182,341	825,396	451,333	(1,144,947)	(719,579)	–	–
	5,930,237	5,238,105	475,011	437,762	8,445,034	5,504,605	(1,144,947)	(719,579)	13,705,335	10,460,893
Turnover by geographical area:										
Hong Kong	1,384,194	1,168,954	475,011	437,762	396,261	338,504	(380,229)	(215,224)	1,875,237	1,729,996
Mainland China	1,786,682	1,857,620	–	–	2,445,308	2,140,636	(335,509)	(304,481)	3,896,481	3,693,775
Taiwan	1,173,153	1,093,919	–	–	99,650	65,562	(8,580)	(3,319)	1,264,223	1,156,162
Asia	1,510,978	1,055,743	–	–	1,485,537	1,217,783	(251,640)	(126,118)	2,744,875	2,147,408
Americas	–	–	–	–	2,645,289	500,713	(111,311)	(30,038)	2,533,978	470,675
Europe	–	–	–	–	1,209,314	1,104,352	(49,224)	(28,215)	1,160,090	1,076,137
Others	75,230	61,869	–	–	163,675	137,055	(8,454)	(12,184)	230,451	186,740
	5,930,237	5,238,105	475,011	437,762	8,445,034	5,504,605	(1,144,947)	(719,579)	13,705,335	10,460,893
Segment profit by geographical area:										
Hong Kong	96,560	86,779	261,836	243,391	7,426	11,626	–	–	365,822	341,796
Mainland China	127,754	129,383	–	–	100,417	114,020	–	–	228,171	243,403
Taiwan	194,058	208,629	–	–	49	2,555	–	–	194,107	211,184
Asia	196,749	126,260	–	–	23,136	44,160	–	–	219,885	170,420
Americas	–	–	–	–	69,864	15,168	–	–	69,864	15,168
Europe	–	–	–	–	13,216	15,225	–	–	13,216	15,225
Others	7,315	4,497	–	–	7,982	5,211	–	–	15,297	9,708
	622,436	555,548	261,836	243,391	222,090	207,965	–	–	1,106,362	1,006,904
Less: Unallocated administrative expenses									(87,496)	(78,924)
Core operating profit									1,018,866	927,980
Finance income									10,549	12,987
Finance costs									(71,166)	(74,337)
Share of results of associates and joint ventures									26,164	53,947
Profit before taxation*									984,413	920,577
Taxation*									(223,133)	(179,314)
Profit for the period*									761,280	741,263
Non-controlling interests*									(185,124)	(192,807)
Core net profit									576,156	548,456
Change in fair value of investment properties									189,985	159,111
Deferred tax on change in fair value of investment properties									6,175	1,513
Less: Non-controlling interests' share of after-tax change in fair value of investment properties									493	–
Fair value change of financial instruments									65,000	–
Goodwill impairment									(50,000)	–
Profit attributable to the Company's shareholders									787,809	709,080
Depreciation and amortisation	212,964	188,406	26,334	23,315	67,714	53,518			307,012	265,239

* *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 Asia and Americas 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 joint ventures and also core net profit, which is the profit attributable to Company's shareholders before the after-tax effect of change in fair value of investment properties, fair value change of financial instruments and goodwill impairment.

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

	Segment non-current assets#	
	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000 (reclassified)
Hong Kong	**9,020,361**	8,729,968
Mainland China	**4,460,927**	4,201,069
Taiwan	**3,015,697**	2,786,552
Asia	**5,160,446**	4,383,301
Americas	**999,290**	1,001,581
Europe	**579,836**	464,393
Others	**117,501**	110,041
	23,354,058	21,676,905

\# *Other than available-for-sale investments, investment in convertible bond and deferred taxation.*

3 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Business tax and other taxes	6,013	7,779
Cost of goods sold	589,528	671,831
Freight and transportation costs	9,245,788	6,355,303
Depreciation of property, plant and equipment	268,150	239,828
Amortisation of leasehold land and land use rights	3,950	4,274
Amortisation of intangible assets	34,912	21,137
Provision for impairment of receivables	6,476	16,821
Reversal of provision for impairment of receivables	(1,466)	(1,946)
Operating lease charges on land and buildings	318,066	279,431
Employee benefit expenses	1,967,268	1,724,358

4 FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Interest expenses on bank loans and overdrafts	71,166	74,337

5 TAXATION

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Hong Kong profits tax		
– Current	45,849	43,323
– Overprovision in prior years	–	(42)
– Deferred	5,842	6,632
	51,691	49,913
PRC taxation		
– Current	61,659	56,026
– Overprovision in prior years	(211)	(1,217)
– Deferred	(4,321)	4,515
	57,127	59,324
Overseas taxation		
– Current	114,722	66,546
– Underprovision in prior years	3,562	3,030
– Deferred	(10,144)	(1,012)
	108,140	68,564
	216,958	177,801

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) for the six months ended 30 June 2017 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% (2016: 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% (2016: 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.

6 DIVIDENDS

The Directors have declared an interim dividend of 8 HK cents per share for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 7 HK cents), which is payable on Friday, 6 October 2017 to shareholders whose names appear on the registers of members of the Company on Tuesday, 19 September 2017. These financial statements do not reflect this dividend payable.

7 EARNINGS PER SHARE

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

BASIC

	Six months ended 30 June	
	2017	2016
Adjusted weighted average number of ordinary shares in issue ('000)	1,695,526	1,694,607
Profit attributable to the Company's shareholders (HK$'000)	787,809	709,080
Basic earnings per share (HK$)	0.46	0.42

DILUTED

	Six months ended 30 June	
	2017	2016
Adjusted weighted average number of ordinary shares in issue ('000)	1,695,526	1,694,607
Adjustment for share options ('000)	1,636	2,046
Weighted average number of shares for the purpose of calculating diluted earnings per share ('000)	1,697,162	1,696,653
Profit attributable to the Company's shareholders (HK$'000)	787,809	709,080
Diluted earnings per share (HK$)	0.46	0.42

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 2017 HK$'000	As at 31 December 2016 HK$'000
Below 1 month	2,915,915	2,516,351
Between 1 month and 3 months	1,522,041	1,598,844
Over 3 months	499,553	426,904
Total trade receivables, net	4,937,509	4,542,099
Prepayments, deposits and other receivables	1,470,008	1,260,432
	6,407,517	5,802,531

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 2017 HK$'000	As at 31 December 2016 HK$'000
Below 1 month	1,213,739	1,034,815
Between 1 month and 3 months	595,243	653,173
Over 3 months	555,010	551,040
Total trade payables	2,363,992	2,239,028
Deposits received, accrued charges and other payables	2,149,205	2,127,465
	4,513,197	4,366,493

10 BANK LOANS

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Non-current		
– unsecured	3,677,673	4,717,700
– secured	786,608	765,932
	4,464,281	5,483,632
Current		
– unsecured	2,991,688	1,263,411
– secured	71,273	163,988
	3,062,961	1,427,399
Total bank loans	7,527,242	6,911,031

11 COMMITMENTS

As at 30 June 2017, 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 2017 HK$'000	As at 31 December 2016 HK$'000
Contracted but not provided for	821,586	833,527

12 PLEDGE OF ASSETS

As at 30 June 2017, the Group's total bank loans of HK$7,527,242,000 (31 December 2016: HK$6,911,031,000) included an aggregate amount of HK$857,881,000 (31 December 2016: HK$929,920,000) which are secured. The Group's total bank overdrafts of HK$21,626,000 (31 December 2016: HK$21,595,000) included an aggregate amount of HK$18,103,000 (31 December 2016: HK$14,024,000) which are secured. The securities provided for the secured banking facilities available to the Group are as follows:

(i) legal charges over certain investment properties, leasehold land and land use rights, construction in progress and buildings and port facilities of the Group with an aggregate net book value of HK$2,397,492,000 (31 December 2016: HK$2,602,354,000);

(ii) assignments of insurance proceeds of certain properties of the Group; and

(iii) certain balances of restricted and pledged deposits of the Group.

RESULTS OVERVIEW

The Group recorded an increase in turnover of 31% to HK$13,705 million in 2017 1H (2016 1H: HK$10,461 million). Core operating profit went up 10% to HK$1,019 million (2016 1H: HK$928 million). Core net profit was HK$576 million (2016 1H: HK$548 million), which represents a growth of 5% year-on-year. Profit attributable to the Shareholders, after taking into account the change in fair values of investment properties and financial instruments; and goodwill impairment, also increased 11% to HK$788 million (2016 1H: HK$709 million).

	2017 1H HK$ million	2016 1H HK$ million	
Segment profit			
IL			
– Logistics operations	622	556	+12%
– Hong Kong warehouse	262	243	+8%
	884	799	+11%
IFF	222	208	+7%
	1,106	1,007	
Unallocated administrative expenses	(87)	(79)	
Core operating profit	1,019	928	+10%
Core net profit	576	548	+5%
Change in fair value of investment properties, net of deferred tax	197	161	
Change in fair value of financial instruments	65	–	
Goodwill impairment	(50)	–	
Profit attributable to the Shareholders	788	709	+11%

BUSINESS REVIEW

MARKET OVERVIEW

2017 1H has been another challenging period. Global demand stalled in Q1 as customers held back production and sales targets. Kerry Logistics' cargo volume was at a low level in January and February. Nevertheless, the temporary slowdown in Q1 reversed as the world economy gradually stabilised with cyclical recovery starting from Q2.

The global e-commerce market continued to grow with strong cross-border activities across Asia. Supported by strong logistics volume growth in Asia as well as sound performance in the Americas, the Group's performance and earnings have shown considerable improvements since Q2.

Against this backdrop, for 2017 1H, Kerry Logistics recorded a 31% growth in turnover and a 10% growth in core operating profit. However, core net profit only reported a 5% growth due to the unsatisfactory performance of the Group's investments in associates, which reported a 52% year-on-year decrease in contribution.

STRONGEST NETWORK IN ASIA

Kerry Logistics continued to adhere to the global development strategy of capturing opportunities brought forth by China's Belt and Road initiative.

The new subsidiary Globalink, with operations spanning across CIS countries, added nine countries to Kerry Logistics' global network. They include Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan, Georgia, Armenia, Azerbaijan and Ukraine. Meanwhile, another new member, Lanzhou Pacific Logistics Corporation Limited, allows Kerry Logistics to offer multimodal solutions to customers within its global network.

The development of an integral overland transportation network with land-bridge connectivity demonstrates Kerry Logistics' commitment to providing new options and cost-efficient solutions to customers.

IL MAINTAINED STABLE GROWTH

The IL division generated approximately 80% of the Group's total segment profit. It delivered an 11% growth in segment profit in 2017 1H.

FLAT GROWTH IN GREATER CHINA

In accord with the Group's expectation in 2017 Q1, the overall performance in Greater China remained flat in 1H. Weak performance of some of the key accounts in Mainland China adversely affected the Group's business performance. Although the increased operating cost under the new labour law added pressure on 1H earnings, Taiwan's performance is expected to improve in 2017.

In Hong Kong, the logistics business delivered continued growth as it benefitted from contribution through new business and customer wins in various sectors, while the warehousing business, despite rental pressure due to a surplus in market supply, maintained growth following a change in customer mix.

STRONG MOMENTUM IN ASIA

The overall IL business in Asia remained strong in 2017 1H, driven by the enhancement of the Group's service capabilities in ASEAN.

IFF SUSTAINED SIGNIFICANT GROWTH

The IFF division continued to achieve significant growth in 2017 1H and became the growth engine of the Group, fuelled by substantial contributions from APEX in the US.

MARGIN UNDER PRESSURE

As a result of the alliance shuffle, carrier consolidation and reduction in capacity, freight rates increased in 2017 1H causing the profit margin of the IFF business to narrow, despite an increase in volume.

EXPANSION IN EUROPE

The acquisition of Tuvia Italia S.p.A and the launch of the new sales office in Poland further strengthened the Group's global IFF sales and operations network.

ASSET PORTFOLIO EXPANSION

All projects in the pipeline progressed as planned. In Thailand, phase four expansion of Kerry Siam Seaport is expected to complete in 2018. Construction of three logistics facilities in Shanghai and Wuxi, Mainland China and Phnom Penh, Cambodia were completed in 2017 1H. Inland ports in Yangon and Mandalay, Myanmar, together with three other facilities in Changsha and Wuhan, Mainland China and Guanyin, Taiwan are under construction.

ASSET OPTIMISATION

In March 2017, the Group entered into a share purchase agreement to divest its entire 15% interest in Asia Airfreight Terminal Company Limited to Holistic Capital Investment Limited, a subsidiary of Hong Kong Airlines Limited. The completion of the transaction is subject to certain conditions precedent which, the Directors believe, will be satisfied in 2017 Q3. Going forward, the Group will continue to consider divesting non-core assets and businesses.

OUTLOOK

The Group's focus in 2017 1H was to drive growth in core operating and core net profits. Riding on the improvements seen in 2017 Q2, the Group expects the momentum of recovery for the rest of 2017 to be positive.

GROWTH PLANS IN ASIA

The Group continues to see China's Belt and Road initiative as a major opportunity to expand our network and to drive growth in long-term profitability across Asia. The new acquisitions made in 2017 1H added important components to our strategic plan to become the pre-eminent logistics service provider for the new overland and maritime Silk Roads.

E-COMMERCE OPPORTUNITIES

Propelled by the e-commerce boom in China and ASEAN, alongside the ever-increasing intra-Asia trade activities, Kerry Logistics is optimistic about the growth potential of the e-commerce market and is poised to capture the immense opportunities covered by its global network.

REGIONAL EXPRESS NETWORK

To further capture the growth opportunities arising from robust e-commerce and cross-border logistics activities in Asia, the Group formed a joint venture with a local express operator in Indonesia in 2017 Q2 to tap into the booming local express market. Singapore will be the next target for expansion.

FINANCIAL REVIEW

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

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 2017, total foreign currency borrowings amounted to the equivalent of HK$3,614 million (including HK$2,340 million denominated in New Taiwan Dollar and HK$520 million denominated in Thai Baht), which represented approximately 48% of the Group's total bank loans of HK$7,527 million.

Out of the Group's total bank loans as at 30 June 2017, HK$3,063 million (representing approximately 41%) was repayable within one year, HK$1,665 million (representing approximately 22%) in the second year, HK$2,727 million (representing approximately 36%) in the third to fifth years and HK$72 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 89% of total bank loans. In relation to the secured bank loans of HK$858 million as at 30 June 2017, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK$2,397 million, assignments of insurance proceeds of certain properties, and certain balances of restricted and pledged deposits. A majority of the bank loans were borrowed at floating interest rates and were not held for hedging purposes.

As at 30 June 2017, the gearing ratio for the Group was 43.1% (31 December 2016: 41.9%). 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 2017, the Group had total undrawn bank loan and overdraft facilities of HK$6,447 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 2017, the Group had no material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 30 June 2017, the Group had approximately 25,900 employees. The remuneration to employees includes salaries maintained at competitive levels while bonuses are granted on a discretionary basis. The Group provides training to its staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees. Other employee benefits include provident fund, insurance, medical, sponsorship for educational or training programmes and share option schemes.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2017, 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 (including Ms KHOO Shulamite N K and Mr ZHANG Yi Kevin, the newly appointed Independent Non-executive Directors) have confirmed that they have complied with the Model Code (i) during the six months ended 30 June 2017 and up to the date of this announcement; or (ii) from their respective appointment dates and up to the date of this announcement, as the case may be.

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 2017.

SHARE OPTIONS

The Company has adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option 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 2017, a total of 35,311,000 and 4,150,000 options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme were outstanding respectively.

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 Tuesday, 19 September 2017 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 Monday, 18 September 2017. The interim dividend is payable on Friday, 6 October 2017 to the Shareholders whose names appear on the Registers of Members on Tuesday, 19 September 2017.

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"	first half
"APEX"	a group of 51%-owned US subsidiaries of KLN Investment (US) LLC, an indirect wholly-owned subsidiary of the Company
"ASEAN"	the Association of Southeast Asian Nations
"Asia"	Asia continent, for the purpose of this announcement only, excludes Greater China
"Belt and Road"	a development strategy and framework primarily between Mainland China and the rest of Eurasia
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules

"CIS"	the Commonwealth of Independent States
"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
"Globalink"	Globalink Logistics DWC LLC, a limited liability company incorporated in Dubai World Central, United Arab Emirates, an indirect 51%-owned subsidiary of the Company
"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
"HK (IFRIC)-Int"	Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation
"Hong Kong"	Hong Kong Special Administrative Region of Mainland China
"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
"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", "Q2" or "Q3"	first quarter, second quarter or third quarter
"Registers of Members"	registers of members 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
"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, 31 August 2017

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 CHIN Siu Wa Alfred

Independent Non-executive Directors:
Ms KHOO Shulamite N K, Mr WAN Kam To, Ms WONG Yu Pok Marina, Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin