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 2018

The Board of the Company is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2018, together with comparative figures for the six months ended 30 June 2017.

GROUP'S FINANCIAL HIGHLIGHTS

- Turnover increased by 27% year-on-year to HK$17,461 million (2017 1H: HK$13,705 million)
- Core operating profit increased by 19% to HK$1,216 million (2017 1H: HK$1,019 million)
- Core net profit increased by 22% year-on-year to HK$700 million (2017 1H: HK$576 million)
- Profit attributable to the Shareholders increased by 20% to HK$948 million (2017 1H: HK$788 million)
- IL business recorded a segment profit of HK$1,107 million (2017 1H: HK$884 million) and IFF business recorded HK$235 million (2017 1H: HK$222 million), which represent an increase of 25% and 6%, respectively
- Interim dividend of 9 HK cents per Share, together with a special dividend of 12 HK cents per Share, totaling 21 HK cents per Share, to be payable on Friday, 5 October 2018

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 30 June 2018

	Note	Unaudited 2018 HK$'000	Unaudited 2017 HK$'000
Turnover	3	17,461,227	13,705,335
Direct operating expenses	4	(15,163,182)	(11,786,516)
Gross profit		2,298,045	1,918,819
Other income and net gains		166,925	83,823
Administrative expenses	4	(1,231,109)	(958,227)
Operating profit before fair value change of investment properties		1,233,861	1,044,415
Change in fair value of investment properties		239,917	189,985
Operating profit		1,473,778	1,234,400
Finance costs	5	(106,684)	(71,166)
Share of results of associates and joint ventures		43,648	26,164
Profit before taxation		1,410,742	1,189,398
Taxation	6	(253,026)	(216,958)
Profit for the period		1,157,716	972,440
Profit attributable to:			
Company's shareholders	3	947,838	787,809
Non-controlling interests		209,878	184,631
		1,157,716	972,440
Earnings per share	8		
– Basic		HK$0.56	HK$0.46
– Diluted		HK$0.56	HK$0.46

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited 2018 HK$'000	Unaudited 2017 HK$'000
Profit for the period	1,157,716	972,440
Items that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	(268,001)	530,368
Fair value change on available-for-sale investments	–	355
Items that will not be reclassified to consolidated income statement		
Fair value change on financial assets at fair value through other comprehensive income	14,196	–
Other comprehensive (loss)/income for the period	(253,805)	530,723
Total comprehensive income for the period	903,911	1,503,163
Total comprehensive income attributable to:		
Company's shareholders	751,535	1,185,563
Non-controlling interests	152,376	317,600
	903,911	1,503,163

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		4,263,853	3,884,482
Investment properties		10,137,615	9,892,482
Leasehold land and land use rights		598,190	625,550
Property, plant and equipment		9,732,669	9,423,181
Associates and joint ventures		1,501,042	1,409,486
Financial assets at fair value through other comprehensive income		159,556	–
Available-for-sale investments		–	100,811
Investment in convertible bonds		212,061	564,397
Deferred taxation		112,707	98,432
		26,717,693	25,998,821
Current assets			
Financial assets at fair value through profit or loss		112,215	109,841
Investment in convertible bond		351,716	–
Inventories		357,793	333,758
Accounts receivable, prepayments and deposits	9	8,276,212	7,568,472
Tax recoverable		28,476	41,236
Amounts due from fellow subsidiaries		1,300	5,641
Restricted and pledged bank deposits		22,250	22,926
Cash and bank balances		3,914,670	3,569,626
		13,064,632	11,651,500
Current liabilities			
Accounts payable, deposits received and accrued charges	10	6,035,592	5,565,831
Amounts due to fellow subsidiaries		3,088	451
Amounts due to related companies		23,866	34,375
Taxation		301,321	246,348
Short-term bank loans and current portion of long-term bank loans	11	4,590,171	3,955,722
Bank overdrafts		66,635	51,006
		11,020,673	9,853,733

	Note	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
Non-current liabilities			
Loans from non-controlling interests		171,034	166,826
Long-term bank loans	11	4,448,983	4,198,758
Deferred taxation		701,767	662,629
Retirement benefit obligations		107,570	137,054
Other non-current liabilities		1,504,031	1,364,443
		6,933,385	6,529,710
ASSETS LESS LIABILITIES		21,828,267	21,266,878
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		848,827	848,044
Share premium and other reserves		2,555,317	2,793,363
Retained profits		16,107,167	15,400,585
		19,511,311	19,041,992
Put option written on non-controlling interests		(1,194,914)	(1,218,331)
		18,316,397	17,823,661
Non-controlling interests		3,511,870	3,443,217
TOTAL EQUITY		21,828,267	21,266,878

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 2017, 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 2017.

The following new standards and amendments to existing standards that are effective for the accounting period of the Group beginning on 1 January 2018 have been published:

- HKFRS 9, "Financial instruments"
- HKFRS 15, "Revenue from contracts with customers"
- HK(IFRIC)-Int 22, "Foreign currency transactions and advance consideration"
- Amendments to HKFRS 2, "Classification and measurement of share-based payment transactions"
- Amendments to HKFRS 4, "Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts"
- Amendments to HKFRS 15, "Clarifications to HKFRS 15"
- Amendments to HKAS 40, "Transfer of investment property"
- Annual improvements project, "Annual improvements 2014-2016 cycle"

In the current interim period, the Group has applied, for the first time, the above new standards, amendments to existing standards and interpretations issued by the HKICPA. The impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from contracts with customers" and the new accounting policies are disclosed in note 2 below. The adoption of the other 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, amendments and improvements to existing standards and interpretation that have been issued by the HKICPA but are not yet effective.

HKFRS 9 Amendment	Prepayment features with negative compensation and modification of financial liabilities[1]
Annual Improvements Project	Annual improvements 2015-2017 Cycle[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[1]
HKAS 19 Amendments	Plan Amendment, curtailment or settlement[1]
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 10 and HKAS 28 Amendments	Sale or contribution of assets between an investor and its associate or joint venture[2]
HKFRS 17	Insurance contract[3]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective date to be determined
3 Effective date for annual periods beginning on or after 1 January 2021

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 16, "Leases"

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for in the statements of financial position for lessees. The Group is a lessee of certain premises and properties which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, and provides that almost all leases should be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of twelve months or less, and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated statements of comprehensive income, straightline depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straightline depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to consolidated income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

The Group conducted a preliminary assessment and estimated that the adoption of HKFRS 16 would result in recognition of lease assets and lease liabilities primarily arising from leases of premises and properties in relation to the Group's various businesses. The Group will continue to assess the impact in more detail.

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 2017 except for the adoption of new standards as set out below.

2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) HKFRS 9 Financial instruments – Impact of adoption

HKFRS 9, "Financial instruments" replaces the whole of HKAS 39 "Financial Instruments: Recognition and Measurement". It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and provides a new impairment model for financial assets.

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading.

The impact of the adoption of HKFRS 9 is shown as follows:

(i) Classification and measurement of financial assets and liabilities

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management assessed which business models applied to the financial assets held by the Group and had classified its financial instruments into the appropriate HKFRS 9 categories.

There were no changes to the carrying amount of the financial assets and liabilities through transition. The classification and measurement policy under HKFRS 9 has been disclosed in note 2(b). The main effects resulting from this reclassification are as follows:

For the investment in equity securities previously classified as available-for-sale financial asset, the Group elected to present its change in fair value in other comprehensive income ("FVOCI"). As a result, the investment was reclassified from available-for-sale financial asset to financial asset at FVOCI, and accumulated fair value loss was reclassified from available-for-sale investment reserve to FVOCI reserve on 1 January 2018. There is no longer any reclassification of accumulated amounts from reserves to profit or loss on the disposal of these investments.

Investment in convertible bonds, are required to be held as fair value through profit or loss ("FVPL") under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

(ii) Impairment of financial assets

Financial assets were subject to the new expected credit loss model prescribed by HKFRS 9. The Group was required to revise its impairment methodology under HKFRS 9 for each class of assets carried at amortised cost.

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For accounts receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all debtors. The management performed a detailed assessment of expected credit losses on the date of initial application of HKFRS 9. There was no impact on the Group's impairment allowance and its equity.

(b) HKFRS 9 Financial instruments – Accounting policies applied from 1 January 2018

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the condensed consolidated interim income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

For accounts receivable, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 January 2018, the Group has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for impairment of receivables account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount until the financial asset is derecognised. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses.

(c) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards, including HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition, and is effective for periods beginning on or after 1 January 2018.

The Group has also elected to apply the modified transitional provisions whereby the effects of adopting HKFRS 15 as at 1 January 2018 are adjusted at the opening balance of equity as at 1 January 2018 and prior period comparatives are not restated. There was no significant impact on the condensed interim financial statements of the Group.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance obligation:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at point in time.

(d) HKFRS 15 Revenue from Contracts with Customers – Accounting Policies

From 1 January 2018 onwards, the Group has adopted the following accounting policies on revenues.

(i) Logistics and freight forwarding services

The Group provides logistics services, including freight forwarding services. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised over time when the Group transfer control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

(ii) General storage and other ancillary services

The Group provides general storage and other ancillary services to customers. Revenue from leased storage is recognised when general storage and other ancillary services are rendered according to the terms of the respective leases.

(iii) Sales of goods

Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with the credit policies, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3 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 2018, together with comparative figures for the six months ended 30 June 2017 is as follows:

	For the six months ended 30 June									
	Integrated logistics				International					
	Logistics operations		Hong Kong warehouse		freight forwarding		Elimination		Consolidation	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover										
Turnover	8,057,454	5,822,928	108,082	262,769	9,295,691	7,619,638	–	–	17,461,227	13,705,335
Inter-segment turnover	157,371	107,309	274,480	212,242	1,543,531	825,396	(1,975,382)	(1,144,947)	–	–
	8,214,825	5,930,237	382,562	475,011	10,839,222	8,445,034	(1,975,382)	(1,144,947)	17,461,227	13,705,335
Turnover by geographical area:										
Hong Kong	1,956,744	1,384,194	382,562	475,011	791,883	396,261	(754,384)	(380,229)	2,376,805	1,875,237
Mainland China	2,330,061	1,786,682	–	–	3,210,134	2,445,308	(709,276)	(335,509)	4,830,919	3,896,481
Taiwan	1,327,997	1,173,153	–	–	211,557	99,650	(75,804)	(8,580)	1,463,750	1,264,223
Asia	2,532,452	1,510,978	–	–	2,028,460	1,485,537	(197,990)	(251,640)	4,362,922	2,744,875
Americas	–	–	–	–	2,812,822	2,645,289	(172,761)	(111,311)	2,640,061	2,533,978
Europe	–	–	–	–	1,602,938	1,209,314	(52,176)	(49,224)	1,550,762	1,160,090
Others	67,571	75,230	–	–	181,428	163,675	(12,991)	(8,454)	236,008	230,451
	8,214,825	5,930,237	382,562	475,011	10,839,222	8,445,034	(1,975,382)	(1,144,947)	17,461,227	13,705,335
Segment profit by geographical area:										
Hong Kong	165,204	96,560	264,011	261,836	20,925	7,426	–	–	450,140	365,822
Mainland China	151,325	127,754	–	–	69,080	100,417	–	–	220,405	228,171
Taiwan	195,327	194,058	–	–	10,837	49	–	–	206,164	194,107
Asia	303,650	196,749	–	–	44,651	23,136	–	–	348,301	219,885
Americas	–	–	–	–	74,596	69,864	–	–	74,596	69,864
Europe	–	–	–	–	7,351	13,216	–	–	7,351	13,216
Others	27,617	7,315	–	–	7,647	7,982	–	–	35,264	15,297
	843,123	622,436	264,011	261,836	235,087	222,090	–	–	1,342,221	1,106,362
Less: Unallocated administrative expenses									(125,978)	(87,496)
Core operating profit									1,216,243	1,018,866
Finance income									17,618	10,549
Finance costs									(106,684)	(71,166)
Share of results of associates and joint ventures									43,648	26,164
Profit before taxation*									1,170,825	984,413
Taxation*									(260,525)	(223,133)
Profit for the period*									910,300	761,280
Non-controlling interests*									(210,077)	(185,124)
Core net profit									700,223	576,156
Change in fair value of investment properties									239,917	189,985
Deferred tax on change in fair value of investment properties									7,499	6,175
Less: Non-controlling interests' share of after-tax change in fair value of investment properties									199	493
Fair value change of financial instruments									–	65,000
Goodwill impairment									–	(50,000)
Profit attributable to the Company's shareholders									947,838	787,809
Depreciation and amortisation	266,598	212,964	27,368	26,334	85,941	67,714			379,907	307,012

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

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

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

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

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

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

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

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

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					
	2018			2017		
By operating segment	**Revenue recognised at a point in time HK$'000**	**Revenue recognised over time HK$'000**	**Total HK$'000**	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Revenue from contracts with customers						
Integrated logistics						
– Logistics operations	766,812	7,290,642	8,057,454	677,804	5,145,124	5,822,928
– Hong Kong warehouse	–	108,082	108,082	–	262,769	262,769
International freight forwarding	–	9,295,691	9,295,691	–	7,619,638	7,619,638
	766,812	16,694,415	17,461,227	677,804	13,027,531	13,705,335

By geographical area	For the six months ended 30 June 2018 Revenue recognised at a point in time HK$'000	2018 Revenue recognised over time HK$'000	2018 Total HK$'000	2017 Revenue recognised at a point in time HK$'000	2017 Revenue recognised over time HK$'000	2017 Total HK$'000
Revenue from contracts with customers						
Hong Kong	765,709	1,611,096	2,376,805	664,300	1,210,937	1,875,237
Mainland China	1,103	4,829,816	4,830,919	13,504	3,882,977	3,896,481
Taiwan	–	1,463,750	1,463,750	–	1,264,223	1,264,223
Asia	–	4,362,922	4,362,922	–	2,744,875	2,744,875
Americas	–	2,640,061	2,640,061	–	2,533,978	2,533,978
Europe	–	1,550,762	1,550,762	–	1,160,090	1,160,090
Others	–	236,008	236,008	–	230,451	230,451
	766,812	16,694,415	17,461,227	677,804	13,027,531	13,705,335

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

	Segment non-current assets# As at 30 June 2018 HK$'000	Segment non-current assets# As at 31 December 2017 HK$'000
Hong Kong	10,126,015	9,883,612
Mainland China	4,767,779	4,730,844
Taiwan	3,396,182	3,286,008
Asia	5,952,798	5,610,408
Americas	974,970	986,335
Europe	904,424	609,388
Others	111,201	128,586
	26,233,369	25,235,181

Other than financial assets at fair value through other comprehensive income, available-for-sale investments, investment in convertible bonds and deferred taxation.

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Business tax and other taxes	7,236	6,013
Cost of goods sold	690,265	589,528
Freight and transportation costs	11,881,656	9,245,788
Depreciation of property, plant and equipment	325,012	268,150
Amortisation of leasehold land and land use rights	5,329	3,950
Amortisation of intangible assets	49,566	34,912
Provision for impairment of receivables	23,246	6,476
Reversal of provision for impairment of receivables	(5,500)	(1,466)
Operating lease charges on land and buildings	414,788	318,066
Employee benefit expenses	2,429,352	1,967,268

5 FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Interest expenses on bank loans and overdrafts	106,684	71,166

6 TAXATION

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Hong Kong profits tax		
– Current	63,980	45,849
– Overprovision in prior years	(18)	–
– Deferred	(248)	5,842
	63,714	51,691
PRC taxation		
– Current	61,493	61,659
– Overprovision in prior years	(598)	(211)
– Deferred	(6,944)	(4,321)
	53,951	57,127
Overseas taxation		
– Current	144,415	114,722
– (Overprovision)/underprovision in prior years	(2,750)	3,562
– Deferred	(6,304)	(10,144)
	135,361	108,140
	253,026	216,958

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) for the six months ended 30 June 2018 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 34% (2017: 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% (2017: 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.

7 DIVIDENDS

The Directors have declared an interim dividend of 9 HK cents per share and a special dividend of 12 HK cents per share for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 8 HK cents), which are payable on Friday, 5 October 2018 to shareholders whose names appear on the registers of members of the Company on Wednesday, 19 September 2018. These financial statements do not reflect these dividends payable. The special dividend is declared considering the cash value unleashed from the partial disposal of Kerry Express Thailand and represents a pay-out ratio of approximately 29% on the net surplus of HK$699 million (i.e. calculated based on the difference between the enterprise value and the book value of the disposed shares of approximately HK$988 million, and deducting the estimated relevant capital gain taxes, dividend withholding taxes and professional fees associated with the deal of approximately HK$289 million).

8 EARNINGS PER SHARE

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

BASIC

	Six months ended 30 June	
	2018	2017
Adjusted weighted average number of ordinary shares in issue ('000)	1,697,077	1,695,526
Profit attributable to the Company's shareholders (HK$'000)	947,838	787,809
Basic earnings per share (HK$)	0.56	0.46

DILUTED

	Six months ended 30 June	
	2018	2017
Adjusted weighted average number of ordinary shares in issue ('000)	1,697,077	1,695,526
Adjustment for share options ('000)	3,307	1,636
Weighted average number of shares for the purpose of calculating diluted earnings per share ('000)	1,700,384	1,697,162
Profit attributable to the Company's shareholders (HK$'000)	947,838	787,809
Diluted earnings per share (HK$)	0.56	0.46

9 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 2018 HK$'000	As at 31 December 2017 HK$'000
Below 1 month	3,584,948	3,454,716
Between 1 month and 3 months	1,906,203	2,041,199
Over 3 months	647,789	410,740
Total trade receivables, net	6,138,940	5,906,655
Prepayments, deposits and other receivables	2,137,272	1,661,817
	8,276,212	7,568,472

10 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 2018 HK$'000	As at 31 December 2017 HK$'000
Below 1 month	1,820,742	1,560,679
Between 1 month and 3 months	725,275	701,091
Over 3 months	552,373	596,172
Total trade payables	3,098,390	2,857,942
Deposits received, accrued charges and other payables	2,937,202	2,707,889
	6,035,592	5,565,831

11 BANK LOANS

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Non-current		
– unsecured	3,469,221	3,280,408
– secured	979,762	918,350
	4,448,983	4,198,758
Current		
– unsecured	4,459,618	3,880,199
– secured	130,553	75,523
	4,590,171	3,955,722
Total bank loans	9,039,154	8,154,480

12 COMMITMENTS

As at 30 June 2018, 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 2018 HK$'000	As at 31 December 2017 HK$'000
Contracted but not provided for	990,090	1,527,636

13 PLEDGE OF ASSETS

As at 30 June 2018, the Group's total bank loans of HK$9,039,154,000 (31 December 2017: HK$8,154,480,000) included an aggregate amount of HK$1,110,315,000 (31 December 2017: HK$993,873,000) which are secured. The Group's total bank overdrafts of HK$66,635,000 (31 December 2017: HK$51,006,000) included an aggregate amount of HK$66,326,000 (31 December 2017: HK$48,395,000) 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$2,519,089,000 (31 December 2017: HK$2,591,024,000);

(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 27% to HK$17,461 million in 2018 1H (2017 1H: HK$13,705 million). Core operating profit went up 19% to HK$1,216 million (2017 1H: HK$1,019 million). Core net profit was HK$700 million (2017 1H: HK$576 million), which represents a growth of 22% year-on-year. Profit attributable to the Shareholders, after taking into account the change in fair value of investment properties and financial instruments, and goodwill impairment, also increased 20% to HK$948 million (2017 1H: HK$788 million).

	2018 1H HK$ million	2017 1H HK$ million	
Segment profit			
IL			
– Logistics operations	843	622	+36%
– Hong Kong warehouse	264	262	+1%
	1,107	884	+25%
IFF	235	222	+6%
	1,342	1,106	
Unallocated administrative expenses	(126)	(87)	
Core operating profit	1,216	1,019	+19%
Core net profit	700	576	+22%
Change in fair value of investment properties, net of deferred tax	248	197	
Change in fair value of financial instruments	–	65	
Goodwill impairment	–	(50)	
Profit attributable to the Shareholders	948	788	+20%

BUSINESS REVIEW

MARKET OVERVIEW

Although the world economy experienced growth in 2018 1H, global demand has been flat. Nevertheless, the China-US trade dispute has caused manufacturing capacities to shift from Mainland China to other Asian countries, bringing about an increase in shipping volume and production activities in Asia. Southeast Asia, in particular, has enjoyed the fastest growth in the region.

Leveraging the strongest network in Asia and its diversified business portfolio, the Group achieved double digit growth in turnover, core operating profit, and core net profit in 2018 1H. Meanwhile, to reinforce its global network, the Group has made investments and formed alliances in existing operating regions as well as in new markets to pave the way for sustainable growth.

IL DEVELOPMENT ACCELERATED

Having benefitted from the booming intra-Asia trade and e-commerce business, the IL division achieved a 25% rise in segment profit in 2018 1H. The IL business in Hong Kong, Taiwan, and Asia as a whole is expected to remain a major earnings driver for the rest of the year.

HONG KONG EARNINGS GREW

Driven by stable growth in revenue from existing customers and new customer gains, the segment profit of the logistics business in Hong Kong grew by 71% in 2018 1H. However, the growth of the warehousing business in Hong Kong remained level.

TAIWAN PROFIT RECOVERED

The Group's business in Taiwan saw a profit recovery in 2018 1H. The rising labour costs have been mitigated through internal operation adjustments, such as line-haul optimisation, and improved operation efficiency, bringing about the normalisation of the impact of the labour law passed in 2016. The IL segment profit in Taiwan is expected to pick up in 2018 2H.

ASIA GROWTH MOMENTUM CONTINUED

Sustained by strong intra-Asia trade and increasing shipping volumes in the region resulting from the China-US trade tensions, the IL segment profit of Asia posted a 54% growth in 2018 1H.

In Thailand, the Group's IL segment profit recorded an 84% growth riding on the flourishing e-commerce business. In July 2018, Kerry Express Thailand entered into a strategic partnership with VGI Global Media Public Company Limited ("VGI"), the subsidiary of Bangkok Mass Transit System Public Company Limited. Kerry Express Thailand becomes the only express logistics partner of VGI and Bangkok Mass Transit System ("BTS Skytrain"), enabling the Group to use BTS Skytrain to extend its express delivery services.

Furthermore, the seaport business in Thailand has shown encouraging improvement following the berth extension at the Kerry Siam Seaport since March 2018.

MAINLAND CHINA GROWTH DECELERATED

Rising labour costs, subpar performance of certain customers in the electronics sector, and the China-US trade conflict continued to undermine the Group's business in Mainland China. Despite its decelerating pace of growth, the decline in its profit eased in 2018 1H. The Group is hopeful that there will be an improvement in 2019 mainly in the import sector.

IFF MOMENTUM MAINTAINED

Supported by stable trade activities, the IFF division maintained growth in volume in 2018 1H, particularly in the North American and Indian Peninsula regions, resulting in a 6% increase in segment profit. Nevertheless, both profit and profit margin contributed by the IFF division have contracted as a result of the drop in performance in Mainland China.

In addition to organic growth, the Group has adopted a partnership model to accelerate the expansion of its IFF business via collaborations with leading local enterprises and strategic investment to capitalise on growth prospects.

REACH IN AFRICA EXTENDED

Adhering to its long-term IFF strategy to expand its coverage worldwide, the Group acquired the Johannesburg-based Shipping and Airfreight Services (Pty) Ltd in May 2018 to expand its service offerings in South Africa.

PROJECT LOGISTICS CAPABILITIES STRENGTHENED

In June 2018, the Group strengthened its project logistics capabilities through the acquisition of a majority stake in the Milan-based Saga Italia S.p.A., which is specialised in project logistics, heavy lift services, and material management. The acquisition added three new countries to the Group's network, namely, the Republic of the Congo, Uganda, and Egypt. The strengthened capabilities will support Kerry Logistics to tap into the immense opportunities as more Belt and Road projects get off the ground.

EXPANSION ALONG BELT AND ROAD

The Group deepened its rail and road freight capabilities in June 2018 by launching new cross-border rail and trucking services from Mainland China through Kazakhstan to Caucasus and Turkey, so as to capture the growing trades in new markets and Europe. The new services provide greater flexibility to customers with different volume needs by block train, single wagon or Full-Truck-Load.

In July 2018, the Group's member company Globalink and Georgia's Anaklia City JSC signed a memorandum of understanding to cooperate in the development of the Anaklia Deep Sea Port and Special Economic Zone in Georgia, which is strategically located along the shortest trade route between China and Europe in the Belt and Road network. The port, scheduled for opening in 2020, is expected to become one of the largest in the Black Sea region.

NEW FOOTHOLD IN PAKISTAN

In July 2018, the Group established new subsidiary Kerry Freight Pakistan (Private) Limited to extend its foothold in Pakistan and leverage its first mover advantage along the China-Pakistan Economic Corridor. The new company is expected to commence operation in 2018 2H.

EUROPE BUSINESS RESTRUCTURED

The Group's business operations in Austria, Belgium, and France have been transferred to Germany and the Netherlands as a result of a business restructuring exercise in Europe to optimise operation efficiency.

ASSET PORTFOLIO BROADENED

Berth extension at the Kerry Siam Seaport in Thailand was completed in 2018 Q1 with its total length increased to 2.8 km. The remaining of the Phase four expansion is on track to be completed in 2018 Q4.

Phase two of the Kerry Bangna Logistics Centre in Thailand was completed in 2018 Q1, while Phase three construction will begin in 2018 Q4 tentatively.

Phase one of the inland ports in Mandalay, Myanmar was completed in 2018 Q2 and the inland ports in Yangon is projected for completion in 2018 Q3.

Logistics facilities in Changsha and Wuhan, Mainland China, and Guanyin, Taiwan are under construction.

ASSET VALUE UNLEASHED

While strategically strengthening its asset portfolio, the Group also considered different options to unleash the value of its current portfolio. The Group plans to embrace the opportunity to unlock the value of its warehouse property portfolio to provide capital for investments that offer synergetic benefits to its long-term growth.

In Mainland China, the Group disposed of the underperforming Kerry Chengdu Logistics Centre in Shuangliu County, Chengdu in May 2018.

In July 2018, the Group disposed of a 17% interest in Kerry Express Thailand to VGI.

In Hong Kong, the purchaser of the Group's entire 15% interest in Asia Airfreight Terminal Company Limited is seeking for an extension of time to complete the transaction. The parties are now discussing the relevant arrangements.

OUTLOOK

The ongoing trade spat between Mainland China and the US is reshaping trade routes and global supply chains. While the trade volume between the two economies is expected to reduce in the near future, certain markets in Asia are likely to benefit conversely from the increased intra-Asia trade as customers look for alternative supply sources beyond Mainland China and the US. At the same time, trade lanes between the US and other Asian countries are anticipated to grow. Leveraging its expanding global network and solid coverage particularly in South and Southeast Asia, the Group is optimistic to maintain growth in the remainder of the year through exploiting new business opportunities and promising prospects in Asia and new markets along the Belt and Road trade paths.

KEEP UP GROWTH IMPETUS IN ASIA

Asia has been experiencing the fastest trade volume growth for both imports and exports driven by rising domestic consumption and increased investment. The Group expects its Asian business to continue to grow and contribute to a major part of the Group's profit in three to five years' time.

BOLSTER PROJECT LOGISTICS ON BELT AND ROAD

Building on the latest acquisition of Saga Italia S.p.A. and the consolidation of its project logistics capabilities worldwide, the Group is on course to harvest synergies generated by its global network and further seize business opportunities brought by the Belt and Road initiative, in order to propel business and volume growth across Eurasia.

REINFORCE EXPRESS COMPETENCIES

It is one of the Group's Asia strategies to keep reinforcing its express competencies so as to capitalise on the burgeoning intra-Asia trade and e-commerce activities. The Group is also positive about the Thailand express business delivering stronger than expected performance, and is working to replicate its success in other Asian markets including Vietnam, Malaysia, Cambodia, and the Philippines.

IFF TO SUSTAIN GROWTH

While the China-US trade war escalates, the Group believes that IFF growth will persist in the medium term. The freight volume is likely to rise further among countries in the intra-Asia region. The Group will maintain close communication with international customers to maximise adaptability to changes in the global trade climate.

FINANCIAL REVIEW

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

Most of the Group's assets and liabilities are denominated in different functional currencies of the overseas subsidiaries' respective countries. The Group generally does not enter into foreign exchange hedges in respect of its long-term equity investments in overseas subsidiaries, associates and joint ventures. For the foreign currency exposure arising from business activities, certain subsidiaries used forward contracts to hedge their foreign exchange exposure from trading transactions during the period, the amount of which was insignificant to the Group. The Group will continue to closely monitor its foreign exchange position and, if necessary, hedge its foreign exchange exposure by entering into appropriate hedging instruments. As at 30 June 2018, total foreign currency borrowings amounted to the equivalent of HK$4,173 million (including HK$2,573 million denominated in New Taiwan Dollar and HK$600 million denominated in Thai Baht), which represented approximately 46% of the Group's total bank loans of HK$9,039 million.

Out of the Group's total bank loans as at 30 June 2018, HK$4,590 million (representing approximately 51%) was repayable within one year, HK$1,977 million (representing approximately 22%) in the second year, HK$2,413 million (representing approximately 26%) in the third to fifth years and HK$59 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 88% of total bank loans. In relation to the secured bank loans of HK$1,110 million as at 30 June 2018, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK$2,519 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 2018, the gearing ratio for the Group was 46.7% (31 December 2017: 43.1%). 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 2018, the Group had total undrawn bank loan and overdraft facilities of HK$6,880 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 2018, the Group had no material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 30 June 2018, the Group had approximately 32,600 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.

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 2018, 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 2018 and up to the date of this announcement.

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 2018.

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 2018, a total of 33,398,500 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 Wednesday, 19 September 2018 in order to determine the entitlement of the Shareholders to the interim dividend and special 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 Tuesday, 18 September 2018. The interim dividend and special dividend are payable on Friday, 5 October 2018 to the Shareholders whose names appear on the Registers of Members on Wednesday, 19 September 2018.

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
"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
"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
"Kerry Express Thailand"	Kerry Express (Thailand) Limited, a company incorporated in Thailand with limited liability, an indirect 63%-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Macau"	Macao Special Administrative Region of 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", "Q3" or "Q4"	first quarter, second quarter, third quarter or fourth 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, 30 August 2018

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