

INTERIM REPORT  
2024



Kerry Logistics  
Network Limited

0636.HK

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

# QUICK FACTS

60

countries & territories

18,000+

employees worldwide

55M ft<sup>2</sup>

land & facilities

2,300

self-owned operating vehicles

*Note: Figures as at 30 June 2024*

# THE ONE · IN ASIA

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# CORPORATE INFORMATION & KEY DATES

## BOARD OF DIRECTORS

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

Executive Directors  
Mr CHEUNG Ping Chuen Vicky  
(Chief Executive Officer)  
Mr CHENG Chi Wai  
Mr HO Chit

Non-executive Directors  
Ms CHEN Keren  
Ms OOI Bee Ti

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

## AUDIT AND COMPLIANCE COMMITTEE

Ms WONG Yu Pok Marina (Chairman)  
Mr LAI Sau Cheong Simon  
Ms OOI Bee Ti

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## FINANCE COMMITTEE

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

## RISK MANAGEMENT COMMITTEE<sup>#</sup>

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

## SUSTAINABILITY COMMITTEE<sup>#</sup>

Mr CHENG Chi Wai (Chairman)

## COMPANY SECRETARY

Ms LEE Pui Nee

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants and  
Registered PIE Auditor

## LEGAL ADVISER

Norton Rose Fulbright Hong Kong

## REGISTERED OFFICE

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

## CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## INVESTOR RELATIONS

T 852 2410 3600  
F 852 2480 5958  
E IR@kln.com

## WEBSITE

[www.kln.com](http://www.kln.com)

## KEY DATES

Closure of Registers of Members  
11 to 12 September 2024

Proposed Payment of Interim Dividend  
On or around 23 September 2024

<sup>#</sup> plus committee member(s) who is/are non-member(s) of the Board

# FINANCIAL HIGHLIGHTS

HK\$M

REVENUE\*

**25,432**

▲ 10%

SEGMENT PROFIT\*

IL

**693**

▼ 3%

IFF

**740**

▲ 18%

CORE OPERATING PROFIT\*

**1,200**

▲ 11%

CORE NET PROFIT\*

**606**

▲ 5%

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

**831**

▲ 126%

INTERIM DIVIDEND

HK CENTS PER SHARE

**10**

GEARING

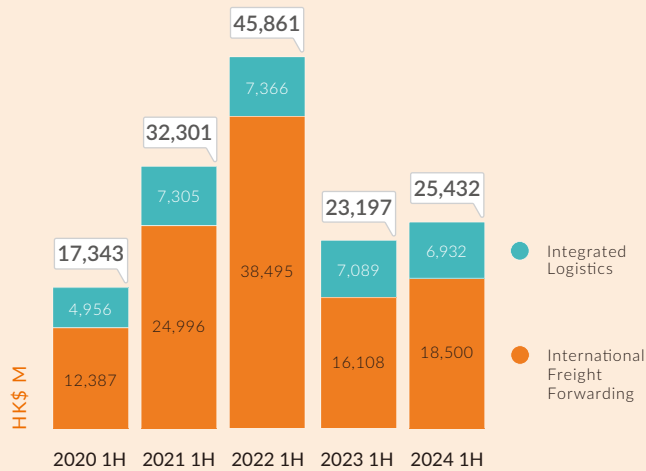
**54.7%/19.1%**

GROSS

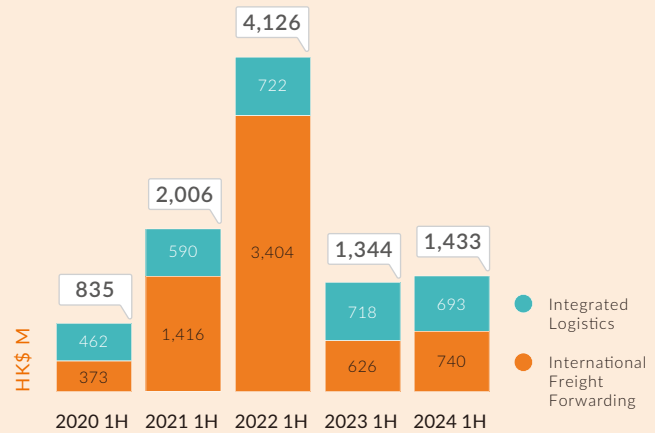
NET

\* For continuing operations only

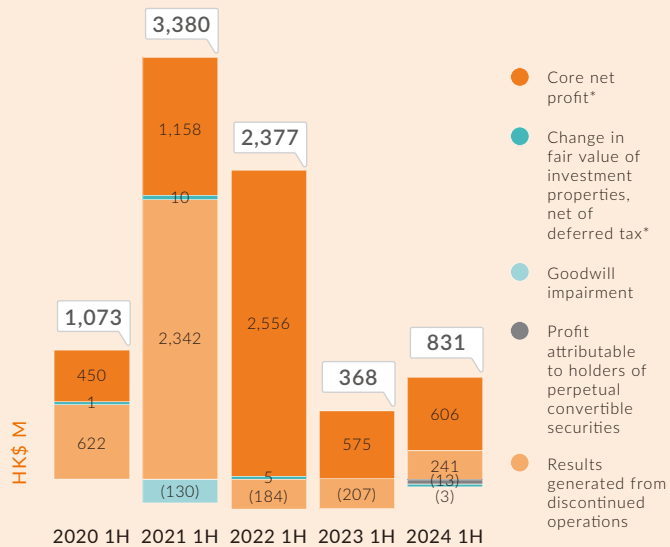
## REVENUE BY SEGMENT\*



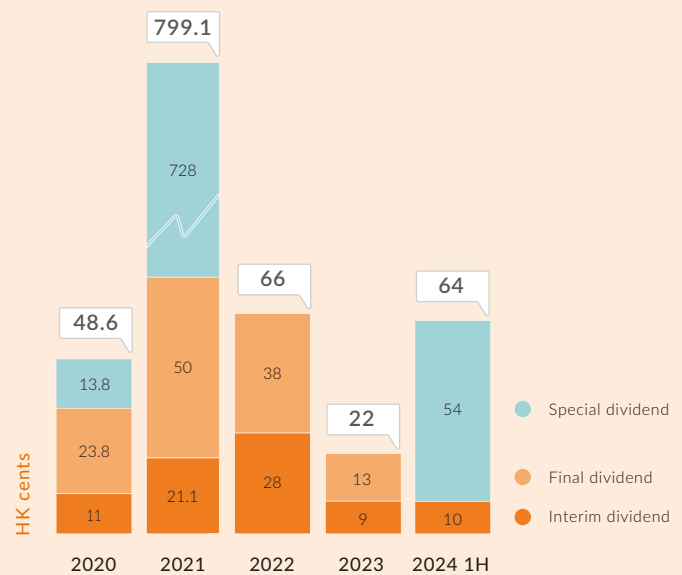
## SEGMENT PROFIT\*



## PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

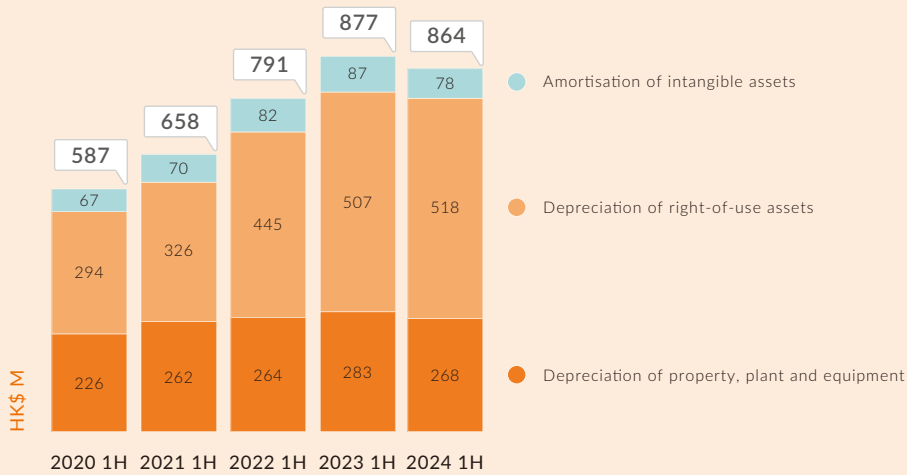


## DIVIDEND PER SHARE

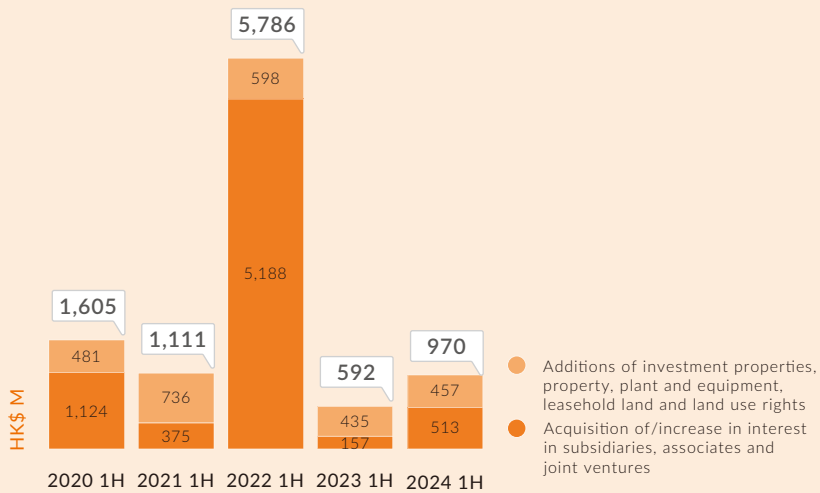


\* For continuing operations only

## DEPRECIATION AND AMORTISATION\*



## CAPEX



\* For continuing operations only

# RESULTS OVERVIEW

The Group recorded a growth in revenue\* of 10% to HK\$25,432 million in 2024 1H (2023 1H: HK\$23,197 million). Core operating profit\* increased by 11% to HK\$1,200 million (2023 1H: HK\$1,078 million). Core net profit\* also increased by 5% year-

on-year to HK\$606 million (2023 1H: HK\$575 million). Profit attributable to the Shareholders was HK\$831 million (2023 1H: HK\$368 million), which represents a year-on-year increase of 126%.

	2024 1H HK\$ million	2023 1H HK\$ million	
Segment profit*			
IL	693	718	-3%
IFF	740	626	+18%
	1,433	1,344	
Unallocated administrative expenses and others	(233)	(266)	
Core operating profit*	1,200	1,078	+11%
Core net profit*	606	575	+5%
Changes in fair value of investment properties, net of deferred tax	(3)	-	
Profit attributable to holders of perpetual convertible securities	(13)	-	
Results generated from discontinued operations	241	(207)	
Profit attributable to the Shareholders	831	368	+126%

\* For continuing operations only



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### MARKET OVERVIEW

In 2024 1H, against intensifying geopolitical turmoil and persistently high interest rates, inflation moderated to a three-year low and the global economy returned to growth after three years of slowing, albeit with a weak momentum. An array of factors, including the unresolved Red Sea Crisis and the historically low water levels at the Panama Canal, alongside port congestion, robust e-commerce performance and shippers frontloading imports ahead of the peak season, pushed ocean and air freight rates up in late 2024 Q2.

Supported by its resilience and agility in providing flexible and cost-effective solutions to customers, KLN Group was able to ride the waves in this highly volatile market and recorded a 10% year-on-year growth in revenue and 5% growth in core net profit for its continuing operations 2024 1H, outperforming its international peers. The Group has remained vigilant and promptly responsive to drastic and unexpected changes in the global logistics landscape to capture opportunities that have arisen.

In March 2024, the Group completed the distribution of its entire 907,200,000 shares of KEX Express Thailand in the form of special dividend to Shareholders and KEX Express Thailand ceased to be a subsidiary of the Group (the "Distribution"). The financial impact of the Distribution and other strategic actions to align with KLN Group's strategy

of focusing on its core integrated logistics and international freight forwarding businesses was disclosed separately in the financial statements.

### INTEGRATED LOGISTICS

The Group's IL business experienced a short-term contraction in 2024 1H, reporting a 3% drop in segment profit due to the business decline in key markets, Hong Kong and the Mainland of China, amid sluggish economic recovery and prolonged weakness in domestic demand.

The Hong Kong business recorded an 11% drop in segment profit as a result of changes in the consumption patterns of visitors and local citizens, leading to subdued local spending, particularly in the F&B sector. The decrease compared to the previous year was also due to the impact of certain pandemic-related government grants in 2023.

In the Mainland of China, the IL business recorded a 5% drop as stagnant global demand dampened manufacturing activity alongside falling retail consumption amid economic uncertainties.

The IL business in the rest of Asia registered a 9% growth riding on the growth in Singapore, Vietnam, the Philippines and India, as well as the stable performance of Kerry Siam Seaport in Thailand. KLN Group's extensive presence across Southeast Asia also allowed the Group to capitalise on the supply chain shifts to the region from the Mainland of China. The growth rate would have been better if it was calculated in local currency terms, as the strong US dollar has offset a fraction of the growth rate.

## INTERNATIONAL FREIGHT FORWARDING

The Group's IFF business recorded an 18% growth in 2024 1H, supported by the growth in key markets including the US, the Mainland of China and Hong Kong.

Building on its broad customer base, competitive rates and strong capacity, KLN Group outperformed the market on the Asia-US trade routes in 2024 1H, retaining its top spot as the leading NVOCC in the world's busiest trade lane.

Contrary to market expectation, the segment profit of the IFF division has not been as significantly buoyed by the ocean freight rate spike that began in May 2024, due to frequent rate increase and aggressive space allocation strategies. On the other hand, the positive impact of the high freight rate

in May and June 2024 will be more significantly reflected in the profit and loss statements in the later months of the year, as ocean freight shipments normally take one to two months to complete.

The air freight business under the IFF division recorded steady volume growth during the traditional slack season, thanks to upswings in cross-border e-commerce. Positive results were also brought by the integration and collaborations with S.F. Holding including cross-selling and the joint venture formed to manage the international cargo terminal of the Ezhou Airport in Central China. Kerry Freight Controlled Network, the Group's Trans-Pacific air freight service to connect multiple Asian locations to the US, has commenced the air charter service from Ezhou, the Mainland of China to the US in 2024 Q2 to capitalise on the growing market demands.



KLN Group was the global number one NVOCC from Asia to the US for 2024 1H



## SUSTAINABILITY

KLN Group has maintained its focus on integrating sustainability within its core business strategy and operations. The Company's Board and leadership have examined various emerging sustainability issues through a revamped double materiality assessment. This exercise has guided the Group's decision-making to consider how sustainability-related impacts, risks and opportunities affect both its business and the environment, enabling the Group to be more resilient for the challenges ahead.

With the launch of the new climate disclosure requirements by the Stock Exchange in April 2024, the Group has enhanced its data collection and management practices for the preparation of disclosure in compliance with the requirements. To contribute to the Group's net zero commitment, the

Sustainability Committee has been investigating the feasibility of expanding the solar panel installation at the Group's global premises to enhance renewable energy usage.

In order to strengthen colleagues' awareness, the Group continues to implement its mandatory training programme on sustainability, governance, cybersecurity, health and safety, and other issues. The Group has also released an employee code of conduct and updated its global anti-bribery policy and whistleblowing policy, which underscore its commitment to responsible business practices. Through the WE KARE initiatives, the Group focuses on enhancing employees' wellbeing and encouraging them to contribute positively to the community through collaborations with the Group's social partners.

## OUTLOOK

Despite the turbulence in the global freight market and the uncertainties of economic revival, KLN Group is optimistic about improvements in its performance for FY2024. Performance in the IFF division is expected to grow in 2024 2H riding on sustained demand, stable volume growth and higher yields in ocean freight as well as the anticipated strong results of the air freight peak season in 2024 Q4.

Through maximum cross-selling efforts between the IL and IFF divisions, the Group will strive to exploit growth opportunities across all its business sectors and win new business among the existing customer base.

The effective cost-control measures the Group has implemented since pre-pandemic resulted in a lower operating expenses-to-revenue ratio compared to its peers, which will also contribute to the uptick in its profits. Corporate expenses were also reduced significantly by 12% during the period.

Moving forward, the Group will continue to carefully manage its costs and profit margin to strive for ongoing improvement. Compared to the pre-COVID period, the Group achieved a group segment profit margin at the improved rate of 6% even with the increasing contribution from IFF. The margin is also comparable to its international peers.

KLN Group is committed to improving operational excellence to create greater value for customers and deliver sustainable results to shareholders. It will keep investing in digitalisation while leveraging automation and artificial intelligence to drive innovation, efficiency and growth across the network. The Group will also continue to explore new avenues to foster sustainable logistics solutions in action.

Leveraging its unrivalled network in Asia, the most diversified global solutions and a broad customer portfolio, KLN Group is committed to capturing market opportunities wherever they might arise through prompt action amid a stormy logistics landscape.



**KLN Group will keep investing in digitalisation while leveraging automation and artificial intelligence to drive innovation, efficiency and growth across the network.”**

## FINANCIAL REVIEW

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

Most of the Group's assets and liabilities are denominated in different functional currencies of the overseas subsidiaries' respective countries. The Group generally does not enter into foreign exchange hedges in respect of its long-term equity investments in overseas subsidiaries, associates and a joint venture. 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 2024, total foreign currency borrowings amounted to the equivalent of HK\$2,304 million (including HK\$1,450 million denominated in Renminbi and HK\$368 million denominated in Singaporean dollar), which represented approximately 26% of the Group's total bank loans of HK\$8,800 million. Out of the Group's total bank loans as at 30 June 2024, HK\$2,869 million (representing approximately 33%) was repayable within one year, HK\$1,772 million (representing approximately 20%) in the second year, HK\$4,052 million (representing approximately 46%) in the third to fifth years and HK\$107 million (representing approximately 1%) over five years. The Group maintains most of its bank loans on an unsecured basis, with unsecured debt accounting for approximately 99% of total bank loans. In relation to the secured bank loans of HK\$82 million as at 30 June 2024, the securities provided include legal charges over certain non-current assets

with aggregate net book value of HK\$796 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 2024, the gearing ratio for the Group was 54.7% (31 December 2023: 49.1%). The ratio was calculated as total bank loans and overdrafts (including bank loans associated with assets classified as held for distribution), divided by equity attributable to the Shareholders.

As at 30 June 2024, the Group had total undrawn bank loan and overdraft facilities of HK\$7,980 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 2024, the Group had no material contingent liabilities.

## STAFF AND REMUNERATION POLICIES

As at 30 June 2024, the Group had approximately 18,600 employees. The number of employees of the Group reduced from approximately 33,100 as at 31 December 2023, mainly because KEX Express Thailand ceased to be a subsidiary of the Company following the completion of the Distribution. 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 award scheme.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

#### (I) THE COMPANY

Directors	Ordinary Shares in the Company					Approximate percentage of issued share capital <sup>(1)</sup>
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	
WANG Weij <sup>(2)</sup>	-	-	972,698,478	-	972,698,478	53.82%
KUOK Khoon Hua <sup>(3)</sup>	600,428	-	-	1,132,479	1,732,907	0.10%
CHEUNG Ping Chuen Vicky <sup>(4)</sup>	3,983,178	-	-	-	3,983,178	0.22%
CHENG Chi Wai <sup>(5)</sup>	1,167,303	-	-	-	1,167,303	0.06%
WONG Yu Pok Marina <sup>(6)</sup>	20,796	-	-	-	20,796	< 0.01%

Notes:

- (1) Based on 1,807,429,342 Ordinary Shares in issue as at 30 June 2024.
- (2) Mr Wang is interested in 972,698,478 Ordinary Shares held through his controlled corporations, which includes the 41,489,361 Convertible Securities Mr Wang is deemed to be interested in pursuant to the disclosure requirements under the SFO.
- (3) Mr Kuok is interested in (i) 600,428 Ordinary Shares as beneficial owner; and (ii) 1,132,479 Ordinary Shares held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.
- (4) Mr Cheung is interested in (i) 3,699,806 Ordinary Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 283,372 Ordinary Shares.
- (5) Mr Cheng is interested in (i) 869,797 Ordinary Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 297,506 Ordinary Shares.
- (6) Ms Wong is interested in 20,796 Ordinary Shares as beneficial owner.

## (II) ASSOCIATED CORPORATIONS

Shenzhen Mingde Holding Development Co., Ltd.

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

Notes:

- (1) Based on a total registered capital of Shenzhen Mingde of RMB113,400,000 as at 30 June 2024.
- (2) Mr Wang is interested in registered capital of Shenzhen Mingde in the amount of RMB113,286,600 as beneficial owner.

S.F. Holding Co., Ltd.

Directors	Ordinary shares in S.F. Holding					Approximate percentage of issued share capital <sup>(1)</sup>
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	
HO Chit <sup>(2)</sup>	488,000	-	-	-	488,000	0.01%
OOI Bee Ti <sup>(3)</sup>	275,400	-	-	-	275,400	0.01%

Notes:

- (1) Based on 4,815,911,220 ordinary shares in S.F. Holding in issue as at 30 June 2024.
- (2) Mr Ho is interested in (i) 122,000 ordinary shares in S.F. Holding as beneficial owner; and (ii) options granted under the 2022 stock option incentive plan of S.F. Holding to subscribe for 366,000 ordinary shares in S.F. Holding.
- (3) Ms Ooi is interested in (i) 71,400 ordinary shares in S.F. Holding as beneficial owner; and (ii) options granted under the 2022 stock option incentive plan of S.F. Holding to subscribe for 204,000 ordinary shares in S.F. Holding.

Save as disclosed above, as at 30 June 2024, the Company is not aware of any other Director or the chief executive of the Company who has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at 30 June 2024, the following are the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

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

Notes:

- (1) Based on 1,807,429,342 Ordinary Shares in issue as at 30 June 2024.
- (2) Mr WANG Wei is the executive director of Shenzhen Mingde.
- (3) Mr WANG Wei is an executive director, the chairman of the board of directors and the general manager of S.F. Holding. Mr HO Chit is an executive director, a deputy general manager and the chief financial officer of S.F. Holding. Ms OOI Bee Ti is the head of treasury center of S.F. Holding.
- (4) Mr KUOK Khoon Hua is a director of KGL. Ms CHEN Keren is the group co-general counsel, the company secretary and the director of corporate services of KGL.
- (5) Mr KUOK Khoon Hua is the chairman and a director of KHL.
- (6) Mr KUOK Khoon Hua is the chairman, the chief executive officer and an executive director of KPL.
- (7) Flourish Harmony is interested in 931,209,117 Ordinary Shares as beneficial owner. SF Holding HK is interested in 41,489,361 Convertible Securities as beneficial owner. Each of Flourish Harmony and SF Holding HK is wholly owned by S.F. Holding. S.F. Holding is a subsidiary of Shenzhen Mingde which is in turn controlled by Mr WANG Wei. Accordingly, S.F. Holding, Shenzhen Mingde and Mr WANG Wei are deemed to be interested in the interest held by Flourish Harmony and SF Holding HK in the Company pursuant to the disclosure requirements under the SFO.
- (8) KPL is a subsidiary of KHL. KHL is a wholly-owned subsidiary of KGL. Accordingly, KHL is deemed to be interested in the interest held by KPL in the Company and KGL is deemed to be interested in the interest held by each of KHL and KPL in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at 30 June 2024, the Company is not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



## SHARE AWARD SCHEME

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

During the six months ended 30 June 2024, no awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 30 June 2024, a total of 11,973,196 awarded Shares have been granted under the Share Award Scheme (representing approximately 0.66% and 0.66% of the issued share capital of the Company as at 30 June 2024 and the date of this interim report, respectively), of which 213,773 have forfeited, 8,910,033 have vested and 2,849,390 remain unvested.

Movement of the awarded Shares, which were granted under the Share Award Scheme, during the six months ended 30 June 2024 were as follows:

Category	Date of grant	Number of awarded Shares					Purchase price HK\$	Vesting period (Note d)
		Unvested as at 01/01/2024	Granted during the six months ended 30/06/2024 (Note a)	Forfeited during the six months ended 30/06/2024 (Note b)	Vested (Notes a and c)	Unvested as at 30/06/2024		
<b>1 Directors</b>								
CHEUNG Ping Chuen Vicky	01/04/2022	18,358	-	-	18,358	-	N/A	01/04/2022-01/04/2024
	01/04/2022	18,360	-	-	-	18,360	N/A	01/04/2022-01/04/2025
	01/04/2023	33,005	-	-	33,005	-	N/A	01/04/2023-01/04/2024
	01/04/2023	33,005	-	-	-	33,005	N/A	01/04/2023-01/04/2025
	01/04/2023	33,007	-	-	-	33,007	N/A	01/04/2023-01/04/2026
	01/10/2023	199,000	-	-	-	199,000	N/A	01/10/2023-01/10/2024
CHENG Chi Wai	01/04/2021	13,431	-	-	13,431	-	N/A	01/04/2021-01/04/2024
	01/04/2022	22,264	-	-	22,264	-	N/A	01/04/2022-01/04/2024
	01/04/2022	22,265	-	-	-	22,265	N/A	01/04/2022-01/04/2025
	01/04/2023	31,120	-	-	31,120	-	N/A	01/04/2023-01/04/2024
	01/04/2023	31,120	-	-	-	31,120	N/A	01/04/2023-01/04/2025
	01/04/2023	31,121	-	-	-	31,121	N/A	01/04/2023-01/04/2026
	01/10/2023	213,000	-	-	-	213,000	N/A	01/10/2023-01/10/2024

Category	Date of grant	Number of awarded Shares						Purchase price HK\$	Vesting period (Note d)
		Unvested as at 01/01/2024	Granted during the six months ended 30/06/2024 (Note a)	Forfeited during the six months ended 30/06/2024 (Note b)	Vested (Notes a and c)	Unvested as at 30/06/2024			
2 Continuous Contract Employees	01/04/2021	123,325	-	17,636	105,689	-	N/A	01/04/2021-01/04/2024	
	01/04/2022	161,679	-	25,756	135,923	-	N/A	01/04/2022-01/04/2024	
	01/04/2022	161,690	-	25,757	-	135,933	N/A	01/04/2022-01/04/2025	
	01/04/2023	206,994	-	39,208	167,786	-	N/A	01/04/2023-01/04/2024	
	01/04/2023	206,994	-	39,208	-	167,786	N/A	01/04/2023-01/04/2025	
	01/04/2023	207,001	-	39,208	-	167,793	N/A	01/04/2023-01/04/2026	
	01/10/2023	1,824,000	-	27,000	-	1,797,000	N/A	01/10/2023-01/10/2024	
<b>Total:</b>		<b>3,590,739</b>	<b>-</b>	<b>213,773</b>	<b>527,576</b>	<b>2,849,390</b>			

Notes:

- During the six months ended 30 June 2024, no awarded Shares was granted, transferred from/to other category, cancelled or lapsed under the Share Award Scheme.
- For selected participants who have ceased to be eligible persons, the unvested awarded Shares are forfeited in accordance with the Share Award Scheme. The forfeited Shares are held under the trust set up by the Share Award Scheme for future awards to eligible persons.
- The weighted average closing price of the Ordinary Shares immediately before the date on which the awarded Shares were vested was HK\$8.52.
- The vesting period of the awarded Shares is from the date of grant until the date of vesting.
- There are no participants with awarded Shares granted in excess of the individual limit and no grants to suppliers of goods and services.
- For the awarded Shares granted under the Share Award Scheme, the amounts to be recognised as expenses are determined by reference to the fair value of the awarded Shares granted, taking into account all market performance conditions (e.g. the Company's share price) and non-vesting conditions associated with the grants as at the date of grant, excluding the impact of any service and non-market performance vesting conditions. The total expense amount is recognised over the relevant vesting periods. At the end of each reporting period, the Group revises its estimates of the number of awarded Shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity. The fair value of the awarded Shares is determined based on the closing market price of the Ordinary Shares as at the date of grant, excluding the present value of dividends expected to be paid during the vesting period.

## SUMMARY OF THE SHARE AWARD SCHEME

### Details

### Share Award Scheme

1. Purpose

To support the long-term growth of the Group and enhance its reputation as an employer-of-choice in the industry, to attract and incentivise suitable personnel for the further development of the Group, to recognise contributions by participants, to retain talent and to help align the interests of the Directors and senior management of the Group with the Group's long-term performance
2. Participants

Eligible persons include any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group unless otherwise necessary or expedient to be excluded
3. Maximum number of Shares

During the six months ended 30 June 2024, no awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 30 June 2024, a total of 11,973,196 awarded Shares have been granted under the Share Award Scheme (representing approximately 0.66% and 0.66% of the issued share capital of the Company as at 30 June 2024 and the date of this interim report, respectively), of which 213,773 have forfeited, 8,910,033 have vested and 2,849,390 remain unvested

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

1% of the issued share capital of the Company from time to time
5. Vesting period

The Board may, from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested

The Board may in its absolute discretion decide whether any award shall lapse or shall be subject to such conditions or limitations as the Board may decide
6. Acceptance of offer

N/A
7. Purchase price

N/A
8. Remaining life of the scheme

It shall be valid and effective for the award period, which commences on the adoption date, namely 25 January 2019, and ends on the business day immediately prior to the 10th anniversary of the adoption date

## COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in Part 2 of the CG Code. During the six months ended 30 June 2024, the Company has complied with the code provisions as set out in Part 2 of the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2024.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

## REVIEW OF INTERIM REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The interim report has been reviewed by the audit and compliance committee of the Company and the unaudited condensed consolidated interim financial statements have been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the audit and compliance committee of the Company. The review report of the independent auditor is set out on page 20.

## EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 31 July 2024 ("CCT Announcement"). Unless the context requires otherwise, capitalised terms used in this section have the same meanings as those defined in the CCT Announcement. On 31 July 2024, (i) the Company and SFTS entered into the 2024 CGSA Framework Agreement, pursuant to which SFTS Group has agreed to appoint the Group as an exclusive cargo general sales agent to provide the CGSA Services, i.e. sales and promotion of the Air Cargo Business for the Inbound Flights and the Outbound Flights, and as a cargo sales agent to provide CGSA Services for SFTS Group's chartered flights on a non-exclusive basis, for a term of 3 years commencing from 1 January 2025; (ii) the Company and SFTS entered into the 2024 KLN Logistics Services Framework Agreement, pursuant to which the Group has agreed to provide to SFTS Group the KLN Logistics Services, for a term of 3 years commencing from 1 January 2025; (iii) the Company and SFTS entered into the 2024 SF Logistics Services Framework Agreement, pursuant to which SFTS Group has agreed to provide to the Group the SF Logistics Services, for a term of 3 years commencing from 1 January 2025; and (iv) the Company and KHL entered into the 2024 KHL Framework Services Agreement, pursuant to which (a) the Group agreed to provide in places outside Taiwan the KLN Services to the Relevant KHL Group; (b) the Relevant KHL Group agreed to provide the KHL Leases to the Group; and (c) the Relevant KHL Group agreed to provide the KHL Services in and from Taiwan to the Group, for a term of 3 years commencing from 16 September 2024. Please refer to the CCT Announcement and the Company's circular dated 27 August 2024 for further details.

On 28 August 2024, Kerry Warehouse (Hong Kong) Limited, a wholly-owned subsidiary of the Company, as the warehouses manager entered into seven of the warehouses management agreements with the respective legal owners of the seven warehouses for the provision of building management services, leasing management services, operation of warehouse facilities and other related services for the warehouses, for a term of 3 years commencing from 4 October 2024. Please refer to the Company's announcement dated 28 August 2024 for details.

Save as disclosed above, there were no important events affecting the Group which occurred since 30 June 2024.

## CHANGES IN THE INFORMATION OF THE DIRECTORS SINCE LAST ANNUAL REPORT

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

Directors	Details of Changes
HO Chit	<ul style="list-style-type: none"><li>Re-designated as an executive Director and appointed as the chief strategy officer of the Company, and ceased to be a member of the audit and compliance committee of the Company with effect from September 2024. Please refer to the Company's announcement dated 28 August 2024 for further details</li></ul>
OOI Bee Ti	<ul style="list-style-type: none"><li>Appointed as a non-executive director of KEX Express Thailand since May 2024</li><li>Appointed as a member of the audit and compliance committee of the Company with effect from September 2024</li></ul>
WONG Yu Pok Marina	<ul style="list-style-type: none"><li>Retired from her position as the independent non-executive director of KPL, and ceased as the chairman of each of the audit and corporate governance committee and the remuneration committee, and a member of the nomination committee of KPL since May 2024</li></ul>

## CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed from Wednesday, 11 September 2024 to Thursday, 12 September 2024 in order to determine the entitlement of the Shareholders to the interim dividend. All share transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 10 September 2024. The interim dividend is payable on or around Monday, 23 September 2024 to the Shareholders whose names appear on the Registers of Members on Thursday, 12 September 2024.

By Order of the Board

WANG Wei

Chairman

Hong Kong, 28 August 2024

# INDEPENDENT AUDITOR'S REVIEW REPORT



羅兵咸永道

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

### TO THE BOARD OF DIRECTORS OF KERRY LOGISTICS NETWORK LIMITED

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

#### INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 49, which comprises the condensed consolidated interim statement of financial position of Kerry Logistics Network Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2024 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity

for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers  
*Certified Public Accountants*

Hong Kong, 28 August 2024

# INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2024

	Note	Unaudited 2024 HK\$'000	Unaudited 2023 HK\$'000 (restated)
<b>Continuing operations</b>			
Revenue	3	25,432,488	23,197,039
Direct operating expenses	4	(22,914,125)	(20,763,607)
Gross profit		2,518,363	2,433,432
Other income and net gains	5	40,171	42,748
Administrative expenses	4	(1,319,131)	(1,361,380)
Operating profit before fair value change of investment properties		1,239,403	1,114,800
Change in fair value of investment properties	10	(4,515)	4
Operating profit		1,234,888	1,114,804
Finance expenses	6	(285,884)	(265,381)
Share of results of associates and a joint venture		53,772	82,680
Profit before taxation		1,002,776	932,103
Taxation	7	(260,393)	(225,750)
Profit for the period from continuing operations		742,383	706,353
Discontinued operations:			
Profit/(loss) for the period from discontinued operations	20	157,771	(406,174)
Profit for the period		900,154	300,179



	Note	Unaudited 2024 HK\$'000	Unaudited 2023 HK\$'000 (restated)
Profit/(loss) attributable to:			
Company's shareholders			
From continuing operations		589,956	574,986
From discontinued operations		241,167	(207,367)
Non-controlling interests			
From continuing operations		139,557	131,367
From discontinued operations		(83,396)	(198,807)
Holders of perpetual convertible securities			
From continuing operations		12,870	-
From discontinued operations		-	-
		900,154	300,179
<hr/>			
Earnings per share from continuing operations	9		
- Basic		HK\$0.33	HK\$0.32
- Diluted		HK\$0.33	HK\$0.32
Earnings per share from discontinued operations			
- Basic		HK\$0.13	HK\$(0.12)
- Diluted		HK\$0.13	HK\$(0.12)

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited 2024 HK\$'000	Unaudited 2023 HK\$'000 (restated)
Profit for the period	900,154	300,179
Other comprehensive loss:		
Items that will not be reclassified subsequently to consolidated income statement		
Defined benefit pension plans		
– Actuarial loss	(662)	–
– Deferred income tax	133	–
Fair value change on financial assets at fair value through other comprehensive income	(139,001)	(52,606)
Item that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	(469,372)	(362,178)
Other comprehensive loss for the period	(608,902)	(414,784)
Total comprehensive income/(loss) for the period	291,252	(114,605)
Total comprehensive income/(loss) attributable to:		
Company's shareholders		
From continuing operations	(87,525)	235,324
From discontinued operations	379,693	(216,729)
Non-controlling interests	(13,786)	(133,200)
Holders of perpetual convertible securities	12,870	–
	291,252	(114,605)

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Intangible assets	10	5,751,567	5,785,503
Investment properties	10	2,482,051	2,538,606
Property, plant and equipment	10	6,813,282	6,986,802
Right-of-use assets		2,571,704	2,543,977
Associates and a joint venture		1,570,899	1,681,808
Financial assets at fair value through other comprehensive income		318,582	461,270
Investment in convertible bonds		5,571	5,831
Other non-current assets		316,654	314,556
Deferred taxation		259,121	381,120
		20,089,431	20,699,473
<b>Current assets</b>			
Financial assets at fair value through profit or loss		389	389
Inventories		388,584	410,790
Accounts receivable, prepayments and deposits	11	13,234,989	11,920,703
Tax recoverable		282,679	429,375
Amounts due from fellow subsidiaries		730,087	45,682
Amounts due from related companies		308	106
Amounts due from associates		4,982	9,431
Restricted and pledged bank deposits		18,756	12,843
Cash at bank and in hand		5,819,024	6,521,438
		20,479,798	19,350,757
Asset classified as held for distribution	20	-	2,070,685
		20,479,798	21,421,442

	Note	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
<b>Current liabilities</b>			
Lease liabilities		743,122	927,103
Accounts payable, deposits received and accrued charges	12	9,316,456	8,409,541
Amounts due to fellow subsidiaries		46,632	160
Amounts due to related companies		137,983	157,537
Taxation		709,254	363,631
Loans from non-controlling interests		24,010	-
Short-term bank loans and current portion of long-term bank loans	13	2,869,646	3,262,675
Bank overdrafts		126,269	62,535
		13,973,372	13,183,182
Liabilities associated with assets classified as held for distribution	20	-	1,471,618
		13,973,372	14,654,800
<b>Non-current liabilities</b>			
Loans from non-controlling interests		245,119	270,841
Long-term bank loans	13	5,930,363	5,235,456
Lease liabilities		1,264,624	1,100,566
Deferred taxation		546,758	731,734
Retirement benefit obligations		19,916	20,259
		8,006,780	7,358,856
<b>ASSETS LESS LIABILITIES</b>		18,589,077	20,107,259
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's shareholders</b>			
Share capital	14	903,715	903,715
Share premium		4,074,218	4,074,218
Shares held for share award scheme		(18,324)	(27,639)
Retained profits and other reserves		10,576,760	11,861,985
		15,536,369	16,812,279
Perpetual convertible securities	17	774,101	774,101
Non-controlling interests		2,278,607	2,520,879
<b>TOTAL EQUITY</b>		18,589,077	20,107,259

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Unaudited 2024 HK\$'000	Unaudited 2023 HK\$'000
<b>Operating activities</b>		
Net cash generated from operations	1,162,293	1,566,354
Interest paid	(239,010)	(226,118)
Income tax refund/(paid)	24,333	(204,047)
<b>Net cash generated from operating activities</b>	<b>947,616</b>	<b>1,136,189</b>
<b>Investing activities</b>		
Additions of property, plant and equipment	(296,073)	(413,645)
Additions of investment properties	-	(21,619)
Additions of intangible assets acquired	-	(4,430)
Additions of right-of-use assets – leasehold land and land use rights	(57,218)	-
Additions of other non-current assets	(73,228)	-
Additions of financial assets at fair value through other comprehensive income	-	(40,000)
Disposal of financial assets at fair value through other comprehensive income	739	146,858
Disposal of financial assets at fair value through profit or loss	-	37,562
Proceeds from sale of property, plant and equipment	19,282	52,165
Proceeds from sale of an associate	5,767	-
Dividends received from associates	108,437	121,611
Net increase in balances with associates and joint ventures	4,449	117
Interest received	39,877	37,517
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(64,471)	(139,082)
Acquisition of associates and joint ventures	-	(4,141)
Cash consideration paid for prior year's acquisition	(44,424)	(847,925)
Increase in restricted and pledged bank deposits	(5,913)	(467)
<b>Net cash used in investing activities</b>	<b>(362,776)</b>	<b>(1,075,479)</b>

	Unaudited 2024 HK\$'000	Unaudited 2023 HK\$'000
<b>Financing activities</b>		
Repayment of bank loans	(4,903,897)	(3,599,041)
Drawdown of bank loans	5,172,865	2,992,574
Dividends of subsidiaries paid to non-controlling interests	(77,051)	(103,561)
Capital injection from non-controlling interests	7,049	28,045
Increase in loans from non-controlling interests	6,001	5,700
Repayment of loans from non-controlling interests	-	(7,112)
Payments of lease liabilities	(648,740)	(688,181)
Issuance of perpetual convertible securities	-	774,101
Net cash consideration paid to non-controlling interests without change of control	(370,694)	(129,028)
Interest paid for perpetual convertible securities	(12,870)	-
Distribution in species	(286,448)	-
Dividends paid	(234,966)	(686,823)
Proceeds from exercise of pre-IPO share option scheme allotment	-	46
<b>Net cash used in financing activities</b>	<b>(1,348,751)</b>	<b>(1,413,280)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(763,911)</b>	<b>(1,352,570)</b>
Effect of exchange rate changes	(168,298)	(90,489)
Cash and cash equivalents at beginning of the period	6,624,964	9,156,564
<b>Cash and cash equivalent at end of the period</b>	<b>5,692,755</b>	<b>7,713,505</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	5,819,024	7,759,501
Bank overdrafts	(126,269)	(45,996)
	<b>5,692,755</b>	<b>7,713,505</b>

*Major non-cash Transaction:*

*Part of the additions of property, plant and equipment of HK\$104,458,000 have been prepaid in previous financial years.*

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Perpetual Convertible Securities HK\$'000	Non-Controlling interest HK\$'000	Total Equity HK\$'000
(unaudited)										
Balance at 1 January 2024	903,715	4,074,218	(27,639)	(5,954,223)	17,581,242	234,966	16,812,279	774,101	2,520,879	20,107,259
Profit for the period	-	-	-	-	831,123	-	831,123	12,870	56,161	900,154
Defined benefit pension plans										
- Actuarial losses	-	-	-	-	(344)	-	(344)	-	(318)	(662)
- Deferred taxation	-	-	-	-	69	-	69	-	64	133
Net translation differences on foreign operations	-	-	-	(402,088)	-	-	(402,088)	-	(67,284)	(469,372)
Fair value change on financial assets at fair value through other comprehensive income	-	-	-	(136,592)	-	-	(136,592)	-	(2,409)	(139,001)
Total comprehensive income for the six months ended 30 June 2024	-	-	-	(538,680)	830,848	-	292,168	12,870	(13,786)	291,252
Dividends paid	-	-	-	-	-	(234,966)	(234,966)	-	-	(234,966)
Dividends of subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(80,073)	(80,073)
2024 proposed interim dividend	-	-	-	-	(180,743)	180,743	-	-	-	-
Transfer	-	-	-	60,703	(60,703)	-	-	-	-	-
Acquisition of subsidiaries (note 18)	-	-	-	-	-	-	-	-	32,822	32,822
Special interim dividend by way of a distribution in species	-	-	-	-	(983,215)	-	(983,215)	-	(177,823)	(1,161,038)
Transfer related to distribution in species	-	-	-	(1,838,278)	1,838,278	-	-	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	7,049	7,049
Changes in ownership of interests in subsidiaries without change of control (note 15)	-	-	-	(360,233)	-	-	(360,233)	-	(10,461)	(370,694)
Share-based compensation under share award scheme	-	-	-	10,336	-	-	10,336	-	-	10,336
Distribution paid on perpetual convertible securities	-	-	-	-	-	-	-	(12,870)	-	(12,870)
Vesting of shares under share award scheme	-	-	9,315	(9,315)	-	-	-	-	-	-
Total transactions with owners	-	-	9,315	(2,136,787)	613,617	(54,223)	(1,568,078)	(12,870)	(228,486)	(1,809,434)
Closing balance	903,715	4,074,218	(18,324)	(8,629,690)	19,025,707	180,743	15,536,369	774,101	2,278,607	18,589,077

Attributable to shareholders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Perpetual convertible securities HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
(unaudited)									
Balance at 1 January 2023	903,712	4,074,169	(4,507,357)	17,271,749	686,821	18,429,094	-	2,820,611	21,249,705
Profit for the period	-	-	-	367,619	-	367,619	-	(67,440)	300,179
Net translation differences on foreign operations	-	-	(295,613)	-	-	(295,613)	-	(66,565)	(362,178)
Fair value change on financial assets at fair value through other comprehensive income	-	-	(53,411)	-	-	(53,411)	-	805	(52,606)
Total comprehensive income for the six months ended 30 June 2023	-	-	(349,024)	367,619	-	18,595	-	(133,200)	(114,605)
Dividends paid	-	-	-	(2)	(686,821)	(686,823)	-	-	(686,823)
Dividends of subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	(70,636)	(70,636)
2023 proposed interim dividend	-	-	-	(162,669)	162,669	-	-	-	-
Transfers	-	-	23,606	(23,606)	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	52,195	52,195
Changes in ownership of interests in subsidiaries without change of control	-	-	1,841	-	-	1,841	-	158	1,999
Capital injection from non-controlling interests	-	-	-	-	-	-	-	28,045	28,045
Exercise of pre-IPO share option scheme allotment	3	49	(6)	-	-	46	-	-	46
Share option lapsed	-	-	(18)	18	-	-	-	-	-
Issuance of perpetual convertible securities (note 17)	-	-	-	-	-	-	774,101	-	774,101
Total transactions with owners	3	49	25,423	(186,259)	(524,152)	(684,936)	774,101	9,762	98,927
Balance at 30 June 2023	903,715	4,074,218	(4,830,958)	17,453,109	162,669	17,762,753	774,101	2,697,173	21,234,027



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Kerry Logistics Network Limited (the “Company”) was incorporated in the British Virgin Islands in 1991 and migrated to Bermuda to become an exempted company with limited liability in 2000. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of logistics and freight forwarding services. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

To align with the Group’s strategy of focusing on its core business of integrated logistics and international freight forwarding, during the period ended 30 June 2024, the Group completed the distribution of special interim dividend by way of a distribution in species of all its shares held in KEX Express (Thailand) Public Company Limited (“KEX Express Thailand”) and ceased certain express operations in Asia (together with KEX Express Thailand, “Express Operations”). These constituted discontinued operations (“Discontinued Operations”) under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operation”, the related financial information of the Discontinued Operations is required to be presented separately as discontinued operations of the Group in the condensed consolidated interim financial information for the period ended 30 June 2024. The results of the discontinued operations has been presented separately as one-line item below profit for the period from continuing operations as “discontinued operations”, and the comparative figures in the condensed consolidated interim income statement and the note thereto have also been restated accordingly. The comparative figures in the condensed consolidated interim statement of financial position and condensed consolidated interim statement of cash flows were not represented. Further detail of the financial information of the Discontinued Operations are set out in note 20.

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

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

These unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with HKFRS issued by the HKICPA. The accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2023.

### (I) ADOPTION OF AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATION

The following amendments to existing standards and interpretation have been published that are effective for the Group’s accounting period of the Group beginning on 1 January 2024:

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

Amendments to HKAS 1, ‘Non-current liabilities with covenants’

Amendment to HKFRS 16, ‘Lease liability in a sale and leaseback’

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

Amendments to HKAS 7 and HKFRS 7, ‘Supplier Finance Arrangements’

## 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (I) ADOPTION OF AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATION (CONTINUED)

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

### (II) NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATION WHICH ARE NOT YET EFFECTIVE

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

Amendments to HKFRS 1 and HKAS 21, 'Lack of Exchangeability'<sup>1</sup>

Amendments to HKFRS 7 and HKFRS 9, 'Classification and Measurement of Financial Instruments'<sup>2</sup>

HKFRS 18, 'Presentation and Disclosure in Financial Statements'<sup>3</sup>

HKFRS 19, 'Subsidiaries without Public Accountability: Disclosures'<sup>3</sup>

Amendments to Hong Kong Interpretation 5, 'Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause'<sup>3</sup>

Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'<sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>4</sup> Effective date to be determined

The Group will adopt the above new standards, amendments 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 information of the Group.

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

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2023 except for the adoption of amendments to existing standards and interpretation as set out above.

## 2 FINANCIAL RISK MANAGEMENT

### (a) FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

These condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements; and should be read in conjunction with the Group's annual financial statements as at 31 December 2023. There have been no changes in the Group's financial risk management structure and policies since the year end.

## 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

There were no transfers between levels during the period (2023: nil).

The following table presents the Group's financial instruments that are measured at fair value as at 30 June 2024 and 31 December 2023.

	Level 1	Level 2	Level 3	Total
At 30 June 2024	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Investment in convertible bonds	-	-	5,571	5,571
Financial assets at fair value through other comprehensive income	90,590	-	227,992	318,582
Financial assets at fair value through profit or loss	389	-	-	389
Total assets	90,979	-	233,563	324,542

At 31 December 2023	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Investment in convertible bonds	-	-	5,831	5,831
Financial assets at fair value through other comprehensive income	201,000	-	260,270	461,270
Financial assets at fair value through profit or loss	389	-	-	389
Total assets	201,389	-	266,101	467,490

### LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 instruments.

	Financial assets at fair value through other comprehensive income HK\$'000	Investment in convertible bonds HK\$'000
As at 30 June 2024		
Opening balance	260,270	5,831
Fair value adjustment	(28,591)	-
Disposals	(739)	-
Exchange adjustment	(2,948)	(260)
Closing balance	227,992	5,571
As at 30 June 2023		
Opening balance	412,478	5,538
Fair value adjustment	(54,312)	-
Additions	40,000	-
Exchange adjustment	(29)	326
Closing balance	398,137	5,864

## 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) FAIR VALUE ESTIMATION (CONTINUED)

#### LEVEL 3 FINANCIAL INSTRUMENTS (CONTINUED)

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

There were no changes in valuation techniques during the period (2023: nil).

#### VALUATION PROCESSES OF THE GROUP

The Group's finance department includes a team that performs the valuation of financial assets required for financial reporting purposes, including levels 2 and 3 fair values. Discussions of valuation processes and results are held between the management and the valuation team at each reporting date. Reasons for the fair value movements are explained during the discussions.

The following summarise the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as levels 2 and 3 and the valuation process for assets and liabilities classified as levels 2 and 3.

#### INVESTMENT IN CONVERTIBLE BONDS

The Group established fair value of investment in convertible bonds by using discounted cash flow model and market approach. The unobservable inputs of the valuation include fair value of equity interest, historical volatility and effective discount rate by reference to other investments that are substantially the same.

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group established fair value of the financial assets at fair value through other comprehensive income by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group established fair value of the financial assets at fair value through profit or loss by using valuation techniques. These valuation techniques maximise the use of observable market data including quoted prices where available, and rely as little as possible on entity-specific estimates.

#### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

The fair value of the following financial assets and liabilities approximate their carrying amount as at 30 June 2024 and 31 December 2023:

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

## 3 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

- (a) Revenue from continuing operations recognised during the period is as follows:

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000 (restated)
Integrated logistics	6,932,633	7,089,495
International freight forwarding	18,499,855	16,107,544
	25,432,488	23,197,039

### 3 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(b) An analysis of the Group's financial results by operating segment and geographical area for the six months ended 30 June 2024, together with comparative figures for the six months ended 30 June 2023 is as follows:

	For the six months ended											
	Continuing operations						Discontinued operations					
	Integrated logistics		International freight forwarding		Elimination		Consolidation		after elimination		Consolidation	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(restated)		(restated)		(restated)		(restated)		(restated)		(restated)	
<b>Revenue</b>												
Turnover	6,932,633	7,089,495	18,499,855	16,107,544	-	-	25,432,488	23,197,039	548,169	2,117,584	25,980,657	25,314,623
Inter-segment revenue	559,702	356,892	2,959,682	2,690,365	(3,519,384)	(3,047,257)	-	-	-	-	-	-
	7,492,335	7,446,387	21,459,537	18,797,909	(3,519,384)	(3,047,257)	25,432,488	23,197,039	548,169	2,117,584	25,980,657	25,314,623
<b>Turnover by Geographic</b>												
Hong Kong	3,103,128	2,887,311	826,902	816,384	(490,398)	(385,661)	3,439,632	3,318,034	-	-	3,439,632	3,318,034
Mainland of China	2,829,181	3,070,131	7,181,000	6,253,578	(1,552,915)	(1,234,944)	8,457,266	8,088,765	-	-	8,457,266	8,088,765
Asia	1,480,864	1,410,797	3,133,173	2,993,994	(899,028)	(720,120)	3,715,009	3,684,671	548,169	2,002,853	4,263,178	5,687,524
Americas	-	-	6,352,255	4,762,666	(260,373)	(376,871)	6,091,882	4,385,795	-	-	6,091,882	4,385,795
EMEA	-	-	3,604,778	3,533,375	(294,625)	(307,866)	3,310,153	3,225,509	-	99,348	3,310,153	3,324,857
Oceania	79,162	78,148	361,429	437,912	(22,045)	(21,795)	418,546	494,265	-	15,383	418,546	509,648
	7,492,335	7,446,387	21,459,537	18,797,909	(3,519,384)	(3,047,257)	25,432,488	23,197,039	548,169	2,117,584	25,980,657	25,314,623
<b>Segment profit/(loss)</b>												
Hong Kong	256,570	287,758	33,338	9,182	-	-	289,908	296,940	-	-	289,908	296,940
Mainland of China	216,779	229,125	286,697	229,307	-	-	503,476	458,432	-	-	503,476	458,432
Asia	209,161	192,362	138,354	134,636	-	-	347,515	326,998	(193,689)	(508,556)	153,826	(181,558)
Americas	-	-	206,761	124,987	-	-	206,761	124,987	-	-	206,761	124,987
EMEA	-	-	53,748	87,441	-	-	53,748	87,441	-	(434)	53,748	87,007
Oceania	10,720	8,538	21,230	41,011	-	-	31,950	49,549	-	(1,108)	31,950	48,441
	693,230	717,783	740,128	626,564	-	-	1,433,358	1,344,347	(193,689)	(510,098)	1,239,669	834,249
Less: Unallocated administration expenses							(233,703)	(266,093)	(5)	(6)	(233,708)	(266,099)
<b>Core operating profit</b>							1,199,655	1,078,254	(193,694)	(510,104)	1,005,961	568,150
Interest income							39,748	36,546	129	971	39,877	37,517
Finance expenses							(285,884)	(265,381)	(6,171)	(10,262)	(292,055)	(275,643)
Share of results of associates and a joint venture							53,772	82,680	-	(84)	53,772	82,596
Profit before taxation*							1,007,291	932,099	(199,736)	(519,479)	807,555	412,620
Taxation*							(261,549)	(225,804)	(2,647)	113,305	(264,196)	(112,499)
Profit for the period*							745,742	706,295	(202,383)	(406,174)	543,359	300,121
Non-controlling interests*							(140,077)	(131,367)	97,668	198,807	(42,409)	67,440
<b>Core net profit</b>							605,665	574,928	(104,715)	(207,367)	500,950	367,561
Change in fair value of investment properties							(4,515)	4	-	-	(4,515)	4
Deferred tax of change in fair value of investment properties							1,156	54	-	-	1,156	54
Less: Non-controlling interests' share of change in fair value of investment properties and its related deferred tax							520	-	-	-	520	-
Gain on distribution of Express Operations (net of tax)							-	-	479,614	-	479,614	-
Loss on cessation of Express Operations attributable to the Company's shareholders							-	-	(133,732)	-	(133,732)	-
<b>Profit attributable to Company's shareholders and holders of perpetual convertible securities</b>							602,826	574,986	241,167	(207,367)	843,993	367,619
Holders of perpetual convertible securities							(12,870)	-	-	-	(12,870)	-
<b>Profit attributable to Company's shareholders</b>							589,956	574,986	241,167	(207,367)	831,123	367,619
Depreciation and amortisation	625,346	662,583	238,779	214,072	-	-	864,125	876,655	86,678	272,652	950,803	1,149,307

\* Excluding the change in fair value of investment properties and its related deferred tax, gain on distribution of Express Operations and loss on cessation of Express Operations.

### 3 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

#### (c) DISAGGREGATION OF REVENUE

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

By operating segment	2024				2023			
	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000 (restated)
Revenue from contracts with customers								
Integrated logistics	734,706	6,143,414	54,513	6,932,633	815,751	6,210,869	62,875	7,089,495
International freight forwarding	-	18,499,855	-	18,499,855	-	16,107,544	-	16,107,544
Discontinued operations	-	548,169	-	548,169	-	2,117,584	-	2,117,584
	734,706	25,191,438	54,513	25,980,657	815,751	24,435,997	62,875	25,314,623

By geographical area	2024				2023			
	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000 (restated)
Revenue from contracts with customers								
Hong Kong	624,255	2,815,377	-	3,439,632	671,568	2,646,466	-	3,318,034
Mainland of China	99,555	8,313,227	44,484	8,457,266	135,523	7,913,190	40,052	8,088,765
Asia	10,896	3,694,084	10,029	3,715,009	8,660	3,653,188	22,823	3,684,671
Americas	-	6,091,882	-	6,091,882	-	4,385,795	-	4,385,795
EMEA	-	3,310,153	-	3,310,153	-	3,225,509	-	3,225,509
Oceania	-	418,546	-	418,546	-	494,265	-	494,265
Discontinued operations	-	548,169	-	548,169	-	2,117,584	-	2,117,584
	734,706	25,191,438	54,513	25,980,657	815,751	24,435,997	62,875	25,314,623

### 3 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(d) Management has determined the operating segments based on the reports reviewed by the executive directors. The executive directors assess the performance of the two principal activities in continuing operations of the Group, namely integrated logistics and international freight forwarding, in each geographical area.

As set out in note 1, the results of Express Operations, which was presented in a separate segment namely, E-commerce and express in prior period, are presented under “Discontinued Operations” in the current segmental analysis of operations. The prior period corresponding segment information that is presented for comparative purpose has been restated accordingly. The reclassification has no impact on the profit for the current and comparative period of the Group for the period ended 30 June 2024 and 30 June 2023 nor on the assets and liabilities of the Group as of 31 December 2023. Further details of financial information of the Discontinued Operations are set out in note 20.

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

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

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

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

The executive directors also assess the performance of the Group based on core operating profit, which is the profit before taxation excluding interest income, finance expenses, share of results of associates and a joint venture 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, gain on distribution of Express Operations and loss on cessation of Express Operations.

(e) An analysis of the Group’s segment non-current assets by geographical area is as follows:

	Segment non-current assets <sup>#</sup>	
	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Hong Kong	1,384,712	1,499,881
Mainland of China	7,546,427	7,589,767
Asia	6,357,237	6,548,548
Americas	2,800,039	2,866,405
EMEA	1,249,960	1,186,944
Oceania	167,782	159,707
	19,506,157	19,851,252

<sup>#</sup> Other than financial assets at fair value through other comprehensive income, investment in convertible bonds and deferred taxation.

#### 4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000 (restated)
<b>Continuing operations</b>		
Business tax and other taxes	5,193	3,525
Cost of goods sold	610,371	696,268
Freight and transportation costs	19,669,976	17,533,317
Depreciation of property, plant and equipment (note 10)	268,169	282,749
Depreciation of right-of-use assets	517,806	506,688
Amortisation of intangible assets (note 10)	78,150	87,218
Provision for impairment of receivables	80,378	40,864
Reversal of provision for impairment of receivables	(17,068)	(15,179)
Rental expenses on land and buildings	215,397	219,908
Employee benefit expenses (note)	2,466,116	2,503,307

Note:

Government grants amounting to HK\$55,000 (2023: HK\$16,260,000) have been recognised and deducted in employee benefit expenses for the six months ended 30 June 2024.

#### 5 OTHER INCOME AND NET GAINS

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000 (restated)
<b>Continuing operations</b>		
Interest income from banks	36,841	36,350
Interest income from related company	2,799	-
Interest income from associates	108	196
Loss on disposal of an associate	(110)	-
Gain on disposal of property, plant and equipment	14	1,770
Gain on early termination of lease contracts	519	6,776
Loss on settlement of consideration payable	-	(2,344)
	40,171	42,748

#### 6 FINANCE EXPENSES

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000 (restated)
<b>Continuing operations</b>		
Interest expenses on bank loans and overdrafts	236,963	222,647
Interest expenses on lease liabilities	48,921	42,734
	285,884	265,381



## 7 TAXATION

### HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) for the six months ended 30 June 2024 on the estimated assessable profit for the period. Income tax on the overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the overseas countries in which the Group operates.

### PRC ENTERPRISE INCOME TAX

PRC enterprise income tax has been provided at the rate of 25% (2023: 25%) on the estimated assessable profit for the period.

### OECD PILLAR TWO MODEL RULES

The Group is within the scope of the OECD Pillar Two Model Rules. Hong Kong has yet to introduce its draft legislation for implementation of the Pillar Two Model Rules, but it is expected that the new regime will come into effect on 1 January 2025. For certain jurisdiction where the Group has operations, the Pillar Two legislation had become effective on 1 January 2024. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023. Under the Pillar Two legislation, the Group is liable to pay a top-up tax for difference between its Global Anti-Base Erosion (“GloBE”) effective tax rate in each jurisdiction and the 15% minimum rate. The Group’s assessment indicates that the quantitative impact of the Pillar Two legislation is not material to the Group.

### WITHHOLDING TAX ON DISTRIBUTED/UNDISTRIBUTED PROFITS

Withholding tax in the Group’s subsidiaries, associates and a joint venture is levied on profit distribution upon declaration/remittance and in respect of the undistributed earnings for the period at the rates of taxation prevailing in the Mainland of China and overseas countries.

Withholding tax on undistributed earnings of the Group’s certain subsidiaries are not provided as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

The amount of taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000 (restated)
Continuing operations		
Hong Kong profits tax		
– Current	41,898	45,047
– Over provision in prior years	(4,977)	(125)
– Deferred	(23,748)	(15,319)
	13,173	29,603
PRC taxation		
– Current	101,735	63,687
– Under/(over) provision in prior years	514	(8,791)
– Deferred	(2,747)	47,546
	99,502	102,442
Overseas taxation		
– Current	156,427	139,429
– Under provision in prior years	1,753	921
– Deferred	(10,462)	(46,645)
	147,718	93,705
	260,393	225,750

## 8 DIVIDENDS

On 29 December 2023, the Directors have declared a special interim dividend, to be effected by way of a distribution in specie of 907,200,000 shares of KEX Express Thailand (representing approximately 52.1% of all issued shares of KEX Express Thailand) indirectly held by the Company to qualifying shareholders, subject to obtaining a waiver from the Securities and Exchange Commission, Thailand (the "Thai SEC") in respect of its tender offer obligations arising out of the distribution. On 5 February 2024, the Company has obtained a waiver from the Thai SEC in respect of its tender offer obligations arising out of the distribution, and that the condition to the distribution has been satisfied and the distribution has become unconditional. Dividend payable for distribution in specie was approximately HK\$983,215,000 right before the completion date, measured at fair value using the share price of KEX Express Thailand. On 26 March 2024, the distribution was completed, the assets and liabilities held for distribution (the corresponding share in net asset value, excluding non-controlling interests, of KEX Express Thailand was approximately HK\$330,897,000) and dividend payable for distribution in specie were derecognised. The difference between the carrying amount of the net assets distributed and the carrying amount of the dividend payable, net of transaction costs, is recognised in profit or loss in accordance with the HKFRS.

The Directors have declared an interim dividend of 10 HK cents per share for the six months ended 30 June 2024 (for the six months ended 30 June 2023: an interim dividend of 9 HK cents), which is payable on or around Monday, 23 September 2024 to shareholders whose names appear on the Registers of Members on Thursday, 12 September 2024. These financial information do not reflect this dividend payable.

## 9 EARNINGS PER SHARE

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

### BASIC

	Six months ended 30 June	
	2024	2023 (restated)
Adjusted weighted average number of ordinary shares in issue ('000)	1,804,097	1,807,385
Profit attributable to the Company's shareholders (HK\$'000)		
From continuing operations	589,956	574,986
From discontinued operations	241,167	(207,367)
Basic earnings per share (HK\$)		
From continuing operations	0.33	0.32
From discontinued operations	0.13	(0.12)

### DILUTED

	Six months ended 30 June	
	2024	2023 (restated)
Adjusted weighted average number of ordinary shares in issue ('000)	1,804,097	1,807,385
Adjustment for share options and share awards ('000)	2,315	102
Adjustment for perpetual convertible bonds ('000)	41,489	-
Weighted average number of shares for the purpose of calculating diluted earnings per share ('000)	1,847,901	1,807,487
Profit attributable to the Company's shareholders (HK\$'000)		
From continuing operations	589,956	574,986
Adjustment for profit attributable to holders of perpetual convertible securities	12,870	-
From continuing operations for the purpose of calculating diluted earning per share	602,826	574,986
From discontinued operations	241,167	(207,367)
Diluted earnings per share (HK\$)		
From continuing operations	0.33	0.32
From discontinued operations	0.13	(0.12)

## 10 NON-CURRENT ASSETS

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Intangible assets HK\$'000
Opening net book value at 1 January 2023	7,869,412	1,819,589	5,855,895
Additions	413,645	21,619	4,430
Change in fair value	-	4	-
Disposals	(49,399)	-	-
Depreciation and amortisation (a)	(397,587)	-	(87,218)
Acquisition of subsidiaries	62,392	-	130,689
Exchange adjustment	(136,642)	(58,508)	(9,831)
Closing net book value at 30 June 2023	7,761,821	1,782,704	5,893,965
Opening net book value at 1 January 2024	6,986,802	2,538,606	5,785,503
Additions (b)	318,174	-	-
Change in fair value	-	(4,515)	-
Disposals (c)	(15,731)	-	-
Depreciation and amortisation	(268,169)	-	(78,150)
Acquisition of subsidiaries (note 18)	1,813	-	101,524
Exchange adjustment	(209,607)	(52,040)	(57,310)
Closing net book value at 30 June 2024	6,813,282	2,482,051	5,751,567

### Notes:

- (a) The amount represents depreciation of property, plant and equipment of HK\$397,587,000, includes HK\$282,749,000 arising from continuing operations and HK\$114,838,000 arising from discontinued operations and amortisation of intangible assets of HK\$87,218,000 arising from continuing operations for the six months ended 30 June 2023.
- (b) The amount represents additions of property, plant and equipment of HK\$318,174,000, which excludes HK\$82,357,000 arising from discontinued operations for the six months ended 30 June 2024.
- (c) The amount represents disposal of property, plant and equipment of HK\$15,731,000, which excludes HK\$2,904,000 arising from discontinued operations for the six months ended 30 June 2024.

Goodwill of HK\$5,057,258,000 (At 31 December 2023: HK\$5,032,828,000) was included in the balances of intangible assets. Goodwill is allocated to the Group's cash generating units (CGUs) that are expected to benefit from business combination and impairment testing is performed annually and when there is indication that they may be impaired.

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

## 10 NON-CURRENT ASSETS (CONTINUED)

Management did not identify any major adverse changes indicating any impairment in the carrying amounts of goodwill for all business units at 30 June 2024.

### VALUATION OF INVESTMENT PROPERTIES

#### FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUTS

	Mainland of China HK\$'000	Overseas HK\$'000	Total HK\$'000
Opening balance as at 1 January 2023	1,489,927	329,662	1,819,589
Additions	-	21,619	21,619
Change in fair value	4,861	(4,857)	4
Exchange adjustment	(59,282)	774	(58,508)
Closing balance as at 30 June 2023	1,435,506	347,198	1,782,704
Opening balance as at 1 January 2024	2,180,041	358,565	2,538,606
Change in fair value	(3,494)	(1,021)	(4,515)
Exchange adjustment	(48,597)	(3,443)	(52,040)
Closing balance as at 30 June 2024	2,127,950	354,101	2,482,051

## 10 NON-CURRENT ASSETS (CONTINUED)

### VALUATION OF INVESTMENT PROPERTIES (CONTINUED)

#### FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUTS (CONTINUED)

All investment properties are included in level 3 category, which requires recurring fair value measurement at each period end. There were no transfers between levels during the period (2023: nil).

#### VALUATION PROCESSES OF THE GROUP

The Group measures its investment properties at fair value. For all investment properties, their current use equates to the highest and best use.

Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial period end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

### VALUATION TECHNIQUES

Fair value of investment properties in the Mainland of China and overseas are generally derived using the income approach and wherever appropriate, by direct comparison approach. Income approach is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison approach is based on comparing the property to be valued directly with other comparable properties, which have recently transacted.

#### SIGNIFICANT UNOBSERVABLE INPUTS USED TO DETERMINE FAIR VALUE

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

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

The valuations of investment properties were based on the economic, market and other conditions as they exist on, and with information available to management as of 30 June 2024.

## 11 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

Included in accounts receivable, prepayments and deposits are mainly accounts receivable. The Group has various credit policies for different business operations depending on the requirement of the markets and business. The ageing analysis of accounts receivable based on the date of the invoice and net of provision for impairment is as follows:

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Below 1 month	5,450,515	5,242,078
Between 1 month and 3 months	2,611,592	2,455,724
Over 3 months	1,246,832	870,399
Total accounts receivable, net	9,308,939	8,568,201
Prepayments, deposits and other receivables (note a)	3,926,050	3,352,502
	13,234,989	11,920,703

Notes:

- (a) The balances mainly comprise prepaid freight and transportation costs, rental deposits, deposits to suppliers, and contract assets.
- (b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. The Group determines the provision for expected credit losses by grouping together accounts and other receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions.

## 12 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Accounts payable	4,698,517	4,310,572
Deposits received, accrued charges and other payables (note a)	4,617,939	4,098,969
	9,316,456	8,409,541

The ageing analysis of accounts payable based on the date of the invoice of the Group is as follows:

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Below 1 month	2,738,097	2,864,692
Between 1 month and 3 months	1,098,407	810,182
Over 3 months	862,013	635,698
Total accounts payable	4,698,517	4,310,572

Note:

- (a) The balances mainly comprise accrued charges for employee benefit expenses, freight and transportation costs, customer deposits, consideration payable for business combination, contract liabilities, freight charges received in advance and value added tax payables.

## 13 BANK LOANS

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Non-current		
– unsecured	5,927,906	5,230,744
– secured	2,457	4,712
	5,930,363	5,235,456
Current		
– unsecured	2,789,682	3,195,994
– secured	79,964	66,681
	2,869,646	3,262,675
Total bank loans	8,800,009	8,498,131

## 14 SHARE CAPITAL

	As at 30 June 2024		As at 31 December 2023	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares, authorised, issued and fully paid:				
At beginning of the period/year	1,807,429,342	903,715	1,807,424,842	903,712
Exercise of pre-IPO share option scheme allotment	–	–	4,500	3
At end of the period/year	1,807,429,342	903,715	1,807,429,342	903,715

## 15 TRANSACTION WITH NON-CONTROLLING INTERESTS

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

The effect of this transaction is summarised as follows:

	HK\$'000
Net cash consideration paid to non-controlling interests	(370,694)
Net decrease in non-controlling interests	10,461
Changes in other reserves arising from changes in ownership of interests in subsidiaries without change of control	(360,233)

## 16 COMMITMENTS

As at 30 June 2024, the Group had capital commitments in respect of property, plant and equipment and acquisition of subsidiaries not provided for in these financial information as follows:

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Contracted but not provided for	290,743	384,661

## 17 PERPETUAL CONVERTIBLE SECURITIES

On 29 March 2023, the Company, Natixis and SF Holding HK entered into a subscription and placing agency agreement pursuant to which: (i) the Company agreed to issue perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 with distribution rate of 3.30% per annum payable semi-annually (the "Convertible Securities") to SF Holding HK; (ii) Natixis conditionally agreed to use all reasonable efforts to procure SF Holding HK to subscribe for the Convertible Securities; and (iii) SF Holding HK conditionally agreed to subscribe and pay for the Convertible Securities at 100% of the principal amount subject to, and in accordance with, the terms of the subscription and placing agency agreement. There is no fixed redemption date on the Convertible Securities and the redemption is at the option of the Company. Completion of the subscription and placing agency agreement has taken place on 18 May 2023. For the year ended 31 December 2023, after considering the transaction cost, the net proceeds from the issue of the perpetual convertible securities were approximately HK\$774,101,000 and have been fully used by the Company for supporting KEX Express Thailand.

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

They are classified as equity instruments and recorded in equity in the consolidated financial statements.

During the period, a distribution of HK\$12,870,000 was paid (2023: HK\$Nil).



## 18 BUSINESS COMBINATIONS

During the period, the Group acquired controlling equity interests in international freight forwarding companies, which are principally operated in the Mainland of China and France respectively.

Aggregate consideration of the acquisition transactions is as follows:

	HK\$'000
Cash consideration paid during the period	130,517
Consideration payable	11,167
	141,684

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

	HK\$'000
Property, plant and equipment (note 10)	1,813
Accounts receivable, prepayments and deposits	104,955
Cash at bank and in hand	66,046
Accounts payable, deposits received and accrued charges	(85,600)
Other liabilities	(14,232)
Total identifiable net assets (excluding intangible assets)	72,982
Intangible assets (note 10)	24,534
Goodwill (note 10)	76,990
Non-controlling interests	(32,822)
Total	141,684

\* As at 30 June 2024, verification of individual assets/liabilities of the acquired subsidiary is in progress and the Group has not finalised the fair value assessments. The relevant fair value of individual assets/liabilities stated as above are provisional.

The acquired businesses contributed revenue of HK\$155,487,000 and net profit of HK\$7,196,000 to the Company's shareholders for the period from the respective acquisition dates up to 30 June 2024.

## 19 PLEDGE OF ASSETS

As at 30 June 2024, the Group's total bank loans of HK\$8,800,009,000 (31 December 2023: HK\$8,575,580,000, including bank loans associated with assets classified as held for distribution) included an aggregate amount of HK\$82,421,000 (31 December 2023: HK\$71,393,000) which is secured. The Group's total bank overdrafts of HK\$126,269,000 (31 December 2023: HK\$62,535,000) included an aggregate amount of HK\$311,000 (31 December 2023: Nil) which are secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (i) legal charges over certain investment properties, leasehold land and land use rights, freehold land and buildings, warehouse and logistics centres and port facilities with an aggregate net book value of HK\$796,318,000 (31 December 2023: HK\$871,326,000);
- (ii) assignments of insurance proceeds of certain properties; and
- (iii) certain balances of restricted and pledged deposits.

## 20 DISCONTINUED OPERATIONS

Analysis of the results relating to the Discontinued Operations is presented below:

### (A) RESULTS FROM DISCONTINUED OPERATIONS

	2024 HK\$'000	2023 HK\$'000
Revenue	548,169	2,117,584
Direct operating expenses	(677,807)	(2,422,227)
Other income and net gains	953	6,643
Administrative expenses	(64,880)	(211,133)
Finance expenses	(6,171)	(10,262)
Share of results of associates	-	(84)
Loss before taxation	(199,736)	(519,479)
Taxation	(2,647)	113,305
Loss after taxation	(202,383)	(406,174)
Gain on distribution of Express Operations (net of tax)	479,614	-
Loss on cessation of Express Operations	(119,460)	-
Profit/(loss) for the period from discontinued operations	157,771	(406,174)
Exchange differences on translation of discontinued operations	266,618	(18,618)
Other comprehensive income from discontinued operations	(529)	888

### (B) ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATIONS

The assets and liabilities related to the Discontinued Operations have been presented as assets classified as held for distribution and liabilities associated with assets classified as held for distribution. The Discontinued Operations' assets and liabilities were measured at the lower of carrying amount and fair value less costs to sell at the date of held for distribution classification.

The major classes of assets and liabilities of the Discontinued Operations are as follows:

31 December  
2023  
HK\$'000

(i) Assets classified as held for distribution	
Property, plant and equipment	480,065
Right-of-use assets	559,050
Associates	3,831
Non-current assets	47,921
Deferred taxation	358,105
Inventories	11,989
Accounts receivable, prepayments and deposits	440,985
Tax recoverable	658
Amounts due from fellow subsidiaries	2,020
Cash and bank balances	166,061
Assets classified as held for distribution	2,070,685
(ii) Liabilities associated with assets classified as held for distribution	
Lease liabilities	506,175
Accounts payable, deposits received and accrued charges	853,137
Amounts due to fellow subsidiaries	1,525
Taxation	4,104
Short-term bank loans and current portion of long-term bank loans	70,734
Long-term bank loans	6,715
Retirement benefit obligations	29,228
Liabilities associated with assets classified as held for distribution	1,471,618

## 20 DISCONTINUED OPERATIONS (CONTINUED)

### (C) CASH FLOWS FROM DISCONTINUED OPERATIONS

	2024	2023
	HK\$'000	HK\$'000
Net cash used in operating activities	(442,155)	(255,520)
Net cash (used in)/generated from investing activities	(33,605)	151,133
Net cash generated from/(used in) in financing activities	566,283	(149,904)
Increase/(decrease) in cash and cash equivalents	90,523	(254,291)
Effect of exchange rate changes	17,071	(9,877)
Net cash generated from/(used in) discontinued operations	107,594	(264,168)

# DEFINITIONS

“1H” or “2H”	first half or second half
“Asia”	Asia continent, for the purpose of this interim report only, excludes Greater China and Middle East
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix C1 to the Listing Rules
“Company” or “KLN”	Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Convertible Securities”	the 3.30% perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 issued by the Company
“Director(s)”	director(s) of the Company
“EMEA”	Europe, Middle East and Africa
“F&B”	food and beverage
“Flourish Harmony”	Flourish Harmony Holdings Company Limited, a wholly-owned subsidiary of S.F. Holding
“Greater China”	for the purpose of this interim report only, the Mainland of China, Hong Kong, Macau and Taiwan
“Group” or “KLN Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards

“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFF”	international freight forwarding
“IL”	integrated logistics
“KEX Express Thailand”	KEX Express (Thailand) Public Company Limited (formerly known as Kerry Express (Thailand) Public Company Limited), a public company with limited liability registered in Thailand and listed on The Stock Exchange of Thailand (stock code: KEX), is a subsidiary of S.F. Holding
“KGL”	Kerry Group Limited, one of the Controlling Shareholders of the Company
“KHL”	Kerry Holdings Limited, a wholly-owned subsidiary of KGL
“KPL”	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 683), and is a Substantial Shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Macau”	Macao Special Administrative Region of the PRC
“Mainland of China”	the PRC and, for the purpose of this interim report only, excludes Hong Kong, Macau and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“NVOCC”	non-vessel operating common carrier
“Oceania”	for the purpose of this interim report only, Australia and New Zealand
“Ordinary Share(s)” or “Share(s)”	share(s) of nominal value of HK\$0.50 each of the Company, or, if there has been a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company

“PRC”	the People’s Republic of China
“Q2” or “Q4”	second quarter or fourth quarter
“Registers of Members”	registers of members of the Company
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“S.F. Holding”	S.F. Holding Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ), is a subsidiary of Shenzhen Mingde
“SF Holding HK”	SF Holding (HK) Limited (formerly known as SF Holding Limited), an indirect wholly-owned subsidiary of S.F. Holding
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share Award Scheme”	share award scheme of the Company
“Shareholders”	the holders of the Shares
“Shenzhen Mingde”	Shenzhen Mingde Holding Development Co., Ltd., one of the Controlling Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“%”	per cent