



RESPONDING TO A CHANGING WORLD

ANNUAL RESULTS 2018



Kerry Logistics
Network Limited
嘉里物流網絡有限公司

0636.HK

DISCLAIMER



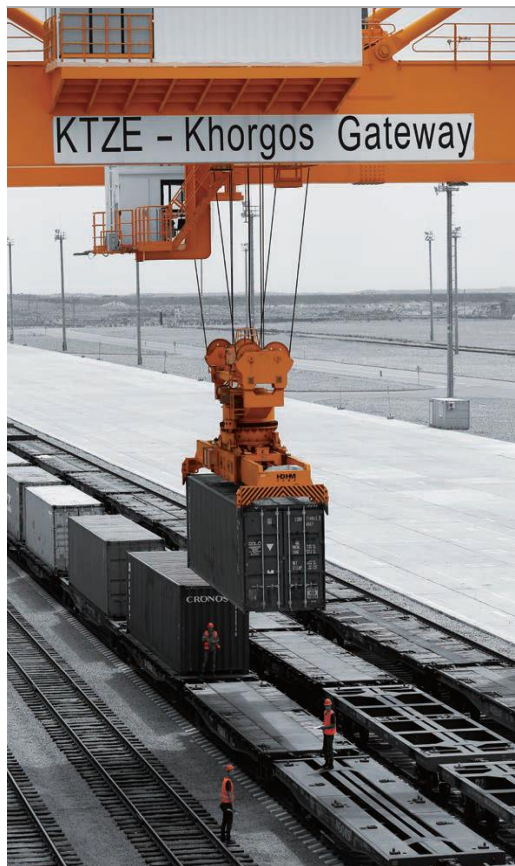
This presentation was prepared by Kerry Logistics Network Limited (the “Company”) for reference and general information purposes only. This presentation is not intended to and does not constitute investment advice, recommendation, invitation or offer to enter into, any agreement to purchase, acquire, dispose of, subscribe for or underwrite any securities, shares, debentures or structured products.

The information contained in this presentation comprises extracts of operational data and financial information of the Company. The information is included solely for this presentation and certain information has not been independently verified. No representation or warranty, expressed or implied, is made with respect to, and no reliance should be placed on, any discussion, materials and information provided in and during the presentation (collectively, the “Information”) as to their accuracy, completeness, validity, timeliness, correctness, or fairness. It is not the intention to provide, and you may not rely on the Information as providing, a complete or comprehensive analysis of the Company’s financial or trading position or prospects. Potential investors and shareholders of the Company are particularly reminded that any reference to past performance should not be taken as an indication of future performance. The Information (including without limitation all estimates, forecasts, projections, expectations, outlooks and opinions contained in this presentation) is subject to change without notice. This presentation may not contain all material information concerning the Company and is not intended to provide the sole basis of any evaluation of the Company and its subsidiaries or the securities discussed herein.

This presentation may contain forward-looking statements, forecasts and/or projections. Statements that are not historical facts, including statements about the Company’s belief and expectations are forward-looking statements. Any forward-looking statements, forecasts and projections contained in this presentation are based on certain assumptions and expectations of future events (which may or may not be included in this presentation) regarding the Company’s present and future business strategies and the environment in which the Company will operate, and must be read together with those assumptions. The Company does not guarantee that these assumptions and expectations are accurate or will be realized. Actual future performance, outcomes and results may differ materially from those expressed in such forward-looking statements, forecasts and projections as a result of a number of risks, uncertainties and assumptions. Although the Company believes that such forward-looking statements, forecasts and projections are based on reasonable assumptions, it can give no assurance that such expectations will be met. None of the Company, nor any of its holding companies, subsidiaries, associated undertakings, joint ventures, controlling persons or affiliates, or any of their respective directors, officers, partners, employees, agents, advisors or representatives (collectively, the “Affiliates and Representatives”) assumes any responsibility to update any forward-looking statements, forecasts and projections or to adapt them to future events or developments.

In no event shall the Company, or any of the Affiliates and Representatives have any liability or responsibility whatsoever (whether directly or indirectly, expressly or by implication, in contract, tort, by statute or otherwise) for any decisions taken based upon this presentation, the Information or for any loss howsoever arising from any use of or reliance upon the whole or any part of this presentation or the Information or otherwise arising in connection with this presentation or the Information.

FINANCIAL HIGHLIGHTS (HK\$M)



TURNOVER

▲ **24%**
38,139

SEGMENT PROFIT

IL
▲ **14%**
2,111

SEGMENT PROFIT

IFF
▲ **7%**
549

CORE OPERATING PROFIT

▲ **11%**
2,364

CORE NET PROFIT

▲ **12%**
1,326

PROFIT
ATTRIBUTABLE TO
THE SHAREHOLDERS

▲ **15%**
2,440

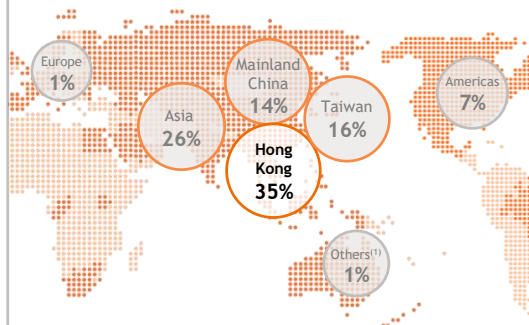
FINAL
DIVIDEND

16
HK CENTS
PER SHARE

GROSS
GEARING

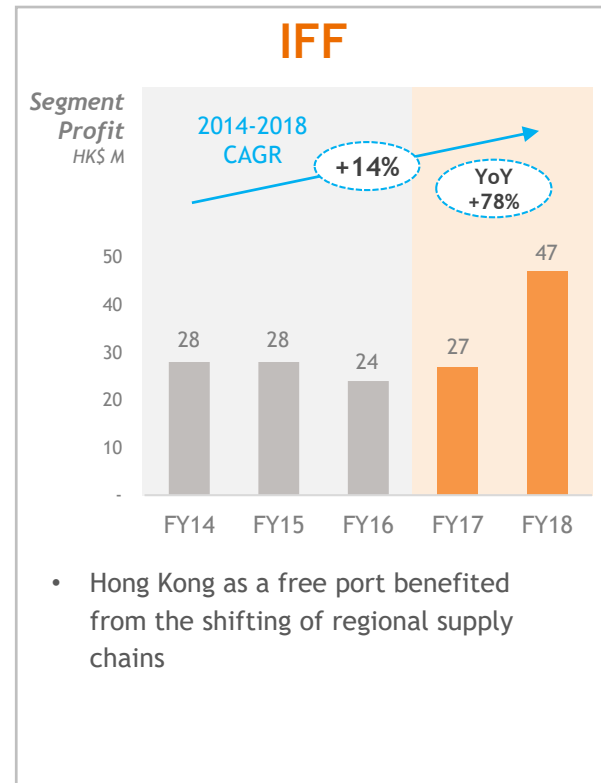
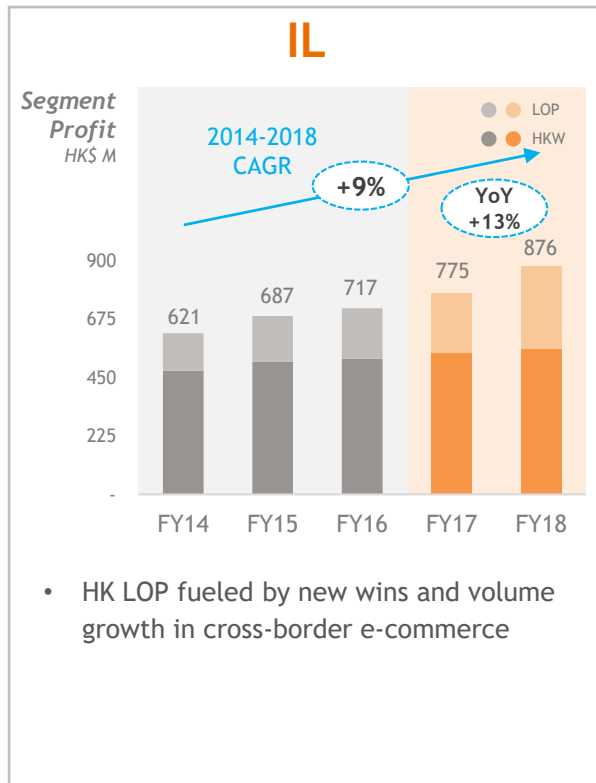
45.7%

Segment profit by geographical area



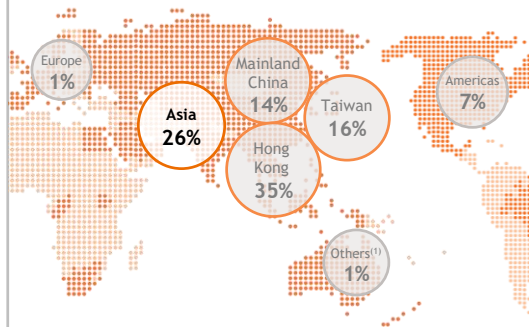
Hong Kong

2018 Segment Profit	HK\$ M	YoY
IL	876	+ 13%
- LOP	316	+ 37%
- HKW	560	+ 3%
IFF	47	+78%
Hong Kong total	923	+ 15%



(1) Includes Oceania, Senegal and South Africa.

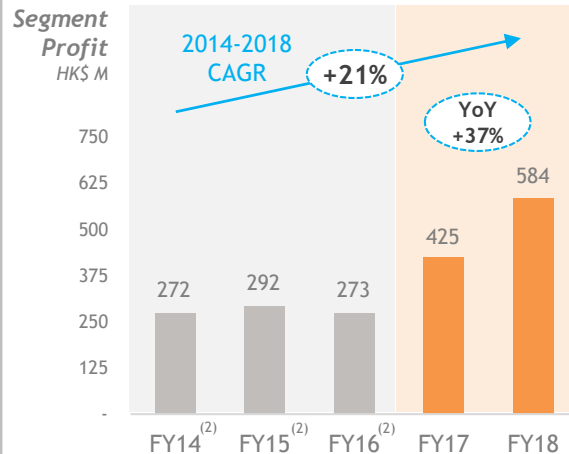
Segment profit by geographical area



Asia (ex-Greater China)

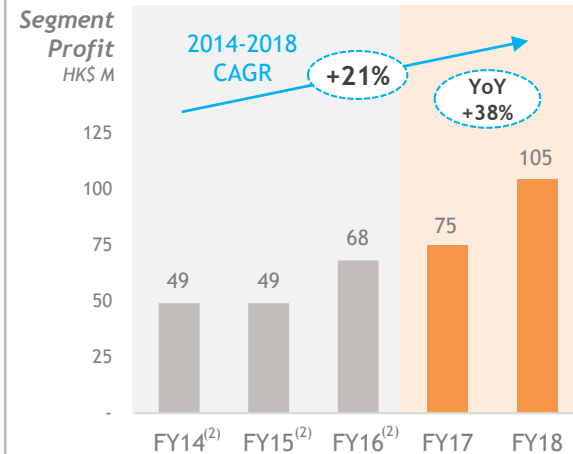
2018 Segment Profit	HK\$ M	YoY
IL	584	+ 37%
IFF	105	+38%
Asia total	689	+ 37%

IL



- Strong growth in volume of KSSP and completion of berth extension in Q4
- Robust performance of KETH with new strategic partnership with the BTS Group

IFF

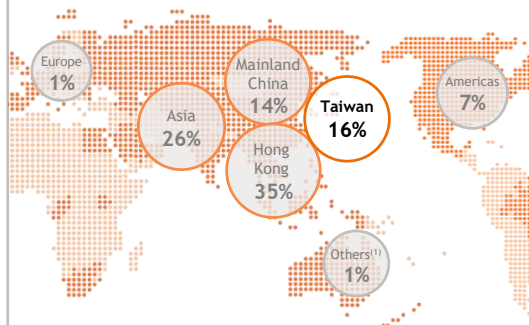


- Increased complexity in supply chains contributed to more volume in various trade routes

⁽¹⁾ Includes Oceania, Senegal and South Africa.

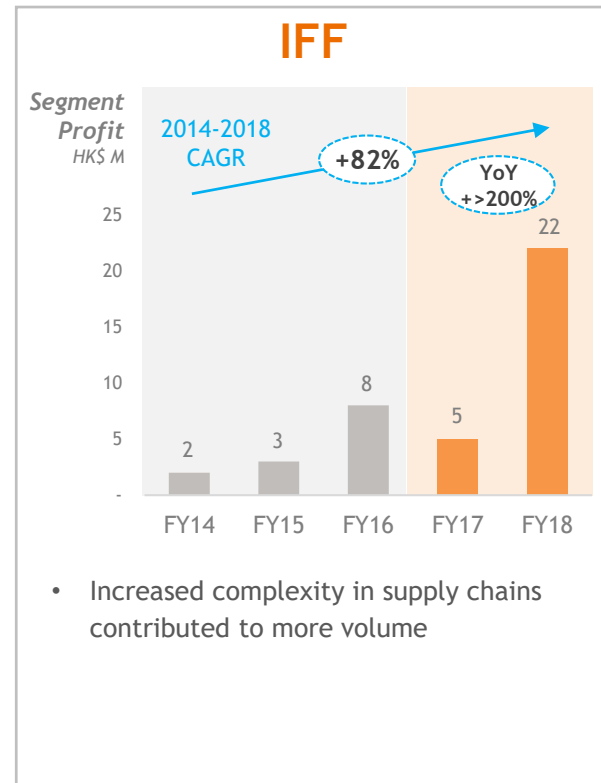
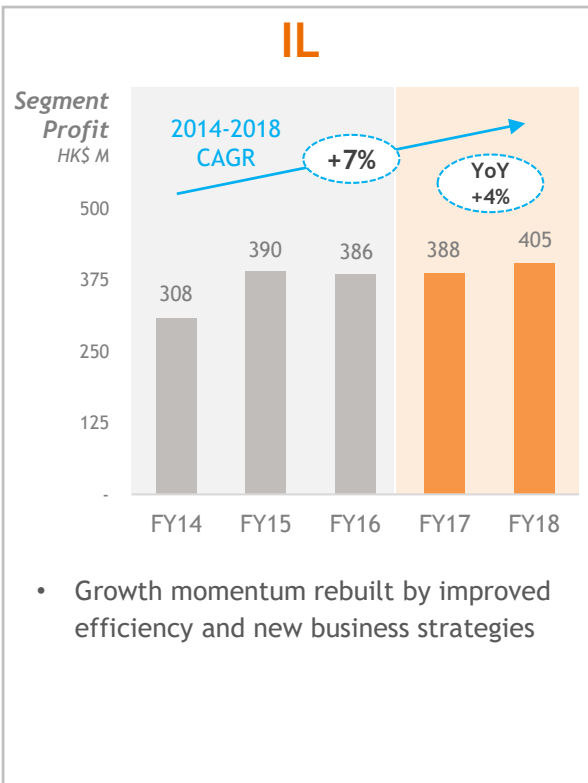
⁽²⁾ Certain comparatives were restated to conform to the 2018 presentation.

Segment profit by geographical area



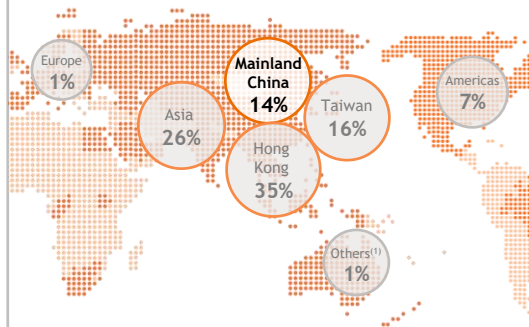
Taiwan

2018 Segment Profit	HK\$ M	YoY
IL	405	+ 4%
IFF	22	+>200%
Taiwan total	427	+ 9%



⁽¹⁾ Includes Oceania, Senegal and South Africa.

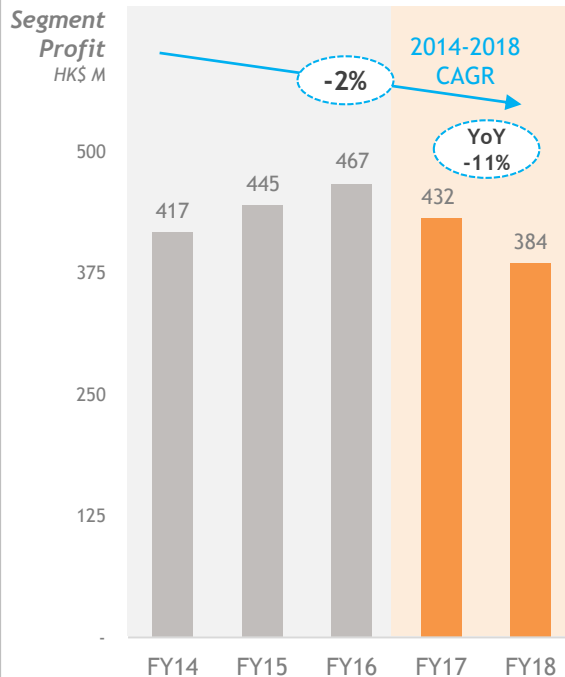
Segment profit by geographical area



Mainland China

2018 Segment Profit	HK\$ M	YoY
IL	216	- 12%
IFF	168	- 10%
Mainland China total	384	- 11%

IL + IFF



Structural changes continue

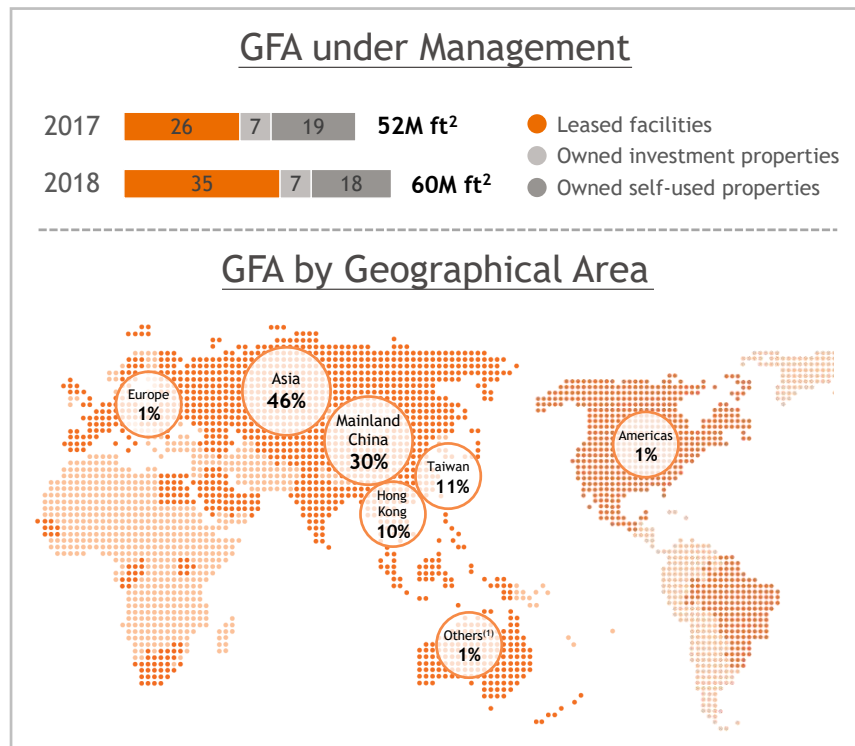
- Contraction in manufacturing activities resulted in lower export volumes
- Domestic consumption and import trade are the business drivers
- Shifting of verticals focus in progress

Mitigating measures

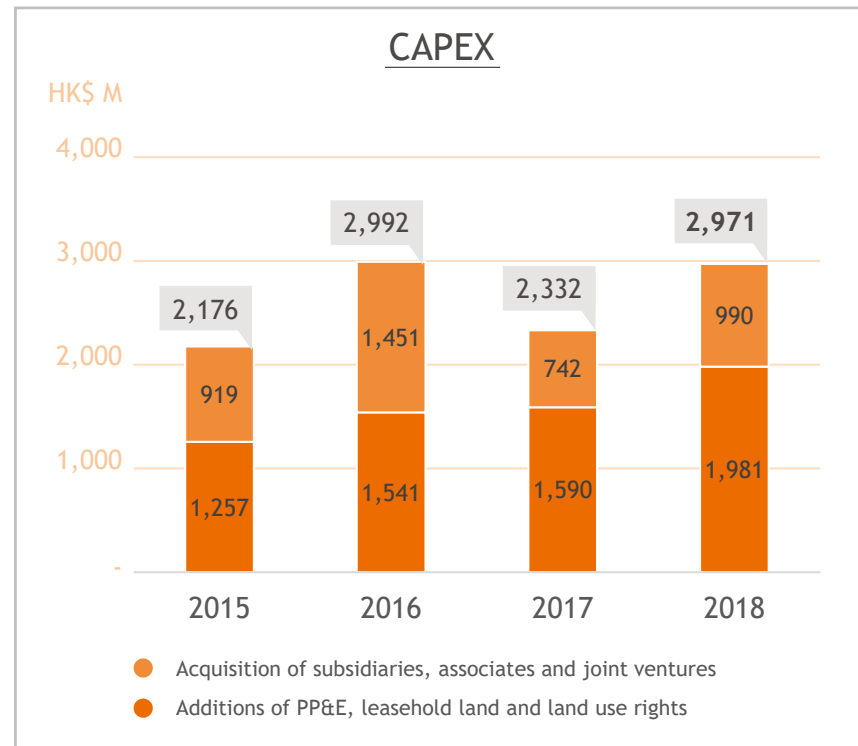
- Focusing on import and domestic consumption
- Expanding in project logistics

⁽¹⁾ Includes Oceania, Senegal and South Africa.

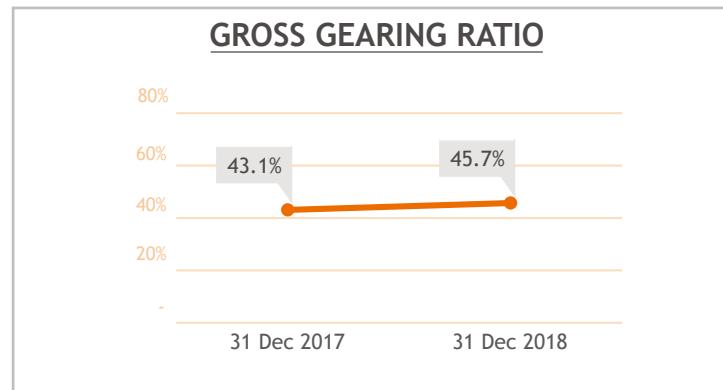
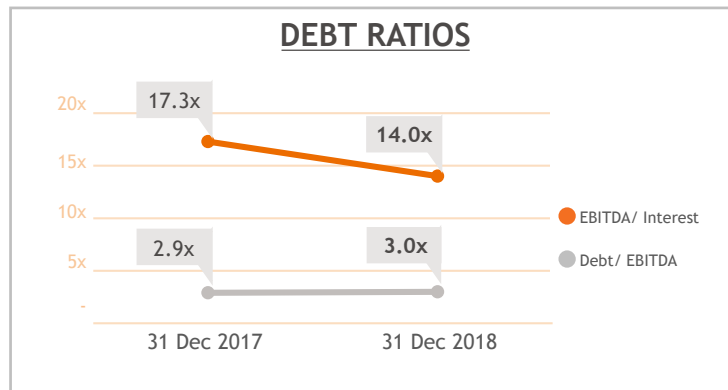
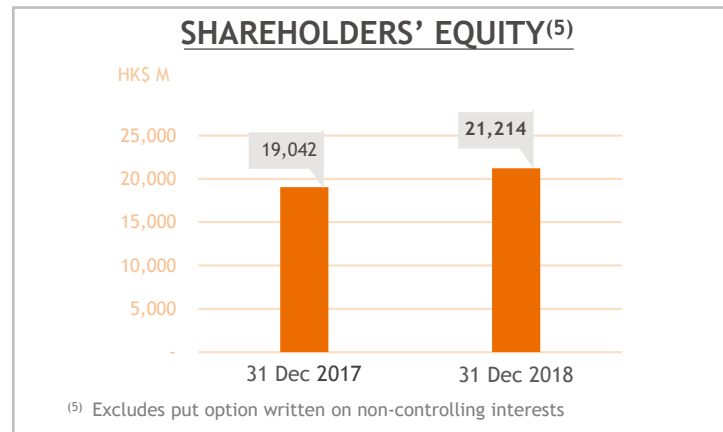
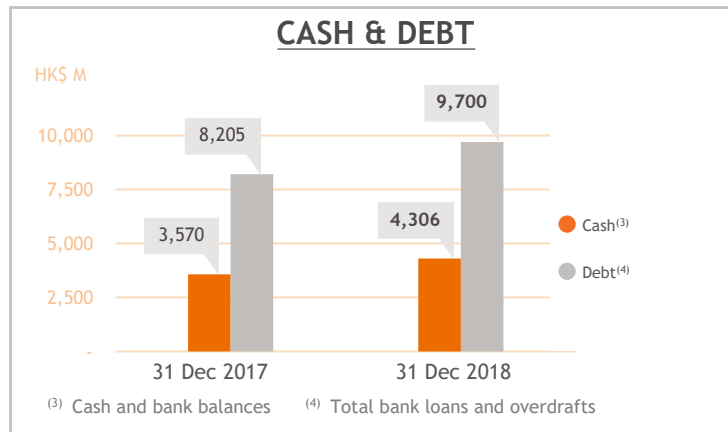
GFA 60M ft²



CAPEX HK\$ 2,971M



⁽¹⁾ Include Oceania, Senegal and South Africa



NETWORK PENETRATION

IL

New Ventures	
Hong Kong :	MeatLab 1 st world-class semi-automated meat processing plant
Taiwan :	Science Park Logistics Reinforce the capability in serving high-tech customers

IFF

Product Expansion	
Italy :	Kerry Project Logistics New brand to capitalise the global industrial project logistics market
Pakistan :	New Rail & Road Product Expanded multi-modal freight riding on the China-Pakistan Economic Corridor

ASSET OPTIMISATION

Expansion

Completed in 2018		In Progress	
Logistics Centres	: Shanghai Wuxi II Changsha KSSP IV Bangna II	Logistics Centres	: Wuhan Guanyin Bangna III
Dry Ports	: Mandalay Yangon		

Disposals

Completed in 2018		Conditional ⁽⁶⁾	
Logistics Centres	: Chengdu	Warehouses	: Chai Wan Shatin
Rail Terminal	: Adelaide		

NEW INITIATIVE

Spin-off of a Subsidiary

Kerry Express Thailand
The Company is considering the possibility of a separate listing of the shares in Kerry Express (Thailand) Limited, which is an indirect subsidiary of the Company, in Asia.

⁽⁶⁾ Subject to the approval of the independent shareholders of the Company and certain conditions for completion

1 Deepening Capabilities in Local Markets

2 Capturing Opportunities in Mainland China

3 Maintaining Momentum in Asia

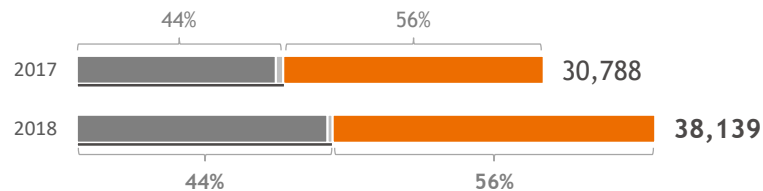
4 Maximising Shareholder Value

APPENDICES

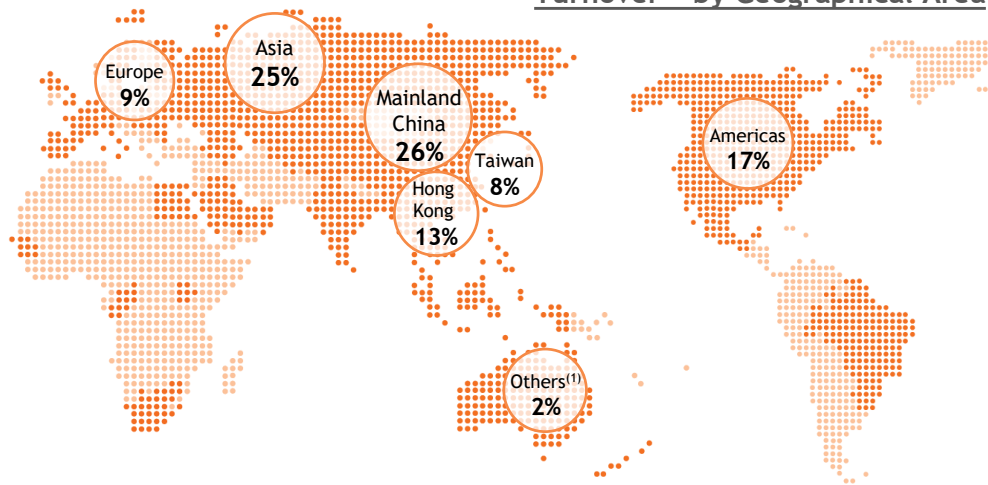


GROUP TURNOVER⁽⁷⁾ HK\$ 38,139m +24%

	HK\$ M	YoY		HK\$ M	YoY
● IL	16,868	+ 24%	● IFF	21,271	+ 24%
● LOP	16,527	+ 26%			
● HKW	341	- 30%			



Turnover⁽⁷⁾ by Geographical Area



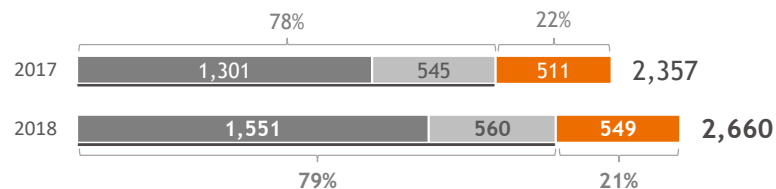
	HK\$ M	YoY
Hong Kong	5,139	+ 26%
Mainland China	9,990	+ 10%
Taiwan	2,974	+ 10%
Greater China	18,103	+ 14%
Asia (ex-Greater China)	9,550	+ 48%
Americas	6,307	+ 21%
Europe	3,584	+ 30%
Others ⁽¹⁾	595	+ 24%
Total	38,139	+ 24%

⁽¹⁾ Includes Oceania, Senegal and South Africa.

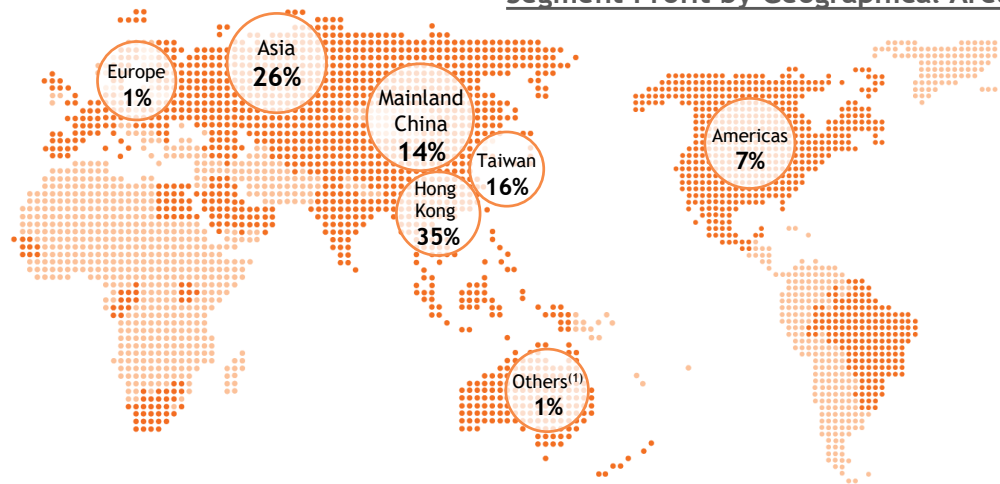
⁽⁷⁾ Turnover after elimination of inter-segment transactions.

GROUP SEGMENT PROFIT HK\$ 2,660m +13%

	HK\$ M	YoY		HK\$ M	YoY
● IL	2,111	+ 14%	● IFF	549	+ 7%
● LOP	1,551	+ 19%			
● HKW	560	+ 3%			



Segment Profit by Geographical Area

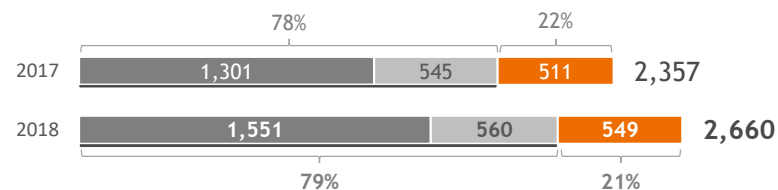


	HK\$ M	YoY
Hong Kong	923	+ 15%
Mainland China	384	- 11%
Taiwan	427	+ 8%
Greater China	1,734	+ 7%
Asia (ex-Greater China)	689	+ 37%
Americas	177	+ 2%
Europe	13	- 43%
Others ⁽¹⁾	47	+ 50%
Total	2,660	+ 13%

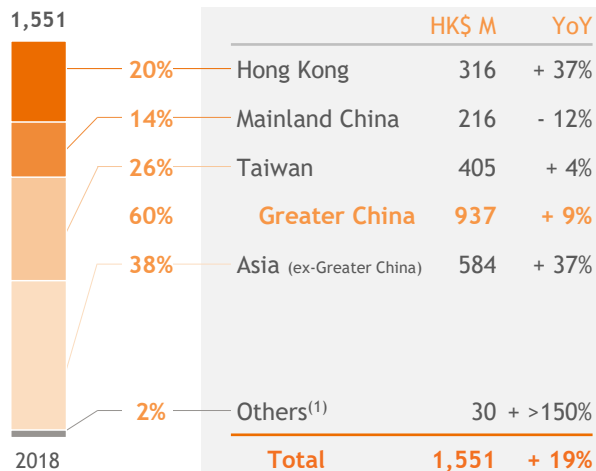
⁽¹⁾ Includes Oceania, Senegal and South Africa.

GROUP SEGMENT PROFIT HK\$ 2,660m +13%

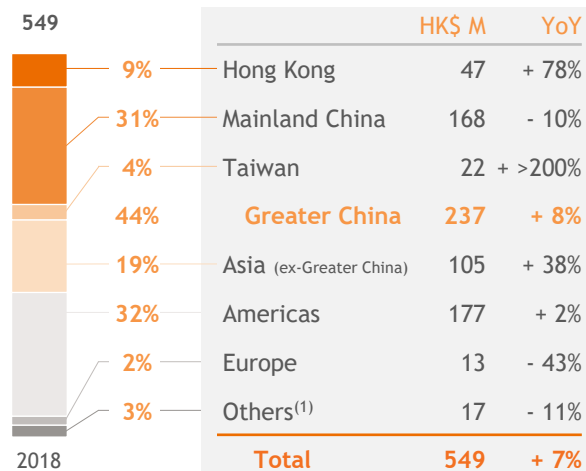
	HK\$ M	YoY		HK\$ M	YoY
● IL	2,111	+ 14%	● IFF	549	+ 7%
● LOP	1,551	+ 19%			
● HKW	560	+ 3%			



IL - LOP



IFF



⁽¹⁾ Includes Oceania, Senegal and South Africa.

Appendix III: Consolidated Income Statement



	For the year ended 31 Dec	
	2018 HK\$'000	2017 HK\$'000
Turnover	38,138,528	30,787,654
Direct operating expenses	(33,382,961)	(26,606,662)
Gross profit	4,755,567	4,180,992
Other income and net gains	176,462	160,011
Administrative expenses	(2,538,268)	(2,178,782)
Operating profit before fair value change of investment properties	2,393,761	2,162,221
Change in fair value of investment properties	1,097,933	901,632
Operating profit	3,491,694	3,063,853
Finance costs	(224,245)	(159,825)
Share of results of associates and joint ventures	110,734	64,784
Profit before taxation	3,378,183	2,968,812
Taxation	(506,561)	(469,350)
Profit for the year	2,871,622	2,499,462
Profit attributable to:		
Company's shareholders	2,439,775	2,115,897
Non-controlling interests	431,847	383,565
	2,871,622	2,499,462
Earnings per share		
- Basic	HK\$1.44	HK\$1.25
- Diluted	HK\$1.43	HK\$1.25

Appendix IV: Consolidated Statement of Financial Position



ASSETS AND LIABILITIES

Non-current assets

	As at 31 Dec 2018 HK\$'000	As at 31 Dec 2017 HK\$'000
Intangible assets	4,250,877	3,884,482
Investment properties	11,039,020	9,892,482
Leasehold land and land use rights	590,450	625,550
Property, plant and equipment	10,347,048	9,423,181
Associates and joint ventures	1,472,268	1,409,486
Financial assets at fair value through other comprehensive income	170,799	-
Available-for-sale investments	-	100,811
Investment in convertible bonds	192,710	564,397
Deferred taxation	85,580	98,432
	28,148,752	25,998,821

Current assets

Financial assets at fair value through profit or loss	261,884	109,841
Investment in convertible bond	351,052	-
Inventories	425,217	333,758
Accounts receivable, prepayments and deposits	9,502,889	7,568,472
Tax recoverable	15,281	41,236
Amounts due from fellow subsidiaries	1,508	5,641
Restricted and pledged bank deposits	20,148	22,926
Cash and bank balances	4,305,949	3,569,626
	14,883,928	11,651,500

Current liabilities

Accounts payable, deposits received and accrued charges	6,795,738	5,565,831
Amounts due to fellow subsidiaries	-	451
Amounts due to related companies	24,795	34,375
Taxation	368,407	246,348
Short-term bank loans and current portion of long-term bank loans	4,936,902	3,955,722
Bank overdrafts	193,076	51,006
	12,318,918	9,853,733

Appendix IV: Consolidated Statement of Financial Position (cont'd)



	As at 31 Dec 2018 HK\$'000	As at 31 Dec 2017 HK\$'000
Non-current liabilities		
Loans from non-controlling interests	177,833	166,826
Long-term bank loans	4,569,564	4,198,758
Deferred taxation	673,955	662,629
Retirement benefit obligations	112,921	137,054
Other non-current liabilities	1,511,941	1,364,443
	7,046,214	6,529,710
ASSETS LESS LIABILITIES	23,667,548	21,266,878
EQUITY		
Capital and reserves attributable to the Company's shareholders		
Share capital	852,632	848,044
Share premium and other reserves	3,140,183	2,793,363
Retained profits	17,221,259	15,400,585
	21,214,074	19,041,992
Put option written on non-controlling interests	(1,170,801)	(1,218,331)
	20,043,273	17,823,661
Non-controlling interests	3,624,275	3,443,217
TOTAL EQUITY	23,667,548	21,266,878

THANK YOU

VALUE CREATION
OPENNESS
INTEGRITY
COMMITMENT
EXCELLENCE

