

INTERIM RESULTS 2019



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

0636.HK



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TURNOVER⁽¹⁾

▲ **13%**
19,810

SEGMENT PROFIT

IL ▲ **5%**
1,162

SEGMENT PROFIT

IFF ▲ **22%**
288

CORE OPERATING PROFIT

▲ **9%**
1,330

CORE NET PROFIT

▼ **4%**
669

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

▲ **194%**
2,790

DIVIDEND

(HK CENTS PER SHARE)

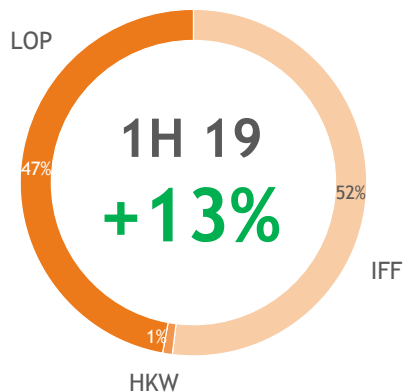
SPECIAL
(PAID)

35

INTERIM
(DECLARED)

9

TURNOVER⁽¹⁾ ANALYSIS



HK\$' M YoY

IL 9,518 +17%

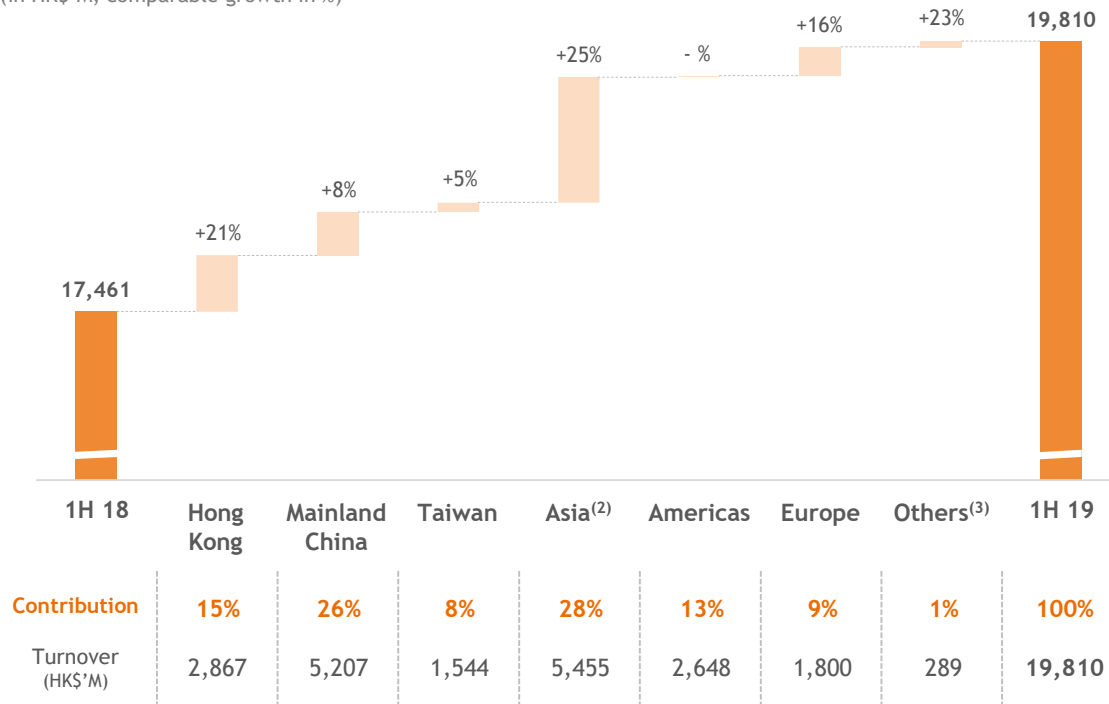
| | | |
|------------------------|-------|-------|
| - Logistics Operations | 9,339 | + 16% |
| - HK Warehouse | 179 | + 66% |

IFF 10,292 +11%

Total 19,810 +13%

Turnover⁽¹⁾ Change by Region

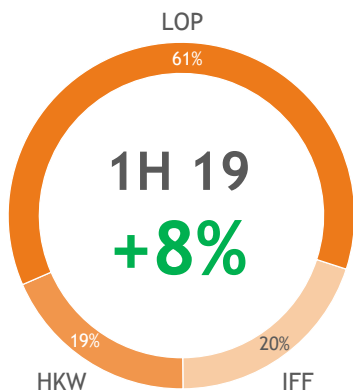
(in HK\$'M, comparable growth in %)



⁽¹⁾ Turnover after elimination of inter-segment transactions.

⁽²⁾ Asia ex-Greater China.

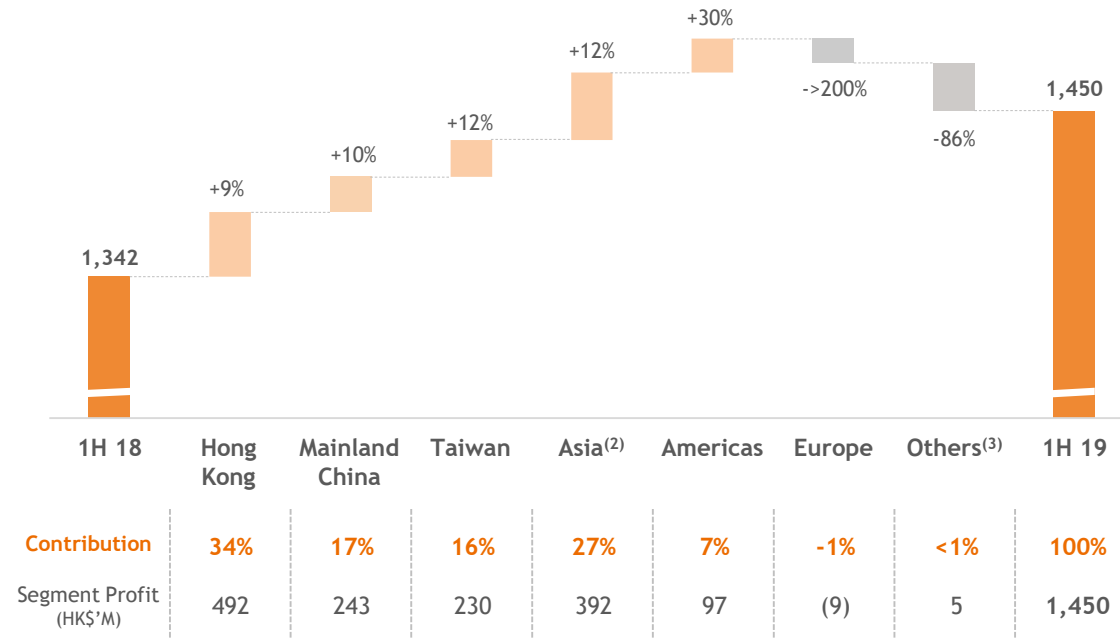
⁽³⁾ Includes Oceania, Senegal and South Africa.



| | HK\$' M | YoY |
|------------------------|--------------|-------------|
| IL | 1,162 | +5% |
| - Logistics Operations | 892 | + 6% |
| - HK Warehouse | 270 | + 2% |
| IFF | 288 | +22% |
| Total | 1,450 | + 8% |

Segment Profit Change by Region

(in HK\$'M, comparable growth in %)



⁽²⁾ Asia ex-Greater China.

⁽³⁾ Includes Oceania, Senegal and South Africa.

IL

HK\$ 1,162M

+ 5%



- Hong Kong LOP +18%
- Taiwan +11%
- Asia⁽²⁾ +7%



- Financed HK\$ 40M in Kerry Express network:
 - Malaysia, Vietnam and Indonesia
- China still flat

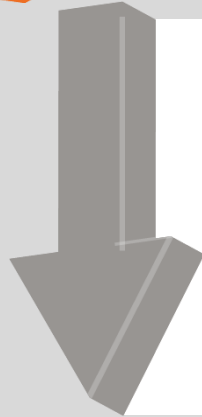
IFF

HK\$ 288M

+ 22%

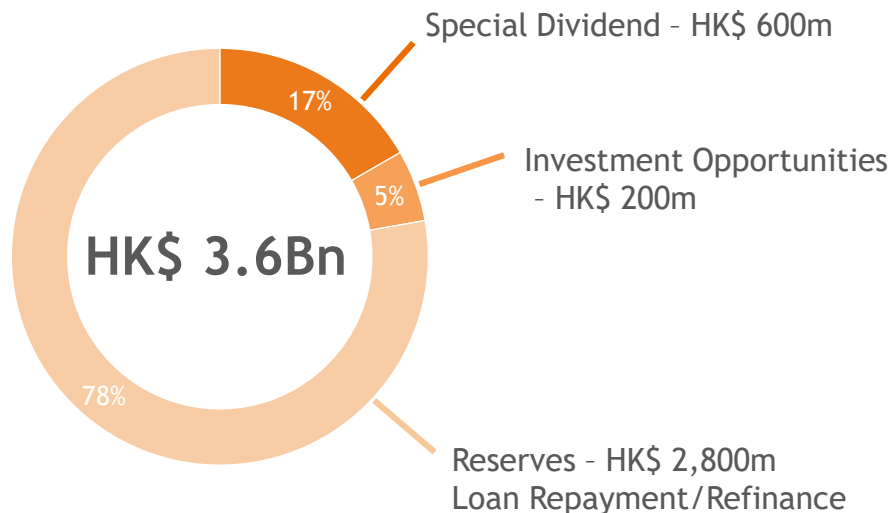


- All regions recorded growth except Europe
- Strong growth in Intra-Asia traffic
- Increasing contribution from Project Logistics and Belt & Road countries



- Weak European export to Asia

Cash Received

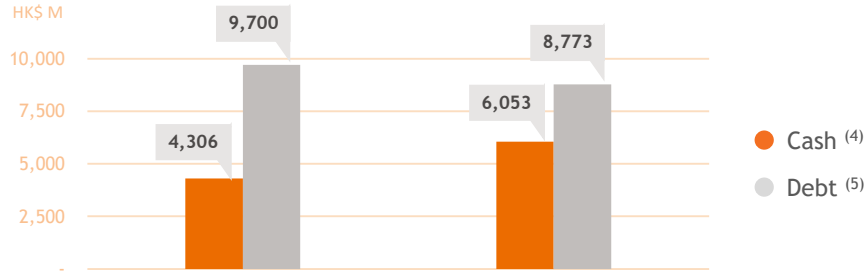


Impact on Financials

Transaction completed on 28 Jun 2019

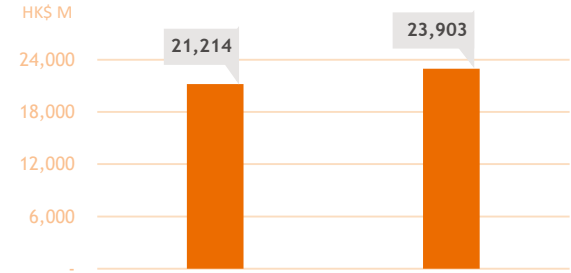
| Estimates of 2H 19 | HK\$'M |
|--------------------|--------|
| Revenue | ▼ 60 |
| Segment Profit | ▼ 33 |
| Finance Costs | ▼ 33 |
| Core Net Profit | - |

CASH & DEBT

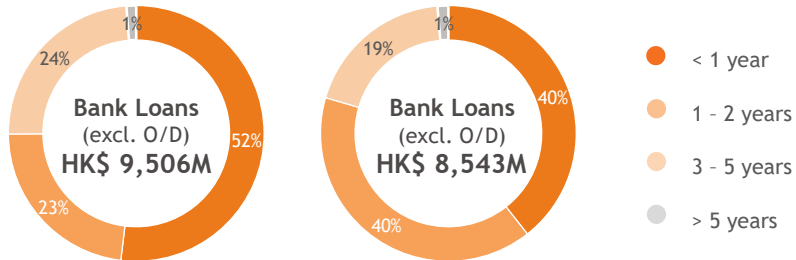


31 Dec 2018 30 Jun 2019

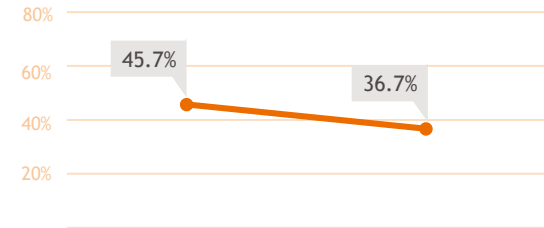
SHAREHOLDERS EQUITY



31 Dec 2018 30 Jun 2019



DEBT MATURITY



GEARING RATIO



- Waiver of Assured Entitlement was approved in the SGM on 31 May 2019
- PN15 application was approved by Hong Kong Stock Exchange on 14 Jun 2019
- Filing of IPO application to Stock Exchange of Thailand is expected by end of 2019

1

Softening Asia Growth

2

Enriching Business Mix

3

Seizing E-commerce Growth

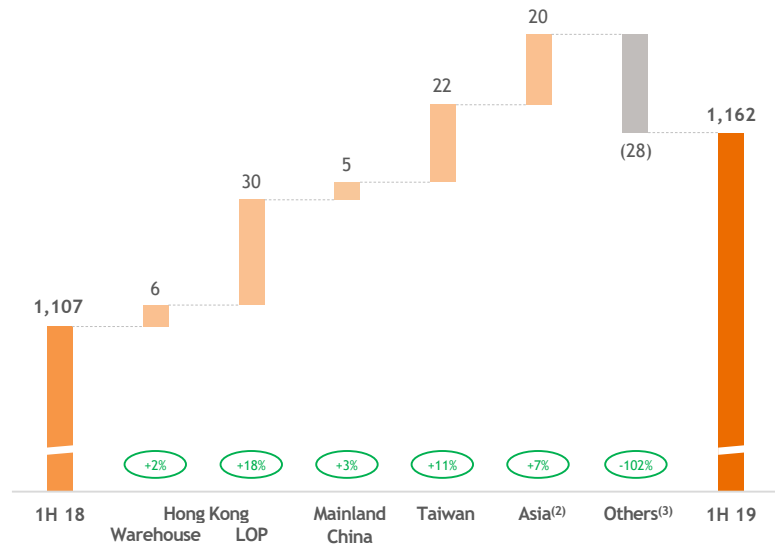
4

Pursuing Asset-lighter Model

APPENDICES

Segment Profit Change by Region

(in HK\$'M, and comparable growth in %)



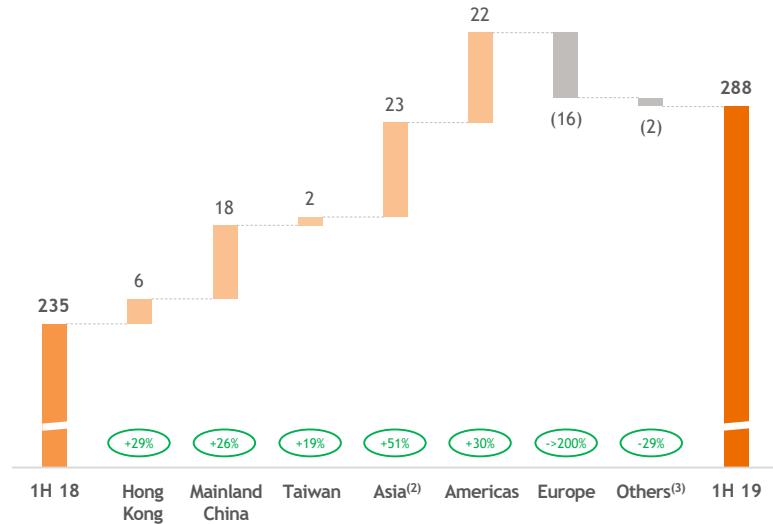
| | | | | | | | |
|-------------------------|-----|-----|-----|-----|-----|-----|-------|
| Contribution | 23% | 17% | 13% | 19% | 28% | - | 100% |
| Segment Profit (HK\$'M) | 270 | 195 | 156 | 217 | 324 | (0) | 1,162 |

Growth Momentum Maintained

- Hong Kong**
 Continuous growth as market penetration deepens.
- Mainland China**
 Starting to see modest growth after turnaround and diversification. Launch of Kerry Cold Chain Solution taps into the fast-growing niche food product market.
- Taiwan**
 Expansion of Kerry Pharma as the sole certified pharma logistics provider. Deepened footprint with Science Park Logistics serving high-tech customers.
- Asia**
 Performance was undermined by financing the development of Kerry Express in Malaysia, Vietnam and Indonesia.

Segment Profit Change by Region

(in HK\$'M, and comparable growth in %)



| | | | | | | | | |
|-------------------------|-----------|------------|-----------|------------|------------|------------|-----------|-------------|
| Contribution | 9% | 30% | 4% | 24% | 34% | -3% | 2% | 100% |
| Segment Profit (HK\$'M) | 27 | 87 | 13 | 68 | 97 | (9) | 5 | 288 |

IFF Volume Swelled

- **Hong Kong**
Strong growth in Intra-Asia volume.
- **Mainland China**
Growth was driven by Intra-Asia and OBOR.
- **Asia**
Beneficiary of China-US trade tensions.
- **Americas**
Kerry Apex remained resilient to China-US trade tensions and the good performance of Brazil and Mexico contributed to this growth.
- **Europe**
Weak European export to Asia.

⁽²⁾ Asia ex-Greater China.

⁽³⁾ Includes Oceania, Senegal and South Africa.

| | For the six months ended 30 Jun | |
|--|---------------------------------|-------------------------------|
| | Unaudited 2019 HK\$'000 | Unaudited 2018 HK\$'000 |
| Turnover | 19,810,329 | 17,461,227 |
| Direct operating expenses | (17,284,673) | (15,163,182) |
| Gross profit | 2,525,656 | 2,298,045 |
| Other income and net gains | 2,069,671 | 166,925 |
| Administrative expenses | (1,331,567) | (1,231,109) |
| Operating profit before fair value change of investment properties | 3,263,760 | 1,233,861 |
| Change in fair value of investment properties | 205,020 | 239,917 |
| Operating profit | 3,468,780 | 1,473,778 |
| Finance costs | (161,724) | (106,684) |
| Share of results of associates and joint ventures | 45,934 | 43,648 |
| Profit before taxation | 3,352,990 | 1,410,742 |
| Taxation | (295,049) | (253,026) |
| Profit for the year | 3,057,941 | 1,157,716 |
| Profit attributable to: | | |
| Company's shareholders | 2,789,744 | 947,838 |
| Non-controlling interests | 268,197 | 209,878 |
| | 3,057,941 | 1,157,716 |
| Earnings per share | | |
| - Basic | HK\$1.63 | HK\$0.56 |
| - Diluted | HK\$1.63 | HK\$0.56 |

| ASSETS AND LIABILITIES | Unaudited As at 30 Jun 2019 HK\$'000 | Audited As at 31 Dec 2018 HK\$'000 |
|---|--|--|
| Non-current assets | | |
| Intangible assets | 4,629,864 | 4,250,877 |
| Investment properties | 9,637,231 | 11,039,020 |
| Leasehold land and land use rights | - | 590,450 |
| Property, plant and equipment | 11,344,171 | 10,347,048 |
| Right-of-use assets | 3,398,037 | - |
| Associates and joint ventures | 1,391,248 | 1,472,268 |
| Financial assets at fair value through other comprehensive income | 147,936 | 170,799 |
| Investment in convertible bonds | 193,407 | 192,710 |
| Deferred taxation | 77,673 | 85,580 |
| | 30,819,567 | 28,148,752 |
| Current assets | | |
| Financial assets at fair value through profit or loss | 108,293 | 261,884 |
| Investment in convertible bond | 350,208 | 351,052 |
| Inventories | 664,685 | 425,217 |
| Accounts receivable, prepayments and deposits | 9,350,301 | 9,502,889 |
| Tax recoverable | 39,688 | 15,281 |
| Amounts due from fellow subsidiaries | 3,727 | 1,508 |
| Restricted and pledged bank deposits | 20,050 | 20,148 |
| Cash and bank balances | 6,052,540 | 4,305,949 |
| | 16,589,492 | 14,883,928 |
| Current liabilities | | |
| Lease liabilities | 652,699 | - |
| Accounts payable, deposits received and accrued charges | 6,269,929 | 6,795,738 |
| Amounts due to fellow subsidiaries | 8,523 | - |
| Amounts due to related companies | 32,586 | 24,795 |
| Taxation | 287,126 | 368,407 |
| Short-term bank loans and current portion of long-term bank loans | 3,366,462 | 4,936,902 |
| Bank overdrafts | 230,087 | 193,076 |
| | 10,847,412 | 12,318,918 |

| | Unaudited As at 30 Jun 2019 HK\$'000 | Audited As at 31 Dec 2018 HK\$'000 |
|--|--|--|
| Non-current liabilities | | |
| Loans from non-controlling interests | 200,548 | 177,833 |
| Long-term bank loans | 5,176,242 | 4,569,564 |
| Lease liabilities | 2,119,606 | - |
| Deferred taxation | 689,115 | 673,955 |
| Retirement benefit obligations | 102,100 | 112,921 |
| Other non-current liabilities | 1,496,850 | 1,511,941 |
| | 9,784,461 | 7,046,214 |
| ASSETS LESS LIABILITIES | 26,777,186 | 23,667,548 |
| EQUITY | | |
| Capital and reserves attributable to the Company's shareholders | | |
| Share capital | 856,406 | 852,632 |
| Share premium and other reserves | 2,953,235 | 3,140,183 |
| Retained profits | 20,093,819 | 17,221,259 |
| | 23,903,460 | 21,214,074 |
| Put option written on non-controlling interests | (1,170,801) | (1,170,801) |
| | 22,732,659 | 20,043,273 |
| Non-controlling interests | 4,044,527 | 3,624,275 |
| TOTAL EQUITY | 26,777,186 | 23,667,548 |

THANK YOU



VALUE CREATION
 OPENNESS
 INTEGRITY
 COMMITMENT
 EXCELLENCE