

INTERIM RESULTS

2018



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

636.HK

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FINANCIAL HIGHLIGHTS (HK\$ M)



17,461

TURNOVER

+27%

IL
1,107

SEGMENT PROFIT

+25%

IFF
235

SEGMENT PROFIT

+6%

1,216

CORE OPERATING PROFIT

+19%



700

CORE NET PROFIT

+22%



948

PROFIT ATTRIBUTABLE TO
THE SHAREHOLDERS

+20%



DIVIDEND
(HK CENTS PER SHARE)

INTERIM

9

SPECIAL

12

GROSS
GEARING

46.7%

HK\$ M

+27%

17,461

TURNOVER



New wins boosted by booming intra-Asia trade & e-commerce

+19%

1,216

CORE OPERATING PROFIT



Business volume grew with the increased production activities shifted out from China at a faster pace

+22%

700

CORE NET PROFIT



Strong growth in Asia (ex-Greater China) and Hong Kong

+20%

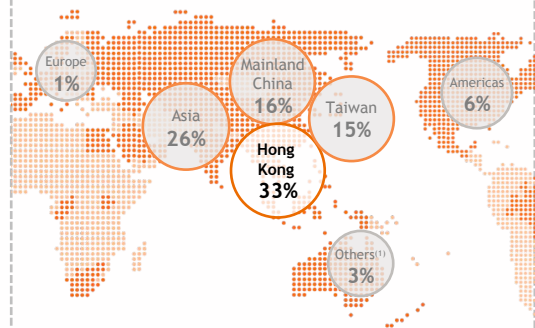
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PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS



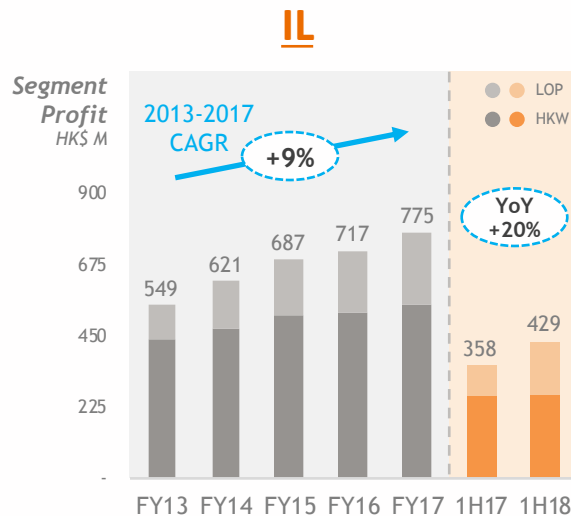
Import-focused transition and restructuring in China were slower than expected

Segment profit by geographical area

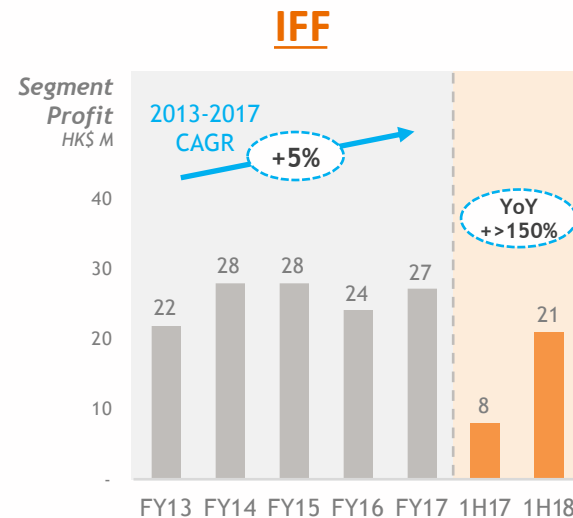


Hong Kong

1H18 Segment Profit	HK\$ M	YoY
IL	429	+ 20%
- LOP	165	+ 71%
- HKW	264	+ 1%
IFF	21	+>150%
Hong Kong total	450	+ 23%



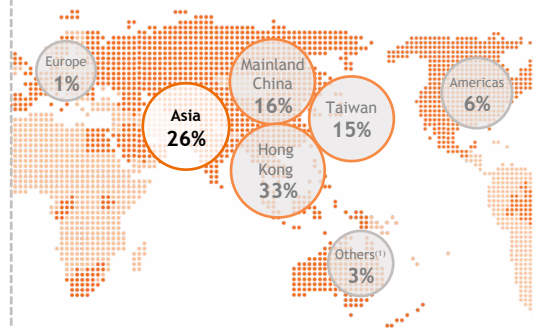
- HK LOP fueled by contracts renewal and new wins
- HKW remained level



- Accelerating intra-Asia trade
- “China-US trade tension” impact

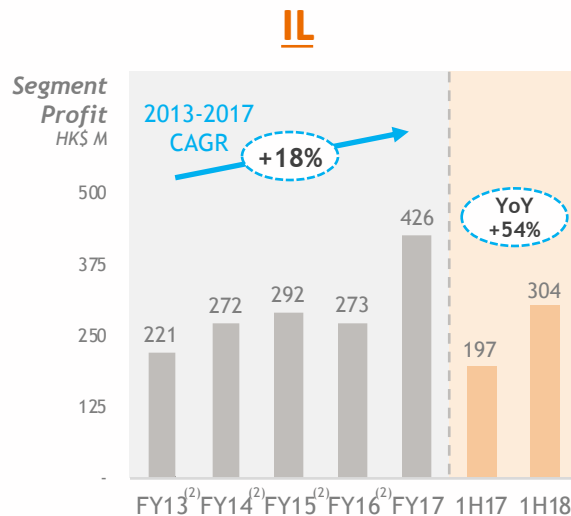
⁽¹⁾ Includes Oceania and Senegal.

Segment profit by geographical area

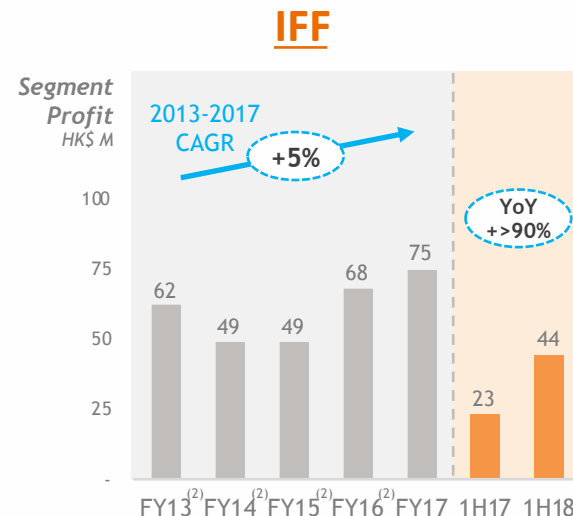


Asia (ex-Greater China)

1H18 Segment Profit	HK\$ M	YoY
IL	304	+ 54%
IFF	44	+>90%
Asia total	348	+ 58%



- Strong growth in KSSP and India
- Robust performance of KETH with strategic partnership
- Continue growth momentum in 2H 2018



- Increasing business volume and production activities in S&SEA
- “China-US trade tension” impact

⁽¹⁾ Includes Oceania and Senegal.

⁽²⁾ Certain comparatives were restated to conform to the 2017 presentation.

EARNINGS DRIVERS - ASIA (ex-Greater China)



- KSSP, Thailand -



- Mandalay Dry Port, Myanmar -



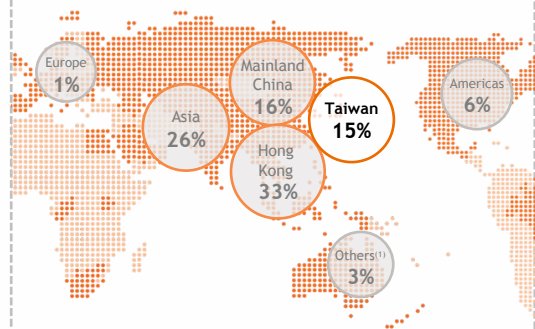
- Phnom Penh SEZ, Cambodia -



- Yangon Dry Port, Myanmar -

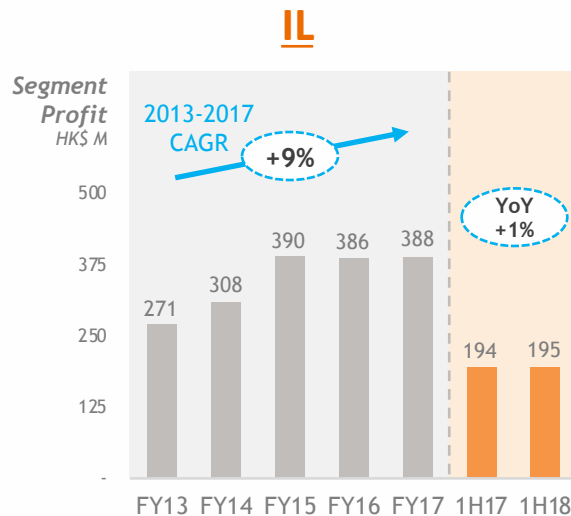


Segment profit by geographical area

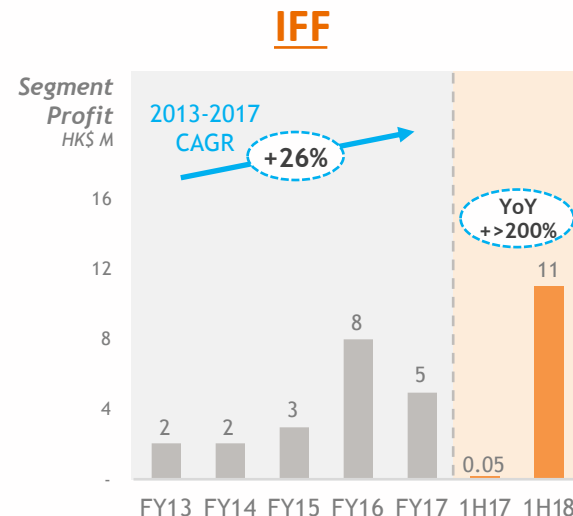


Taiwan

1H18 Segment Profit	HK\$ M	YoY
IL	195	+ 1%
IFF	11	+>200%
Taiwan total	206	+ 6%



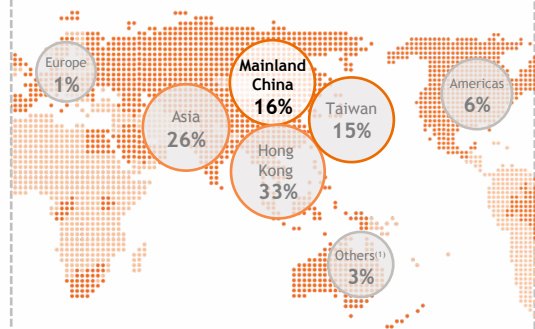
- Operations stabilised in 1H 2018
- Profit expected to improve in FY 2018



- Surging assembling activities shifted from China
- “China-US trade tension” impact

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Segment profit by geographical area

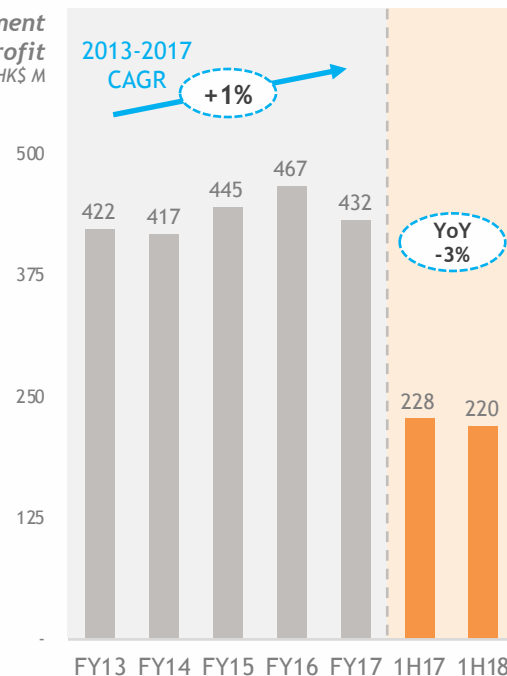


Mainland China

1H18 Segment Profit	HK\$ M	YoY
IL	151	+ 18%
IFF	69	- 31%
Mainland China total	220	- 3%

IL + IFF

Segment Profit
HK\$ M



China is under structural changes

- China is transforming from export-base to import-base
- Manufacturing capacities have been shifting out from China at a faster pace
- The situation may continue in the coming two years
- Domestic consumption is the business driver

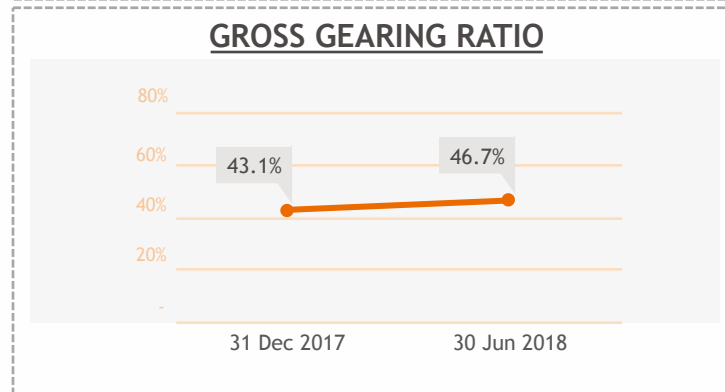
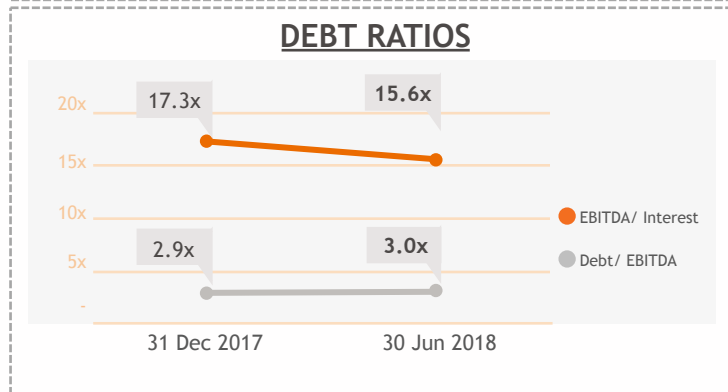
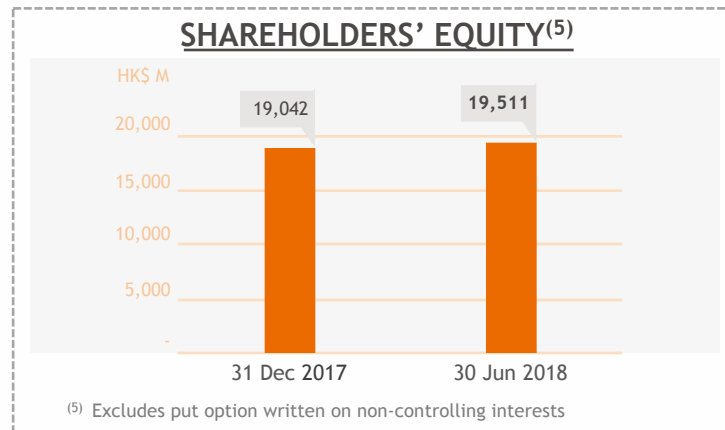
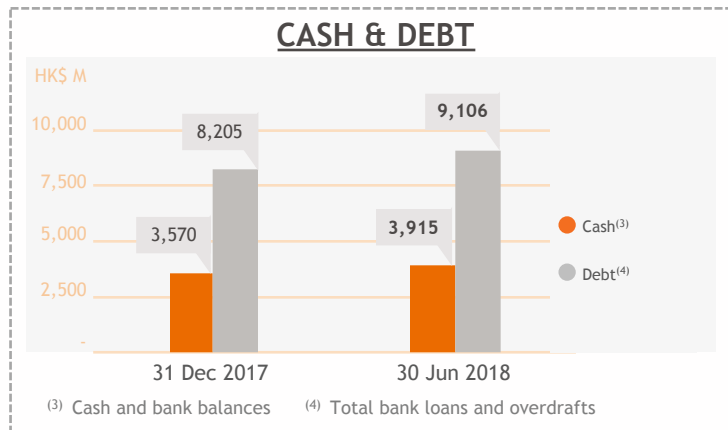
Business slowed down

- Volume of key accounts dropped
- Over competition in the transportation segment

Mitigating measures

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

⁽¹⁾ Includes Oceania and Senegal.



NETWORK EXPANSION



53 countries & territories

Europe

JV in Project Logistics

- + Italy
- + Congo
- + Egypt
- + Uganda

Asia

JVs in IFF

- + Pakistan
- + South Africa

Africa

Restructure in Europe

- Austria
- France
- Belgium

ASSET OPTIMISATION

Expansion

Completed

- China LC : Shanghai & Wuxi II
- Thailand LC : Bangna II
- Myanmar : Mandalay Dry Port

In Progress

- China LC : Changsha & Wuhan
- Taiwan LC : Guanyin
- Thailand : KSSP IV
- Myanmar : Yangon Dry Port

Divestment

Disposed / Divested

- China LC : Chengdu
- Australia : Adelaide Rail Terminal

In Progress

- Hong Kong : AAT

1 Growth Momentum in Asia, Hong Kong & Taiwan

2 Growth Momentum in IFF, Express & E-commerce

3 Asset Optimisation Initiatives

4 Capability Expansion in Project Logistics

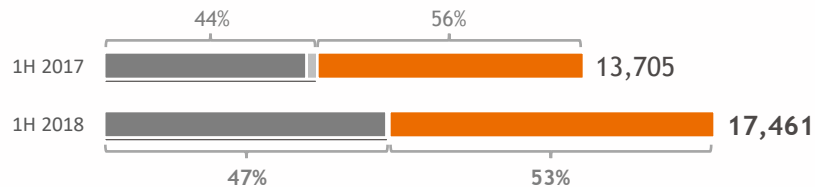
APPENDICES



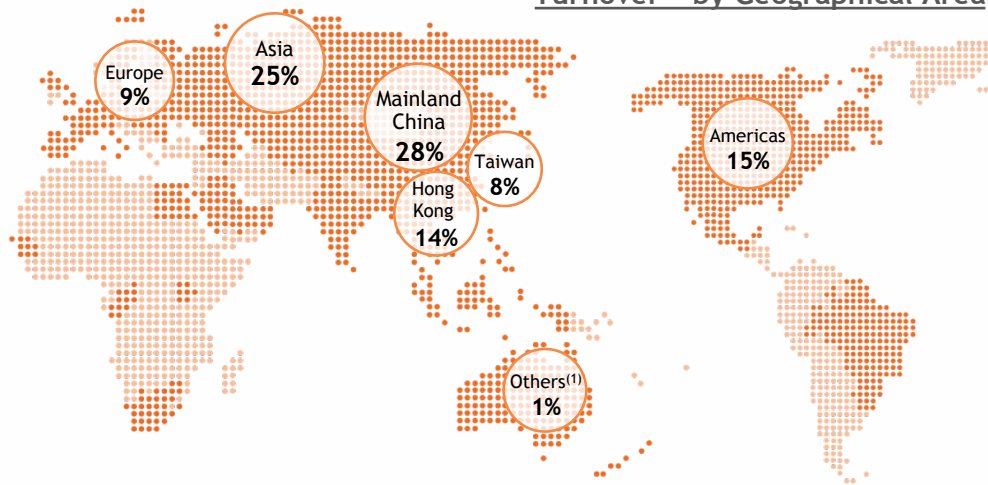
INTERIM RESULTS 2018

GROUP TURNOVER⁽⁶⁾ HK\$ 17,461m +27%

	HK\$ M	YoY		HK\$ M	YoY
● IL	8,166	+ 34%	● IFF	9,295	+ 22%
● LOP	8,058	+ 38%			
● HKW	108	-59%			



Turnover⁽⁶⁾ by Geographical Area



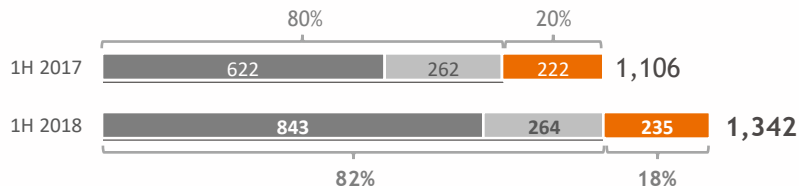
	HK\$ M	YoY
Hong Kong	2,376	+ 27%
Mainland China	4,831	+ 24%
Taiwan	1,464	+ 16%
Greater China	8,671	+ 23%
Asia (ex-Greater China)	4,363	+ 59%
Americas	2,640	+ 4%
Europe	1,551	+ 34%
Others ⁽¹⁾	236	+ 2%
Total	17,461	+ 27%

⁽¹⁾ Includes Oceania and Senegal.

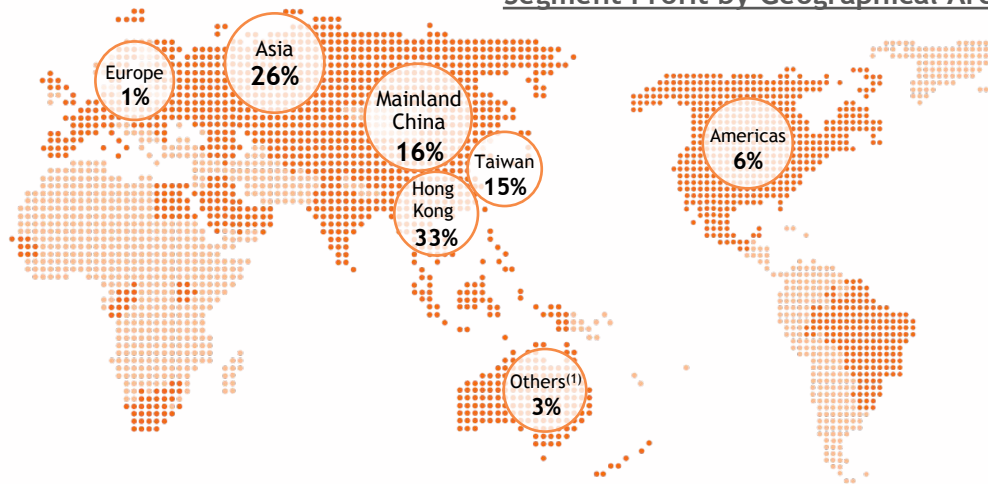
⁽⁶⁾ Turnover after elimination of inter-segment transactions.

GROUP SEGMENT PROFIT HK\$ 1,342m +21%

	HK\$ M	YoY		HK\$ M	YoY
● IL	1,107	+ 25%	● IFF	235	+ 6%
● LOP	843	+ 36%			
● HKW	264	+ 1%			



Segment Profit by Geographical Area

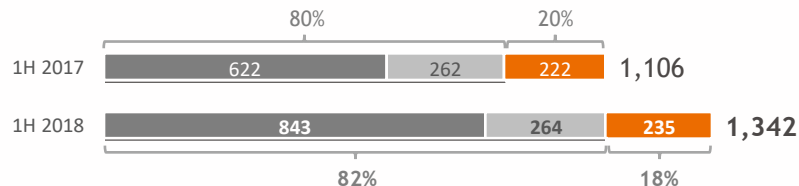


	HK\$ M	YoY
Hong Kong	450	+ 23%
Mainland China	220	- 3%
Taiwan	206	+ 6%
Greater China	876	+ 11%
Asia (ex-Greater China)	348	+ 58%
Americas	75	+ 7%
Europe	7	- 44%
Others ⁽¹⁾	36	+ 131%
Total	1,342	+ 21%

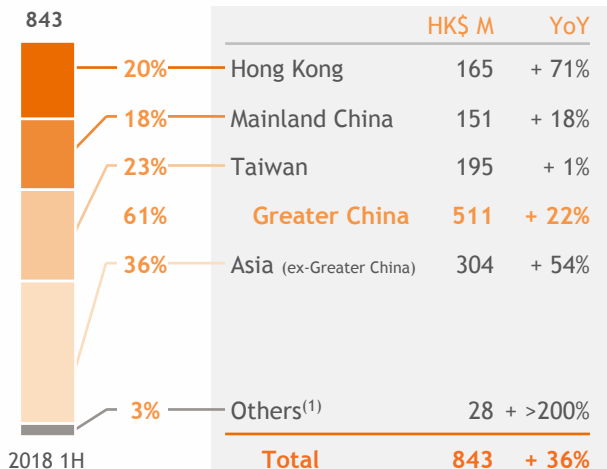
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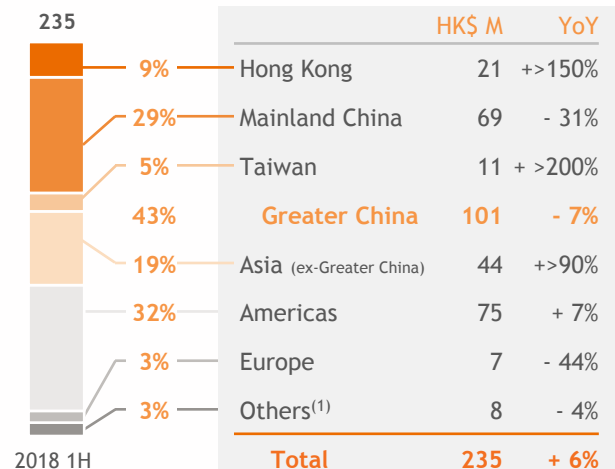
	HK\$ M	YoY		HK\$ M	YoY
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IL - LOP

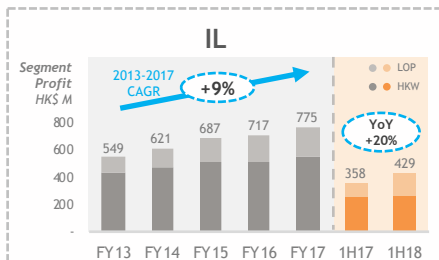


IFF

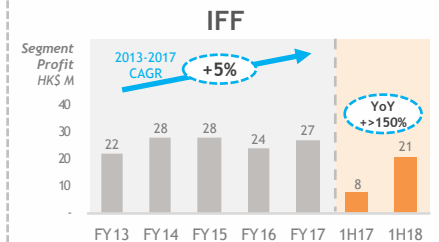


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HONG KONG

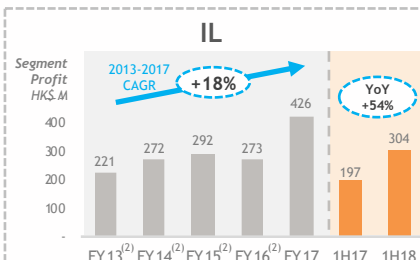


- HK LOP fueled by contracts renewal
 - HKW: remained level
- | | 1H17 HKS M | 1H18 HKS M | YoY |
|-----|------------|------------|-----|
| LOP | 96 | 165 | 71% |

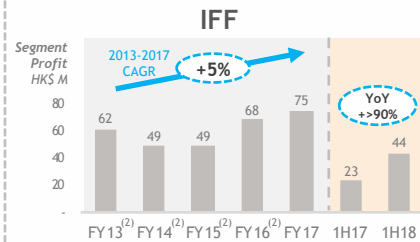


- Accelerating intra-Asia trade
- “China-US trade tension” impact

ASIA



- Strong growth in KSSP and India
- Robust performance of KETH with strategic partnership
- Continue growth momentum in 2H 2018

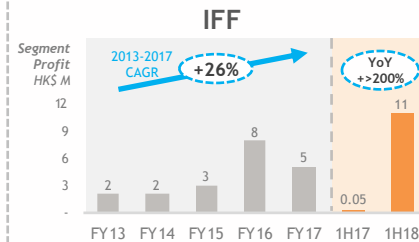


- Increasing business volume and production activities in S&SEA
- “China-US trade tension” impact

TAIWAN

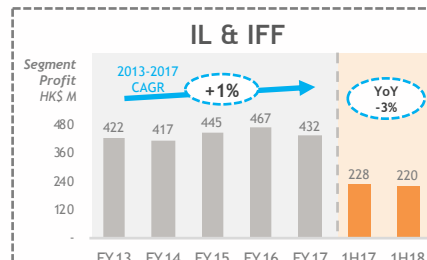


- Operations stabilised in 1H 2018
- Profit expected to improve in FY 2018



- Surging assembling activities shifted from China
- “China-US trade tension” impact

CHINA



China is under structural adjustment

- China is transforming from export-base to import-base
- Manufacturing capacities have been shifting out from China
- The situation will continue for the coming two years
- Domestic consumption is the business driver

Business slowed down

- Volume of our key accounts dropped
- Over competition in the transportation segment

Mitigating measures

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

⁽²⁾ Certain comparatives were restated to conform to the 2017 presentation.

Appendix IV: Condensed Consolidated Interim Income Statement



	For the 6 months ended 30 Jun	
	Unaudited 2018 HK\$'000	Unaudited 2017 HK\$'000
Turnover	17,461,227	13,705,335
Direct operating expenses	(15,163,182)	(11,786,516)
Gross profit	2,298,045	1,918,819
Other income and net gains	166,925	83,823
Administrative expenses	(1,231,109)	(958,227)
Operating profit before fair value change of investment properties	1,233,861	1,044,415
Change in fair value of investment properties	239,917	189,985
Operating profit	1,473,778	1,234,400
Finance costs	(106,684)	(71,166)
Share of results of associates and joint ventures	43,648	26,164
Profit before taxation	1,410,742	1,189,398
Taxation	(253,026)	(216,958)
Profit for the period	1,157,716	972,440
Profit attributable to:		
Company's shareholders	947,838	787,809
Non-controlling interests	209,878	184,631
	1,157,716	972,440
Earnings per share		
- Basic	HK\$0.56	HK\$0.46
- Diluted	HK\$0.56	HK\$0.46

Appendix V: Condensed Consolidated Interim Statement of Financial Position



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

Appendix V: Condensed Consolidated Interim Statement of Financial Position (cont'd)



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

Disposal Gain of 17% of KETH

	HK\$ M
Consideration	1,022
Less: Book value as of 30 Jun 2018	(34)
Gross Gain	988
Less: Capital gain tax, WHT on dividend income, & Professional fees	(289)
Net Gain	699

Special Dividend

	HK\$
Special dividend per share	0.12
Special dividend amount	204m
Dividend payout ratio	29.2%

THANK YOU

VALUE CREATION
OPENNESS
INTEGRITY
COMMITMENT
EXCELLENCE

