

Kerry Logistics Records 10% Growth in 1H Core Operating Profit to HK\$1,019 Million Supported by Strong Performance in Asia and the Americas

HONG KONG, 31 August 2017 – Kerry Logistics Network Limited ('Kerry Logistics' or together with its subsidiaries, the 'Group'; Stock Code 636) today announced the Group's interim results for the six months ended 30 June 2017.

The Group's Financial Highlights

- Turnover surged by 31% to HK\$13,705 million (2016 1H: HK\$10,461 million)
- Core operating profit increased by 10% to HK\$1,019 million (2016 1H: HK\$928 million)
- Core net profit went up by 5% to HK\$576 million (2016 1H: HK\$548 million)
- Profit attributable to the Shareholders rose by 11% to HK\$788 million (2016 1H: HK\$709 million)
- Integrated Logistics ('IL') business recorded a segment profit of HK\$884 million (2016 1H: HK\$799 million), which represents a lift of 11%
- International Freight Forwarding ('IFF') business achieved a 7% increase in segment profit to HK\$222 million (2016 1H: HK\$208 million)
- Interim dividend of 8 HK cents per share recommended

William Ma, Group Managing Director of Kerry Logistics, said, "2017 1H has been another challenging period. Global demand stalled in Q1 and our cargo volume was at a low level in January and February. Nevertheless, the temporary slowdown in Q1 reversed as the world economy gradually stabilised with cyclical recovery starting from Q2. Supported by strong logistics volume growth in Asia and sound performance in the Americas, the Group's performance and earnings have shown considerable improvements since Q2. Against this backdrop, for 2017 1H, Kerry Logistics recorded a 31% growth in turnover and a 10% growth in core operating profit. However, core net profit only reported a 5% growth due to the unsatisfactory performance of our investments in associates, which reported a 52% year-on-year decrease in contribution."

Strongest Network in Asia

In 2017 1H, Kerry Logistics continued to adhere to the global development strategy of capturing opportunities brought forth by China's Belt and Road initiative. The new subsidiary Globalink Logistics, with operations spanning across Commonwealth of Independent States countries, added 9 countries to Kerry Logistics' global network. They include Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan, Georgia, Armenia, Azerbaijan and Ukraine. Meanwhile, another new member, Lanzhou Pacific Logistics, allows Kerry Logistics to offer multimodal solutions to customers within its global network.

The development of an integral overland transportation network with land-bridge connectivity demonstrates Kerry Logistics' commitment to providing new options and cost-efficient solutions to customers.

IL Maintains Stable Growth

The IL division delivered an 11% growth in segment profit in 2017 1H. The overall performance in Greater China remained flat. In Hong Kong, the logistics business delivered continued growth as it benefitted from contribution through new business and customer wins, while the warehousing business maintained growth after a change in client mix despite rental pressure. Weak performance of some of the key accounts in Mainland China adversely affected the Group's business performance. Although the increased operating cost under the new labour law added pressure on 1H earnings, Taiwan's performance is expected to improve in 2017.

The overall IL business in Asia remained strong in 2017 1H, driven by the enhancement of the Group's service capabilities in ASEAN.

IFF Sustains Significant Growth

The IFF division continued to achieve significant growth in 2017 1H, fuelled by the substantial contribution by APEX in the US. As a result of the alliance shuffle, carrier consolidation and reduction in capacity, freight rates increased in 2017 1H, causing the profit margin of the IFF business to narrow, despite an increase in volume. In Europe, the acquisition of Tuvia Italia S.p.A and the launch of the new sales office in Poland further strengthened the Group's global IFF sales and operations network.

Asset Portfolio Expansion

All projects in the pipeline progressed as planned. In Thailand, phase four expansion of Kerry Siam Seaport is expected to complete in 2018. Construction of three logistics facilities in Shanghai and Wuxi, Mainland China, and Phnom Penh, Cambodia were completed in 2017 1H. Inland ports in Yangon and Mandalay, Myanmar, together with three other facilities in Changsha and Wuhan, Mainland China, and Guanyin, Taiwan are under construction.

Asset Optimisation

In March 2017, the Group entered into a share purchase agreement to divest its entire 15% interest in Asia Airfreight Terminal Company Limited to Holistic Capital Investment Limited, a subsidiary of Hong Kong Airlines Limited. The completion of the transaction is subject to certain conditions precedent which, the Directors believe, will be satisfied in 2017 Q3. Going forward, the Group will continue to consider divesting non-core assets and businesses.

George Yeo, Chairman of Kerry Logistics, concluded, "The Group continues to see China's Belt and Road initiative as a major opportunity to expand our network and to drive growth in long-term profitability across Asia. The new acquisitions made in 2017 1H added important components to our strategic plan to become the pre-eminent logistics service provider for the new overland and maritime Silk Roads. We are increasing our capabilities in e-commerce and cross-border logistics in Asia. In 2017 Q2, we formed a joint venture with a local express operator in Indonesia to tap into the booming market there. Singapore will be our next target for expansion. With Q2 performance much better than Q1, we expect the momentum of recovery for the rest of 2017 to be positive."

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About Kerry Logistics Network Limited (Stock Code 636.HK)

Kerry Logistics is an Asia-based, global 3PL with the strongest network in Asia. Its core competency is providing highly customised solutions to multinational corporations and international brands to enhance their supply chain efficiency, reduce overall costs and improve response time to market. It currently has more than 1,000 service points in 51 countries and territories, and is managing 48 million sq ft of land and logistics facilities worldwide, providing customers with high reliability and flexibility to support their expansion and long-term growth. Kerry Logistics Network Limited is listed on the Main Board of the Hong Kong Stock Exchange and is a selected Member of the Hang Seng Corporate Sustainability Index Series 2016-2017.