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

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

Stock Code 636

INSIDE INFORMATION

PROFIT WARNING AND UPDATE ON OPERATING RESULTS

This announcement is made by Kerry Logistics Network Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to provide shareholders and potential investors of the Company with an update on the financial performance of the Group.

As stated in the annual report of the Company for 2022, the global economy is poised to experience a deeper slowdown in 2023 with greater market volatility, uncertainties and risks. War, geopolitics, inflation and overcapacity, coupled with workforce transformation and new policies and regulations, will continue to drive reconfiguration, reshoring and digitalisation in the global supply chain. Hence, the Board expects to see a considerable disparity between its financial performance in 2023 and that in the previous year. For the six months ended 30 June 2022, the Group recorded unaudited core net profit of HK\$2,372 million. However, based on the unaudited consolidated management accounts of the Group for the five months ended 31 May 2023 (the “**Period**”), the Group recorded core net profit of approximately HK\$290 million.

During the three years ended 31 December 2022, the Group’s flexible and innovative supply chain solutions enabled it to benefit from the supply and demand mismatch during the pandemic, achieving exceptionally good results. However, since the third quarter of 2022, operation and business performance started to normalise and gradually reverted to the pre-COVID level. The drop in profit for the Period was mainly attributable to the decline in profit from the International Freight Forwarding (“**IFF**”) segment due principally to a dramatic and near-unprecedented plunge in global freight prices. The segment profit contributed by the Integrated Logistics (“**IL**”) division remained stable, whilst the performance of Kerry Express (Thailand) Public Company Limited (“**KETH**”), a major component of the E-commerce & Express segment (“**E&E segment**”), continued to record losses. The rebound in freight rates is expected to remain slow in the third quarter of 2023, posing continuous challenges to the freight forwarding industry. The core net profit of the Group for the Period as compared with that for the pre-COVID five months ended 31 May 2019 recorded a CAGR of around 8%.

Notwithstanding the above, the Board considers that the Company's overall financial position remains healthy.

Looking ahead, the Board is of the view that the Company's overall performance has bottomed out in the first quarter of 2023 and is expected to gradually improve in the second half of 2023. As operation and business performance has returned to the pre-COVID level, the Company is confident that for the year ending 31 December 2023, the segment profit from the IL division will record a single-digit CAGR whereas the segment profit from the IFF division will record a low double-digit CAGR, in each case, as compared with the segment contributions for the year ended 31 December 2019. Within the E&E segment, KETH is expected to return to profitability within 2024.

The above information is based solely on preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group for the Period, which have not been audited or reviewed by the Company's auditor and may be subject to adjustment and modification during the preparation of the Group's consolidated financial statements. The interim financial reporting period for the Group ending 30 June 2023 has not yet ended and accordingly, the actual results of the Group for such period may differ from the information contained in this announcement. The Shareholders and potential investors of the Company should refer to the Group's interim results announcement for the six months ending 30 June 2023, which is expected to be published by end of August 2023, for details of the performance of the Group.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Kerry Logistics Network Limited
LEE Pui Nee
Company Secretary

Hong Kong, 28 June 2023

As at the date of this announcement, the Directors of the Company are:

Chairman, Non-executive Director:
Mr WANG Wei

Vice Chairman, Non-executive Director:
Mr KUOK Khoon Hua

Executive Directors:
Mr CHEUNG Ping Chuen Vicky and Mr Cheng Chi Wai

Non-executive Directors:
Mr CHAN Fei, Mr HO Chit and Ms CHEN Keren

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

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.kln.com).