

# LOGISTICS



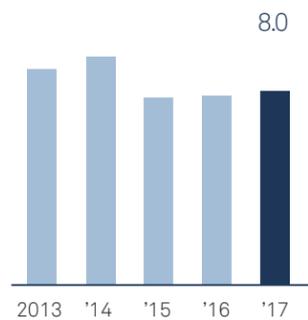
# BUSINESS REVIEW

## LOGISTICS



### THROUGHPUT (ATTRIBUTABLE TOTAL)

(Million TEUs)



The logistics segment, comprising Modern Terminals (“MTL”) and Hong Kong Air Cargo Terminals (“HACTL”), constitutes a steady source of cash flow for the Group. Segment revenue increased by 3% to HK\$2,817 million and operating profit dropped by 7% to HK\$667 million. It is anticipated the segment will benefit from the tremendous potential presented by the bold integration of the Greater Bay Area.

### MODERN TERMINALS

Against the backdrop of steady recovery in world trade, container throughput in South China increased by 6% while Shenzhen’s and Kwai Tsing’s throughput increased by 5% and 7% respectively. Market shares of Shenzhen and Kwai Tsing were 60% and 40% respectively.

### MODERN TERMINALS BUSINESS ASSETS

As at 31 December	2017 HK\$ Million	2016 HK\$ Million	Change
Fixed Assets	11,505	11,134	+3%
Interest in associates/joint ventures	3,742	4,995	-25%
Goodwill	297	297	–
Other Assets	321	301	+7%
Total Business Assets	15,865	16,727	-5%

Throughput handled by MTL in Hong Kong grew by 12% to 5.2 million TEUs. In Shenzhen, throughput at Dachan Bay remained flat at 1.3 million TEUs, mainly due to new carrier alliance deployments, while Shekou Container Terminals (MTL’s stake 20%) reported 4% growth to 5.3 million TEUs and Chiwan Container Terminal (MTL’s stake 8%) handled 2.2 million TEUs.

Consolidated revenue improved to HK\$2,703 million (2016: HK\$2,635 million), driven by the volume increase in Hong Kong. Operating profit decreased to HK\$649 million (2016: HK\$710 million) largely due to changes in business mix. MTL’s remaining indirect equity interest in Taicang container port was sold in 2017.

Re-alignment of global shipping alliances and accelerating deployment of larger vessels are putting immense structural pressure on terminal operators and weakened their commercial and financial positions. Both operating cashflow and capital expenditures will come under pressure. In addition, geopolitical uncertainties loom large and a potential all-out trade war might ensue. MTL will take all necessary action to defend.

### HONG KONG AIR CARGO TERMINALS

HACTL, a 20.8% associate of the Group, is a leading air cargo terminal operator in Hong Kong with four decades of operational experience. With its unique world-class facilities, highly efficient operation and innovative technology, HACTL has the capacity to handle cargo for up to 3.5 million tonnes per year and is committed to playing an integral role in the logistics business in Hong Kong and the Pearl River Delta. It handled 1.8 million tonnes in 2017.