AUTOMOTIVE ROUNDTABLE

[LOGISTICS DEVELOPMENT FOR CHINA AUTO INDUSTRY]

Presented by: Iris Lai
CONTENTS

01 Auto Industry Outlook

02 Automotive Logistics New Trends

03 Kerry Auto Logistics Introduction
01

Auto Industry Outlook
Slow Increase In Production and Sales
China Automobile Industry

[RECORD] CHINA AUTOMOBILE INDUSTRY

PRODUCED VEHICLES

24.50
Million Vehicles produced in 2015

VEHICLES PRODUCED YOY

3.3%

SOLD VEHICLES

24.60
Million Vehicles sold in 2015

VEHICLES SOLD YOY

4.7%

HIGHLIGHTS in 2015

15.3%
Growth of Chinese Brands

52.4%
Growth of SUVs

[MARKET] CHANCEs and CHALLENGEs

TOP 9 SALES INCREASED OEMs in 2015

OFFICIAL PRICE REDUCTION
Companies: 11+
Cover Types: 100+

NEW TECHNOLOGY
Internet Car
Self-driving Car

CHALLENGES in 2015

RECALLED 226 times / year
RELATED TO 5.55 million units

Source: China Association of Automobile Manufacturers
[ RECORD ] CHINA VEHICLES’ IMPORT & EXPORT

VEHICLES IMPORTED

1.10 Million Vehicles Imported in 2015

VEHICLES EXPORTED

0.76 Million Vehicles Exported in 2015

Parallel Imported Vehicles

10.5% of Imported Vehicles in 2015

[ MARKET ] DECREASE AND INVENTORY ALERT

VEHICLES IMPORT YOY

- 2 4 %

VEHICLES EXPORT YOY

- 2 0 %

Source: China Association of Automobile Manufacturers
2015, China accounts 64% of global new energy cars sales.

New energy cars promotions are developing in many cities including purchase allowance policies and no car plate licence control.
[RECORD] CHINA NEW ENERGY VEHICLES

PRODUCED PLUG-IN (Thousand)

85.84

Produced in 2015

NATIONAL GOAL: PLUG-IN/PURE EVs (by 2020)

2,000,000

The target is production of 2 million units and accumulated sales of 5 million units.

PRODUCED EVs (Thousand)

254.63

Produced in 2015

[MARKET] DEVELOPMENT of CHINA NEW ENERGY VEHICLES

ELECTRICITY MIX

- Coal: 71%
- Oil: 19%
- Hydro: 6%
- Natural: 3%
- Other Renewables: 0.20%

PRODUCED PLUG-IN/PURE EVs (in 2015)

- PLUG-IN HYBRID
  - Buses: 23,230
  - Passenger Vehicles: 62,608

- BATTERY EV
  - Buses: 102,461
  - Passenger Vehicles: 152,172

NATIONAL GOAL: CHARGING EQUIPMENTS (by 2020)

- 12,000 POWER STATIONs
- 4,800,000 CHARGING-PILES

Source: China Association of Automobile Manufacturers
Slowly Increase In Production and Sales

Continuous Boom in New Energy Vehicle

- 2015, China accounts 64% of global new energy cars sales.
- New energy cars promotions are developing in many cities including purchase allowance policies and no driving controls.

Increase Demand in After Sale Spare Parts

- Spare parts e-commerce stores increase
- Car DIY maintenance demand increase
## CHINA AUTOMOTIVE INDUSTRY

### RECORD

<table>
<thead>
<tr>
<th>NO. of SPARE PARTS COMPANY</th>
<th>REVENUE (Billion)</th>
<th>YOY GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,090</td>
<td>3211.7</td>
<td>8.29%</td>
</tr>
</tbody>
</table>

### PROFIT (Billion)

| 2 | 4 | 6 | 4 |

### PROFIT YOY GROWTH

| 1 | 3 | 4 | % |

### MARKET

#### HIGHLY POLARISED STRUCTURE

<table>
<thead>
<tr>
<th>Value Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECU</td>
</tr>
<tr>
<td>ABS</td>
</tr>
<tr>
<td>Head-lamps</td>
</tr>
<tr>
<td>Alternators</td>
</tr>
<tr>
<td>Air conditioning</td>
</tr>
<tr>
<td>Wiring</td>
</tr>
<tr>
<td>Brakes</td>
</tr>
<tr>
<td>Gearbox/Steering</td>
</tr>
<tr>
<td>AC Compressor</td>
</tr>
<tr>
<td>Suspension</td>
</tr>
<tr>
<td>Motor</td>
</tr>
<tr>
<td>Switch</td>
</tr>
<tr>
<td>Instrument Cluster</td>
</tr>
<tr>
<td>Manpower/Resource</td>
</tr>
</tbody>
</table>

Source: China Association of Automobile Manufacturers
Slowly Increase In Production and Sales

Continuous Boom in New Energy Vehicle
- 2015, China accounts 64% of global new energy cars sales.
- New energy cars promotions are developing in many cities including purchase allowance policies and no driving controls.

Increase Demand in After Sale Spare Parts
- Spare parts e-commerce stores increase
- Car DIY maintenance demand increase

Local Assembly
- More brands begin to locally produce and assemble such as Dongfeng Infinity, Dongfeng Renault and Guangzhou Auto Acura.

Local Cars Exportation Increase
- Domestic brands export growth:
  - BYD, GreatWall, Geely
- Main Destinations:
  - Africa, Australia, India, South America, Mexico

Spare Parts Positive Production
- More new plants of spare parts producers like BOSCH, Brose, ZF go live or in construction in China.
02

Automotive Logistics
New Trends
Transport Modes for Domestic Distribution

**LTL to Express**
- For some small size parcel with high lead-time requirement

**Multi-modal Transportation**
- Some traditional land long-haul transportation becoming a mixed transportation combining land, river and railway.
New Plants set in South East Asia
- Cheaper land cost
- Cheaper labor cost

New movement of logistics flow
- Raw Materials to South East Asia
- Semi-finished products

New type of logistic solution
- International Cross boundaries Road Transportation
- ¼ air freight cost and mush faster than sea shipping
From Sea Freight to International Railway Transport

**YUXINOU Railway**

- Total Distance: 11,179 km
- Total Runtime: 16 days
- Shanghai / Guangzhou / Shenzhen can pick up empty container at the Local dock

**Chengdu – Lodz Railway**

- Total Distance: Chengdu – Alataw Pass 3,511 km – Lodz 9,826 km
- Shipment are possible:
  - By 40ft container/pallet/box

**Why Choose**

- **Min 12 Days**
- **Max 14 Days**
- **Min 1 Days**
- **Max 2 Days**

- Fast and Economical
  - 1/3 time of Ocean Transport
  - 1/4 Air Freight

- Regular Scheduled Trains
  - 2013, 2014: one train every Fri
  - 2014, 2015: two trains return per week

- Fast Clearance
  - Non-stop customs transshipment

- Quality service
  - FCL/LCL service, openly operating
  - Advanced IT system

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- Outsourcing of In-plant DC/VMI Hub & RDC operation
- Central Logistic Procurement for Spare Parts Suppliers
- E-Fulfillment needs regarding OTO Business Model
- Logistic Information Visibility
03

Kerry Auto Logistics

Introduction
Hub-and-Spoke Distribution Network

**Long-haul Cross-Province ➔ Cross-Region ➔ In-City Delivery ➔ Final Client Delivery**

<table>
<thead>
<tr>
<th>Region</th>
<th>Stable service network*</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>988</td>
<td>92%</td>
</tr>
<tr>
<td>East</td>
<td>443</td>
<td>99%</td>
</tr>
<tr>
<td>South</td>
<td>428</td>
<td>96%</td>
</tr>
<tr>
<td>West</td>
<td>810</td>
<td>91%</td>
</tr>
<tr>
<td>Total</td>
<td>2,669</td>
<td>93%</td>
</tr>
</tbody>
</table>

- Door to door service
  - Providing stable service in the national 2900 cities
  - Multiple points’ pickup and delivery
  - Providing forward distribution, reverse delivery and 3rd party logistics on national basis
- Standard or time definite fulfillment
- Cross docking
- Full route track & trace
- Tailor-made VAS
  - Weekend and holiday delivery, Proof-of-Delivery return, piece counting, upstairs delivery and etc.
### Mainland China Warehouse Resources

<table>
<thead>
<tr>
<th>Area</th>
<th>(m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>West</td>
<td>74,332</td>
</tr>
<tr>
<td>North</td>
<td>189,386</td>
</tr>
<tr>
<td>South</td>
<td>166,957</td>
</tr>
<tr>
<td>East</td>
<td>575,995</td>
</tr>
<tr>
<td>Total</td>
<td>1,006,670</td>
</tr>
</tbody>
</table>

- **Self-Owning:** 44%
- **Leased:** 56%

Branch Warehouse (SQM)
Our Vision

- Being market leader in target industries/segments with provision of comprehensive logistic services

Our Products

- Multi-modal domestic transportation services
- Distribution Centers and Cross-docking Hub Operation
- Customs & CIQ clearance inbound into China
- Industrial-specific and customized VAS
- Logistic integration from inbound to last mile distribution

Our Targeted Markets

- Electronics & Tech
- Automotive
- Fashion & Lifestyle
- Food & Beverage
- Pharmaceutical
(1) Purchasing logistics
- Transportation from raw materials or spare parts suppliers to factory/plant.

(2) Production logistics
- Upstream logistics/in-factory logistics

(3) Distribution logistics
- Delivery for after-sale auto spare parts

<table>
<thead>
<tr>
<th>Transportation</th>
<th>Warehousing Services</th>
<th>Import Customs Declaration Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Transportation network</td>
<td>• Equipment and facilities storage</td>
<td>• Professional automotive customs declaration service</td>
</tr>
<tr>
<td>• Domestics milk-run transportation</td>
<td>• Value-added services</td>
<td>• VAS – import certificate application</td>
</tr>
<tr>
<td>• Customized transportation for spare parts</td>
<td>• JIT delivery</td>
<td></td>
</tr>
<tr>
<td>• Oversize item transportation</td>
<td>• VMI warehouse management</td>
<td></td>
</tr>
</tbody>
</table>

Service Scope:
- Transportation
  - Transportation network
  - Domestics milk-run transportation
  - Customized transportation for spare parts
  - JIT delivery
  - Oversize item transportation

- Warehousing Services
  - Equipment and facilities storage
  - Value-added services
  - VMI warehouse management

- Import Customs Declaration Service
  - Professional automotive customs declaration service
  - VAS – import certificate application
Customer Background

A world top and major manufacturer of automotive electric motors

Service Scope

<table>
<thead>
<tr>
<th>Loading Point</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off-loading Point</td>
<td>2</td>
</tr>
</tbody>
</table>

- Inbound Logistics — Covering 25 nationwide suppliers and 2 plants;
- Transportation Model: Barge, LTL, FTL;
Customer Background

A world top and major manufacturer of automotive rolling element bearing

Utilizing Kerry’s Pan-China main routes network covering over 200 spots
Showcase 2 – Spare Parts to OEM

FTL

Customer → Picking & Loading → Main routes transport → OEM

LTL (For emergency order)

Customer → Picking & Loading → Transfer → Kunshan HUB → Loading → Main Routes Transport → Destination HUB → Transfer → OEM → Dealers

Information Feedback


Customer Information Flow

Kerry Information Flow

Logistic Flow

Customer

Picking & Loading

Transfer

Kunshan HUB

Loading

Main Routes Transport

Destination HUB

Transfer

OEM

Dealers
Customer Background

RDC tire warehouse management

for world famous Germany automotive parts manufacturing company (Brake system, vehicle electronics, tire, rubber and plastic product.)

Tianjin Tire RDC management

- Start: Jul, 2012
- Warehouse area: 4,500 SQM
- Max inventory: 80,000pcs
- Service: inbound/outbound, inventory management, labeling and etc.
- System management: WAMOS (owned by customer)

Tire logistic solution

- KSP (Pallet Rack)
- Customized storage & transportation plan according inventory size and quantity
  - large size – erect
  - small size – interlaced

Auto Electronics Lianyungang & Ningbo WH management

- Location: Lianyungang & Cixi
- Warehouse area in total: 4,000 SQM
- Delivery volume: 1,000pcs/day
- Service: inbound/outbound, inventory management, order management, packing, labeling and domestic transportation
- Inventory management: Kerrier WMS
Showcase 4 – VMI Warehousing

Customer Background
Raw material warehouse of precision manufacturing industry for a joint venture by Bosch and Automobile Electronics Co., Ltd

- VMI Inventory management: 2800M²
- Domestic RDC from Wuxi (land carriage/air)
- Turnover appliance reverse logistics from Shanghai to Wuxi
- VAS: Baling, scanning, labeling, packaging etc.
- Milk Run transportation from Shanghai to Wuxi warehouse
- JIT Delivery from warehouse to factory
- Service time: 365 days X 24hrs
Customer Background

Vehicle Transportation and Exhibition Logistic for a world top German automotive brand.

Stage & Tent Building, Warehousing

Audio & Video equipment preparation
Concierge staff and guest invited

Exhibition vision effect designing

Vehicles & Equipment logistics

Disassembling & recycling equipment
Showcase 6 – Vehicle Warehouse Business

- **Warehouse location**
  - Located on the northeast of Beijing
  - Outer 6 ring road-
  - No access restriction for trucks / trailers throughout the day
  - 30 minutes’ drive to downtown
  - 15 minutes’ drive to Capital International Airport

- **Capacity**
  - Completely Enclosed Warehouse
  - Total Area: about 7700 square meters
  - Park Area: at least hold 300 cars

- **Our Experience**
  - Our operators have full experiences of IQS.
  - We handle the G12 BJ VDC operation.
  - We make a full set of SOP.
  - We can feedback daily report of every vehicle.
  - We update our own warehouse operation record in real-time.
Customer Background

A Well-known Domestic Automotive Manufacturer in Hefei, Since 2011

- 20,000+ m² VMI warehouse
- 150+ suppliers
- 2.5 km distance to JAC plant
- 20 minutes response time
- 4 production lines served

China Domestic suppliers

With Kerry's logistic service:

- Reducing replenishment operators and facilities;
- Lower shutdown loss, higher service quality;
- Delimit responsibility of logistic and production.

Single/ double wing opening van utilization
Standardized small size material containers utilization
assembly packaging operation line, parts repacking, sorting and sequencing