



Mainfreight Road to China

- Mainfreight was established in 1978 – New Zealand domestic transportation
- We entered Australia in 1989 – primarily in domestic transport
- 1997 – acquired international freight company in Australia with strong Asian trading links
- 1998 – established joint venture with our Hong Kong/China agent (40%)
- 2000 – established JV operation in Shanghai, our first step into the Mainland.

Rationale

- Our Australasian customer base predominantly bought on an FOB basis
- Being present in the China market allowed us to influence freight flow from China to New Zealand and Australia
- We recognized the significance of China as an important future trading partner with New Zealand





Between 1997 and 2007

- Growth was slow and deliberate
- Majority of trade was exports from China to New Zealand and Australia
- Over this time we gradually increased ownership of the business to 52%
- Introduced Mainfreight culture and financial reporting disciplines







2007 to Present

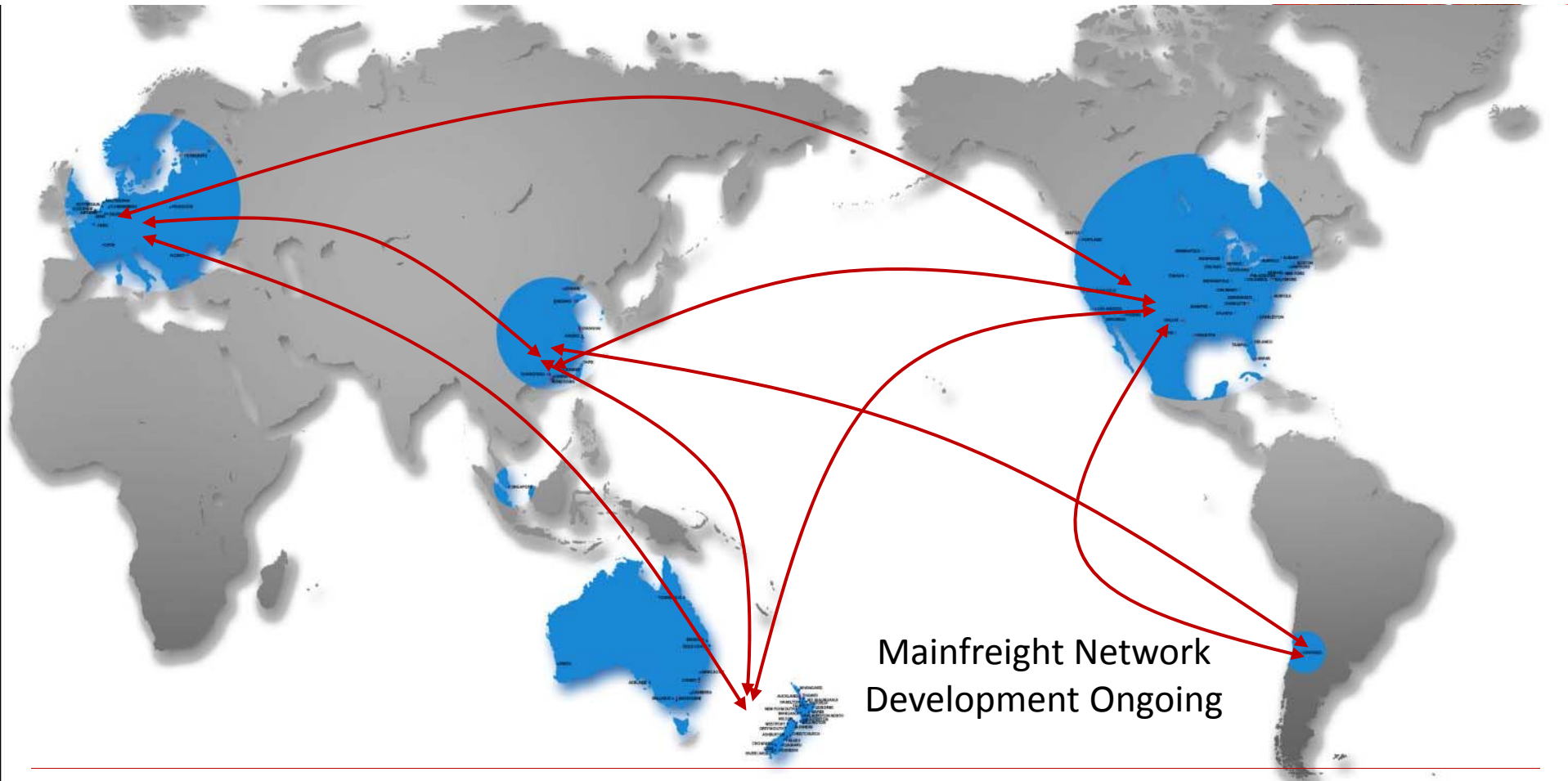
- In 2007 took over full ownership of the business (and had also established ourselves in USA)
- Full ownership provided opportunity to:
 - Grow more quickly
 - Trade with our other country locations; China/USA has become largest international trade lane
 - Establish our IT infrastructure
- Expanded our branch network; currently
 - 8 in PRC
 - 1 in Hong Kong
 - 1 in Taiwan
 - 1 in Singapore
 - 1 in Thailand
- Total of 210 people





Location & Structure

- Branch network followed simple logistics rules
- River networks of the Pearl River in the South (Shenzhen, Guangzhou, Hong Kong) and the Yangtze (Shanghai, Ningbo)
- Then tier one coastal cities (Xiamen, Tianjin, Qingdao)
- Now moving to New Frontier cities, some inland (Chengdu, Wuhan)
- Focus on cities which provide air and sea hubs to most global markets



Mainfreight Network
Development Ongoing



- Our China operations now trade inbound and outbound with USA / New Zealand and Australia / Europe / South America & South Africa
- China & Asia form an important link in our global platform
- Minimised the number of foreigners in our business to develop a **strong local team and improve local Asia knowledge**
- We now have a better understanding of doing business in China
- Have understood the country is driven commercially from a local/provincial base not a centralised base
- An all China solution for Logistics continues to require significant investment
- We view China as a long-term project but are desirous of stronger growth in the short term





**A
New Zealand Company
In
China**



Our Team in China would say:

- Essentials for success are:
 - Preparation – don't rely on past experience to other regions
 - Presence – successful companies are those who have a presence all the time, or are committed to sustained visits
 - Partners – choose carefully and maintain communication
 - Product/brand – ensure these fit the market, be selective in your approach.
 - Detail – understand regulations, documentation etc



We say:

- Takes commitment and courage
- Time, effort and respect
- It's not like home
- Political, social, law & order, geographical issues, language, customs and culture need consideration & respect
- We focus on organic growth vs acquisition growth – J Vs can sometimes be better initially
- Learn / listen / build trust / demand trust



What we could have done better:

- Deliberate choice to grow our China business organically has slowed our pace of growth, but reduced the risks that come with acquisitions
- Did not grow in-country sales well enough and relied on freight nominations from other markets. This is now changing as China's domestic economic model gains momentum
- Did not focus on a growing import market, again this is now a focus for our activities in China
- European acquisition was made to assist growth of our China business, in both exports and imports to/from this region





In Summary



What's Next?

- Building our presence in Southeast Asia to intensify our network and **develop intra-Asia trade**
- Expand range of services in China to incorporate 3PL logistics and customs brokerage
- Expect to grow our China/Asia to Europe trade lane as we did with the China to USA trade
- These trades long-term will far outweigh China/NZ/China in volume, revenue and profitability. They will however provide valuable offshore revenue and profit for our New Zealand-listed parent company





- We see an exciting and challenging future.
- Being established within the Chinese economy provides many more opportunities than just as an export market
- We are passionate about remaining New Zealand owned, operated and listed
- We are serious about creating a global logistics business located in every major trading nation of the world
- Thank you for your time, and your interest





THANK YOU !
谢谢!

