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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

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2021, together with comparative figures for the year ended 31 December 2020.

GROUP'S FINANCIAL HIGHLIGHTS

- Revenue (including revenue generated from discontinued operations) increased by 53% to HK\$81,771 million (2020: HK\$53,361 million)
- Core operating profit increased by 88% to HK\$6,229 million (2020: HK\$3,320 million)
- Core net profit increased by 102% to HK\$3,692 million (2020: HK\$1,828 million)
- Profit attributable to the Shareholders was HK\$7,939 million (2020: HK\$2,896 million), which represents a year-on-year growth of 174%
- IL business recorded a segment profit of HK\$1,868 million (2020: HK\$2,642 million), which represents a decrease of 29%, partly due to the disposal of the Group's Hong Kong Warehouse and the Taiwan businesses during the year
- IFF business recorded a segment profit of HK\$4,860 million (2020: HK\$993 million), which represents a growth of 389%
- Proposed final dividend of 50 HK cents per Share, to be payable on Wednesday, 8 June 2022

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2021 HK\$'000	2020 HK\$'000 (restated)
Continuing operations			
Revenue	2	78,954,724	49,617,150
Direct operating expenses	4	(69,950,781)	(44,987,548)
Gross profit		9,003,943	4,629,602
Other income and net (losses)/gains	3	(18,805)	229,412
Administrative expenses	4	(3,626,933)	(2,633,918)
Operating profit before fair value change of investment properties		5,358,205	2,225,096
Change in fair value of investment properties		298,850	7,454
Operating profit		5,657,055	2,232,550
Finance expenses	5	(250,756)	(250,624)
Share of results of associates and joint ventures		157,958	118,843
Profit before taxation		5,564,257	2,100,769
Taxation	6	(1,299,167)	(593,004)
Profit for the year from continuing operations		4,265,090	1,507,765
Discontinued operations:			
Profit for the year from discontinued operations	14	4,765,506	1,961,754
Profit for the year		9,030,596	3,469,519
Non-controlling interests		(1,091,943)	(573,762)
Profit for the year attributable to shareholders		7,938,653	2,895,757
Profit attributable to:			
Company's shareholders			
From continuing operations		3,308,813	1,160,059
From discontinued operations		4,629,840	1,735,698
Non-controlling interests		1,091,943	573,762
		9,030,596	3,469,519
Earnings per share from continuing operations	8		
– Basic		HK\$1.84	HK\$0.65
– Diluted		HK\$1.83	HK\$0.65
Earnings per share from discontinued operations			
– Basic		HK\$2.57	HK\$0.98
– Diluted		HK\$2.56	HK\$0.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Profit for the year	9,030,596	3,469,519
Other comprehensive income		
Items that will not be reclassified subsequently to consolidated income statement		
Defined benefit pension plans		
– Actuarial losses	(3,296)	(3,549)
– Deferred income tax	661	2,208
Fair value change on financial assets at fair value through other comprehensive income	7,136	(9,340)
Items that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	(459,218)	665,366
Other comprehensive (loss)/income for the year (net of tax)	(454,717)	654,685
Total comprehensive income for the year	8,575,879	4,124,204
Total comprehensive income attributable to:		
Company's shareholders		
From continuing operations	2,998,913	1,654,005
From discontinued operations	4,567,029	1,742,449
Non-controlling interests	1,009,937	727,750
	8,575,879	4,124,204

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	2021 HK\$'000	2020 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		4,303,119	4,771,897
Investment properties		1,939,636	11,503,215
Property, plant and equipment		7,526,228	11,693,226
Right-of-use assets		4,348,205	4,766,030
Associates and joint ventures		2,281,222	1,970,719
Financial assets at fair value through other comprehensive income		587,337	359,189
Investment in convertible bonds		5,911	5,875
Deferred taxation		155,944	98,476
		21,147,602	35,168,627
Current assets			
Financial assets at fair value through profit or loss		800,068	122,244
Financial assets at fair value through other comprehensive income		17,166	–
Investment in convertible bonds		–	347,507
Inventories		374,775	404,879
Accounts receivable, prepayments and deposits	9	16,662,937	12,358,582
Tax recoverable		63,972	10,205
Amounts due from fellow subsidiaries		3	3,017
Restricted and pledged bank deposits		11,748	14,143
Cash and bank balances		9,084,105	8,470,843
		27,014,774	21,731,420
Current liabilities			
Lease liabilities		1,377,209	1,012,901
Accounts payable, deposits received and accrued charges	10	11,694,873	9,269,189
Amounts due to fellow subsidiaries		–	4,366
Amounts due to related companies		140,842	23,757
Taxation		752,201	435,719
Loan from non-controlling interests		27,703	–
Short-term bank loans and current portion of long-term bank loans	11	3,648,671	3,941,835
Bank overdrafts		199,201	220,865
		17,840,700	14,908,632

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31 December	
		2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Loans from non-controlling interests		205,594	233,654
Long-term bank loans	11	2,261,839	5,069,439
Lease liabilities		2,384,652	3,178,122
Deferred taxation		406,072	744,467
Retirement benefit obligations		50,028	143,419
Other non-current liabilities		176,775	142,379
		5,484,960	9,511,480
ASSETS LESS LIABILITIES		24,836,716	32,479,935
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		903,655	898,600
Share premium and other reserves		4,333,941	4,158,329
Retained profits		15,810,884	22,430,563
		21,048,480	27,487,492
Put options written on non-controlling interests		(4,593)	(4,593)
		21,043,887	27,482,899
Non-controlling interests		3,792,829	4,997,036
TOTAL EQUITY		24,836,716	32,479,935

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, these financial statements also comply with the applicable disclosure provisions of the Listing Rules.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of logistics, freight and warehouse leasing and operations services. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The financial information and the related notes in respect of this results announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor on this results announcement.

Shenzhen Mingde Holding Development Co., Ltd., a private company incorporated in the PRC, is the ultimate holding company.

Pursuant to the conditional offer from S.F. Holding Co., Ltd. ("S.F. Holding") to acquire part of the issued shares of the Company, as part of the transaction, the Group entered into sale agreements with Kerry Holdings Limited ("KHL"), which has sold the entire interest of the Hong Kong warehouse companies ("Hong Kong Warehouses") and the Taiwan business companies ("Taiwan Operation") (together the "Discontinued Operations").

The related financial information of the Discontinued Operations is required under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to be presented separately as discontinued operations of the Group in the consolidated financial statement for the year ended 31 December 2021. Their results for the year are presented separately as one-line item below profit for the year from continuing operations as "discontinued operations" in the consolidated income statement. The comparative figures in the consolidated income statement and the consolidated statement of comprehensive income have been restated to present their operations as "discontinued operations". The comparative figures in consolidated statement of financial position and consolidated statement of cash flow were not re-presented.

Further details of financial information of the discontinued operations are set out in note 14.

(I) ADOPTION OF NEW AMENDMENTS TO EXISTING STANDARDS

The following new amendments to existing standards have been published that are effective for the Group's accounting period beginning on 1 January 2021:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, 'Interest Rate Benchmark Reform – Phase 2'
- Amendments to HKFRS 16, 'Covid-19-Related Rent Concessions'

In the current year, the Group has applied, for the first time, the above new amendments to existing standards issued by the HKICPA. The adoption of the above amendments to existing standards had no material impact on the Group's accounting policies and did not require retrospective adjustments.

(II) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS WHICH ARE NOT YET EFFECTIVE

The following new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2022, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Amendments to HKAS 1, 'Classification of Liabilities as Current or Non-current'	1 January 2022
Amendments to HKAS 16, 'Property, Plant and Equipment: Proceeds before Intended Use'	1 January 2022
Amendments to HKAS 37, 'Onerous Contracts – Cost of Fulfilling a Contract'	1 January 2022
Amendments to HKFRS 3, 'Reference to the Conceptual Framework'	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 17, 'Insurance Contract'	1 January 2023
Amendments to HKFRS 17, 'Insurance Contracts'	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, 'Disclosure of Accounting Policies'	1 January 2023
Amendments to HKAS 8, 'Disclosure of Accounting Estimates'	1 January 2023
Amendments to HKAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	1 January 2023
Amendments to HKAS 28 (2011) and HKFRS 10, 'Sales or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined

The Group will adopt the above new standards and amendments to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group.

2. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

An analysis of the Group's financial results by operating segment and geographical area for the year ended 31 December 2021, together with comparative figures for the year ended 31 December 2020, as reclassified, is as follows:

	For the year ended 31 December									
	Continuing operations				Discontinued Operations		Elimination		Consolidation	
	Integrated logistics		International		2021	2020	2021	2020	2021	2020
	Logistics operations		freight forwarding							
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	
Revenue										
Revenue	19,795,941	17,820,911	59,158,783	31,796,239	2,816,415	3,743,390	-	-	81,771,139	53,360,540
Inter-segment revenue	1,720,493	830,091	18,997,589	8,329,493	463,493	589,394	(21,181,575)	(9,748,978)	-	-
	21,516,434	18,651,002	78,156,372	40,125,732	3,279,908	4,332,784	(21,181,575)	(9,748,978)	81,771,139	53,360,540
Revenue by geographical area:										
Hong Kong	5,901,213	5,185,807	5,849,253	3,374,020	520,383	669,404	(3,265,776)	(2,019,941)	9,005,073	7,209,290
Mainland of China	7,098,102	6,026,436	29,233,302	15,486,690	-	-	(10,153,866)	(4,510,311)	26,177,538	17,002,815
Taiwan	-	-	-	-	2,759,525	3,663,380	(111,102)	(114,831)	2,648,423	3,548,549
Asia	8,380,880	7,316,913	13,138,273	5,966,747	-	-	(6,689,664)	(2,480,150)	14,829,489	10,803,510
Americas	-	-	18,169,112	8,934,107	-	-	(318,841)	(273,129)	17,850,271	8,660,978
EMEA	-	-	10,492,151	5,693,773	-	-	(598,911)	(318,060)	9,893,240	5,375,713
Oceania	136,239	121,846	1,274,281	670,395	-	-	(43,415)	(32,556)	1,367,105	759,685
	21,516,434	18,651,002	78,156,372	40,125,732	3,279,908	4,332,784	(21,181,575)	(9,748,978)	81,771,139	53,360,540
Segment profit by geographical area:										
Hong Kong	518,318	541,123	553,532	230,987	413,763	537,428	-	-	1,485,613	1,309,538
Mainland of China	353,045	265,893	1,606,282	275,656	-	-	-	-	1,959,327	541,549
Taiwan	-	-	-	-	374,835	595,626	-	-	374,835	595,626
Asia	193,827	711,860	739,823	157,910	-	-	-	-	933,650	869,770
Americas	-	-	1,541,551	233,019	-	-	-	-	1,541,551	233,019
EMEA	-	-	298,161	20,336	-	-	-	-	298,161	20,336
Oceania	45,854	12,813	88,807	52,076	-	-	-	-	134,661	64,889
	1,111,044	1,531,689	4,828,156	969,984	788,598	1,133,054	-	-	6,727,798	3,634,727
Less: Unallocated administrative expenses									(499,131)	(432,985)
Add: Net gain from settlement of put option written on non-controlling interests									-	118,000
Core operating profit									6,228,667	3,319,742
Interest income									46,712	38,292
Finance costs									(290,116)	(303,095)
Share of results of associates and joint ventures									158,619	118,164
Profit before taxation*									6,143,882	3,173,103
Taxation*									(1,365,475)	(770,883)
Profit for the year*									4,778,407	2,402,220
Non-controlling interests*									(1,086,600)	(573,778)
Core net profit									3,691,807	1,828,442
Change in fair value of investment properties and investment properties held under discontinued operations									2,268,770	1,069,162
Deferred tax on change in fair value of investment properties									(74,477)	(1,863)
Less: Non-controlling interests' share of after-tax change in fair value of investment properties									(5,343)	16
Gain on disposal of Hong Kong Warehouses and Taiwan Operation									2,187,896	-
Goodwill impairment									(130,000)	-
Profit attributable to the Company's shareholders									7,938,653	2,895,757
Depreciation and amortisation	1,664,312	1,473,224	352,202	338,716	244,681	337,032	-	-	2,261,195	2,148,972

* Excluding the change in fair value of investment properties and investment properties held under discontinued operations and its related deferred tax, gain on disposal of Hong Kong Warehouses and Taiwan Operation, and goodwill impairment

Management has determined the operating segments based on the reports reviewed by the executive directors. The executive directors assess the performance of the three principal activities of the Group in 2020, namely logistics operations, Hong Kong warehouse and international freight forwarding, in each geographical area.

As set out in note 1, the results of the Hong Kong Warehouses and Taiwan Operation for the year are presented under “Discontinued Operations” in the current segmental analysis of operations. The prior period corresponding segment information that is presented for comparative purpose has been restated. Further details of financial information of the discontinued operations are set out in note 14.

Logistics operations segment derives revenue from provision of logistics services, warehouse leasing and sales of goods.

International freight forwarding segment derives revenue primarily from provision of freight forwarding services.

Segment revenue and profit derived from geographical areas are based on the geographical location of the operation.

The executive directors assess the performance of the operating segments by geographical area based on segment profit.

The executive directors also assess the performance of the Group based on core operating profit, which is the profit before taxation excluding interest income, finance costs, share of results of associates and joint ventures, and also core net profit, which is the profit attributable to the Company’s shareholders before the after-tax effect of change in fair value of investment properties, gain on disposal of Hong Kong Warehouses and Taiwan Operation and goodwill impairment.

In the following table, revenue of the Group from contracts with customers is disaggregated by timing of satisfaction of performance obligations. The table also includes a reconciliation to the segment information in respect of revenue of the Group that is disclosed in the operating segment note.

By operating segment	2021				2020			
	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Rental income HK\$'000	Total HK\$'000	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Rental income HK\$'000	Total HK\$'000
Revenue from contracts with customers								
Integrated logistics								
– Logistics operations	1,267,411	18,403,170	125,360	19,795,941	1,421,868	16,272,147	126,896	17,820,911
International freight forwarding	–	59,158,783	–	59,158,783	–	31,796,239	–	31,796,239
Discontinued Operations	7,676	2,669,827	138,912	2,816,415	7,610	3,550,639	185,141	3,743,390
	1,275,087	80,231,780	264,272	81,771,139	1,429,478	51,619,025	312,037	53,360,540

By geographical area	2021				2020			
	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Rental income HK\$'000	Total HK\$'000	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Rental income HK\$'000	Total HK\$'000
Revenue from contracts with customers								
Hong Kong	1,181,080	7,656,001	–	8,837,081	1,394,236	5,620,213	–	7,014,449
Mainland of China	49,024	26,036,409	92,105	26,177,538	2,965	16,895,894	103,956	17,002,815
Asia	37,307	14,758,927	33,255	14,829,489	24,667	10,755,903	22,940	10,803,510
America	–	17,850,271	–	17,850,271	–	8,660,978	–	8,660,978
EMEA	–	9,893,240	–	9,893,240	–	5,375,713	–	5,375,713
Oceania	–	1,367,105	–	1,367,105	–	759,685	–	759,685
Discontinued Operations	7,676	2,669,827	138,912	2,816,415	7,610	3,550,639	185,141	3,743,390
	1,275,087	80,231,780	264,272	81,771,139	1,429,478	51,619,025	312,037	53,360,540

An analysis of the Group's non-current assets by geographical area is as follows:

	Segment non-current assets [#]	
	2021 HK\$'000	2020 HK\$'000
Hong Kong	2,062,027	11,576,408
Mainland of China	7,788,141	6,873,735
Taiwan	–	5,418,544
Asia	8,129,462	8,189,365
Americas	1,055,752	1,016,005
EMEA	1,209,174	1,436,507
Oceania	153,854	194,523
	20,398,410	34,705,087

[#] Other than financial assets at fair value through other comprehensive income, investment in convertible bonds and deferred taxation.

3. OTHER INCOME AND NET (LOSSES)/GAINS

	2021 HK\$'000	2020 HK\$'000 (restated)
Continuing operations		
Interest income from banks	43,724	34,150
Interest income from associates	2,820	3,602
Interest income from convertible bonds	2,416	14,779
Gain/(loss) on disposal of property, plant and equipment	29,179	(8,196)
Loss on disposal of associates	(29)	(1,314)
(Loss)/gain on disposal of subsidiaries	(22,062)	68,391
Fair value change of financial assets at fair value through profit or loss	54,497	–
Gain on disposal of right-of-use assets	650	–
Goodwill impairment	(130,000)	–
Net gain from settlement of put options written on non-controlling interest (note)	–	118,000
	(18,805)	229,412

Note:

On 31 March 2020, the Group has completed the acquisition of the remaining 49% of Apex, with the consideration of US\$176,132,511 (approximately HK\$1,372,432,000), which was settled by cash of approximately HK\$409,555,000 and the Company's shares of 76,445,430 at HK\$12.58 each. The net gain was resulted from the settlement of put options liabilities with equity instruments issued and measured at fair value.

4. EXPENSES BY NATURE

Expenses included in direct operating expenses and administrative expenses are analysed as follows:

	2021 HK\$'000	2020 HK\$'000 (restated)
Continuing operations		
Auditors' remuneration	42,792	29,268
Business tax and other taxes	23,327	11,096
Cost of goods sold	1,050,617	1,206,440
Freight and transportation costs	61,660,586	38,286,427
Depreciation of property, plant and equipment	737,508	681,319
Depreciation of right-of-use assets	1,140,800	997,332
Amortisation of intangible assets	138,206	133,289
Provision for impairment of receivables	108,283	98,805
Reversal of provision for impairment of receivables	(1,270)	(6,316)
Rental expenses on land and buildings	245,928	257,138
Employee benefit expenses (note)	7,428,200	5,017,751

Note:

Government grants amounting to HK\$11,281,000 (2020: HK\$157,512,000) have been recognised and deducted in employee benefit expenses for the year ended 31 December 2021.

5. FINANCE EXPENSES

	2021 HK\$'000	2020 HK\$'000 (restated)
Continuing operations		
Interest expenses on bank loans and overdrafts	134,821	155,855
Interest expenses on lease liabilities	115,935	94,769
	<u>250,756</u>	<u>250,624</u>

6. TAXATION

	2021 HK\$'000	2020 HK\$'000 (restated)
Continuing operations		
Hong Kong profits tax		
– Current	301,000	130,170
– (Over)/under provision in prior years	(18,808)	2,742
– Deferred	33	6,904
	<u>282,225</u>	<u>139,816</u>
PRC taxation		
– Current	240,004	128,651
– Under provision in prior years	8,166	1,376
– Deferred	68,001	9,854
	<u>316,171</u>	<u>139,881</u>
Overseas taxation		
– Current	794,632	295,698
– Over provision in prior years and tax refunds (note)	(136,975)	(31,918)
– Deferred	43,114	49,527
	<u>700,771</u>	<u>313,307</u>
	<u>1,299,167</u>	<u>593,004</u>

Note:

In March 2020, US passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES ACT”) which allows a five-year carryback of federal net operating losses generated in the tax years beginning in 2018, 2019 and 2020, and received a refund claim of approximately US\$12,000,000 (approximately HK\$93,000,000) in 2021.

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) for the year ended 31 December 2021 on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC ENTERPRISE INCOME TAX

PRC enterprise income tax has been provided at the rate of 25% (2020: 25%) on the estimated assessable profit for the year.

WITHHOLDING TAX ON DISTRIBUTED/UNDISTRIBUTED PROFITS

Withholding tax in the Group's subsidiaries, associates and joint ventures is levied on profit distribution upon declaration/remittance and in respect of the undistributed earnings for the year at the rates of taxation prevailing in the PRC and overseas countries.

The Group's share of associates' and joint ventures' taxation for the year ended 31 December 2021 is HK\$25,495,000 (2020: HK\$42,562,000) and included in the share of results of associates and joint ventures in the consolidated income statement.

7. DIVIDENDS

A final dividend in respect of the year ended 31 December 2021 of 50 HK cents per share, amounting to a total dividend of HK\$903,655,000, is to be proposed at the annual general meeting on Monday, 23 May 2022. These financial statements do not reflect this dividend payable.

	2021 HK\$'000	2020 HK\$'000
Interim dividend paid of 21.1 HK cents (2020: 11 HK cents) per ordinary share	381,341	197,126
Special dividend paid of 728 HK cents (2020: 13.8 HK cents) per ordinary share	13,157,178	248,014
Proposed final dividend of 50 HK cents (2020: 23.8 HK cents) per ordinary share	903,655	427,734
	14,442,174	872,874

8. EARNINGS PER SHARE

BASIC

Basic earnings per share is calculated by dividing the profit attributable to the Company's shareholders from continuing operations and discontinued operations by the adjusted weighted average number of ordinary shares in issue during the year.

	2021	2020 (restated)
Adjusted weighted average number of ordinary shares in issue	1,803,147,927	1,775,280,157
Profit attributable to the Company's shareholders (HK\$'000)		
From continuing operations	3,308,813	1,160,059
From discontinued operation	4,629,840	1,735,698
Basic earnings per share (HK\$)		
From continuing operations	1.84	0.65
From discontinued operation	2.57	0.98

DILUTED

Diluted earnings per share is calculated by the profit attributable to the Company's shareholders from continuing operations and discontinued operations by the weighted average number of shares outstanding for the effects of all dilutive potential shares.

	2021	2020 (restated)
Adjusted weighted average number of ordinary shares in issue	1,803,147,927	1,775,280,157
Adjustment for share options	2,840,424	3,777,583
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,805,988,351	1,779,057,740
Profit attributable to the Company's shareholders (HK\$'000)		
From continuing operations	3,308,813	1,160,059
From discontinued operation	4,629,840	1,735,698
Diluted earnings per share (HK\$)		
From continued operations	1.83	0.65
From discontinued operation	2.56	0.98

9. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

Included in accounts receivable, prepayments and deposits are trade receivables. The Group has various credit policies for different business operations depending on the requirements of the markets and businesses. The ageing analysis of accounts receivables based on the date of the invoice and net of provision for impairment is as follows:

	2021 HK\$'000	2020 HK\$'000
Below 1 month	7,654,779	6,357,161
Between 1 month and 3 months	4,332,734	2,875,869
Over 3 months	859,476	598,132
Total accounts receivables, net	12,846,989	9,831,162
Prepayments, deposits and other receivables	3,815,948	2,527,420
	16,662,937	12,358,582

10. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

The ageing analysis of accounts payables based on the date of the invoice is as follows:

	2021 HK\$'000	2020 HK\$'000
Below 1 month	3,605,375	3,377,540
Between 1 month and 3 months	1,558,885	1,028,065
Over 3 months	1,110,650	657,200
Total accounts payables	6,274,910	5,062,805
Deposits received, accrued charges and other payables	5,419,963	4,206,384
	11,694,873	9,269,189

11. BANK LOANS

	2021 HK\$'000	2020 HK\$'000
Non-current		
– unsecured	2,231,081	4,329,402
– secured	30,758	740,037
	2,261,839	5,069,439
Current		
– unsecured	3,436,366	3,848,685
– secured	212,305	93,150
	3,648,671	3,941,835
Total bank loans	5,910,510	9,011,274

As at 31 December 2021, the Group's bank loans were repayable as follows:

	2021 HK\$'000	2020 HK\$'000
Within 1 year	3,648,671	3,941,835
Between 1 and 2 years	131,619	2,566,987
Between 3 and 5 years	2,130,220	2,502,452
	5,910,510	9,011,274

12. COMMITMENTS

At 31 December 2021, the Group had capital commitments in respect of property, plant and equipment and acquisition of subsidiaries not provided for in these consolidated financial statements as follows:

	2021 HK\$'000	2020 HK\$'000
Contracted but not provided for	1,428,165	823,367

13. PLEDGE OF ASSETS

At 31 December 2021, the Group's total bank loans of HK\$5,910,510,000 (2020: HK\$9,011,274,000) included an aggregate amount of HK\$243,063,000 (2020: HK\$833,187,000) which is secured. The Group's total bank overdrafts of HK\$199,201,000 (2020: HK\$220,865,000) included an aggregate amount of HK\$45,791,000 (2020: HK\$26,969,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (i) legal charges over certain investment properties, leasehold land and land use rights, freehold land and buildings, warehouse and logistics centres and port facilities with an aggregate net book value of HK\$1,303,673,000 (2020: HK\$2,656,318,000);
- (ii) assignments of insurance proceeds of certain properties; and
- (iii) certain balances of restricted and pledged deposits.

14. DISCONTINUED OPERATIONS

Pursuant to the conditional offer from S.F. Holding to acquire part of the issued shares of the Company, as part of the transaction, the Group entered into sale agreements with KHL, which has sold the entire interest of the Hong Kong Warehouses and Taiwan Operation. The results of the Hong Kong Warehouses and Taiwan Operation together with the gain on disposal are accounted for as discontinued operations under HKFRS 5 "Non-current assets held for sale and discontinued operations". Analysis of the results relating to the Discontinued Operations is presented below.

	2021 HK\$'000	2020 HK\$'000
Revenue	2,816,415	3,743,390
Direct operating expenses	(1,714,970)	(2,199,990)
Other gains	7,575	28,161
Administrative expenses	(321,846)	(438,623)
Change in fair value of investment properties	1,969,920	1,061,708
Finance expenses	(39,360)	(52,471)
Share of results of associated companies	661	(679)
Profit before taxation	2,718,395	2,141,496
Taxation	(140,785)	(179,742)
Gain on disposal of Hong Kong Warehouses and Taiwan Operation	2,187,896	–
Profit for the year from discontinued operations	4,765,506	1,961,754

RESULTS OVERVIEW

The Group recorded an increase in revenue of 53% to HK\$81,771 million in 2021 (2020: HK\$53,361 million). Core operating profit went up 88% to HK\$6,229 million (2020: HK\$3,320 million). Core net profit also rose 102% year-on-year to HK\$3,692 million (2020: HK\$1,828 million). Profit attributable to the Shareholders was HK\$7,939 million (2020: HK\$2,896 million), which represents a year-on-year growth of 174%.

	2021 HK\$ million	2020 HK\$ million	
Segment profit			
IL			
– Logistics operations	1,454	2,105	-31%
– Hong Kong Warehouse	414	537	-23%
	1,868	2,642	-29%
IFF	4,860	993	+389%
	6,728	3,635	
Unallocated administrative expenses and others	(499)	(315)	
Core operating profit	6,229	3,320	+88%
Core net profit	3,692	1,828	+102%
Changes in fair value of investment properties and properties held under discontinued operations, net of deferred tax	2,189	1,068	
Gain from disposal of discontinued operations	2,188	–	
Goodwill impairment	(130)	–	
Profit attributable to the Shareholders	7,939	2,896	+174%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

MARKET OVERVIEW

The COVID-19 pandemic has affected every part of the value chain, from raw material sourcing to international transportation to end customers. The supply and demand mismatch, freight capacity chokeholds, port congestions, labour shortages as well as shutdown of borders and lockdowns, all contribute to the ongoing global supply chain disruptions and impact businesses and trades across the globe.

COVID-induced travel restrictions have substantially reduced global air freight capacity, along with continuing shortages in global ocean capacity and equipment as well as ground services disruption, global freight rates have reached a record level in 2021. Manufacturing-related activities have been severely disrupted by a divergence of pandemic measures taken by governments worldwide, causing a malfunctioning of the global supply chain. This is particularly acute between the world's main supply hubs in Asia and the rest of the world, and further exacerbated by erratic supply and price fluctuations of raw materials and components.

This has heightened the demand for ad-hoc and customised solutions to be delivered at a high efficiency for companies to circumvent countless unprecedented obstacles in the supply chain. In 2021 Q4, the Group entered into a strategic partnership with S.F. Holding to further enhance its distinct advantage in navigating this new logistics landscape.

IL SHRANK

The segment profit of the IL business did not grow in line with the other segment, mainly due to a weak Asian market brought about by a series of prolonged lockdowns and other pandemic measures across Southeast Asia, severely disrupting both manufacturing and consumption related activities, as well as the required disposal of the Group's Hong Kong Warehouse and businesses in Taiwan.

HONG KONG CONTRACTED

In Hong Kong, the Group's IL business reported a 14% contraction, with logistics operations decreasing by 4%. This was mainly due to the disposal of warehouses in Hong Kong at end-September 2021 as well as the implementation of pandemic-induced social distancing measures which has caused a depression in particular retail activities.

THE MAINLAND REBOUNDED

The IL business in the Mainland of China grew by 33%, mainly from the increase of manufacturing activities as purchase orders shifted back to the Mainland from many Asian countries, boosting its production and export of both components and finished products.

ASIA DIPPED

In Asia, the IL division went down by a large extent. This was mainly due to prolonged lockdowns across many countries in Asia, which depressed manufacturing activities. Furthermore, pricing pressure and fierce competition experienced by Kerry Express Thailand in Thailand have also impacted on the Group's results. KLN Group is expected to reclaim its dominance in key Asian markets, where profitability will gain traction starting in 2022 2H.

IFF EXPANDED

The segment profit of the IFF business expanded from HK\$1 billion to almost HK\$5 billion and across all verticals and industries of the business. The disruption and imbalance in the supply chain, especially for exports from Asia to North America and Europe, have seen the Group's customers increasingly leveraging on the Group's in-depth industry know-how, its extensive connections to ground operations and its global network. The Group has recorded an increase in urgent fulfilment orders together with ever more complex demands from customers to overcome the multifaceted hurdles in the supply chain.

KLN Group's direct business exposure to the Russia-Ukraine conflict is limited. It constantly monitors all sanctions affecting the region and uses the unique strength of its CIS set-up to minimise the conflict's disruption to the daily transcontinental land services requirements of its customers.

OUTLOOK

The COVID-19 induced supply chain disruptions will continue well into 2022, but the extent of the disruption and the affected factors and parties will vary as the pandemic continues to develop, with some parts of the supply chain improving while other parts deteriorate. This, coupled with a divergence in pandemic responses and policies worldwide, will mean an ever-increasing burden on importers and exporters along with manufacturers and retailers, as well as inflationary pressures in many import markets.

The logistics industry is directly associated with the policy responses to the pandemic. When global mobility is restricted due to governments' differing approaches to infection control, logistics companies like the KLN Group can contribute to a higher share of the value chain as the Group is able to marshal its resources to serve its customers consistently.

The Group's strategic partnership with S.F. Holding will give it an unparalleled advantage as Asia's largest 3PL provider to tackle the uncertain market challenges ahead. The two parties are already collaborating in the Mainland of China to serve S.F. Holding's clients' overseas business needs. By 2022 Q2, KLN Group will serve as the exclusive cargo General Sales Agent (GSA) for S.F. Airlines, as well as the principal service provider outside the Mainland of China for S.F. Holding's international express business, firmly establishing KLN Group's position as S.F. Holding's international arm.

Looking ahead, this partnership will further strengthen the Group's unique position in Asia, which will not only allow it to support its business and operation, but also to be agile and adaptive to sudden and severe disruptions and uncertainties, and deliver efficient and effective services to its customers and shareholders.

FINANCIAL REVIEW

The Group has centralised financing policies which apply to all business units within the network. The policies are reviewed on a periodical basis along with the change in market situation and financial position of the Group.

Most of the Group's assets and liabilities are denominated in different functional currencies of the overseas subsidiaries' respective countries. The Group generally does not enter into foreign exchange hedges in respect of its long-term equity investments in overseas subsidiaries, associates and joint ventures. For the foreign currency exposure arising from business activities, certain subsidiaries used forward contracts to hedge their foreign exchange exposure from trading transactions during the year, the amount of which was insignificant to the Group. The Group will continue to closely monitor its foreign exchange position and if necessary, hedge its foreign exchange exposure by entering into appropriate hedging instruments. As at 31 December 2021, total foreign currency borrowings amounted to the equivalent of HK\$2,801 million (including HK\$1,307 million denominated in Renminbi and HK\$796 million denominated in United States Dollar), which represented approximately 47% of the Group's total bank loans of HK\$5,911 million.

Out of the Group's total bank loans as at 31 December 2021, HK\$3,649 million (representing approximately 62%) was repayable within one year, HK\$132 million (representing approximately 2%) in the second year and HK\$2,130 million (representing approximately 36%) in the third to fifth years. The Group maintains most of its bank loans on an unsecured basis, with unsecured debt accounting for approximately 96% of total bank loans. In relation to the secured bank loans of HK\$243 million as at 31 December 2021, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK\$1,304 million, assignments of insurance proceeds of certain properties, and certain balances of restricted and pledged deposits. A majority of the bank loans were borrowed at floating interest rates and were not held for hedging purposes.

As at 31 December 2021, the gearing ratio for the Group was 29.0% (2020: 33.6%). The ratio was calculated as total bank loans and overdrafts, divided by equity attributable to the Shareholders excluding put options written on non-controlling interests.

As at 31 December 2021, the Group had total undrawn bank loan and overdraft facilities of HK\$8,283 million which may be used to fund material capital expenditure. The Group will also continue to secure financing as and when the need arises.

As at 31 December 2021, the Group had no material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 51,400 employees. The remuneration to employees includes salaries maintained at competitive levels while bonuses are granted on a discretionary basis. The Group provides training to its staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees. Other employee benefits include provident fund, insurance, medical, sponsorship for educational or training programmes, share option schemes and share award scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in Part 2 of the CG Code and its corporate governance practices are based on such principles and code provisions. The Directors consider that for the year ended 31 December 2021, the Company has complied with the code provisions as set out in Part 2 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors (including Mr WANG Wei, Chairman of the Board and Non-executive Director, Mr CHAN Fei, Mr HO Chit and Ms CHEN Keren, Non-executive Directors, and Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon and Mr TAN Chuen Yan Paul, Independent Non-executive Directors, whose appointments all became effective on 13 October 2021) and the Directors have confirmed that they have complied with the Model Code (i) during the year ended 31 December 2021; or (ii) during the period from their respective appointment dates and up to 31 December 2021, as the case may be.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

SHARE OPTIONS

The Company adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme on 25 November 2013. The aforesaid schemes are designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

As at 31 December 2021, a total of 753,200 options granted under the Pre-IPO Share Option Scheme were outstanding and no option granted under the Post-IPO Share Option Scheme was outstanding.

AUDIT AND COMPLIANCE COMMITTEE

The Company has established ACC with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph A.2 as well as paragraph D.3 of Part 2 of the CG Code. ACC consists of two Independent Non-executive Directors, being Ms WONG Yu Pok Marina and Mr LAI Sau Cheong Simon and one Non-executive Director, being Mr HO Chit. The chairman of ACC is Ms WONG Yu Pok Marina, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

ACC has considered and reviewed the annual results and the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management and the independent auditor. ACC considers that the annual financial results for the year ended 31 December 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2021

On 17 February 2022 (US time), the Company (through a wholly-owned subsidiary) entered into a stock purchase agreement to acquire the entire equity interest in Topocean Consolidation Service (Los Angeles), Inc., a California incorporated corporation, at a total consideration of not exceeding US\$240 million. Please refer to the Company's announcement dated 18 February 2022 for details.

Save as disclosed, there were no important events affecting the Group which have occurred since 31 December 2021.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2021 is scheduled to be held on Monday, 23 May 2022 at 2:30 p.m. A notice convening the annual general meeting will be issued and disseminated to the Shareholders in due course.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed from Wednesday, 18 May 2022 to Monday, 23 May 2022 in order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on Monday, 23 May 2022. All share transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Tuesday, 17 May 2022.

The Registers of Members will also be closed on Friday, 27 May 2022 in order to determine the entitlement of the Shareholders to the final dividend. All share transfers accompanied by the relevant share certificates and transfer forms must be lodged with Tricor Investor Services Limited, at the above address before 4:30 p.m. on Thursday, 26 May 2022. The final dividend is payable on or around Wednesday, 8 June 2022 to the Shareholders whose names appear on the Registers of Members on Friday, 27 May 2022, subject to the consideration and approval of the Shareholders at the forthcoming annual general meeting of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report for the year containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS

“2H”	second half
“3PL”	third party logistics
“ACC”	the audit and compliance committee of the Company
“Apex”	14 wholly-owned US subsidiaries of KLN Investment (US) LLC, an indirect wholly-owned subsidiary of the Company
“Asia”	Asia continent, for the purpose of this announcement only, excludes Greater China and Middle East
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“CIS”	the Commonwealth of Independent States
“Company” or “KLN”	Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“EMEA”	Europe, Middle East and Africa
“Greater China”	for the purpose of this announcement only, the Mainland of China, Hong Kong, Macau and Taiwan
“Group” or “KLN Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Warehouse”	Hong Kong warehousing business

“IFF”	international freight forwarding
“IL”	integrated logistics
“Kerry Express Thailand”	Kerry Express (Thailand) Public Company Limited, a public company with limited liability registered in Thailand and listed on The Stock Exchange of Thailand (stock code: KEX), is a subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Macau”	Macao Special Administrative Region of the PRC
“Mainland” or “Mainland of China”	the PRC and, for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Oceania”	for the purpose of this announcement only, Australia and New Zealand
“Ordinary Share(s)” or “Share(s)”	share(s) of nominal value of HK\$0.50 each of the Company, or, if there has been a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company
“Post-IPO Share Option Scheme”	post-IPO share option scheme of the Company
“PRC”	The People’s Republic of China
“Pre-IPO Share Option Scheme”	pre-IPO share option scheme of the Company
“Q2” or “Q4”	second quarter or fourth quarter
“Registers of Members”	registers of members of the Company
“S.F. Holding”	S.F. Holding Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ)
“Shareholders”	the holders of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US\$”	United States dollars, the lawful currency of the United States

By Order of the Board
WANG Wei
Chairman

Hong Kong, 30 March 2022

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 MA Wing Kai William and Mr CHEUNG Ping Chuen Vicky

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