

ANNUAL REPORT

2022

SAILING INTO THE STORM



Kerry Logistics
Network Limited

0636.HK

QUICK FACTS

59

countries & territories

43,000+

employees worldwide

66M ft²

land & facilities

6,700+

self-owned operating vehicles

Note: Figures as at 31 December 2022

THE ONE · IN ASIA

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CORPORATE INFORMATION & KEY DATES

BOARD OF DIRECTORS

Mr WANG Wei
(Chairman, Non-executive Director)
Mr KUOK Khoon Hua
(Vice Chairman, Non-executive Director)

Executive Directors
Mr MA Wing Kai William (Group Managing Director)
Mr CHEUNG Ping Chuen Vicky (Managing Director)

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

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

AUDIT AND COMPLIANCE COMMITTEE

Ms WONG Yu Pok Marina (Chairman)
Mr HO Chit
Mr LAI Sau Cheong Simon

REMUNERATION COMMITTEE

Mr LAI Sau Cheong Simon (Chairman)
Mr WANG Wei
Mr MA Wing Kai William
Mr TAN Chuen Yan Paul
Ms WONG Yu Pok Marina

NOMINATION COMMITTEE

Mr TAN Chuen Yan Paul (Chairman)
Mr WANG Wei
Mr KUOK Khoon Hua
Dr CHEUNG Wai Man
Mr LAI Sau Cheong Simon

FINANCE COMMITTEE

Mr MA Wing Kai William (Chairman)
Mr CHEUNG Ping Chuen Vicky
Mr CHAN Fei

RISK MANAGEMENT COMMITTEE

Mr MA Wing Kai William (Chairman)
(plus committee members who are non-members of the Board)

SUSTAINABILITY COMMITTEE

Mr CHEUNG Ping Chuen Vicky (Chairman)
(plus committee members who are non-members of the Board)

COMPANY SECRETARY

Ms LEE Pui Nee

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor

LEGAL ADVISER

Norton Rose Fulbright Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10, Bermuda

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Kerry Cargo Centre, 55 Wing Kei Road
Kwai Chung, New Territories, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

INVESTOR RELATIONS

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WEBSITE

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KEY DATES

Annual General Meeting
22 May 2023

Closure of Registers of Members
17 to 22 May 2023 and 29 May 2023

Proposed Payment of Final Dividend
On or around 8 June 2023

FINANCIAL HIGHLIGHTS

HK\$M

REVENUE

86,649 ▲ **10%***

SEGMENT PROFIT

IL **1,375** ▲ **28%***

E&E

(826) N/A

IFF

4,703 ▼ **3%***

CORE OPERATING PROFIT

4,790 ▼ **12%***

CORE NET PROFIT

3,572 ▲ **11%***

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

3,579 ▲ **8%*** ▼ **55%**
STATUTORY

FINAL DIVIDEND

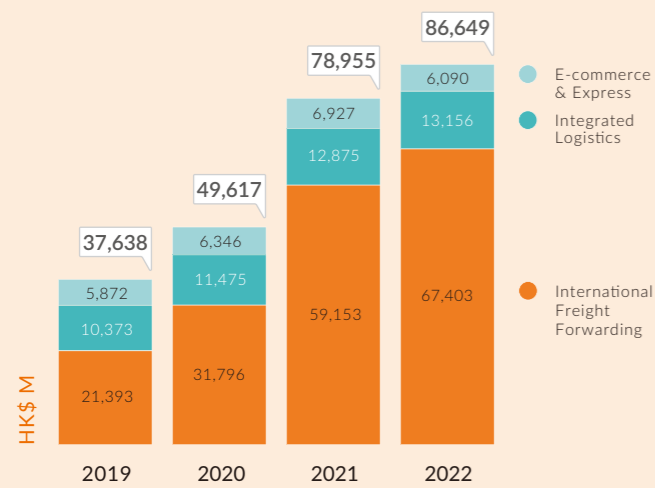
HK CENTS PER SHARE **38**

GEARING

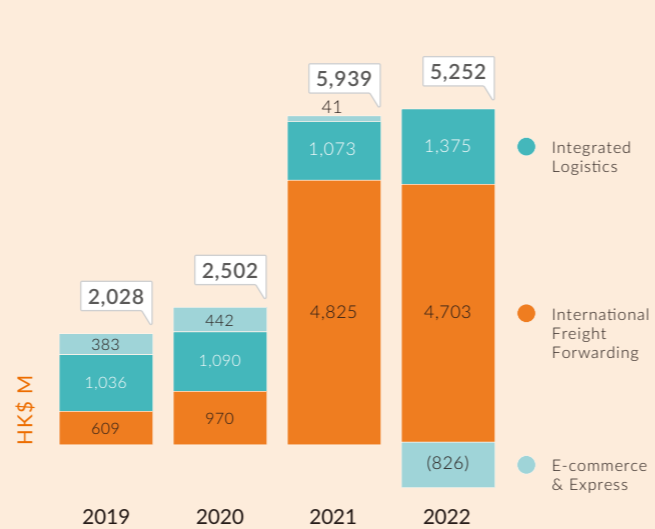
48.3%
GROSS

* For continuing operations only

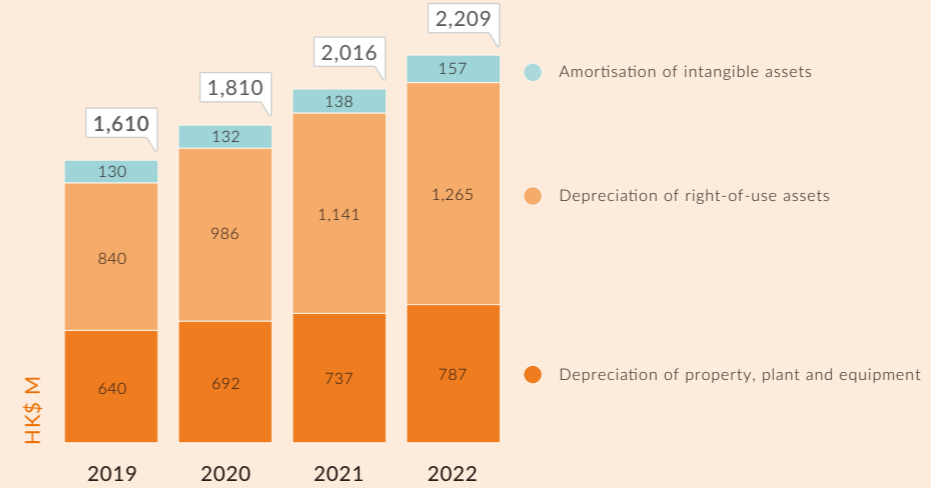
REVENUE BY SEGMENT*



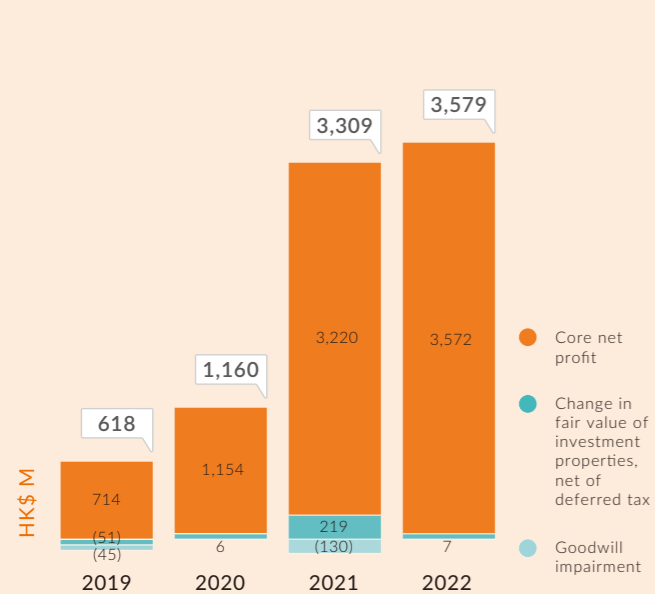
SEGMENT PROFIT*



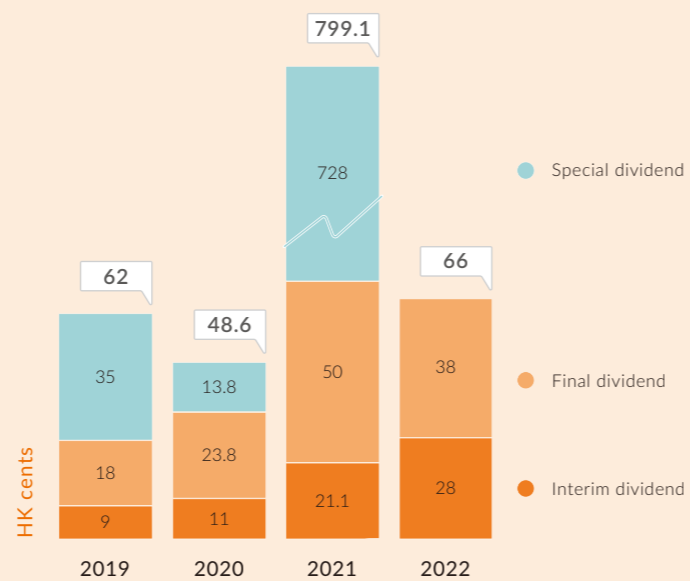
DEPRECIATION AND AMORTISATION*



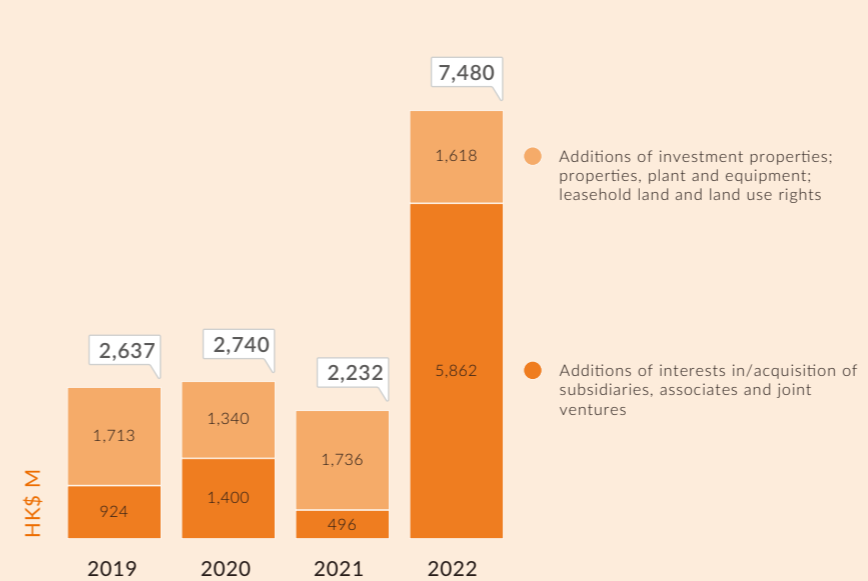
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS*



DIVIDEND PER SHARE



CAPEX



* For continuing operations only

* For continuing operations only

2018 - 2022 FINANCIAL SUMMARY

Income statement	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	86,649,463	81,771,139	53,360,540	41,139,102	38,138,528
Operating profit	5,301,919	10,602,045	4,427,196	5,200,992	3,491,694
Finance costs	(392,968)	(290,116)	(303,095)	(358,171)	(224,245)
Share of results of associates and joint ventures	166,894	158,619	118,164	85,530	110,734
Profit before taxation	5,075,845	10,470,548	4,242,265	4,928,351	3,378,183
Taxation	(1,255,827)	(1,439,952)	(772,746)	(588,951)	(506,561)
Profit after taxation	3,820,018	9,030,596	3,469,519	4,339,400	2,871,622
Non-controlling interests	(240,827)	(1,091,943)	(573,762)	(551,077)	(431,847)
Profit attributable to the Shareholders	3,579,191	7,938,653	2,895,757	3,788,323	2,439,775
Represented by:					
Core net profit	3,572,175	3,691,807	1,828,442	1,374,098	1,326,330
Change in fair value of investment properties, net of deferred tax	7,016	2,188,950	1,067,315	501,813	1,127,445
Change in fair value of financial instruments	-	-	-	-	(14,000)
Gain from disposal of discontinued operations	-	2,187,896	-	-	-
Gain on disposal of warehouses	-	-	-	1,957,540	-
Impairment	-	(130,000)	-	(45,128)	-
Profit attributable to the Shareholders	3,579,191	7,938,653	2,895,757	3,788,323	2,439,775

Assets and liabilities	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Non-current assets	21,432,599	21,147,602	35,168,627	32,205,467	28,148,752
Net current assets	8,756,346	9,174,074	6,822,788	6,017,714	2,565,010
Total assets less current liabilities	30,188,945	30,321,676	41,991,415	38,223,181	30,713,762
Long-term liabilities and non-controlling interests	(11,759,851)	(9,277,789)	(14,508,516)	(15,209,832)	(10,670,489)

LOGISTICS FACILITIES

	Usage type	Approximate GFA owned		
		Total (Sq ft)	Attributable (Sq ft)	(%)
1 Kerry Siam Seaport, 113/1 Moo 1, Sukhumvit Road (Highway No. 3), Tungskhla Subdistrict, Sriracha District, Chonburi Province, Thailand	Warehouse & Port facilities	6,366,549 (site area)	5,406,473 (site area)	84.92
2 KMTL Myit Nge Dryport Plot B1, Myit Nge Dryport (Mandalay), Land Mark No. (1), (4), C1+4-C12, Myint Nge, Amarapura Township, Mandalay, Myanmar	Dry Port	1,858,895 (site area)	1,245,162 (site area)	66.98
3 KMTL Ywarthagyi Dryport Lot No. B, Yangon - Mandalay Railway Road Ywarthagyi, East Dagon Township, Yangon, Myanmar	Dry Port	1,742,412 (site area)	1,167,137 (site area)	66.98
4 Kerry Shanghai Fengxian Logistics Centre, No. 3088 Hangtang Road, Fengxian District, Shanghai, the PRC	Logistics centre	1,196,734	1,196,734	100.00
5 Kerry Chongqing Logistics Centre No. 69 Baohuan Road, Huixing Street, Yubei District, Chongqing, the PRC	Logistics centre	932,854	932,854	100.00
6 Kerry Indev Mumbai Inland Container Depot Somathane Village, Kone-Savla Rasayani Road, Panvel Taluka, Raigad District, Navi Mumbai, India	Warehouse & Inland Container Depot	928,890 (site area)	464,445 (site area)	50.00

		Usage type	Approximate GFA owned		
			Total (Sq ft)	Attributable (Sq ft)	(%)
7	Kerry Indev Irungattukottai Inland Container Depot Plot nos. B-7(Part), B-8, A-11(Part), SIPCOT Industrial Park, Irungattukottai, Kancheepuram District, Tamil Nadu, India	Warehouse & Inland Container Depot	850,733 (site area)	425,366 (site area)	50.00
8	Kerry Qingdao Jiaozhou Logistics Centre South of Weihe Road and West of Jiaotong University Avenue, Jiaozhou Economic and Technological Development Zone, Qingdao, Shandong Province, the PRC	Logistics centre	826,786	826,786	100.00
9	Kerry Song Than Logistics Centre, No. 20 Thong Nhat Boulevard, Song Than Industrial Zone 2, Di An District, Binh Duong Province, Vietnam	Logistics centre	789,012	789,012	100.00
10	Kerry Indev Mundra Inland Container Depot Survey nos. 169/36, Dhrub Village, Mundra Taluka, Pragpar Mundra Port Highway, Adani Ports and Special Economic Zone Limited, Gujarat, India	Warehouse & Inland Container Depot	653,396 (site area)	326,698 (site area)	50.00
11	Kerry Bangna Logistics Centre, 33/2 Moo 7, Leab Klong Song Nam Suvarnabhumi Road, Bangpla Subdistrict, Bangplee District Samutprakan Province, Thailand	Logistics centre	653,192	653,192	100.00
12	Kerry Changsha Logistics Centre, No. 1189 Zhong Qing Road, Kaifu District, Changsha, Hunan Province, the PRC	Logistics centre	637,070	637,070	100.00
13	Kerry Wuhan Logistics Centre, No. 7 Shang Mao Avenue, Zou Ma Ling Street, Dongxihu District, Wuhan, Hubei Province, the PRC	Logistics centre	630,521	630,521	100.00
14	Kerry Chengdu Longquan Logistics Centre, No. 68 South 5th Road, Economic & Technological Development Zone (Longquanyi District), Chengdu, Sichuan Province, the PRC	Logistics centre	608,097	608,097	100.00

		Usage type	Approximate GFA owned		
			Total (Sq ft)	Attributable (Sq ft)	(%)
15	Kerry Kunshan Logistics Centre No. 118 Yuxi Middle Road, Qiandeng Town, Kunshan, Jiangsu Province, the PRC	Logistics centre	567,083	567,083	100.00
16	Kerry Worldbridge Logistics Centre, Kerry Worldbridge Special Economic Zone And Customs Bonded Warehouse under Certificates of Immovable Property Occupation Nos. PP29368 and PP29369, National Road 2, Preak Rotaing & Damnak Sangke, Commune of Preak Kampis, District of Dangkor, Phnom Penh, Cambodia	Logistics centre	548,415	329,049	60.00
17	Kerry Wuxi Logistics Centre No. 2 Xinxiang Road, Wuxi, Jiangsu Province, the PRC	Logistics centre	533,206	533,206	100.00
18	Shenzhen Kerry Yantian Logistics Centre, Lot No. 26, South Area of Yantian Port Free Trade Zone, Yantian District, Shenzhen, the PRC	Logistics centre	464,740	255,607	55.00
19	Kerry Xiamen Logistics Centre, No. 18 Haijing South Road, Export Processing Zone, Haicang District, Xiamen, Fujian Province, the PRC	Logistics centre	449,172	449,172	100.00
20	Kerry Rayong Logistics Centre, 525 Moo3, WHA Eastern Seaboard Industrial Estate 1, Mappu-Bankhai (Highway No. 3574) Road, Ta Sit Subdistrict, Pluak Daeng District, Rayong Province, Thailand	Logistics centre	374,118	374,118	100.00
21	Kerry Logistics Centre - Tampines 19 Greenwich Drive, Singapore	Logistics centre	371,466	371,466	100.00
22	Kerry Zhengzhou Logistics Centre, No. 137 Yitong Street, Zhengzhou Economic & Technological Development Zone, Zhengzhou, Henan Province, the PRC	Logistics centre	358,979	358,979	100.00
23	Kerry Zhangjiagang Logistics Centre 1, Hong Kong Road, Zhangjiagang Jingang Town Bonded Logistics Park, Zhangjiagang, Jiangsu Province, the PRC	Logistics Centre	310,653	264,055	85.00

	Usage type	Approximate GFA owned		
		Total (Sq ft)	Attributable (Sq ft)	(%)
24	Kerry Xi'an Logistics Centre, No. 110 Fengye Avenue West, Fengdong New Area, Xi'an New District, Xi'an, Shannxi Province, the PRC	276,058	276,058	100.00
25	Tai Po Product Customization and Consolidation Centre 12 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong	275,593	275,593	100.00



Kerry IMS Chemical Zhangjiagang Logistics Centre,
Jiangsu, the Mainland of China

CHAIRMAN'S STATEMENT

SAILING INTO THE STORM

2022 was a roller-coaster ride through the ups and downs of unprecedented economic, political, COVID-control and supply chain developments. It was also a year of integration and development for KLN and S.F. Holding, which has brought about enhanced capabilities across KLN's integrated logistics, international freight forwarding and express services, specifically strengthening our service offerings in Asia. While navigating through the noise in an unpredictable market, we remained focused on accelerating KLN's strategic development, reinventing its business models and pursuing new markets.

3PLs have played a crucial role during the pandemic in keeping cargoes flowing in a complex, uncertain and fast-changing environment that is seeing more countries taking part in the global supply chain. It has allowed KLN Group to seize new growth opportunities by delivering new and different logistics solutions to meet customers' various business and operational needs in a volatile market.

A new corporate tagline "THE ONE · IN ASIA" has been introduced which embodies KLN's unique market position and unrivalled network in Asia. The tagline encapsulates KLN's position as a truly global Asian brand that offers customers the most diversified global solutions across the region. It is the strength we will continue to make full use of to capture opportunities and keep ahead in the competitive international marketplace.

Sustainability is now embedded into every fibre of KLN, reflected in each business decision we make and every development strategy we

formulate, as we remain fully committed to our pledge of achieving net zero emissions by 2050. A new Sustainability Committee was formed in 2022 Q4 to lead the oversight of KLN's environmental and social footprint through a board-level involvement. I am confident that our ongoing sustainability efforts will set an example befitting a leader of the global logistics industry.

I have been deeply impressed by the KLN team's unwavering dedication, superb execution capabilities and great sense of accountability, which are the foundation on which we build our success. I would like to express my appreciation and gratitude to our team members.

Global freight overcapacity, short-term spending patterns evolving from product purchase to service consumption, weakened consumer power caused by high inflation and geopolitical tensions are the forces converging into a perfect storm in 2023. It is shaping up to be the most challenging year in more than a decade for the logistics industry. At KLN, we will bravely sail into the storm and keep playing an active role in reshaping the post-pandemic global supply chain. We will also continue to strengthen our competitive advantages through building a resilient, agile and sustainable value chain and delivering greater value to our stakeholders.



WANG WEI
Chairman



“With a unique market position and an unrivalled network in Asia, KLN is a truly global Asian brand that offers customers the most diversified global solutions across the region.”

RESULTS OVERVIEW

The Group recorded an increase in revenue of 10% to HK\$86,649 million in 2022 (2021: HK\$78,955 million, excluding revenue from discontinued operations). Core operating profit dropped by 12% to HK\$4,790 million (2021: HK\$5,441 million, excluding profit from discontinued operations). Core net profit rose 11% year-on-year to HK\$3,579 million (2021: HK\$3,220 million, excluding profit

from discontinued operations). Profit attributable to the Shareholders was HK\$3,579 million (2021: HK\$3,309 million, excluding profit from discontinued operations), which represents a year-on-year growth of 8%. Year-on-year drop on profit attributable to the Shareholders is 55% if profit from discontinued operations in 2021 is also included.

	2022 HK\$ million	2021 HK\$ million	
Segment profit/(loss)			
IL	1,375	1,073	+28%
E&E	(826)	41	N/A
IFF	4,703	4,825	-3%
	5,252	5,939	
Unallocated administrative expenses and others	(462)	(498)	
Core operating profit	4,790	5,441	-12%
Core net profit	3,572	3,220	+11%
Changes in fair value of investment properties, net of deferred tax	7	219	
Goodwill impairment	-	(130)	
Profit attributable to the Shareholders, excluding profit from discontinued operations	3,579	3,309	+8%
Profit from discontinued operations	-	4,630	
Profit attributable to the Shareholders	3,579	7,939	-55%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

MARKET OVERVIEW

2022 was a turbulent year. It started with strong global demand and ended with many uncertainties. For the logistics industry, it was a pendulum swinging from one extreme to the other with severe supply-demand fluctuations. Inflation and interest rates continued to accelerate worldwide. Coupled with the lingering impact of the pandemic and the war in Ukraine, the decline in product demand was further intensified, leading to upstream-downstream imbalance along the entire supply chains.

The global product demand and purchase orders shrank sharply in 2022 2H due to the overstocking crisis caused by over-ordering earlier on alongside consumers shifting their spending from goods to services as the pandemic turned epidemic. Disruptions to global value chains have sped up the diversification and reshoring of production to boost supply chain resilience. The macro volatility and economic uncertainty in 2022 2H were worse than forecast.

At the start of 2022, KLN Group maintained the growth momentum from the previous year and achieved strong growth in 2022 1H. Nevertheless, the global economy has rapidly weakened since 2022 2H. Asia exports slumped on account of rising freight capacity, falling freight rates and sluggish external demand.

Despite a tough 2022, KLN Group maintained a 10% growth in revenue and a 11% increase in core net profit in its continuing operations riding on its unparalleled network in Asia, diversified global service offerings and cross-selling synergies with S.F. Holding in various arenas.

INTEGRATED LOGISTICS

The segment profit of the IL division recorded a 28% growth supported by the increase in demand for pandemic-related services in Hong Kong as well as the rebound of production activities in Asia. Following the subsequent reopening of the Mainland of China, the IL segment is expected to maintain its growth momentum in 2023 riding on a rebound in retail sales and household consumption.

E-COMMERCE AND EXPRESS

The E&E division registered a drastic decline in its segment profit due to the intense competition Kerry Express Thailand faced in 2022. A series of restructuring and lean programmes has been launched to improve profitability. The loss is expected to narrow in 2023.



INTERNATIONAL FREIGHT FORWARDING

The IFF division reported only a 3% drop in segment profit in 2022 despite an extremely volatile market. Asia exports plunged in 2022 2H as global demand for finished products and purchase orders started falling. Coupled with a swift increase in both ocean and air freight capacity, freight rates tumbled from unprecedented highs within a short period of time, putting the global freight forwarding sector under tremendous pressure.

Extraordinary events and world affairs continued to reshape the global supply chains. Higher freight capacity and low cargo volume were spread across countries, posing increasing challenges to the freight forwarding industry. Nonetheless, the IFF business was able to maintain its profit margin at a similar level as the previous year and will continue to actively look for new business opportunities.

INTEGRATION WITH S.F. HOLDING

The business integration and development between KLN Group and S.F. Holding is progressing smoothly and successfully, strengthening KLN Group's IL, IFF and express service capabilities, particularly those within Asia.

To enhance KLN Group's air freight capacity and last-mile delivery capabilities, KLN Group is expanding its own-controlled air freight network and seeking new business potentials with S.F. Airlines by developing new products, services and trade routes. KLN Group's cross-border express network in Southeast Asia has also gained ground. The synergies thus created are further increasing KLN Group's competitiveness and diversity of global solutions it offers across the region.



In May 2022, KLN Group became the first logistics company to deploy electric trucks in Hong Kong.

SUSTAINABILITY

KLN Group is committed to achieving its net zero carbon emissions goal across its worldwide operations and value chain by 2050. To accomplish the goal, the Group has been providing green logistics solutions, minimising its environmental footprint and operating in an environmentally friendly manner. While continuously monitoring its greenhouse gas emissions and assessing its progress, the Group has been actively exploring the possibilities of developing Science Based Targets initiative (SBTi) aligned targets. In anticipation of the mandatory Task Force on Climate-related Financial Disclosures (TCFD) by 2025, KLN Group is taking proactive steps to prepare for reporting in accordance with the TCFD recommendations at the earliest possible date.

OUTLOOK

The global economy is poised to experience a deeper slowdown in 2023 with greater market volatility, uncertainties and risks for the year. While the road back to macroeconomic stabilisation and full recovery will be long and bumpy, Asia exports will rebound gradually in 2023 Q2 at the earliest, in an optimistic scenario.

2023 will be one of the most challenging years for the global logistics market in more than a decade. 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 chains.

Considering that KLN Group achieved record results in 2022 1H, the Group expects a considerable disparity for 2023 in comparison. Given the volatile and complicated economic conditions, measures have been in place to cope with the downturn. KLN Group is putting more efforts into maintaining cost management, customer wins and operational optimisation in its existing businesses as well as driving supply chain digitalisation across its network. With its solid foundation, diversified business portfolio and proven capabilities in handling crises, the Group has overcome many forms of adversities in the past and will continue to stay vigilant and carefully manage risks on all fronts moving forward.

“
KLN Group’s competitive edge is further bolstered with S.F. Holding’s air, road and express capabilities and resources, complementing its unique market position and unrivalled network in Asia.”

The changes in the global logistics landscape have also prompted the Group to explore new business strategies on how to navigate this new reality. While remaining focused on its core business strategies, KLN Group will make use of the synergies with S.F. Holding to pursue new market opportunities, develop more emerging trade lanes and redesign existing service offerings, in addition to harnessing untapped potentials in target verticals, namely, pharmaceutical, medical and wellness. S.F. Holding’s air, road and express capabilities, now resources available to KLN Group, are set to further bolster KLN Group’s competitive edge by complementing its unique market position and unrivalled network in Asia.

In the same vein that KLN Group has come out ahead during the pandemic with its innovative and customised multimodal solutions, the Group will continue to take an active part in the global supply chain reshuffling as the logistics landscape evolves, while adapting to shifting market conditions to serve its customers’ ever-changing needs.

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 2022, total foreign currency borrowings amounted to the equivalent of HK\$2,753 million (including HK\$1,336 million denominated in Renminbi and HK\$758 million denominated in USD), which represented approximately 31% of the Group’s total bank loans of HK\$8,813 million.

Out of the Group's total bank loans as at 31 December 2022, HK\$2,226 million (representing approximately 25%) was repayable within one year, HK\$2,771 million (representing approximately 32%) in the second year, HK\$3,732 million (representing approximately 42%) in the third to fifth years and HK\$84 million (representing approximately 1%) over five years. The Group maintains most of its bank loans on an unsecured basis, with unsecured debt accounting for approximately 98% of total bank loans. In relation to the secured bank loans of HK\$216 million as at 31 December 2022, the securities provided include legal charges over certain non-current assets with aggregate net book value of HK\$787 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 interest rates are going up and are expected to rise continuously, the Group is reviewing the loan portfolio and replacing the existing facilities by fixed rate loans where appropriate, and will continue to monitor the market development and minimize the Group's interest risk exposure.

As at 31 December 2022, the gearing ratio for the Group was 48.3% (31 December 2021: 29.0%). 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 2022, the Group had total undrawn bank loan and overdraft facilities of HK\$7,523 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 2022, the Group had no material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 31 December 2022, the Group had approximately 43,900 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.

AWARDS AND CITATIONS

CORPORATE ACCOLADES



- JADE AWARD
- BEST SUSTAINABILITY TEAM

THE ASSET ESG CORPORATE AWARDS 2022



- ESG LEADING ENTERPRISE AWARDS

BLOOMBERG BUSINESSWEEK/ CHINESE EDITION - ESG LEADING ENTERPRISE AWARDS 2022



- ESG BENCHMARK AWARDS - SILVER AWARD
- OUTSTANDING SUSTAINABILITY AND DIVIDEND GROWTH AWARD

ESG ACHIEVEMENT AWARDS 2021/2022



- TRANSPORT AND LOGISTICS - SILVER AWARD

2021 HONG KONG AWARDS FOR ENVIRONMENTAL EXCELLENCE



- GLOBAL CONNECTIVITY CORPORATE - LEADERSHIP AWARD

2022 STANDARD CHARTERED CORPORATE ACHIEVEMENT AWARDS



- OUTSTANDING GREEN LOGISTICS SERVICE PROVIDER

QUAMNET OUTSTANDING ENTERPRISE AWARDS 2022

INDUSTRY RECOGNITION



- BEST 3PL PROVIDER
- BEST LOGISTICS SERVICE PROVIDER - AIR FREIGHT

2022 ASIAN FREIGHT, LOGISTICS & SUPPLY CHAIN AWARDS



- ASIAN 3PL OF THE YEAR
- HALL OF FAME - WILLIAM MA

SUPPLY CHAIN ASIA AWARDS 2022



ASIA-PACIFIC LOGISTICS COMPANY OF THE YEAR

2022 FROST & SULLIVAN ASIA-PACIFIC BEST PRACTICES AWARDS



2021 TOP 100 CHINA COLD CHAIN LOGISTICS ENTERPRISES

COLD CHAIN LOGISTICS COMMITTEE OF CHINA FEDERATION OF LOGISTICS & PURCHASING



2021-2022 CHINA COLD CHAIN INDUSTRY GOLD CHAIN AWARDS - TOP 20 COLD CHAIN DISTRIBUTION SERVICE PROVIDER

COLD CHAIN LOGISTICS COMMITTEE OF CHINA FEDERATION OF LOGISTICS & PURCHASING



2021-2022 TOP 100 CHINA CHEMICAL LOGISTICS ENTERPRISE - INTEGRATED SERVICE

DANGEROUS CHEMICALS LOGISTICS BRANCH OF CHINA FEDERATION OF LOGISTICS & PURCHASING

COMMENDATIONS FROM CUSTOMERS AND PARTNERS



VENDOR APPRECIATION HONG KONG DISNEYLAND

BEST SERVICE AWARD SHANGHAI DISNEYLAND



DIGITAL FUTURE AWARD 2022 DELL TECHNOLOGIES



ASIA-PACIFIC LOGISTICS EXCELLENCE

LENOVO



SUPERIOR SERVICE PARTNER AWARD 2021

BSH HOME APPLIANCES



BEST DISTRIBUTION PARTNER 2021

MHD



APPRECIATION AWARD FOR INCESSANT EFFORT & SUPPORT

CANON

KLN Group has a total of 120 wins, from corporate accolades, industry recognition to commendations from customers and partners

LOCATION	AWARD	ORGANISER
CORPORATE ACCOLADES		
Hong Kong	The Asset ESG Corporate Awards 2022 • Jade Award • Best Sustainability Team	The Asset Magazine
	ESG Leading Enterprise Awards 2022	Bloomberg Businessweek/Chinese Edition
	ESG Achievement Awards 2021/2022 • ESG Benchmark Awards – Silver Award • Outstanding Sustainability and Dividend Growth Award	Institute of ESG & Benchmark
	2021 Hong Kong Awards for Environmental Excellence: Transport and Logistics – Silver Award	Environmental Campaign Committee
	2022 Standard Chartered Corporate Achievement Awards: Global Connectivity Corporate – Leadership Award	Standard Chartered Bank
	Quamnet Outstanding Enterprise Awards 2022: Outstanding Green Logistics Service Provider	Quamnet
	2022 All-Asia (Ex-Japan) Executive Team Annual Ranking (Transportation Sector): Most Honored Company	Institutional Investor
	2022 All-Asia (Ex-Japan) Executive Team (Overall Small & Midcap) – 1st Place (Transportation Sector) • Best CEO – William Ma • Best CFO – Ellis Cheng • Best IR Professional – Iris Tsang • Best IR Program • Best ESG	Institutional Investor
	IR Magazine Awards – Greater China 2022 • Best in Sector: Industrials • Best ESG Materiality Reporting (Small to mid-cap)	IR Magazine
	HKIRA 8th Investor Relations Awards 2022: Best Investor Meeting (Mid Cap)	Hong Kong Investor Relations Association
	Constituents of Hang Seng Corporate Sustainability Benchmark Index 2022/2023	Hang Seng Indexes Company Limited
	iMoney Enterprise Brand Awards 2022: Best Global Logistics Service Brand	iMoney Magazine
	10 Years Plus Caring Company	The Hong Kong Council of Social Service
	2022 Best Annual Reports Awards: Certificate of Excellence in Environmental, Social and Governance Reporting	The Hong Kong Management Association
	The 21st Hong Kong Occupational Safety & Health Award • Safety Performance Award (All Industries) • Best Program for Work Safety & Health in Hot Weather (All Industries)	Occupational Safety & Health Council
	Society Enterprise Supporter 2022	Fullness Social Enterprises Society
	Certificate of Appreciation	Yang Memorial Methodist Social Service

LOCATION	AWARD	ORGANISER
CORPORATE ACCOLADES		
US	2022 International ARC Awards: Annual Report 2021 Bronze Winner: Cover Photo/Design – Logistics Services/Enterprises	MerComm, Inc.
	2022 International ARC Awards Sustainability Report 2021 • Silver Award – Design/Graphics: Sustainability Report: Hong Kong • Silver Award – PDF Version of Annual Report: Sustainability Report: Hong Kong	MerComm, Inc.
	2022 iNOVA Awards: Sustainability Report 2021 Silver Award: Specialty Reports – Sustainability Report	MerComm, Inc.
United Kingdom	2022 The International Annual Report Design Awards Annual Report 2021 (Transportation & Logistics) • Silver Winner: Integrated Presentation • Silver Winner: Infographic • Silver Winner: Photography • Silver Winner: Cover Design • Silver Winner: Interior Design	IADA International Limited
	2022 The International Annual Report Design Awards Sustainability Report 2021 (Transportation & Logistics) • Gold Winner: Infographic • Silver Winner: Integrated Presentation • Silver Winner: Photography • Silver Winner: Interior Design • Bronze Winner: Cover Design	IADA International Limited
The Mainland	The 11th China Finance Summit 2022: Role Model of Sustainability	China Finance Summit Committee
	The 6th China Brand Boao Summit 2022: Iconic Industrial Brand of the Year	Committee of China Brand Boao Summit
	2022 Excellent Social Responsibility Enterprise Caring Company Award	China SOS Children's Village Association China Suzhou Zhangjiagang Free Trade Zone Management Committee
	Caring Enterprise	China Tianjin Yixingbu Town People's Government
	2022 LOG Supply Chain and Integrated Logistics: Innovative and Excellent Enterprise	LOG Club
	2022 LOG Low-carbon Supply Chain and Logistics: Innovative and Excellent Enterprise	LOG Club
Thailand	Thailand Kaizen Award 2022	Technology Promotion Association (Thailand-Japan)
Italy	2022 Centrale Risk Awards (3rd Quarter): Top Enterprise in Punctual Financial Management	MF Centrale Risk
Pakistan	The 12th Executive Green Supply Chain Awards 2022: Green Supply Chain Awards	The Professionals Network

LOCATION	AWARD	ORGANISER
INDUSTRY RECOGNITION		
Singapore	2022 Asian Freight, Logistics and Supply Chain Awards <ul style="list-style-type: none"> • Best 3PL Provider • Best Logistics Service Provider – Air Freight 	Asia Cargo News Magazine
	Supply Chain Asia Awards 2022 <ul style="list-style-type: none"> • Asian 3PL of the Year • Hall of Fame – William Ma 	Supply Chain Asia Magazine
	2022 Frost & Sullivan Asia-Pacific Best Practices Awards: Asia-Pacific Logistics Company of the Year	Frost & Sullivan
US	Armstrong & Associates' Rankings (published in 2022) <ul style="list-style-type: none"> • Top 50 Global 3PLs – Ranked No 13 (ranked by 2021 logistics gross revenue/turnover) • Top 25 Global Freight Forwarders – Ranked No 8 (ranked by 2021 logistics gross revenue & freight forwarding volumes) 	Armstrong & Associates, Inc.
	Transport Topics' Top 50 Logistics Rankings (published in 2022) <ul style="list-style-type: none"> • Top 50 Ocean Freight Forwarders – Ranked No 9 (ranked by 2021 freight forwarding volume) • Top 50 Air Freight Forwarders – Ranked No 12 (ranked by 2021 freight forwarding volume) 	Transport Topics & Armstrong & Associates, Inc.
The Mainland	2021 China International Freight Forwarding Logistics Rankings <ul style="list-style-type: none"> • Air Freight Gross Revenue – Ranked No 5 • Ocean Freight Gross Revenue – Ranked No 13 • Logistics Gross Revenue – Ranked No 9 • Warehousing Gross Revenue – Ranked No 7 	China International Freight Forwarders Association
	2021 Top 100 China Cold Chain Logistics Enterprises	Cold Chain Logistics Committee of China Federation of Logistics & Purchasing
	2021-2022 China Cold Chain Industry Gold Chain Awards: Top 20 Cold Chain Distribution Service Provider	Cold Chain Logistics Committee of China Federation of Logistics & Purchasing
	2021-2022 Top 100 China Chemical Logistics Enterprise – Integrated Service	Dangerous Chemicals Logistics Branch of China Federation of Logistics & Purchasing
	The 6th National Excellent Customs Brokerage Enterprise	China Customs Brokers Association
	2022 China Chemical Logistics Industry: Innovative Management	Dangerous Chemicals Logistics Branch of China Federation of Logistics & Purchasing
	2021-2022 Digital Transformation Recommended Case in Logistics Industry	Intelligent Logistics Branch of China Federation of Logistics & Purchasing
	2022 China Chemical Logistics Excellent Management Case: Digital Intelligent and Innovative Management Case	Dangerous Chemicals Logistics Branch of China Federation of Logistics & Purchasing
	Beijing Olympic and Paralympic Winter Games: Excellent Logistics Service Enterprise	Beijing Logistics and Supply Chain Management Association
	2021 Outstanding Customs Broker in Shanghai District	Shanghai Customs Brokers Association
	Top 10 Foreign Trade Fastest-growing Enterprises in Qianhai Free Trade Zone 2022	Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen
	Leading Logistics Enterprises 2021	Dongjiao Office, Yinzhou, Ningbo

LOCATION	AWARD	ORGANISER
INDUSTRY RECOGNITION		
India	Excellence Award in Traffic Performance 2020-2021	V.O. Chidambaranar Port Trust
	The 13th South East Cargo & Logistics Awards 2022 <ul style="list-style-type: none"> • Customs Broker of the Year (Export) • Excellence Award in Customer Service/Admin Awardee: R. Rajagopalan – Senior Vice President of Kerry Indev Logistics	Exim India Shipping Times
COMMENDATIONS FROM CUSTOMERS AND PARTNERS		
Hong Kong	Vendor Appreciation	Hong Kong Disneyland
	Superior Service Partner Award 2021	BSH Home Appliances
	Best Distribution Partner 2021	MHD
	Appreciation Award for Incessant Effort & Support	Canon
	Supplier Excellence Award 2022	Maxim's Caterers
	Certificate of Recognition	Pizza Hut
	Top Customer Award 2021	Cathay Pacific Cargo
	High Performance Award 2022	B. Braun
	Golden Distributor of the Year 2022	Caresono Technology
	Customer Recognition Award 2022	Emirates SkyCargo
	Appreciation Award for Best Vendor Performance & Support	Infactino
The Mainland	Best Service Award	Shanghai Disneyland
	Digital Future Award 2022	Dell Technologies
	Asia-Pacific Logistics Excellence	Lenovo
	"618" Best Partner 2022	ANTA
	Dedicated Support Award	Cargill
	Certification of Appreciation	Watsons
	Best Partner Award 2021	Cathay Pacific Cargo
	Warehouse Operational Excellence 2021: Gold Award	Chevron
	2021 Best Service Award: Gold Award	Inspur
	Excellent Supplier Award 2021	GSK
	Special Contribution for Logistics Support of the Year 2022	IMCD
	Best Supplier Award 2021	Hysol Huawei Electronics
	Outstanding Contribution Award 2022	Jotun

LOCATION	AWARD	ORGANISER
COMMENDATIONS FROM CUSTOMERS AND PARTNERS		
The Mainland	Excellence Pandemic-control Contribution Award 2022	KROHNE
	2021-2022 Best Logistics Service Provider	STIHL
	Outstanding Logistics Provider 2022	Swancor
	Certificate of Appreciation	XuYou Electronic Materials
	Excellent Contribution Award	Corteva Agriscience
	Certificate of Appreciation	Evonik
	Million Dollar Sales Award 2021	China Airlines Cargo
	<ul style="list-style-type: none"> • Kerry EAS Logistics • Beijing Teng Chang International Transportation Service Co Ltd 	
Singapore	5 Million Dollar Sales Award 2021	China Airlines Cargo
	Top Agents Award 2021/2022	Singapore Airlines Cargo
	2021 Best Supporting Agent	Turkish Cargo
	Top Sales Agent 2021	EVA Air
Malaysia	Mega Tonners Awards 2021	MASKargo
Kazakhstan	Challenging Spirit Award 2022	Philip Morris International
	Appreciation Award for Reliable Partnership and High Professionalism	Philip Morris International
India	Outstanding Support of the Year 2021	Saudia Cargo
	Certificate of Appreciation	Mitsubishi Electric
	Certificate of Appreciation	Daimler Truck
Philippines	Greatest Logistics & Warehouse Contributor of the Year	FiberHome
	Best Partner 2022	J&T Express

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability.

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 2022, the Company has complied with the code provisions as set out in Part 2 of the CG Code.

The Company recognises the importance of transparency in governance and accountability to Shareholders. The Board believes that Shareholders can maximise their benefits from good corporate governance. Therefore, the Company regularly reviews its corporate governance practices to ensure alignment with generally acceptable practices and standards.

A THE BOARD

1 RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the Company and is responsible for promoting the success of the Company by directing and supervising its affairs. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. All relevant terms of reference (except for the Finance Committee, the Risk Management Committee and the Sustainability Committee) are published on the websites of the Stock Exchange and the Company.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its Shareholders at all times. The biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against the Directors. For more details, please refer to the section headed "Directors' Permitted Indemnity Provision" in the Report of Directors on page 82 of this annual report.



2 DELEGATION OF MANAGEMENT FUNCTION

The Board is responsible for making all major decisions of the Company including: the approval and monitoring of all major policies of the Group, overall strategies and budgets, internal control and risk management systems, notifiable and connected transactions, nomination of directors, Company Secretary and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

3 BOARD COMPOSITION

The Board comprises the following Directors:

Mr WANG Wei
(Chairman, Non-executive Director)
Mr KUOK Khoon Hua
(Vice Chairman, Non-executive Director)

Executive Directors

Mr MA Wing Kai William
(Group Managing Director)
Mr CHEUNG Ping Chuen Vicky
(Managing Director)
(appointment as Managing Director effective from 1 July 2022)

Non-executive Directors

Mr CHAN Fei
Mr HO Chit
Ms CHEN Keren

Independent Non-executive Directors

Dr CHEUNG Wai Man
Mr LAI Sau Cheong Simon
Mr TAN Chuen Yan Paul
Ms WONG Yu Pok Marina

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

To the best knowledge of the Company, there are no financial, business, family, or other material/relevant relationships among members of the Board.

4 APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of directors are laid down in the Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of the Independent Non-executive Directors.

Each of the Directors (including the Non-executive Director and Independent Non-executive Directors) has signed an appointment letter with the Company for an initial term commencing from his/her respective date of appointment until the next general meeting of the Company, at which he/she will be eligible for re-election. Upon being re-elected, the appointment of the director shall continue for a period of three years and until the conclusion of the third annual general meeting of the Company or such earlier date pursuant to the Bye-laws. The appointments are subject to the provisions of retirement and rotation of directors in accordance with the Bye-laws.

In accordance with the Bye-laws, all Directors are subject to retirement by rotation no later than the third annual general meeting after he/she was last elected or re-elected.

5 INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills, and are required to provide to the Company their training records on an annual basis.

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually provided with information related to the developments in the legal and regulatory regime, the business and market environments and the Company's business and governance policies to facilitate the execution of their responsibilities. Continuing briefing and professional development for Directors were arranged by the Company and its legal adviser.

During the year, the following continuous professional development were arranged for all Directors:

- the Directors were invited to attend training session arranged by the Company on "Task Force on Climate-related Financial Disclosures (TCFD) and Science Based Targets initiative (SBTi)"
- the Directors were provided with reading materials about anti-bribery and the relevant risk management and cybersecurity

According to records provided by the Directors, a summary of participation in training by the Directors for the year ended 31 December 2022 is as follows:

Name of Director	Training attended
Mr WANG Wei	✓
Mr KUOK Khoon Hua	✓
Mr MA Wing Kai William	✓
Mr CHEUNG Ping Chuen Vicky	✓
Mr CHAN Fei	✓
Mr HO Chit	✓
Ms CHEN Keren	✓
Dr CHEUNG Wai Man	✓
Mr LAI Sau Cheong Simon	✓
Mr TAN Chuen Yan Paul	✓
Ms WONG Yu Pok Marina	✓

6 BOARD MEETINGS AND GENERAL MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Code Provision C.5.1 prescribes that at least four regular board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Board met six times during the year ended 31 December 2022 for discussing and approving the overall strategies and policies of the Company, reviewing and approving the audited annual results for the year ended 31 December 2021, reviewing and approving the sustainability report 2021, discussing and approving the continuing connected transactions under the SF Logistics Services

Framework Agreement, discussing and approving the connected transaction under the asset transfer framework agreement and the continuing connected transactions under the CGSA Framework Agreement and the KLN Logistics Services Framework Agreement, respectively, approving the change of address of Hong Kong branch share registrar and transfer office, reviewing and approving the unaudited interim results for the six months ended 30 June 2022, discussing and approving the continuing connected transactions under the supplemental agreement to each of the SF Logistics Services Framework Agreement and the KLN Logistics Services Framework Agreement and the revision of annual caps, discussing and approving the renewal of framework agreements for continuing connected transactions between KLN and KPL, approving the corporate governance matters and discussing the reports and suggestions from all Board committees. The attendance records of each Director at the Board meetings are set out below:

Name of Director	Meetings attended/eligible to attend
Mr WANG Wei	6/6
Mr KUOK Khoon Hua	6/6
Mr MA Wing Kai William	6/6
Mr CHEUNG Ping Chuen Vicky	6/6
Mr CHAN Fei	6/6
Mr HO Chit	6/6
Ms CHEN Keren	6/6
Dr CHEUNG Wai Man	6/6
Mr LAI Sau Cheong Simon	6/6
Mr TAN Chuen Yan Paul	5/6
Ms WONG Yu Pok Marina	6/6

Other than the above full Board meetings, the Chairman of the Board also held an annual meeting with the Independent Non-executive Directors without the presence of any of the other Executive Directors and Non-executive Directors.

The Company held one annual general meeting on 23 May 2022 and one special general meeting on 8 December 2022 in relation to the continuing connected transaction under the supplemental agreement to each of the SF Logistics Services Framework Agreement and the KLN Logistics Services Framework Agreement and revision of annual caps during the year ended 31 December 2022. All proposed Shareholders' resolutions put to the above general meetings were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcements released on the day of the respective general meetings. The attendance of the members of the Board at the said general meetings is as follows:

Name of Director	Meetings attended/ eligible to attend
Mr WANG Wei	2/2
Mr KUOK Khoon Hua	2/2
Mr MA Wing Kai William	2/2
Mr CHEUNG Ping Chuen Vicky	2/2
Mr CHAN Fei	2/2
Mr HO Chit	2/2
Ms CHEN Keren	2/2
Dr CHEUNG Wai Man	1/2
Mr LAI Sau Cheong Simon	2/2
Mr TAN Chuen Yan Paul	2/2
Ms WONG Yu Pok Marina	2/2

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management (including the general manager) attend all regular global executive committee meetings, chaired by the Group Managing Director and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings except for the Remuneration Committee and Risk Management Committee meetings. Minutes of the Remuneration Committee meetings are taken by the secretary of the Remuneration Committee appointed by the chairman of the Remuneration Committee. Minutes of the Risk Management Committee meetings are taken by the secretary of the Risk Management Committee appointed in accordance with its terms of reference. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their respective close associates (as defined in the Listing Rules) or (in relation to any transaction which is a connected transaction under Chapter 14A of the Listing Rules) associates (as defined in the Listing Rules) have a material interest, subject to exceptions stated therein.

7 INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors representing at least one-third of the Board and at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the Independent Non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the Independent Non-executive Directors in respect of their independence. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules.

The Independent Non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgment in various aspects. They will take lead when potential conflicts of interest arise. They are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

B CHAIRMAN AND CHIEF EXECUTIVE

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Chairman of the Board is Mr WANG Wei, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for setting the strategic vision, direction and goals of the Group and participates in the Group's strategic and key operational decision-making processes. The Chairman of the Board is the primary responsible person for ensuring that good corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole.

The Group Managing Director is Mr MA Wing Kai William, who performs the functions of the chief executive and is responsible for overseeing the operations and investment as well as exploring new business opportunities for the Group.

To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the Group Managing Director co-ordinates with the senior management to provide adequate, complete and reliable information to all Directors for consideration and review.

C BOARD COMMITTEES

The Board has established six committees, namely, the Remuneration Committee, Audit and Compliance Committee, Nomination Committee, Finance Committee, Risk Management Committee and Sustainability Committee, for overseeing particular aspects of the Company's affairs. All of these six committees of the Company are established with defined written terms of reference.

The majority of the members of each of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee are Independent Non-executive Directors. The members of the Finance Committee are Executive Directors and the Non-executive Director, while members of each of the Risk Management Committee and Sustainability Committee respectively are one Executive Director plus non-members of the Board.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

1 REMUNERATION COMMITTEE

The Board has established a remuneration committee with written terms of reference in compliance with paragraph E.1 of Part 2 of the CG Code.

The written terms of reference of the Remuneration Committee were revised on 30 March 2022 to tidy-up the existing terms of reference. The revised terms of reference were set out in the Company's announcement released on 30 March 2022 and were made available on the websites of the Stock Exchange and the Company.

The Remuneration Committee consists of three Independent Non-executive Directors, being Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina, one Non-executive Director, being Mr WANG Wei, and one Executive Director, being Mr MA Wing Kai William. The chairman of the Remuneration Committee is Mr LAI Sau Cheong Simon.

The primary duties of the Remuneration Committee include, but are not limited to: (i) making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate; and (iii) determining the terms of the remuneration package of the Directors and senior management with reference to their time commitment and responsibilities, and employment condition in the Group, and comparable companies.

The Remuneration Committee held two meetings during the year ended 31 December 2022 to review the remuneration policy and structure of the Company, to make recommendations to the Board on determining key performance indicators ("KPIs") (both financial and sustainable development goals) in connection with the annual remuneration packages of the Executive Directors and the senior management, to approve long term incentive (i.e. share awards) with reference to KPIs, to review succession plans and to complete annual review of the terms of reference.

The attendance records of the Remuneration Committee are set out below:

Name of Director	Board capacity (during the period of membership)	Meetings attended/eligible to attend
Mr LAI Sau Cheong Simon (Chairman)	INED	2/2
Mr WANG Wei	Chairman, NED	2/2
Mr MA Wing Kai William	Group Managing Director, ED	2/2
Mr TAN Chuen Yan Paul	INED	2/2
Ms WONG Yu Pok Marina	INED	2/2

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of the individual Executive Directors and the senior management.

The remuneration for the Executive Directors and senior management comprises salary, short term incentive and long term incentive in the form of cash, discretionary bonus, share options, share awards or otherwise.

Salaries are reviewed annually. Salary increases of Executive Directors and senior management are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

In addition to salary, Executive Directors and senior management are eligible to receive short term incentive (i.e., discretionary bonus), the amount of which shall be reviewed and approved by the Remuneration Committee who shall take into consideration factors such as market conditions as well as corporate and individual performances.

In order to attract, retain and motivate executives and key employees serving any member of the Group, Directors and senior management are also eligible to participate in the long term incentive scheme (i.e., Post-IPO Share Option Scheme and Share Award Scheme).

For the year ended 31 December 2022, the Non-executive Directors (other than the Chairman and the Vice Chairman), the Independent Non-executive Directors and the members of the Board committees (other than the Chairman, the Vice Chairman and the Executive Director(s)), were entitled to the following annual fees:

Annual fee	Amount (HK\$)	Basis of pro-rating for the year
As NED*/INED	300,000	Period of directorship
	5,000	Attendance rate at Board meetings
As Remuneration Committee member*/chairman	50,000/80,000	Period of membership
	5,000	Attendance rate at meetings
As Audit and Compliance Committee member/chairman	120,000/200,000	Period of membership
	5,000	Attendance rate at meetings
As Nomination Committee member*/chairman	50,000/80,000	Period of membership
	5,000	Attendance rate at meetings
As Finance Committee member [#]	N/A	Period of membership
	N/A	Attendance rate at meetings
As Risk Management Committee member [#]	N/A	Period of membership
	N/A	Attendance rate at meetings
As Sustainability Committee member [#]	N/A	Period of membership
	N/A	Attendance rate at meetings

* Neither the Chairman nor the Vice Chairman is entitled to receive any annual fee or attendance fee as a Non-executive Director or, as a member of the Remuneration Committee and Nomination Committee.

[#] All members of the Finance Committee are either Executive Directors or a Non-executive Director, and all members of each of the Risk Management Committee and Sustainability Committee are an Executive Director plus non-members of the Board, and no annual fee or attendance fee is applicable.

Details of the remuneration paid to each of the Directors for the year ended 31 December 2022 are set out in note 12 to the Financial Statements.

The remuneration paid to each of the senior management members of the Group (as named in the section of "Senior Management") by band for the year ended 31 December 2022 is set out in note 12 to the Financial Statements.

2 AUDIT AND COMPLIANCE COMMITTEE

The Board has established an audit and compliance committee 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.

The Audit and Compliance Committee 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 the Audit and Compliance Committee 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.

The primary duties of the Audit and Compliance Committee include, but are not limited to: (i) reviewing and monitoring the relationship of the external auditor and the Group, particularly the independence and objectivity and effectiveness of the external auditor; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) developing, reviewing and monitoring the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements

under the Listing Rules; (v) reviewing the financial information of the Company and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; and (vi) developing, reviewing and monitoring the code of conduct applicable to the Company's employees and Directors.

As at the date of this annual report, the Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit and Compliance Committee considers that the financial results for the year ended 31 December 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held four meetings during the year ended 31 December 2022 to recommend setting up a new sustainability committee, to review the audited annual results and financial report for the year ended 31 December 2021, the financial reporting and the compliance procedures, the corporate governance policy and practice, the internal audit plan and reports, the unaudited interim results and financial report for the six months ended 30 June 2022, the non-exempt continuing connected transactions for the year ended 31 December 2022, the policies and practices regarding compliance with laws and regulations, the financial, operational and compliance monitoring, the risk management control, the work of the internal and external auditor, as well as the service fees due to the external auditor and terms of reference annually.

The attendance records of the Audit and Compliance Committee are set out below:

Name of Director	Board Capacity (during the period of membership)	Meetings attended/eligible to attend
Ms WONG Yu Pok Marina (Chairman)	INED	4/4
Mr HO Chit	NED	4/4
Mr LAI Sau Cheong Simon	INED	4/4

The Company's results for the year ended 31 December 2022 have been reviewed by the Audit and Compliance Committee on 21 March 2023.

The Audit and Compliance Committee reported that it had duly performed its duties relating to the corporate governance functions and it was not aware of any terms of corporate governance being violated during the year ended 31 December 2022.

3 NOMINATION COMMITTEE

The Board has established a nomination committee with written terms of reference in compliance with paragraph B.3 of Part 2 of the CG Code. The Nomination Committee consists of three Independent Non-executive Directors, being Mr TAN Chuen Yan Paul, Dr CHEUNG Wai Man and Mr LAI Sau Cheong Simon, and two Non-executive Directors, being Mr WANG Wei and Mr KUOK Khoon Hua. The chairman of the Nomination Committee is Mr TAN Chuen Yan Paul.

The primary duties of the Nomination Committee include, but are not limited to (i) identifying, selecting and recommending to the Board appropriate candidates to serve as Directors and general manager of the Company, and identify candidates for succession planning; (ii) overseeing the process for evaluating the performance of the Board; (iii) developing, recommending to the Board and monitoring nomination guidelines for the Company; and (iv) assessing the independence of Independent Non-executive Directors.

The Nomination Committee held one meeting and passed one resolution in writing by all committee members in lieu of holding a meeting during the year ended 31 December 2022 to review the structure, size, composition and diversity of the Board, to assess the independence of the Independent Non-executive Directors and recommend the appointment of the Managing Director of the Company.

The attendance records of the Nomination Committee are set out below:

Name of Director	Board Capacity (during the period of membership)	Meetings attended/eligible to attend
Mr TAN Chuen Yan Paul (Chairman)	INED	1/1
Mr WANG Wei	Chairman, NED	1/1
Mr KUOK Khoon Hua	Vice Chairman, NED	1/1
Dr CHEUNG Wai Man	INED	1/1
Mr LAI Sau Cheong Simon	INED	1/1

The Nomination Policy adopted by the Company on 21 December 2018 provides that the Nomination Committee shall recommend to the Board for the nomination, re-appointment of new Directors in accordance with the following procedures and process: (a) the Nomination Committee shall review and assess factors in line with the diversity of the Board, including but not limited to professional experience, skills, knowledge and length of service, and shall consider the candidate's availability to devote sufficient time to the Board and independence of each Independent Non-executive Director based on the requirements of the Listing Rules (as amended from time to time); (b) the Nomination Committee shall nominate suitable candidates to the Board and make recommendations to Shareholders for election as Non-executive Directors at general meetings or appoint as Non-executive Directors to fill casual vacancies based on the then-current and anticipated future leadership needs of the Company, with a view to achieving a sustainable and balanced development of the Company; and (c) the Nomination Committee shall review and monitor the implementation of the Nomination Policy of the Company, as appropriate from time to time, and will report annually in the annual reports of the Company. The Board shall have the final decision on all matters relating to the recommendation of candidates to stand for election at any general meeting.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance, and the importance of being able to attract, retain and motivate employees from the widest possible pool of available talent. The Board Diversity Policy, which is published on the Company's website, aims to set out the Company's approach to achieve diversity on the Board.

Prior to the listing of the Company on 19 December 2013 and up to the year ended 31 December 2022, the composition and diversity of the Board were considered by taking into account the Board Diversity Policy including, amongst other things, the necessary balance of skills and experience appropriate for the requirements of the business development of the Company and for effective leadership. All the Executive Directors possess extensive and diversified experience in management and broad industrial experience such as the logistics industry and other companies. The five Non-executive Directors and the four Independent Non-executive Directors possess professional knowledge in logistics, supply chain management, information technology, corporate finance, accountancy, commercial law and legal, respectively with broad and extensive experience in business advisory and management, respectively.

The Nomination Committee has set measurable objectives to implement the Board Diversity Policy. Where vacancies on the Board arise, the Nomination Committee will carry out the selection process in accordance with the Board Diversity Policy of the Company and by making reference to a range of diversity perspectives, including but not limited to the gender, age, skills, professional experience, knowledge, management experience, ethnicity and length of service of the proposed candidates, cultural and educational background, the Company's needs and other relevant statutory requirements and regulations. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the year ended 31 December 2022, the Nomination Committee has reviewed the diversity of the Board and considered that the Company has achieved the measurable objectives of the Board Diversity Policy in terms of gender, age, educational background, professional and management experience, skills, knowledge and length of services. The Company currently has two female Directors, and the Board will endeavour to at least maintain female representation on the Board and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

The Company aims to create an inclusive workplace environment for its employees, no matter the age group, gender, race, ethnic origin or religious beliefs with which it identifies. As at 31 December 2022, as set out in the Company's sustainability report 2022, among the 43,903 employees (including senior management) of the Group, the percentages of male employees and female employees are 63% and 37%, respectively. The Board considers that the Group's workforce (including senior management) are diverse in terms of gender. For further details on the diversity, including gender diversity across the workforce, please refer to the Company's sustainability report 2022.

The Nomination Committee will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

4 FINANCE COMMITTEE

The Board has established a finance committee in compliance with paragraphs A.2 and C.4 of Part 2 of the CG Code with written terms of reference since March 2014. The Finance Committee consists of two Executive Directors, being Mr MA Wing Kai William and Mr CHEUNG Ping Chuen Vicky and one Non-executive Director, being Mr CHAN Fei. The chairman of the Finance Committee is Mr MA Wing Kai William.

The primary duties of the Finance Committee include, but are not limited to: (i) review and approve all significant acquisitions, investments, disposal of assets, contracts and variations, and new project commitments, (ii) review and approve all major treasury policies and products on financing, derivatives and financial risk management; and (iii) review and approve the banking facilities and the granting of guarantees and indemnities; whereby the financial impact of each of the incidents/activities stated above falls under certain threshold as specified in the terms of reference.

The Finance Committee passed resolutions in writing by all committee members during the year ended 31 December 2022 in lieu of holding a meeting to review and approve allotment of shares and lapse of options pursuant to the Pre-IPO Share Option Scheme, corporate guarantees, opening of bank accounts and terms of reference annually.

5 RISK MANAGEMENT COMMITTEE

The Board has established a risk management committee with written terms of reference in compliance with paragraph D.2 of Part 2 of the CG Code since November 2015. The Risk Management Committee consists of one Executive Director, being Mr MA Wing Kai William, plus non-members of the Board. The chairman of the Risk Management Committee is Mr MA Wing Kai William.

The primary duties of the Risk Management Committee include, but are not limited to: (i) evaluate the Company's risk management system; (ii) review and advise the Board on the implementation and effectiveness of the Company's risk management system and policies; (iii) discuss the risk management system with the management to ensure that the management has performed its duties in establishing and maintaining an effective risk management system, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's risk management function; (iv) consider major findings and investigation on risk management matters as delegated by the Board; and (v) conduct an annual review of the Company's risk management system.

The Risk Management Committee oversees and monitors the risk management system of the Company on an ongoing basis and reviews with our management continuously throughout the year, the scope, adequacy and effectiveness of the Company's corporate accounting and financial controls, risk management systems, and any related significant findings regarding risks or exposures and considers recommendations for improvement of such controls. The review covers all material controls,

including financial, operational and compliance controls. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. For details of the review, please refer to the section headed "G Risk Management and Internal Controls" on page 45 of this annual report.

In conducting its annual review, the Risk Management Committee considers in particular factors including (a) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of our internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the Board which enables it to assess control of the Company and the effectiveness of risk management; (d) significant control failings or weaknesses that have been identified during the period; and (e) other factors which affect the effectiveness of the Company's risk management system.

During the year ended 31 December 2022, correspondence was exchanged electronically by members of the Risk Management Committee in lieu of a meeting to communicate and discuss the above matters among themselves, and the committee members have reported to the Audit and Compliance Committee on a quarterly basis.

6 SUSTAINABILITY COMMITTEE

The Board has established a sustainability committee with written terms of reference since November 2022. The Sustainability Committee consists of one Executive Director, being Mr CHEUNG Ping Chuen Vicky, plus non-members of the Board. The chairman of the Sustainability Committee is Mr CHEUNG Ping Chuen Vicky.

The primary duties of the Sustainability Committee include, but are not limited to: (i) making recommendations to the Board on ESG matters, strategies and policies and their respective implementation plans; (ii) arranging directors' training to ensure the Board's understanding of the importance of ESG issues; (iii) assisting the Board in identifying, assessing and evaluating environmental, social, climate-related risks and opportunities which are material to the Company, and making recommendations to the Board on mitigating these risks; (iv) communicating with different committees and/or departments regularly to ensure they are aware of the latest ESG issues; (v) approving and reviewing targets and key initiatives regularly and maintaining effective management systems for environmental and financial data; and (vi) monitoring and reviewing the Company's sustainability report to ensure compliance with the ESG reporting guidelines under the Listing Rules.

No meeting was held by the Sustainability Committee during the year ended 31 December 2022.

D MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2022.

The Company's employees, who are likely to be in possession of inside information of the Company, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company.

E DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the Financial Statements and for ensuring the Financial Statements are published in a timely manner.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

F EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities for the Financial Statements is set out under the section headed "Independent Auditor's Report" in this annual report.

The external auditor of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

During the year ended 31 December 2022, the remuneration paid to the external auditor (including its other member firms) of the Company in respect of audit services and non-audit services amounted to HK\$29,122,000 and HK\$9,420,000 respectively. The non-audit services primarily represent non-recurring services e.g. due diligence and professional services rendered in connection with the Company's capital market transactions, as well as taxation services.

The Auditor, PricewaterhouseCoopers, Hong Kong, will retire and offer itself for re-appointment at the forthcoming AGM.

G RISK MANAGEMENT AND INTERNAL CONTROLS

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board considers the risk management and internal control systems of the Group are effective and adequate.

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard Shareholders' investments and Company's assets, and reviewing the effectiveness of such on an annual basis through the Audit and Compliance Committee and Risk Management Committee. The risk profile of the Company is collectively discussed and defined by the senior management of the Company. The risk profile identifies major risks and defines acceptable levels for each risk type. Risks that exceed the approved risk appetite shall be adjusted by transferring, sharing or eliminating them, or by implementing other risk mitigation measures, with the aim of reducing the quantum and frequency of loss.

During the year ended 31 December 2022, the Board has conducted a review on the effectiveness of the risk management and internal control systems of the Group and is of the view that such systems are effective. The review has covered the financial, operational and compliance aspects of the Group.

The Risk Management Committee is of the view that risk management and internal control shall be in line with the Company's operation scale, business scope, competition and risk level, and shall be adjusted in a timely manner according to the changes in circumstances.

A summary of major work conducted by the Company during the reporting period in relation to risk management and internal control is as follows:

- Management is responsible for setting the appropriate tone from the top. The members of the Risk Management Committee met with senior management and regional heads from time to time to identify major risks and uncertainties pertaining to the Group's business through the process of risk identification and assessment. Once major risks were identified, the Risk Management Committee endeavoured to evaluate and compare the level of risks identified against predetermined acceptable levels of risk;
- The Company also adopts a bottom-up approach which involves the identification of risks in major operating activities by regional heads. For risk management and monitoring, regional heads communicated with the heads of business units, departments and divisions from time to time to monitor risks identified and come up with measures and response plans to manage and mitigate risks identified in day-to-day business operations. The Risk Management Committee also followed-up periodically the implementation of such measures and response plans;
- The management evaluated the design and operating effectiveness of the internal control regarding financial reporting for 2022 and did not discover any material weaknesses as a result of the evaluation;
- The management reviewed the systems, policies and procedures on disclosure of inside information including annual review of the policy on inside information disclosure. Further, with a view to identifying, handling and disseminating inside information in compliance with the SFO, procedures including pre-clearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Company to guard against possible mishandling of inside information within the Group;
- A whistleblowing policy and system had been reviewed for employees and those who deal with the Company to raise concerns, in confidence, about possible improprieties in any matter relating to the Company and the Audit and Compliance Committee has reviewed such policy and system and ensured that proper arrangement are in place for fair and independent investigation of the matters;
- The Company maintained a mechanism for rectifying internal control defects under which the relevant department heads have clear responsibilities of rectifying internal control defects in their respective departments ranging from legal, regulatory to operation; and

- During the reporting period, the Company's internal audit department provided independent assurance as to the adequacy and effectiveness of the Company's risk management and internal control systems. The financial condition, operational control and compliance control of the Company were examined by the internal audit department according to the audit plan approved by the Audit and Compliance Committee and the Board. Different audit areas were assigned according to risk priority. The internal audit department assisted the Board to monitor the effectiveness of the risk management and internal control systems. After completion of an internal audit, analysis, appraisals, recommendations related to the activities inspected were formulated. The internal audit department reported to the Audit and Compliance Committee and the Board about internal audit findings, internal audit recommendation and the management responses. For each year, the number of selected entities contribute to approximately 30% of the Group's revenue, and all material entities of the Group will be audited at least once in every three years on a rotation basis. In addition, the internal audit function maintained a regular dialogue with the Company's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

H COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company has established the Shareholders Communication Policy since the listing of the Company on 19 December 2013 and continually reviews it on a regular basis to ensure its effectiveness. The Shareholders Communication Policy, which is published on the Company's website, sets out the Company's objective of ensuring equal, timely, effective, transparent, accurate and open communications with Shareholders. The Company's multiple channels of communication with Shareholders include general meetings, the Company's website, dedicated investor relations contact details, as well as the hotline of the Company's Hong Kong branch share registrar and transfer office for taking enquiries and for receiving information request, and various reports and announcements published from time to time.

The general meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit and Compliance Committee, Nomination Committee, Finance Committee, Risk Management Committee and Sustainability Committee and, in their absence, other members of the respective committees are available to answer questions at Shareholders' meetings. During the year ended 31 December 2022, the Company held one annual general meeting on 23 May 2022 and one special general meeting on 8 December 2022.

To promote effective communication, the Company maintains a website at www.kln.com, where information and updates on the Company's business developments and operations, financial and stock information, financial calendar highlighting important dates for Shareholders, analyst coverage, newsletters, corporate governance practices and policies and other information are available for public access. The Company also publishes its reports and announcements, notices and other corporate communications on its website and the website of the Stock Exchange.

During the year ended 31 December 2022, the Company has conducted a review on the implementation and effectiveness of the Shareholders Communication Policy. By proactively engaging with shareholders and stakeholders through announcements, website information, meetings and open channels of enquiry, the Company ensures its views are disclosed clearly and helps its shareholders and stakeholders fully understand its operation, development and corporate actions. Investors'

feedbacks and analysts' views are shared with the Board members regularly to maintain a healthy two-way communication. These strategies ensures that the Company's investor relations program meets its shareholders' needs and aligns with the Board's corporate strategy. Following the Company's review on its shareholders and stakeholders engagement and communication activities, the Company was satisfied with the implementation and the effectiveness of the Shareholders Communication Policy.

I SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual directors.

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, namely, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary who will ensure these enquiries are properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communications of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting and state the purpose therefor at the Company's registered office in Bermuda at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. Shareholders who wish to put forward proposals for the Company's consideration at the general meetings can send their proposals to the Company Secretary.

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules. Shareholders who are unable to attend the general meeting can appoint proxies to attend and vote at the general meeting. The Chairman of the general meeting will provide explanation of the detailed procedures for conducting a poll and then answer questions (if any) from the Shareholders regarding voting by way of poll. In addition, the poll results will be posted on the websites of the Company and of the Stock Exchange after the Shareholders' meeting.

J DIVIDEND POLICY

Pursuant to the dividend policy duly approved by the Board on 11 December 2018, subject to the Bye-laws, the Companies Act 1981 of Bermuda and other applicable laws and regulations, the Company currently targets to distribute to its Shareholders approximately 30% of its core net profit for each financial year end. Any proposed distribution of dividends is subject to the discretion of the Board and the approval of the Shareholders. Special dividend will also be considered when circumstances permit. Recommendations for distribution of dividends will be made after taking into account the results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that the Board may deem relevant.

K COMPANY SECRETARY

Ms LEE Pui Nee, the Company Secretary, is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. She reports to the Chairman, Group Managing Director and Chief Financial Officer. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

During the year ended 31 December 2022, the Company Secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

L CONSTITUTIONAL DOCUMENTS

The Memorandum of Continuance and Amended and Restated Bye-laws of the Company has been adopted by a special resolution passed on 23 May 2022.

In view of the amendments to the Listing Rules requiring, among others, all issuers to adopt one common set of core shareholder protection standards, the Board proposed to make certain amendments to align the Bye-laws with such changes. On 23 May 2022, the Shareholders approved the adoption by the Company of certain amendments to the Bye-laws. Please refer to the circular of the Company dated 28 April 2022 for details.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN, NON-EXECUTIVE DIRECTOR

WANG Wei

Aged 52, has been the Chairman and a Non-executive Director of the Company since October 2021.

Mr Wang has approximately 30 years of experience in the logistics industry. Having founded S.F. Holding in 1993, Mr Wang is S.F. Holding's controlling shareholder and has been its chairman of the board of directors and general manager since December 2016. He is responsible for formulating business strategies as well as overseeing business development and overall management of S.F. Holding. Mr Wang has been the executive director of Shenzhen Mingde since August 2004. Shenzhen Mingde and S.F. Holding are each a Controlling Shareholder of the Company.

Since February 2021, Mr Wang has acted as chairman of the board of directors and non-executive director of SF REIT Asset Management Limited, the manager of SF Real Estate Investment Trust (a Hong Kong collective investment scheme authorised under section 104 of the SFO and listed on the Stock Exchange, stock code 2191).

VICE CHAIRMAN, NON-EXECUTIVE DIRECTOR

KUOK Khoon Hua

Aged 44, has been the Vice Chairman and a Non-executive Director of the Company since October 2021.

Mr Kuok was an Executive Director of the Company from November 2013 to October 2021 and the Chairman of the Company from May 2019 to October 2021. He has been chairman of KHL since October 2016 and director of KHL since January 2010, chairman of KPL since May 2022 and chief executive officer of KPL since June 2019, director of KGL since August 2012, and director of Kuok (Singapore) Limited since September 2016. KGL and KHL are each a Controlling Shareholder of the Company. KPL is a Substantial Shareholder of the Company. Mr Kuok has also acted as non-executive and non-independent director of Wilmar International Limited (a company listed on the Singapore Stock Exchange, stock code F34) since July 2016 and director of Sea Limited (whose American depositary shares are listed on the New York Stock Exchange, stock code SE) since October 2017. He was vice chairman of KPL from June 2019 to May 2022.

Mr Kuok obtained a bachelor's degree in economics from Harvard University in the United States in 2003.

EXECUTIVE DIRECTORS

MA Wing Kai William

Aged 61, is the Group Managing Director of the Company.

Mr Ma joined the group of KHL in September 1990 and served as an executive director of KPL from March 2004 to November 2013. KHL and KPL are a Controlling Shareholder and a Substantial Shareholder of the Company respectively.

In June 1999, Mr Ma became director and general manager of Kerry Godown Holdings (BVI) Limited ("Kerry Godown"). He then transformed Kerry Godown into Kerry Warehouse Holdings Limited and successfully spearheaded the formation of the Company in 2000. During the entire restructure and transformation of the Company, he established full-fledged logistics services locally, regionally and globally. Business territories spread from Hong Kong to the Mainland, from Asia Pacific to Europe, the Americas, and Africa. He was designated as Deputy Chairman & Managing Director of the Company in April 2004 and since spinning off of the Company from KPL in December 2013, he has been Group Managing Director to date. Mr Ma is also a director of various subsidiaries of the Company.

Mr Ma had also served as Member and/or an Advisory Committee Member in various HKSAR government committees, quasi-government bodies, non-government organisations and education institutions over the years.

In November 2017, Mr Ma was selected as an awardee for Directors of Year Awards 2017 in the Executive Directors category of Listed Companies (SEHK – Hang Seng Indexes Constituents) organised by The Hong Kong Institute of Directors.

Mr Ma obtained his bachelor of science (management sciences) honours degree from the University of Lancaster, the United Kingdom in 1985, and completed an executive supply chain program at Harvard Business School in 2000.

NON-EXECUTIVE DIRECTORS

CHEUNG Ping Chuen Vicky

Aged 63, has been an Executive Director of the Company since April 2020 and became the Managing Director of the Company in July 2022.

Mr Cheung is a director of Apex Maritime Co., Inc. and its affiliates (collectively, "Apex Group"), which have become wholly-owned subsidiaries of the Company and been trading as Kerry Apex since 2020. Mr Cheung founded Apex Group, a group of freight forwarding companies, in 1990 and has been its director since then. Apex Group has been recognised as one of the top three volume providers for the Transpacific Trade. Mr Cheung is also a director of various subsidiaries of the Company.

Mr Cheung obtained a bachelor's degree in science (business administration and accounting) from San Francisco State University in the United States in 1985.

CHAN Fei

Aged 48, has been a Non-executive Director of the Company since October 2021.

Mr Chan has over 20 years of experience in management. He joined S.F. Holding in March 2016 and has since taken up various management positions such as assistant chief executive officer and chief strategy officer. He served as S.F. Holding's director and deputy general manager from December 2019 to December 2022. Mr Chan is currently assistant chief executive officer of S.F. Holdings. Prior to joining S.F. Holding, Mr Chan was executive director of the investment banking division of Goldman Sachs (a company listed on the New York Stock Exchange, stock code GS) from July 2006 to March 2016. S.F. Holding is a Controlling Shareholder of the Company.

Since December 2019, Mr Chan has acted as non-executive director and chairman of the board of directors of Hangzhou SF Intra-city Industrial Co., Ltd. (a company listed on the Stock Exchange, stock code 9699).

Mr Chan obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in Hong Kong in December 1999, a bachelor's degree in law from University of London in the United Kingdom in August 2003 and a master's degree in business administration from the Wharton School of the University of Pennsylvania in the United States in May 2006.

HO Chit

Aged 48, has been a Non-executive Director of the Company since October 2021.

Mr Ho has over 20 years of experience in auditing, financial control and corporate finance and business management. He joined S.F. Holding in September 2021 as deputy general manager and chief financial officer. Mr Ho has served as director of S.F. Holding since November 2021. Prior to joining S.F. Holding, Mr Ho served as chief executive officer of Fox Financial Technology Group Limited from April 2014 to September 2021 and held a number of senior financial positions in several NASDAQ listed companies from 2005 to 2014. S.F. Holding is a Controlling Shareholder of the Company.

Since April 2022, Mr Ho has acted as non-executive director of SF REIT Asset Management Limited, the manager of SF Real Estate Investment Trust (a Hong Kong collective investment scheme authorised under section 104 of the SFO and listed on the Stock Exchange, stock code 2191). Mr Ho served as independent director of China Great Wall Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code 002939.SZ) from August 2015 to May 2022.

Mr Ho obtained a bachelor's degree in business administration (accounting and finance) from the University of Hong Kong in Hong Kong in December 1997 and an executive master of business administration degree from Tsinghua University in the PRC in July 2013. Mr Ho is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEN Keren

Aged 57, has been a Non-executive Director of the Company since October 2021.

Ms Chen has over 30 years of experience in legal and corporate services. She worked at an international law firm, Sinclair, Roche & Temperley, London between September 1988 and February 1994, and joined the firm's Hong Kong office in March 1994 as solicitor. She remained with Sinclair, Roche & Temperley, Hong Kong as partner until February 1998. In March 1998, Ms Chen joined Kerry Trading Co., Limited as legal counsel, and has since become group co-general counsel, company secretary, head of company secretarial and compliance and director of corporate services of KGL. KGL is one of the Controlling Shareholders of the Company.

Ms Chen obtained a bachelor's degree in law from the London School of Economics and Political Science in the United Kingdom in July 1987. She is a qualified solicitor in Hong Kong and England and Wales.

CHEUNG Wai Man

Aged 64, has been an Independent Non-executive Director of the Company since October 2021.

Dr Cheung is currently associate dean, Graduate Studies of Business School, The Chinese University of Hong Kong ("CUHK") in Hong Kong. Dr Cheung has been director of the Asian Institute of Supply Chains & Logistics as well as the Center of Cyber Logistics at CUHK since 2006. He has also served as executive director of the Asia-Pacific Institute of Business at CUHK since 2016. Dr Cheung joined the department of decision sciences and managerial economics at CUHK as assistant professor in 1992, and has since become a full professor at the same department.

Dr Cheung obtained a bachelor's degree in science (civil engineering) from the National Taiwan University in Taiwan in June 1982, a master of business administration degree from the Rensselaer Polytechnic Institute in the United States in December 1986 and completed his doctor of philosophy degree in decision sciences and engineering systems at the same institute in December 1991.

LAI Sau Cheong Simon

Aged 62, has been an Independent Non-executive Director of the Company since October 2021.

Mr Lai has over 30 years of experience in corporate finance and commercial law fields. He joined Deacons in 1985 and was head of its corporate finance practice before retiring from partnership in 2008. Mr Lai re-joined Deacons as a consultant in January 2012 and in November 2016, he joined the Chow Tai Fook group. Mr Lai has since acted as chief legal officer (head of legal and secretarial) of Chow Tai Fook Enterprises Limited and as group general counsel and joint company secretary of Chow Tai Fook Jewellery Group Limited (a company listed on the Stock Exchange, stock code 1929).

Mr Lai obtained a bachelor's degree in law from the University of Hong Kong ("HKU") in November 1982 and a postgraduate certificate in law from HKU in July 1983. He is a qualified solicitor in Hong Kong, England and Wales, New South Wales, Australia and Australian Capital Territory, Australia, and is a qualified barrister in Australian Capital Territory, Australia.

Mr Lai currently serves on a number of committees of The Law Society of Hong Kong including as chairman of its company law committee, prior to which he acted as director and council member between 2016 and 2019. Mr Lai had also served on a number of public appointments in Hong Kong.

TAN Chuen Yan Paul

Aged 64, has been an Independent Non-executive Director of the Company since October 2021.

Mr Tan has over 40 years of experience in the legal industry, having practised as a solicitor in both Hong Kong and Sydney, New South Wales, Australia. He joined Baker McKenzie in July 1982 and was managing partner of its Hong Kong, the Mainland of China, Vietnam and Korea offices in 1997 to 1999, and 2013 to 2015. He had also served as chairman of the Firm Global Nominating Committee and head of Hong Kong Commercial and Securities Practice. Mr Tan retired as a partner of Baker McKenzie in December 2019. Mr Tan has since become a vice chairman and company secretary of the Hong Chi Association, a government subvented charity dedicated to the welfare and training of mentally challenged children in Hong Kong.

Mr Tan was vice president of the Law Society of Hong Kong from 2000 to 2003, having been a council member since 1995. He was the convenor of Solicitors Disciplinary Tribunal and currently serves as a member of the Tribunal. Mr Tan has also served on a number of public appointments in Hong Kong, including as chairman of the Mandatory Provident Fund Schemes Appeal Board, Occupational Retirement Schemes Appeal Board and the Appeal Tribunal Panel (Buildings). He also served as the independent trustee of the Hong Kong University of Science and Technology Staff Superannuation Scheme and the Hong Kong University of Science and Technology Ancillary Staff Superannuation Scheme.

Mr Tan received from the University of Sydney in Australia a bachelor's degree in economics in April 1980, a bachelor's degree and a master's degree in law in February 1982 and June 1985, respectively. He is a qualified solicitor in Hong Kong and New South Wales, Australia.

WONG Yu Pok Marina JP

Aged 74, has been an Independent Non-executive Director of the Company since November 2013.

Ms Wong has served as an independent non-executive director of KPL since May 2008. She is also the chairman of the audit and corporate governance committee and the remuneration committee and a member of the nomination committee of KPL. KPL is a Substantial Shareholder of the Company.

Ms Wong had worked with PricewaterhouseCoopers ("PwC") for over 30 years, specialising in PRC tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors on the structuring of their businesses and investments in the Mainland of China. Ms Wong retired as a partner from PwC in July 2004, and joined Tricor Services Limited as a director from September 2004 to February 2006.

Ms Wong serves as an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited (a company listed on the Stock Exchange, stock code 50) since May 2008, Luk Fook Holdings (International) Limited (a company listed on the Stock Exchange, stock code 590) since August 2013 and SJM Holdings Limited (a company listed on the Stock Exchange, stock code 880) since June 2019.

Ms Wong is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Ms Wong obtained a higher diploma in Accountancy from Hong Kong Technical College (now known as Hong Kong Polytechnic University) in 1968 after completing a three-year full-time course in accountancy from 1965 to 1968.

SENIOR MANAGEMENT

CHENG Chi Wai Ellis

Aged 58, joined the Group in August 2009 as Chief Financial Officer.

Mr Cheng is a Fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, as well as a chartered accountant and a chartered secretary.

Mr Cheng has over 30 years of experience in auditing, financial control and corporate finance and previously worked in an international accounting firm and held key finance positions in companies whose shares are listed on the Main Board of the Stock Exchange.

He is a senior officer of the Hong Kong Auxiliary Medical Service ("AMS"), a senior fellow advisor of the AMS Officers' Club, a member of the Audit Committee of the Hong Kong Committee for UNICEF and the Advisory Committee of School of Decision Sciences and an adjunct professor of The Hang Seng University of Hong Kong.

Mr Cheng has a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University and an executive master's degree in business administration from The Chinese University of Hong Kong.

CHEUNG Hiu Lung Alan

Aged 43, joined the Group in August 2001, and is currently the Managing Director – KEAS. He is responsible for overseeing the Mainland logistics operation of the Group.

He started as a management trainee of the Company, and managed overall integrated logistics business in Hong Kong and Macau, ranging from business development, warehousing operation, distribution, food and pharmaceutical trading, and domestic express before transferring to the Mainland in 2018.

Mr Cheung obtained a bachelor of engineering in logistics management from the Hong Kong University of Science and Technology in 2001 and a master of corporate finance from the Hong Kong Polytechnic University in 2013.

ERNI Edwardo

Aged 61, served as an Executive Director of the Company with executive responsibility over the Mainland between November 2013 and December 2018. Since 2019, Mr Erni has devoted himself exclusively to overseeing the Company's operations in the Mainland and North Asia and developing the global project logistics platform. In 2015, he took on the additional duties of developing Russia, countries of the Commonwealth of Independent States, Japan, and South Korea, becoming Managing Director – China & North Asia. Mr Erni first became a Director of the Company in 2011.

As part of his duties, Mr Erni manages a wide portfolio of warehousing companies and logistics platforms in the Mainland. He joined the Company in January 1994 and has accrued over 25 years of experience in the Mainland's fast growing logistics industry. To entrench his involvement in the industry, Mr Erni serves as vice-chairman of several industry associations, including: the China Federation of Logistics & Purchasing, the Integrated Transport Federation of China Communications and Transportation Association, China Association of Warehouses and Storage, and Beijing Logistics and Supply Chain Management Association. As the Managing Director of a well-known enterprise in the Mainland, Mr Erni has taken on the role of vice-chairman of Beijing Headquarters Enterprise Association since June 2018.

To continually advance his professional development, Mr Erni completed several advanced management and professional study programmes focusing on strategy and leadership, including: a joint Tsinghua and University of North Carolina E-commerce & Informatization on the Logistic Industry Programme in 2015; a Harvard Business School programme in association with the School of Management at Fudan University in 2013; and management courses held by Tianjin University in 2011, Peking University in 2009, and Tsinghua University in 2008. Mr Erni obtained a Master of Business degree in Logistics Management from the Royal Melbourne Institute of Technology, Australia in 2005.

LAU Kin Pui Samuel

Aged 56, joined the Group in April 2000. Mr Lau is currently the Managing Director – Integrated Logistics North Asia with the responsibility of leading the integrated logistics' functional business development and operations of the Group and in the North Asia region including Hong Kong, Macau, the Mainland, South Korea and Japan.

He has over 25 years of experience in the logistics industry. Mr Lau is a member of the Statistics Advisory Board of the Census and Statistics Department of the Hong Kong Government, the Advisory Board of the Hong Kong Export Credit Insurance Corporation and the Hong Kong Trade Development Council Belt and Road & Greater Bay Area Committee The Regional Comprehensive Economic Partnership Task Force on Trade and Investment. He has been a member of the Aviation Development and Three-runway System Advisory Committee under the Transport and Housing Bureau of the Hong Kong Government since August 2017.

Mr Lau obtained a bachelor of arts degree in business studies from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in 1991.

NG Kin Hang Alex

Aged 43, served as an Executive Director of the Company between January 2019 and October 2021.

Mr Ng joined the Group in August 2001. Since June 2019, Mr Ng has been appointed as Chief Executive Officer of Kerry Express Thailand. He is also a director and oversees the operations of various subsidiaries and associated companies of the Company.

Mr Ng started with the first batch of management trainees of the Company in 2001, and during the tenure, he had held different corporate and field-based positions in various business segments across Greater China and Southeast Asia. In 2008, Mr Ng relocated to Thailand and started KART (Kerry Asia Road Transport), the Company's Association of Southeast Asian Nations cross-border transportation unit. In 2013, Mr Ng led the Group's express delivery business in Thailand, whereby Kerry Express Thailand achieved unprecedented growth. Today, Kerry Express Thailand is the market leader and a household brand in Thailand.

Mr Ng obtained a bachelor's degree in economics and finance from The University of Hong Kong in 2001.

PARKES John Leslie

Aged 67, joined the Group in September 2019 as Managing Director – Integrated Logistics to take up the leadership and oversee the overall management of the global integrated logistics business of the Group.

Mr Parkes has over 40 years of experience in the transportation and logistics industry. With a specific focus on the Asia Pacific region, he has held operational leadership positions in major logistics businesses, specialising in multi-country business development and management, merger and acquisition and global account management.

Mr Parkes is a Fellow of The Chartered Institute of Logistics and Transport (UK) and an Associate of The Institute of Road Transport Engineers (now as a professional sector of Society of Operations Engineers). He obtained an advanced certificate in road transportation from Rand Afrikaans University (now known as University of Johannesburg), South Africa in 1985 and completed a leadership program held by Massachusetts Institute of Technology Sloan School of Management in collaboration with The University of Hong Kong in 2010.

RENARD-BIRON Mathieu Vincent

Aged 56, joined the Group in April 2018 as Managing Director – Global Freight Forwarding to take up the leadership and oversee the overall management of the global freight forwarding business of the Group.

Mr Biron has over 30 years based and managing businesses in various markets of Asia Pacific and several years in EMEA. He also had experience and leadership across the full range of supply chain services, entrusted with several business transformation challenges in both logistics and manufacturing sectors.

Mr Biron was awarded his master's degree in economics and finance from Paris Institute of Political Studies in 1990.

STOEKENBROEK Martin

Aged 53, joined the Group in April 2019 as Managing Director – Europe, Middle East and Africa to lead the international freight forwarding business of the Group in the EMEA region and oversee strategic development, focusing particularly on strengthening the Group's foothold and business portfolio.

Mr Stoekenbroek has over 30 years of extensive experience in freight forwarding and logistics industry specialising in EMEA and global markets, bringing to his role a wealth of supply chain knowledge, insights and expertise.

YIP Kam Sang Alan

Aged 63, joined the Group in September 2012 and is currently a Managing Director – Southeast Asia and Managing Director – Operations & Technology of the Company overseeing Oceania plus Southeast Asia regional operations and businesses, and the global technology development.

He oversees the logistics operations, business expansion, sales and marketing, mergers and acquisitions and development of the Group's network in Oceania, including Australia, and New Zealand. Also, Southeast Asia, including Singapore, Malaysia, Thailand, Vietnam, Indonesia, the Philippines, Cambodia, Myanmar, Laos, Pakistan, Sri Lanka, Bangladesh, and India subcontinent. Mr Yip has developed and implemented a comprehensive management, operational, and analytical systems embedded with AI, which has improved the operation efficiencies, service qualities and capabilities, and overall business performance of the Group. He manages a fully integrated logistics operation in these regions ranging from freight forwarding, warehousing, domestic trucking, perishable and cold chain, to distribution.

Prior to joining the Group, Mr Yip worked in the United States for over 25 years in various high technology, financial and Government sectors.

Mr Yip graduated from the University of Wisconsin with a bachelor's degree in mathematics and computer science and from the University of Illinois with a master of science degree in electrical engineering and computer sciences.

REPORT OF DIRECTORS

The Directors are pleased to present this annual report together with the Financial Statements.

PRINCIPAL ACTIVITIES

The Group operates as a leading logistics service provider in Asia principally engaged in IL, E&E and IFF businesses. The principal activities of the Company are as follows:

- (i) IL services, including storage, inventory and other value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia;
- (ii) E&E related logistics services; and
- (iii) IFF services intra-Asia, between Asia and Europe and between Asia and the Americas to transport cargo using air freight, ocean freight and cross-border road freight forwarding services.

Details of the principal activities of the principal subsidiaries are set out in note 41 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2022.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the section headed "Statement of Accounts" of this annual report.

BUSINESS REVIEW

OVERVIEW AND PERFORMANCE OF THE YEAR

2022 was a turbulent year. It started with strong global demand and ended with many uncertainties. For the logistics industry, it was a pendulum swinging from one extreme to the other with severe supply-demand fluctuations. Inflation and interest rates continued to accelerate worldwide. Coupled with the lingering impact of the pandemic and the war in Ukraine, the decline in product demand was further intensified, leading to upstream-downstream imbalance along the entire supply chains.

The global product demand and purchase orders shrank sharply in 2022 2H due to the overstocking crisis caused by over-ordering earlier on alongside consumers shifting their spending from goods to services as the pandemic turned epidemic. Disruptions to global value chains have sped up the diversification and reshoring of production to boost supply chain resilience. The macro volatility and economic uncertainty in 2022 2H were worse than forecast.

At the start of 2022, KLN Group maintained the growth momentum from the previous year and achieved strong growth in 2022 1H. Nevertheless, the global economy has rapidly weakened since 2022 2H. Asia exports slumped on account of rising freight capacity, falling freight rates and sluggish external demand.

Despite a tough 2022, KLN Group maintained a 10% growth in revenue and a 11% increase in core net profit in its continuing operations riding on its unparalleled network in Asia, diversified global service offerings and cross-selling synergies with S.F. Holding in various arenas.

The Company is of the view that core net profit is a key financial indicator of our operating performance and provides useful information regarding our ability to generate profit and cash from our principal business operations and related investments. We monitor core net profit, which is not a standard measure under HKFRS, to provide additional information about our operating performance. Core net profit represents our profit attributable to the Shareholders before the after-tax effect of change in fair value of investment properties. We have chosen to subtract the after-tax effect of change in fair value of investment properties in our calculation of core net profit because our management does not take into account changes in fair value of investment properties when evaluating our operating performance, making planning decisions or allocating resources. The Company does not engage in selling investment properties during our normal course of business and, accordingly, management considers that changes in fair value of investment properties are unlikely to be realisable and therefore are less meaningful to our business operations.

Discussion on the Company's performance of the year is set out in the section headed "Management Discussion and Analysis – Results Overview" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company strives to develop high standards on pollution prevention, preservation of natural

resources and adherence to environmental laws and regulations. We require all our employees and contractors to adhere to this policy. We believe our high environmental standards can put us in better position to compete with other logistics service providers in light of the rising environmental initiatives of multinational corporations.

Our efforts in environmental protection have been well recognised. The Company has obtained the international certification of ISO 14001, an internationally agreed standard.

We care about our environment and work to make our operations greener through managing emissions, optimising the use of resources and protecting the natural environment and ecosystems that we rely on.

The Board has overall responsibility for our sustainability strategy and reporting. In line with the CG Code, the Board is responsible for evaluating and determining our sustainability related risks, and ensuring that appropriate and effective sustainability risk management and internal control systems are in place. A confirmation regarding the effectiveness of these systems has been provided to the Board during the year ended 31 December 2022.

Further details are set out in the sections headed "Corporate Governance Report – Risk Management and Internal Controls" of this annual report and "Our Environment" of the Company's sustainability report 2022.

Discussion on our compliance with relevant environmental laws and regulations is set out in the section headed "Compliance with Relevant Laws and Regulations" in this Report of Directors.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

REGULATORY COMPLIANCE

The Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code.

IL, E&E and IFF businesses are not heavily regulated in any of the countries and territories in which we operate. Unlike our suppliers (such as airlines and shipping lines) or customers (such as manufacturers and retailers in various industries), we do not own or operate any aircrafts, nor are we principally engaged in vessel operations or the manufacture or sale of any industrial or consumer products. We are therefore not subject to any material legal or regulatory requirements which apply to the air transportation or shipping industries or any of our customers' industries.

During the year, there were no findings notified to us by any regulatory authority in the jurisdictions in which we operate of any material non-compliance with any law or regulation to which the businesses are subject.

LICENSING REQUIREMENTS

The Group is required to comply with the regulatory requirements to obtain and maintain certain licences and permits in the jurisdictions in which we operate. Many of these licences and permits are subject to regular review, replacement or renewal.

Each of our local management teams performs its own function to ensure that we maintain the necessary licences and permits to operate our businesses in each jurisdiction. The Group has been able to renew our major licences and permits without significant difficulties during the year.

ENVIRONMENTAL PROTECTION

We have not been subject to any fines or legal action involving any material non-compliance with any relevant environmental regulations, nor are we aware of any threatened or pending action by any relevant environmental regulatory authority.

KEY RELATIONSHIPS WITH STAKEHOLDERS

EMPLOYEES

People are the backbone of our operations and the key to our success as the leader in providing exceptional services. We are committed to creating opportunities for our employees to develop their full potential by considering all aspects of their lives. We firmly believe in the power and possibility of the next generation and strives to nurture these talents through our comprehensive MT Programme.

YEA, established in 2001, has been supporting our strategic growth by grooming high-caliber talent. YEA is comprised of four high flyers programmes, which are tailored for candidates at various stages of their career development.

We are committed to creating real value for employees through rewarding careers, workplace quality and work-life balance. To echo our core values VOICE, we provide regular on-the-job trainings, reward schemes and job secondment/relocation opportunities for all employees to propel work excellence within the global scope. We believe these measures could further enhance employee involvement and engagement as part of a team.

CUSTOMERS

We currently serve more than 40 of the Top 100 Brands (ranked by Interbrand, a well-recognised global brand consultancy) across a wide spectrum of industries. By leveraging our experience in serving the supply chains in various industries, we have developed significant industry expertise and applied innovative processes across industries to better

serve our customers. We have been successful in offering industry-specific solutions, including the fashion and lifestyle, electronics and technology, F&B, fast-moving consumer goods, industrial and material sciences, automotive, and pharmaceutical and healthcare industries.

Our one-stop services range from vendor-managed inventory, cold chain management, nationwide warehousing and distribution to return management. Committed to high quality services, our business, around the world have achieved various certifications such as ISO 9001 quality management system standard, the facility security requirements of the Transported Asset Protection Association and ISO 22000 food safety management and HACCP certifications for our F&B business unit.

Within most of these industries, we manage outsourced supply chains that are sophisticated, regional in scale and critical to our customers' core business. This creates opportunities for us to become an integral part of our customers' operations. In addition, we have established long-standing relationships with many of our key customers, which are due in part to our ability to continually meet or exceed their requirements for quality and reliability of service. We believe our supply chain solutions have offered our customers compelling value propositions, making us their preferred logistics service provider.

SUPPLIERS

Our main suppliers include airlines and shipping lines from which we procure air or ocean cargo space in connection with our freight forwarding business. We do not enter into any long-term supply contracts or any firm commitment to purchase air or ocean cargo space for freight forwarding purposes.

Our suppliers also include landlords of leased logistics facilities that we manage in connection with our IL business, as well as suppliers of goods in connection with our trading business. We manage a large portfolio of leased logistics facilities located primarily in Asia.

INDUSTRY AWARDS AND ACCREDITATIONS

We have received a number of industry awards and accreditations in recognition of our leading position and achievements in the logistics services industry in Asia. Details are set out in the section headed "Awards and Citations" of this annual report.

CORPORATE SOCIAL RESPONSIBILITY

Details of corporate social responsibility are set out in the Company's sustainability report 2022.

KEY RISKS AND UNCERTAINTIES

The Board has continuously monitored the areas that are likely to pose more significant risks to the Company based on the results of the risk assessment interviews previously conducted by external auditor. The Company has implemented various measures to mitigate these risks or uncertainties. Further reviews are set out in the section headed "Corporate Governance Report – Risk Management and Internal Controls".

UNCERTAINTIES IN THE GLOBAL BUSINESS ENVIRONMENT

Uncertainties over political and economic situations worldwide expose the Group to the risk of non-sustainable growth. The bearish market view triggered downward adjustments in sales and production targets resulting in a decline in cargo volume.

The Group has been mitigating this risk by diversifying its business portfolio, markets and customer pools in order to minimize the adverse impact on its business with quick response to market changes.

INTEGRATION OBSTACLES

The Group expands its network and global coverage mainly through mergers and acquisitions. Differences in operation models, culture and availability of resources may hinder the integration of the new member into the Group if not properly monitored.

To mitigate this, a robust due diligence process has been in place to ensure the target companies are the right acquires. Integration checklists in all aspects including human resources, finance, information technology, legal and compliance etc. have been set up. Our internal audit will conduct independent check on the governance and performance of the acquired business.

SUCCESSION PLANNING AND POTENTIAL LOSS OF TALENTS

The Group currently places heavy reliance on certain key managerial members. There has been succession planning prepared for certain divisions of the Company.

The Group has mitigated this by using the MT Programme developed under YEA since 2001 to nurture staff with high potential to be future management, taking market reference to benchmark salary level of management to the Company's competitors, re-organising the management structure with more long-term incentives to management, and implementing succession plan for areas in need, particularly for key management.

CONCERNS OVER KEY INFORMATION SYSTEMS (BOTH OPERATIONAL AND FINANCIAL)

Due to the nature of the business, the Group cannot afford any information technology disruption. Therefore, efficient maintenance and recovery of information technology systems are very important to the Group. The ability to develop systems within a reasonable timeframe to support business needs is also critical.

To mitigate this, periodic disaster recovery plan and drill tests are performed. The Group will also outsource or relocate part of the development or maintenance of the systems to third parties in a cost-effective manner. System integration and automate data flows are performed to reduce human interference in order to reduce the risks of human error and time of data processing. Stringent cybersecurity measures were in-place to ensure that confidentiality, integrity and availability of data stored in on-premises and cloud. During the year, we had applied machine learning and artificial intelligence to combat cybersecurity attacks, saving a considerable amount of time and costs.

CREDIT RISK IN RELATION TO COUNTERPARTIES

Adverse performance of the Group's customers due to decline in the demand of their products will increase the Group's counterparties risk with these customers. Long credit period of top customers may lead to unsatisfactory cash flow of the Group.

The Group has mitigated this by tightening accounts receivable and setting up credit monitoring controls, for example, to produce a periodic credit report consisting of top 50 to 100 customers for management review. Tighten protective measures are implemented, for example, by the holding of customers' stocks stored in the Group's facilities before payments are settled, and requesting for deposit before provision of services.

OTHER FINANCIAL RISKS

Further discussion on financial risks are set out in the section headed "Management Discussion and Analysis – Financial Review" and note 3 to the Financial Statements of this annual report.

OUTLOOK

Discussion on outlook is set out in the section headed "Management Discussion and Analysis – Business Review" of this annual report.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2022

On 29 March 2023, the Company, Natixis and SF Holding Limited entered into a subscription and placing agency agreement pursuant to which: (i) the Company agreed to issue perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 with distribution rate of 3.30% per annum payable semi-annually (the “Convertible Securities”) to SF Holding Limited; (ii) Natixis conditionally agreed to use all reasonable efforts to procure SF Holding Limited to subscribe for the Convertible Securities; and (iii) SF Holding Limited conditionally agreed to subscribe and pay for the Convertible Securities at 100% of the principal amount subject to, and in accordance with, the terms of the subscription and placing agency agreement. Completion of the subscription and placing agency agreement has not taken place as at the date of this annual report. Please refer to the Company’s announcements dated 28 March 2023 and 29 March 2023 for further details.

Save as disclosed, there were no important events affecting the Group which have occurred since 31 December 2022.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders in the forthcoming AGM for the distribution of a final dividend of 38 HK cents per share for the year ended 31 December 2022 payable to the Shareholders whose names are listed in the Registers of Members on Monday, 29 May 2023. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the forthcoming AGM.

SHARE CAPITAL

Details of the share capital of the Company during the year ended 31 December 2022 are set out in note 26 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the year ended 31 December 2022 are set out in note 27 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company has distributable reserves of HK\$6,089 million in total available for distribution, of which HK\$687 million has been proposed as final dividend for the year, which is calculated in accordance with generally accepted accounting principles.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the section headed “2018-2022 Financial Summary” of this annual report.

DONATIONS

The Group made a donation of HK\$2.3 million to charity projects or organisations for the year.

RETIREMENT BENEFITS

Please refer to note 31 to the Financial Statements for details of the retirement benefits of the Group for the year ended 31 December 2022.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 16 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the year ended 31 December 2022 are set out in notes 28 and 29 to the Financial Statements.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

On 7 June 2021, the Company obtained from the Stock Exchange a conditional waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to permit a lower minimum public float of 15.0%. Please refer to the joint announcement published by the Company and Flourish Harmony on 7 June 2021 for details.

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as is applicable to it under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws of Bermuda.

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Mr WANG Wei
(Chairman, Non-executive Director)
Mr KUOK Khoon Hua
(Vice Chairman, Non-executive Director)

Executive Directors

Mr MA Wing Kai William
(Group Managing Director)
Mr CHEUNG Ping Chuen Vicky
(Managing Director)
(appointment as Managing Director effective from 1 July 2022)

Non-executive Directors

Mr CHAN Fei
Mr HO Chit
Ms CHEN Keren

Independent Non-executive Directors

Dr CHEUNG Wai Man
Mr LAI Sau Cheong Simon
Mr TAN Chuen Yan Paul
Ms WONG Yu Pok Marina

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed “Directors and Senior Management” of this annual report.

DIRECTORS' LETTER OF APPOINTMENT

Each of the Directors has signed an appointment letter with the Company for an initial term commencing from his/her respective date of appointment until the next general meeting of the Company, at which he/she will be eligible for re-election. Upon being re-elected, the appointment of the Director shall continue for a period of three years and until the conclusion of the third annual general meeting of the Company or such earlier date pursuant to the Bye-laws. The appointments of the Directors are subject to the provisions of retirement and rotation of Directors in accordance with the Bye-laws.

According to Article 99 of the Bye-laws, the number of Directors retiring at each annual general meeting shall not be less than such number as is nearest to but not exceeding one-third of the Directors for the time being (not including those Directors who were appointed to fill casual vacancies or as additions to the Board further to Article 102), and any retiring Director shall be eligible for re-election at the same annual general meeting. Mr KUOK Khoon Hua, Mr MA Wing Kai William and Ms WONG Yu Pok Marina will be retiring and be subject to re-election in the forthcoming AGM.

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract that is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors, namely Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. The Company considers that the Independent Non-executive Directors have been independent from the date of their appointment to 31 December 2022 and remain so as at the date of this annual report.

Ms Wong has served as an Independent Non-executive Director for over nine years. During her term of office, Ms Wong consistently offered objective advice, independent opinions and invaluable guidance to the Board and the Company's senior management. Ms Wong is not involved in the daily management of the Company's affairs, nor is there any circumstance which might interfere with the exercise of her independent judgment.

Ms Wong's tenure with the Company has allowed her to gain a deep understanding of the Group's business and operations and accumulate extensive industry experience, whose continuous service is believed to bring stability to the Board and be beneficial to the Company. In light of the foregoing and taking into account that the Company has received (and the Board has reviewed and assessed) confirmation from Ms Wong that she satisfies all the independence criteria set out in Rule 3.13 of the Listing Rules, the Board considers that Ms Wong's independence and her ability to continue to bring in fresh perspectives are not affected by her length of service.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

(I) THE COMPANY

Directors	Ordinary Shares in the Company					Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	
WANG Wei ⁽²⁾	-	-	931,209,117	-	931,209,117	51.52%
KUOK Khoo Hua ⁽³⁾	600,428	-	-	1,132,479	1,732,907	0.10%
MA Wing Kai William ⁽⁴⁾	1,680,745	-	-	717,588	2,398,333	0.13%
CHEUNG Ping Chuen Vicky ⁽⁵⁾	3,387,144	-	-	-	3,387,144	0.19%
WONG Yu Pok Marina ⁽⁶⁾	20,796	-	-	-	20,796	< 0.01%

Notes:

- (1) Based on 1,807,424,842 Ordinary Shares in issue as at 31 December 2022.
- (2) Mr Wang is interested in 931,209,117 Ordinary Shares held through his controlled corporations.
- (3) Mr Kuok is interested in (i) 600,428 Ordinary Shares as beneficial owner; and (ii) 1,132,479 Ordinary Shares held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.
- (4) Mr Ma is interested in (i) 1,169,525 Ordinary Shares as beneficial owner; (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 511,220 Ordinary Shares; and (iii) 717,588 Ordinary Shares held through a discretionary trust of which Mr Ma is a discretionary beneficiary.
- (5) Mr Cheung is interested in (i) 3,332,068 Ordinary Shares as beneficial owner and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 55,076 Ordinary Shares.
- (6) Ms Wong is interested in 20,796 Ordinary Shares as beneficial owner.

(II) ASSOCIATED CORPORATIONS

Shenzhen Mingde Holding Development Co., Ltd.

Director	Registered capital of Shenzhen Mingde					Approximate percentage of registered capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	
WANG Wei ⁽²⁾	RMB113,286,600	-	-	-	RMB113,286,600	99.90%

Notes:

- (1) Based on a total registered capital of Shenzhen Mingde of RMB113,400,000 as at 31 December 2022.
- (2) Mr Wang is interested in registered capital of Shenzhen Mingde in the amount of RMB113,286,600 as beneficial owner.

S.F. Holding Co., Ltd.

Directors	Ordinary shares in S.F. Holding					Total interests	Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
CHAN Fei ⁽²⁾	488,000	-	-	-	-	488,000	0.01%
HO Chit ⁽³⁾	488,000	-	-	-	-	488,000	0.01%

Notes:

- (1) Based on 4,895,202,373 ordinary shares in S.F. Holding in issue as at 31 December 2022.
(2) Mr Chan is interested in options granted under the 2022 stock option incentive plan of S.F. Holding to subscribe for 488,000 ordinary shares in S.F. Holding.
(3) Mr Ho is interested in options granted under the 2022 stock option incentive plan of S.F. Holding to subscribe for 488,000 ordinary shares in S.F. Holding.

Kerry Express (Thailand) Public Company Limited

Director	Ordinary shares in Kerry Express Thailand					Total interests	Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
MA Wing Kai William ⁽²⁾	14,211,700	-	-	-	-	14,211,700	0.82%

Notes:

- (1) Based on 1,742,577,000 ordinary shares in Kerry Express Thailand in issue as at 31 December 2022.
(2) Mr Ma is interested in 14,211,700 ordinary shares in Kerry Express Thailand as beneficial owner.

Save as disclosed above, as at 31 December 2022, the Company is not aware of any other Director or the chief executive of the Company who has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the following are the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital ⁽¹⁾
WANG Wei	Interest of controlled corporations	931,209,117 ⁽⁷⁾	51.52%
Shenzhen Mingde Holding Development Co., Ltd. ⁽²⁾	Interest of controlled corporations	931,209,117 ⁽⁷⁾	51.52%
S.F. Holding Co., Ltd. ⁽³⁾	Interest of controlled corporations	931,209,117 ⁽⁷⁾	51.52%
Kerry Group Limited ⁽⁴⁾	Interest of controlled corporations	595,928,608 ⁽⁸⁾	32.97%
Kerry Holdings Limited ⁽⁵⁾	Interest of controlled corporations	572,100,979 ⁽⁸⁾	31.65%
Kerry Properties Limited ⁽⁶⁾	Beneficial owner	376,702,721 ⁽⁸⁾	20.84%

Notes:

- (1) Based on 1,807,424,842 Ordinary Shares in issue as at 31 December 2022.
(2) Mr WANG Wei is the executive director of Shenzhen Mingde.
(3) Mr WANG Wei is the chairman of the board of directors and the general manager of S.F. Holding. Mr CHAN Fei is an assistant chief executive officer of S.F. Holding. Mr HO Chit is a director, a deputy general manager and the chief financial officer of S.F. Holding.
(4) Mr KUOK Khoon Hua is a director of KGL. Ms CHEN Keren is the group co-general counsel, the company secretary, the head of company secretarial and compliance and the director of corporate services of KGL.
(5) Mr KUOK Khoon Hua is the chairman and a director of KHL.
(6) Mr KUOK Khoon Hua is the chairman, the chief executive officer and an executive director of KPL. Ms WONG Yu Pok Marina is an independent non-executive director of KPL.
(7) Flourish Harmony is interested in 931,209,117 Ordinary Shares as beneficial owner. It is wholly owned by S.F. Holding. S.F. Holding is a subsidiary of Shenzhen Mingde which is, in turn, controlled by Mr WANG Wei. Accordingly, S.F. Holding, Shenzhen Mingde and Mr Wang are deemed to be interested in the interest held by Flourish Harmony in the Company pursuant to the disclosure requirements under the SFO.
(8) KPL is a subsidiary of KHL. KHL is a wholly-owned subsidiary of KGL. Accordingly, KHL is deemed to be interested in the interest held by KPL in the Company, and KGL is deemed to be interested in the interest held by each of KHL and KPL in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at 31 December 2022, the Company is not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year ended 31 December 2022 was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr WANG Wei, the chairman of the Board and non-executive Director, is the chairman of the board of directors, the general manager and the controlling shareholder of S.F. Holding. Mr CHAN Fei, non-executive Director, is an assistant chief executive officer of S.F. Holding. Mr HO Chit, non-executive Director, is a director, a deputy general manager and the chief financial officer of S.F. Holding. S.F. Holding is primarily engaged in the provision of integrated express logistic services in the Mainland.

Mr KUOK Khoo Hua, the vice chairman of the Board and non-executive Director, is the chairman and a director of KHL as well as a director of KGL. Ms CHEN Keren, non-executive Director, is the group co-general counsel, the company secretary, the head of company secretarial and compliance and the director of corporate services of KGL. KGL wholly owns KHL which, in turn, is the controlling shareholder of Kerry TJ. Kerry TJ is primarily engaged in the provision of less-than-truck-load transport and supply chain integration logistics services in Taiwan.

The Directors believe that there is a risk that the above-mentioned competing businesses may compete with those of the Group. Nonetheless, such businesses are operated and managed by companies with independent management and administration. In addition, the relevant Directors mentioned above have non-executive roles and are not involved in the Company's day-to-day operations and management. Accordingly, the Group is capable of carrying on its businesses independent of and at arms-length from the competing businesses mentioned above.

Save as disclosed above and save for their respective interests in the Group, none of the Directors or any of their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group for the year ended 31 December 2022 and up to the date of this annual report.

SIGNIFICANT ACQUISITION/DISPOSAL AND DISCLOSEABLE AND CONNECTED TRANSACTIONS

The Group conducted the following material transactions during the year ended 31 December 2022.

1 ACQUISITION OF THE TARGET COMPANY IN CALIFORNIA

On 17 February 2022 (US time), the Company (through a wholly-owned subsidiary, KLN Investment (US) LLC) entered into a stock purchase agreement (the "Stock Purchase Agreement") to acquire from Mr Robert Chin Yang WANG and Mr Andy Hsien Cheng WANG the entire equity interest in Topocean by tranches at a total consideration of not exceeding USD240 million. Topocean and its subsidiaries are principally engaged in IFF and logistics services. Upon completion, Topocean will become a wholly-owned subsidiary of the Company.

As one or more of the applicable percentage ratios in respect of the acquisition are more than 5% but less than 25%, the acquisition contemplated under the stock purchase agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Pursuant to the profit guarantee and share pledge agreement entered into by the parties in relation to the Stock Purchase Agreement, the sellers shall guarantee, amongst other things, that the annual average normalised consolidated earnings before interest and taxes of Topocean and its subsidiaries for the year ended 31 December 2022 and the year ending 31 December 2023, as determined with reference to the audited financial statements of Topocean and its subsidiaries for the corresponding periods, shall be no less than USD11 million.

Based on the information available to the Company, the relevant profit guarantee for the financial year ended 31 December 2022 had been met.

Please refer to the announcements of the Company dated 18 February 2022 and 19 April 2022 for details.

2 ACQUISITION OF MINORITY INTEREST IN A SUBSIDIARY IN HONG KONG

On 9 June 2022, the Company (through a wholly-owned subsidiary, Kerry Freight Services (China) Limited) entered into a sale and purchase agreement to acquire from Summer Way International Limited the remaining 39% interest in K-Apex Logistics (HK) Co., Limited (a limited liability company incorporated in Hong Kong and an indirect non wholly-owned subsidiary of the Company), at a total consideration of not exceeding HK\$5,924 million. The target and its subsidiary are principally engaged in IFF, logistics and other related services in Hong Kong and the Mainland. Prior to the acquisition, the Company indirectly held 61% interest in the target. Upon completion, the target became a wholly-owned subsidiary of the Company.

As one or more of the applicable percentage ratios in respect of the acquisition (as aggregated with the previous acquisitions) exceeds 5% but all are less than 25%, the acquisition constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

The seller is a substantial shareholder of a subsidiary of the Company, and therefore a connected person of the Company at the subsidiary level. As such, the acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 9 June 2022 for details.

3 ACQUISITION OF CERTAIN TRANSPORTATION AND OPERATING ASSETS

On 29 July 2022, the Company entered into an asset transfer framework agreement with SFTS, pursuant to which SFTS Group has agreed to dispose of and the Group has agreed to acquire certain transportation and operating assets at a consideration of not higher than RMB50 million in aggregate.

SFTS is a wholly-owned subsidiary of S.F. Holding, which is a Controlling Shareholder of the Company. SFTS is therefore a connected person of the Company. As such, the acquisition constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 0.1% but all are less than 5%, the acquisition is subject to the announcement requirement under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 29 July 2022 for details.

CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 38 to the Financial Statements, the following transactions constitute continuing connected transactions for the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

1 FRAMEWORK AGREEMENTS WITH SFTS

On 28 June 2022, the Company entered into a framework agreement (the "SF Logistics Services Framework Agreement") with SFTS. On 28 October 2022, the Company and SFTS further entered into a supplemental agreement to expand the scope of the SF Logistics Services Framework Agreement and update the annual caps previously agreed to those set out below. Pursuant to the SF Logistics Services Framework Agreement (as amended), SFTS Group agreed to provide services, including the carriage of cargoes by air flight operations (including scheduled flights and charter flights), freight forwarding services, express services and integrated logistics services to the Group (the "SF Transactions"). The SF Logistics Services Framework Agreement (as amended) commenced on 1 January 2022 and will expire on 31 December 2024. The Company may extend the term of the SF Logistics Services Framework Agreement (as amended) for a further term of three years, subject to compliance with the Listing Rules requirements. Please refer to the announcements of the Company dated 28 June 2022 and 28 October 2022, and circular of the Company dated 18 November 2022 for details. Pursuant to the SF Logistics Services Framework Agreement (as amended), the annual caps payable by the Group to SFTS Group for the year ended 31 December 2022 and the two years ending 31 December 2023 and 2024 are HK\$1,068.0 million, HK\$4,189.0 million and HK\$5,844.0 million, respectively (the "SF Annual Caps"). SFTS is a wholly-owned subsidiary of S.F. Holding, which is a Controlling Shareholder of the Company. As such, SFTS is a connected person of the Company and the SF Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the SF Annual

Caps exceeds 5%, the SF Transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. During the year ended 31 December 2022, the amount payable by the Group to SFTS Group amounted to HK\$797.0 million.

On 29 July 2022, the Company entered into a framework agreement (the "CGSA Framework Agreement") with SFTS for a term commenced on 1 May 2022 and will expire on 31 December 2024, pursuant to which SFTS Group agreed to appoint the Group as an exclusive cargo general sales agent to provide services to SFTS Group, including the sales and promotion of the air cargo business for the inbound and outbound international flights operated by SFTS Group (the "CGSA Transactions"). Please refer to the announcement of the Company dated 29 July 2022 for details. Pursuant to the CGSA Framework Agreement, the annual caps payable by SFTS Group to the Group for the year ended 31 December 2022 and the two years ending 31 December 2023 and 2024 are HK\$200.0 million, HK\$520.0 million and HK\$676.0 million, respectively (the "CGSA Annual Caps"). SFTS is a wholly-owned subsidiary of S.F. Holding, which is a Controlling Shareholder of the Company. As such, SFTS is a connected person of the Company, and the CGSA Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the CGSA Annual Caps exceeds 0.1% but all are less than 5%, each of the CGSA Transactions are subject to the announcement requirement but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. During the year ended 31 December 2022, the amount receivable by the Group from SFTS Group amounted to HK\$107.7 million.

On 29 July 2022, the Company entered into a framework agreement (the "KLN Logistics Services Framework Agreement") with SFTS. On 28 October 2022, the Company and SFTS further entered into a supplemental agreement to expand the scope of the KLN Logistics Services Framework Agreement and update the annual caps previously agreed to those set out below. Pursuant to the KLN Logistics Services Framework Agreement (as amended), the Group agreed to provide services, including the international freight forwarding services, express services, overseas pick-up services and integrated logistics services to SFTS Group (the "KLN Transactions"). The KLN Logistics Services Framework Agreement (as amended) commenced on 29 July 2022 and will expire on 31 December 2024. Please refer to the announcements of the Company dated 29 July 2022 and 28 October 2022, and circular of the Company dated 18 November 2022 for details. Pursuant to the KLN Logistics Services Framework Agreement (as amended), the annual caps payable by SFTS Group to the Group for the year ended 31 December 2022 and the two years ending 31 December 2023 and 2024 are HK\$531.0 million, HK\$2,340.0 million and HK\$2,931.0 million, respectively (the "KLN Annual Caps"). SFTS is a wholly-owned subsidiary of S.F. Holding, which is a Controlling Shareholder of the Company. As such, SFTS is a connected person of the Company, and the KLN Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the KLN Annual Caps exceeds 5%, the KLN Transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. During the year ended 31 December 2022, the amount receivable by the Group from SFTS Group amounted to HK\$311.0 million.

2 WAREHOUSES MANAGEMENT AGREEMENTS WITH KHL GROUP

On 25 March 2021, Kerry Warehouse (Hong Kong) Limited (the "Warehouses Manager"), a wholly-owned subsidiary of the Company, entered into nine warehouses management agreements with, respectively, the legal owners of nine Hong Kong warehouses (the "Warehouses") to provide building management services, leasing management services, operation of warehouse facilities and other related services (the "Warehouses Management Services") for the Warehouses (collectively the "Warehouses Management Agreements"). In consideration for such services, the relevant legal owners shall pay certain management fees to the Warehouses Manager. In addition, under certain Warehouses Management Agreements, the Warehouses Manager has agreed to guarantee relevant legal owners of certain Warehouses a minimum level of gross revenue during the term of the Warehouses Management Agreements. If the Warehouses Manager is unable to seek tenants for the relevant Warehouses, the Warehouses Manager shall, as principal, satisfy such minimum guaranteed gross revenue. The term of each Warehouses Management Agreement is an initial term of three years commencing on the date of completion of the sale of the entire interest of the Warehouses (the "Warehouses Sale") in respect of the corresponding Warehouse and, subject to having duly performed and observed all terms and conditions of the Warehouses Management Agreement in all material respects, the term is renewable at the option of the Warehouses Manager for a further term of three years. On 30 April 2021, each of the legal owners of the Warehouses entered into an amendment agreement with the Warehouses Manager amending the terms of the respective Warehouses Management Agreement to reflect an update to the annual caps previously agreed. The Warehouses Management Agreements (as

amended) and the obligations of the relevant parties thereunder commenced on 4 October 2021, being the date of completion of the Warehouses Sale. Please refer to the Circular and related announcements for details.

The aggregate annual caps for the amounts payable by the Group as principal to KHL (together with its subsidiaries, "KHL Group") under the Warehouses Management Agreements (as amended) (being the guaranteed gross revenue and related charges) are as follows: (i) for the period from the commencement date (i.e. 4 October 2021) until 31 December 2021, the year ended 31 December 2022 and the year ending 31 December 2023, the period from 1 January 2024 to the third anniversary of the commencement date, no more than HK\$160.0 million, HK\$480.0 million, HK\$485.0 million and HK\$550.0 million, respectively; (ii) for the period from the third anniversary of the commencement date to 31 December 2024, each of the years ending 31 December 2025 and 2026, and the period from 1 January 2027 to the sixth anniversary of the commencement date, no more than HK\$183.3 million, HK\$551.0 million, HK\$554.0 million and HK\$554.0 million, respectively.

The aggregate annual caps for the amounts receivable by the Group from KHL Group are as follows: (i) for the period from the commencement date (i.e. 4 October 2021) until 31 December 2021, the year ended 31 December 2022 and the year ending 31 December 2023, the period from 1 January 2024 to the third anniversary of the commencement date, no more than HK\$11.3 million, HK\$37.4 million, HK\$41.6 million and HK\$47.8 million respectively; (ii) for the period from the third anniversary of the commencement date to 31 December 2024,

each of the years ending 31 December 2025 and 2026, and the period from 1 January 2027 to the sixth anniversary of the commencement date, no more than HK\$15.9 million, HK\$53.4 million, HK\$59.7 million and HK\$59.7 million, respectively.

Each of the companies holding the Warehouses became a wholly-owned subsidiary of KHL following completion of the Warehouses Sale on 4 October 2021. As KHL is a Controlling Shareholder of the Company and therefore a connected person of the Company, the Warehouses Management Agreements constitute continuing connected transactions of the Company under the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual caps of the transactions under the Warehouses Management Agreements is more than 0.1% but all are less than 5%, the Warehouses Management Agreements are subject to the requirements under Chapter 14A of the Listing Rules.

During the period ended 31 December 2021 and the year ended 31 December 2022, the amount receivable by the Group as principal from KHL Group amounted to HK\$6.6 million and HK\$26.4 million and no amount is payable by the Group as principal to KHL Group, respectively.

3 FRAMEWORK SERVICES AGREEMENT WITH KHL

On 25 March 2021, the Company entered into a framework services agreement with KHL (the "Framework Services Agreement"). On 30 April 2021, the Company and KHL further entered into an amendment agreement to update the annual caps previously agreed to those set out below. Pursuant to the Framework Services Agreement, (i) the Group agreed to provide

in places outside Taiwan services including delivery and transportation services, local courier services, freight services, freight agency services, insurance brokerage and related services, catering services and services relating to management and operation of warehouse facilities (including building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services, and excluding the Warehouses Management Services to be provided pursuant to the Warehouses Management Agreements) to KHL Group (excluding KPL and its subsidiaries, "Relevant KHL Group"); (ii) Relevant KHL Group agreed to lease their premises in Hong Kong to the Group; and (iii) Relevant KHL Group agreed to provide services in and/or from Taiwan including land transportation, other logistics services; freight services, freight agency services and other logistics services; and warehousing services to the Group. Please refer to the Circular and related announcements for details.

The Framework Services Agreement (as amended) commenced on the final closing date of the Partial Offer (i.e. 16 September 2021), and will expire on the third anniversary of the commencement date. The Framework Services Agreement can be extended for a further term of three years with the mutual written agreement of the Company and KHL.

The aggregate annual caps for the amounts payable by the Group to Relevant KHL Group for the period from the commencement date (i.e. 16 September 2021) until 31 December 2021, the year ended 31 December 2022 and the year ending 31 December 2023, and the period from 1 January 2024 to the third anniversary of the commencement date are HK\$1,863.6 million, HK\$2,162.5 million, HK\$1,062.2 million and HK\$1,149.7 million,

respectively, and the aggregate annual caps for the amounts receivable by the Group from the Relevant KHL Group for the period from the commencement date until 31 December 2021, the year ended 31 December 2022 and the year ending 31 December 2023, and the period from 1 January 2024 to the third anniversary of the commencement date are HK\$61.8 million, HK\$183.2 million, HK\$232.2 million and HK\$295.9 million, respectively. For the avoidance of doubt, the fees receivable by the Group for the provision of Warehouses Management Services and any amount payable under the Warehouses Management Agreements shall not be subject to the annual caps set out in the Framework Services Agreement.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual caps of the transactions under the Framework Services Agreement is more than 5% but all are less than 25%, the Framework Services Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As KHL is a Controlling Shareholder of the Company and therefore a connected person of the Company, the Framework Services Agreement also constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

During the period ended 31 December 2021 and the year ended 31 December 2022, the amounts payable by the Group to Relevant KHL Group amounted to HK\$732.6 million and HK\$400.8 million and the amounts receivable by the Group from Relevant KHL Group amounted to HK\$21.8 million and HK\$34.6 million, respectively.

4 FRAMEWORK AGREEMENTS WITH KPL

On 29 August 2019, the Company entered into a framework agreement (the "2019 Framework Agreement") with KPL for a fixed term of three years commencing on 1 January 2020, pursuant to which (i) the Group agreed to provide services including delivery, local courier, freight, freight agency, insurance brokerage and related services, and services relating to management and operation of warehouse facilities to KPL and its subsidiaries ("KPL Group"); and (ii) KPL Group agreed to lease certain properties to the Group (the "KPL Transactions"). KPL is a Substantial Shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As such, the KPL Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to the 2019 Framework Agreement, the annual caps payable by the Group under the KPL Transactions for the three years ended 31 December 2020, 2021 and 2022 are HK\$100.0 million, HK\$120.0 million and HK\$140.0 million, respectively, and the annual caps receivable by the Group under the KPL Transactions for the three years ended 31 December 2020, 2021 and 2022 are HK\$35.0 million, HK\$50.0 million and HK\$55.0 million, respectively. Please refer to the announcement of the Company dated 29 August 2019 for details.

During the three years ended 31 December 2020, 2021 and 2022, the KPL Transactions payable amounted to HK\$18.5 million, HK\$52.9 million and HK\$13.2 million and the KPL Transactions receivable amounted to HK\$16.6 million, HK\$16.8 million and HK\$13.1 million, respectively.

On 30 November 2022, the Company entered into (i) a framework agreement (the "KLN Services Framework Agreement") with KPL for a fixed term of three years commencing on 1 January 2023, pursuant to which the Group agreed to provide services including delivery, local courier, freight, freight agency, insurance brokerage and related services, and services relating to management and operation of warehouse facilities, including building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services to KPL Group; and (ii) a framework agreement (the "KPL Services Framework Agreement", together with the KLN Services Framework Agreement, the "2022 Framework Agreements") with KPL pursuant to which the KPL Group agreed to lease the premises owned by the KPL Group, which include but not limited to, office premises, residential premises and warehouses, to the Group. KPL is a Substantial Shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As such, the transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios in respect of the new annual caps of the transactions are, on an annual basis, below 0.1% (other than the profits ratio, which is inapplicable) in accordance with the Listing Rules, the transactions are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.74 of the Listing Rules.

The Independent Non-executive Directors, having considered the summary of continuing connected transactions of the Group as recorded during the year, have confirmed that the above continuing connected transactions for the year ended 31 December 2022 were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Our management has assigned the finance team of the Company to monitor the continuing connected transactions. They regularly communicate with the heads of all stations of the Group regarding the terms and pricing policies of the continuing connected transactions prepared in accordance with the Listing Rules and relevant guidances and collect monthly financial data together with underlying agreements for analysis. The finance team of the Company is also responsible for preparing monthly financial reports in order to monitor the annual caps of the continuing connected transactions. Policies and procedures have also been set up to ensure that the internal controls in relation to the above continuing connected transactions for the year ended 31 December 2022 were adequate and effective.

The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, confirming that (i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board, (ii) for

transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group, (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions, and (iv) with respect to the aggregate amount of each of the continuing connected transactions conducted during the year, nothing has come to their attention that causes the auditor to believe that the amounts have exceeded the maximum aggregate annual caps set for the relevant transactions. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In addition, certain transactions disclosed in note 38 to the Financial Statements also constitute continuing connected transactions under the Listing Rules. The applicable percentage ratios (except profits ratio) for the transactions are under 0.1% and therefore such transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

Save for the above, during the year ended 31 December 2022, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. The Company confirmed that it has complied with the applicable disclosure requirements in relation to its connected transactions (including continuing connected transactions) conducted during the year, in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Events After The Year Ended 31 December 2022", "Significant Acquisition/Disposal and Discloseable and Connected Transactions" and "Continuing Connected Transactions" in this Report of Directors, none of the Directors or entities connected with the Directors is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2022 and up to the date of this annual report.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, during the year ended 31 December 2022, there is no other contract of significance entered into between the Group and our Controlling Shareholders or their respective subsidiaries.

MANAGEMENT CONTRACTS

No contracts other than the service contracts with the Directors or persons engaged in the full-time employment of the Company concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022 and up to the date of this annual report.

DIRECTORS' REMUNERATION

The Group offers competitive remuneration packages to the Directors, and the Directors' fees are subject to the Shareholders' approval at general meeting. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Details of the Directors' remuneration during the year ended 31 December 2022 are set out in note 12 to the Financial Statements.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director or other officer of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year ended 31 December 2022.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme by a resolution of its Shareholder on 25 November 2013 and an ordinary resolution of the shareholders of KPL on 1 November 2013.

On 2 December 2013, pursuant to the Pre-IPO Share Option Scheme, the Company had granted options to subscribe for 42,770,000 Shares to directors, executives and employees of the Group. No further options will be granted under the Pre-IPO Share Option Scheme.

As at 31 December 2022, a total of 638,200 options granted under the Pre-IPO Share Option Scheme were outstanding.

Movement of the options, which were granted under the Pre-IPO Share Option Scheme, during the year ended 31 December 2022 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant (Note a)	Tranche	Number of options			Exercise price HK\$	Exercise period	
			Outstanding as at 01/01/2022	Exercised (Notes b and c)	Lapsed			Outstanding as at 31/12/2022
Continuous Contract	02/12/2013	I	320,000	(65,000)	-	255,000	10.20	19/12/2013-01/12/2023
Employees	02/12/2013	II	433,200	(50,000)	-	383,200	10.20	02/12/2014-01/12/2023
Total:			753,200	(115,000)	-	638,200		

Notes:

- The vesting period of the options is from the date of grant until the commencement of the exercise period.
- The weighted average closing price of the Ordinary Shares of the Company immediately before the dates on which the options were exercised was HK\$18.29.
- During the year, no option was granted/granted for adjustment, transferred from/to other category or cancelled under the Pre-IPO Share Option Scheme.
- There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

For further details of the Pre-IPO Share Option Scheme, please refer to note 36 to the Financial Statements.

POST-IPO SHARE OPTION SCHEME

The Company has approved and adopted the Post-IPO Share Option Scheme by a resolution of its Shareholder on 25 November 2013 and an ordinary resolution of the shareholders of KPL on 1 November 2013. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

There were (i) no outstanding options granted under the Post-IPO Share Option Scheme as at 1 January 2022 and 31 December 2022, and (ii) no movements in options during the year ended 31 December 2022.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme by a resolution of the Board on 25 January 2019. The Share Award Scheme is subject to the requirements under Chapter 17 of the Listing Rules starting from 1 January 2023. Pursuant to the Share Award Scheme, Shares to be awarded to any selected eligible persons will be acquired by the trustee of the Share Award Scheme through on-market transactions at the prevailing market price using the necessary funds provided by the Company and held on trust for the relevant selected participant until such awarded Shares are vested in accordance with the Share Award Scheme.

During the year ended 31 December 2022, 1,510,254 awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 31 December 2022, a total of 5,110,341 awarded Shares have been granted under the Share Award Scheme (representing approximately 0.28% and 0.28% of the issued share capital of the Company as at 31 December 2022 and the date of this annual report, respectively), of which 3,240,986 have vested and 1,869,355 remain unvested.

Movement of the awarded Shares, which were granted under the Share Award Scheme, during the year ended 31 December 2022 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of awarded Shares					Purchase price HK\$	Vesting period (Note e)
			Unvested as at 01/01/2022	Granted during the year (Note a)	Granted for adjustment during the year (Note b)	Vested (Notes c and d)	Unvested as at 31/12/2022		
1. Directors									
MA Wing Kai William	20/12/2019	IV	183,672	-	183,672	367,344	-	N/A	20/12/2019-01/04/2022
	01/04/2020	III	48,238	-	-	48,238	-	N/A	01/04/2020-01/04/2022
	01/04/2020	IV	241,192	-	-	-	241,192	N/A	01/04/2020-01/04/2023
	01/04/2021	II	36,850	-	-	36,850	-	N/A	01/04/2021-01/04/2022
	01/04/2021	III	36,850	-	-	-	36,850	N/A	01/04/2021-01/04/2023
	01/04/2021	IV	36,849	-	-	-	36,849	N/A	01/04/2021-01/04/2024
	01/04/2022	I	-	196,329	-	196,329	-	N/A	N/A
	01/04/2022	II	-	65,443	-	-	65,443	N/A	01/04/2022-01/04/2023
	01/04/2022	III	-	65,443	-	-	65,443	N/A	01/04/2022-01/04/2024
	01/04/2022	IV	-	65,443	-	-	65,443	N/A	01/04/2022-01/04/2025
CHEUNG Ping Chuen Vicky	01/04/2022	I	-	55,076	-	55,076	-	N/A	N/A
	01/04/2022	II	-	18,358	-	-	18,358	N/A	01/04/2022-01/04/2023
	01/04/2022	III	-	18,358	-	-	18,358	N/A	01/04/2022-01/04/2024
	01/04/2022	IV	-	18,360	-	-	18,360	N/A	01/04/2022-01/04/2025
2. Continuous Contract Employees									
	20/12/2019	IV	112,748	-	112,748	225,496	-	N/A	20/12/2019-01/04/2022
	01/04/2020	III	149,536	-	-	149,536	-	N/A	01/04/2020-01/04/2022
	01/04/2020	IV	747,728	-	-	-	747,728	N/A	01/04/2020-01/04/2023
	01/04/2021	II	99,912	-	-	99,912	-	N/A	01/04/2021-01/04/2022
	01/04/2021	III	99,912	-	-	-	99,912	N/A	01/04/2021-01/04/2023
	01/04/2021	IV	99,907	-	-	-	99,907	N/A	01/04/2021-01/04/2024
	01/04/2022	I	-	355,512	-	355,512	-	N/A	N/A
	01/04/2022	II	-	118,500	-	-	118,500	N/A	01/04/2022-01/04/2023
	01/04/2022	III	-	118,500	-	-	118,500	N/A	01/04/2022-01/04/2024
	01/04/2022	IV	-	118,512	-	-	118,512	N/A	01/04/2022-01/04/2025
Total:			1,893,394	1,213,834	296,420	1,534,293	1,869,355		

Notes:

- The closing price of the Ordinary Shares immediately before the date of grant was HK\$17.96.
- The date of grant for adjustment during the year was on 1 April 2022, the closing price of the Ordinary Shares immediately before the date of grant for adjustment was HK\$17.96 and the vesting period was from 1 April 2022 to 1 April 2022.
- The weighted average closing price of the Ordinary Shares immediately before the date on which the awarded Shares were vested was HK\$17.96.
- During the year, no awarded Shares was transferred from/to other category, cancelled or lapsed under the Share Award Scheme.
- The vesting period of the awarded Shares is from the date of grant until the date of vesting.
- There are no participants with awarded Shares granted in excess of the individual limit and no grants to suppliers of goods and services.
- The funds provided by the Company to the trustee of the Share Award Scheme for purchase of Shares from the market are expensed as part of the discretionary bonuses under the employee benefit expenses at the year of grant, which is determined based on the overall performance of the eligible participants and the Group.

SUMMARY OF THE SHARE SCHEMES

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
1. Purpose	To motivate eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group	To support the long-term growth of the Group and enhance its reputation as an employer-of-choice in the industry, to attract and incentivise suitable personnel for the further development of the Group, to recognise contributions by participants, to retain talent and to help align the interests of the Directors and senior management of the Group with the Group's long-term performance	To support the long-term growth of the Group and enhance its reputation as an employer-of-choice in the industry, to attract and incentivise suitable personnel for the further development of the Group, to recognise contributions by participants, to retain talent and to help align the interests of the Directors and senior management of the Group with the Group's long-term performance
2. Participants	Eligible persons include (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group (an "Employee"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (ii) a director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (iv) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; (v) an associate (as defined under the Listing Rules) of any of the foregoing persons	Eligible persons include any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group unless otherwise necessary or expedient to be excluded	Eligible persons include any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group unless otherwise necessary or expedient to be excluded

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
3. Maximum number of Shares	As at 31 December 2022, a total of 638,200 options granted under the Pre-IPO Share Option Scheme were outstanding, representing approximately 0.04% and 0.04% of the issued share capital of the Company as at 31 December 2022 and the date of this annual report, respectively. No further option could be granted under the Pre-IPO Share Option Scheme	As at 31 December 2022, no option granted under the Post-IPO Share Option Scheme was outstanding The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme is 122,966,411 Shares, representing approximately 6.80% and 6.80% of the issued share capital of the Company as at 31 December 2022 and the date of this annual report, respectively The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme is 118,616,411 Shares, representing approximately 6.56% and 6.56% of the issued share capital of the Company as at 31 December 2022 and the date of this annual report, respectively The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time	During the year ended 31 December 2022, 1,510,254 awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 31 December 2022, a total of 5,110,341 awarded Shares have been granted under the Share Award Scheme (representing approximately 0.28% and 0.28% of the issued share capital of the Company as at 31 December 2022 and the date of this annual report, respectively), of which 3,240,986 have vested and 1,869,355 remain unvested The maximum number of the Shares which can be awarded under the Share Award Scheme is 10% of the total number of Shares in issue from time to time

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
4. Maximum entitlement of each participant	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant		1% of the issued share capital of the Company from time to time
5. Option period/ Vesting period	The option period is determined by the Board provided that it is not longer than 10 years commencing on the date of grant. There is no minimum period for which an option must be held before it can be exercised The Board may in its absolute discretion specify any conditions, restrictions or limitations, including continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the Shares to which the option relates	The Board may, from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested The Board may in its absolute discretion decide whether any award shall lapse or shall be subject to such conditions or limitations as the Board may decide	
6. Acceptance of offer	Options granted must be accepted within the period as stated in the offer of the grant, upon payment of HK\$1.0 per grant		N/A

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Share Award Scheme
7. Exercise price/ Purchase price	Exercise price is HK\$10.2, the offer price of the Shares for the Global Offering	The exercise price of the 4,350,000 options granted on 9 January 2015 is HK\$12.26 Exercise price shall be at least the highest of (i) the nominal value of Share; (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant; and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the grant	N/A
8. Remaining life of the scheme	It expired on 19 December 2013	It shall be valid and effective for a period of ten years commencing on 19 December 2013	It shall be valid and effective for the award period, which commences on the adoption date, namely 25 January 2019, and ends on the business day immediately prior to the 10th anniversary of the adoption date

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales, and the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in the Group's five largest customers and suppliers.

PROPERTY INTERESTS

Details of the revaluation and movements of the investment properties of the Group during the year are set out in note 14 to the Financial Statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2022 and no such agreement subsisted as at 31 December 2022.

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 2022.

COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in Part 2 of the CG Code. During the year ended 31 December 2022, the Company has complied with the code provisions as set out in Part 2 of the CG Code.

AUDITOR

The Financial Statements of the Group for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers, certified public accountants and registered PIE auditor.

PricewaterhouseCoopers shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming AGM.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed from Wednesday, 17 May 2023 to Monday, 22 May 2023 and on Monday, 29 May 2023 during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered Shareholders shall lodge share transfer documents with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration before 4:30 p.m. on Tuesday, 16 May 2023. In order to qualify for the proposed final dividend (subject to the approval by the Shareholders at the forthcoming AGM), unregistered holders of shares of the Company shall lodge share transfer documents with Tricor Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on Thursday, 25 May 2023.

By Order of the Board
WANG Wei
Chairman

Hong Kong, 28 March 2023

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF KERRY LOGISTICS NETWORK LIMITED

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

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Kerry Logistics Network Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 97 to 194, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Business combinations
- Impairment assessment of the carrying value of goodwill

KEY AUDIT MATTER

BUSINESS COMBINATIONS

Refer to notes 2(b) and 33 to the consolidated financial statements

During the year ended 31 December 2022, the Group acquired 100% interest in Topocean Consolidation Service (Los Angeles), Inc. and its subsidiaries ("Topocean") which are engaged in international freight forwarding in the United States, for an aggregate consideration of HK\$1,986 million.

Accounting for the business combination of Topocean is our area of focus because of the significance of the acquisition and the critical accounting estimates and judgements involved in the identification and valuation of the identifiable assets and liabilities that are recognised. When determining the fair values of assets and liabilities recognised in this business combination, different valuation methodologies have been adopted. Key assumptions used in the valuation include discount rates, revenue growth rates and profit margins. Any significant changes in these key assumptions may give rise to material changes in the valuation of the acquired assets and liabilities and the consequential impact on the amount of goodwill recognised.

Management engaged external valuer to identify and value the identifiable assets and liabilities of the acquired business, including the identification and valuation of intangible assets.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our procedures to address this key audit matter included:

- inspected relevant contracts related to the acquisition of Topocean, and evaluated management's process to identify identifiable assets and liabilities, including intangible assets;
- assessed the competence, capabilities and objectivity of management's external valuer;
- obtained the valuation report and discussed with the external valuer the methodologies and key assumptions used;
- involved our internal valuation experts to evaluate the methodologies used to determine the fair values of assets and liabilities recognised (including the valuation of intangible assets acquired), and assessed reasonableness of the discount rates applied by management by benchmarking to other comparable companies in the same industry; and
- assessed the reasonableness of key assumptions, including revenue growth rates and profit margins applied by management by comparing them with external economic and industry information.

Based on the procedures performed above, we considered that the key assumptions used in assessing the fair value of the assets and liabilities of the acquired business of Topocean (including the identification and valuation of intangible assets) are supported by the evidence obtained.

KEY AUDIT MATTER

IMPAIRMENT ASSESSMENT OF THE CARRYING VALUE OF GOODWILL

Refer to notes 2(h)(I), 4(a)(III) and 13 to the consolidated financial statements

As at 31 December 2022, the Group had a carrying value of goodwill of HK\$4,936 million. Goodwill are subject to impairment assessment annually and when there is an indication of impairment.

Management considered there is no impairment of goodwill as at the year end based on the impairment assessments performed.

In carrying out the impairment assessments, significant estimates and judgements are involved in determining the recoverable amounts of cash generating units ("CGUs"), which are based on the higher of value-in-use calculations and fair value less costs of disposal. The value-in-use calculations take into consideration the cash flow projections of respective CGUs based on financial budgets approved by management and a number of estimates and assumptions made by management, including revenue growth rates and profit margins used in the cash flow projections and the discount rates applied to bring the future cash flows back to their present values. The fair value less costs of disposal requires the selection of appropriate available market information by management.

The impairment assessments of the carrying value of goodwill is our area of focus as significant estimates and judgements are involved in the determination of recoverable amounts.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our procedures to address this key audit matter included:

- understood management's processes for determining the recoverable amounts of CGUs and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgements involved in determining the assumptions applied;
- agreed the input data used by management to supporting evidence such as actual results and financial budgets approved by management;
- compared the current year actual results with the prior year's financial forecasts to assess the reasonableness of management financial budgets;
- involved our internal valuation experts on certain selected CGUs to evaluate the valuation methodologies and assessed the reasonableness of the discount rates by benchmarking to other comparable companies in the same industry;
- assessed the reasonableness of key estimates and assumptions applied in the financial budgets including revenue growth rates and profit margins applied by management by comparing them with external economic and industry information; and
- performed sensitivity analyses on the key assumptions including growth rates and discount rates to consider reasonable possible changes on the recoverable amounts.

Based on the procedures performed above, we considered that the key estimates and assumptions used in the impairment assessment by management are supported by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT AND COMPLIANCE COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit and Compliance Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

STATEMENT OF ACCOUNTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Nim Tsz, Elizabeth.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Continuing operations			
Revenue	5	86,649,463	78,954,724
Direct operating expenses	7	(78,297,812)	(69,950,781)
Gross profit		8,351,651	9,003,943
Other income and net gains/(losses)	6	569,849	(18,805)
Administration expenses	7	(3,628,896)	(3,626,933)
Operating profit before fair value change of investment properties		5,292,604	5,358,205
Change in fair value of investment properties	14	9,315	298,850
Operating profit		5,301,919	5,657,055
Finance expenses	8	(392,968)	(250,756)
Share of results of associates and joint ventures	17(b)	166,894	157,958
Profit before taxation		5,075,845	5,564,257
Taxation	9	(1,255,827)	(1,299,167)
Profit for the year from continuing operations		3,820,018	4,265,090
Discontinued operations:			
Profit for the year from discontinued operations	37	-	4,765,506
Profit for the year		3,820,018	9,030,596
Profit attributable to:			
Company's shareholders			
From continuing operations		3,579,191	3,308,813
From discontinued operations		-	4,629,840
Non-controlling interests			
From continuing operations		240,827	956,277
From discontinued operations		-	135,666
		3,820,018	9,030,596
Earnings per share from continuing operations			
Basic	11	HK\$ 1.98	HK\$ 1.84
Diluted		1.98	1.83
Earnings per share from discontinued operations			
Basic		HK\$ -	HK\$ 2.57
Diluted		-	2.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Profit for the year	3,820,018	9,030,596
Other comprehensive income		
Items that will not be reclassified subsequently to consolidated income statement		
Defined benefit pension plans		
– Actuarial gain/(losses)	6,869	(3,296)
– Deferred income tax	(1,374)	661
Fair value change on financial assets at fair value through other comprehensive income	(29,912)	7,136
Item that may be reclassified to consolidated income statement		
Net translation differences on foreign operations	(1,290,709)	(459,218)
Other comprehensive loss for the year (net of tax)	(1,315,126)	(454,717)
Total comprehensive income for the year	2,504,892	8,575,879
Total comprehensive income attributable to:		
Company's shareholders		
From continuing operations	2,450,318	2,998,913
From discontinued operations	–	4,567,029
Non-controlling interests	54,574	1,009,937
	2,504,892	8,575,879

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets	13	5,855,895	4,303,119
Investment properties	14	1,819,589	1,939,636
Property, plant and equipment	16	7,869,412	7,526,228
Right-of-use assets	15	3,221,273	4,348,205
Associates and joint ventures	17	1,642,761	2,281,222
Financial assets at fair value through other comprehensive income	18	554,962	587,337
Investment in convertible bonds	19	5,538	5,911
Deferred taxation	30	463,169	155,944
		21,432,599	21,147,602
Current assets			
Financial assets at fair value through profit or loss	21	38,137	800,068
Financial assets at fair value through other comprehensive income	18	–	17,166
Inventories	20	482,035	374,775
Accounts receivable, prepayments and deposits	22	13,406,909	16,662,937
Tax recoverable		721,645	63,972
Amounts due from fellow subsidiaries	23	–	3
Restricted and pledged bank deposits	24(a)	12,383	11,748
Cash and bank balances	24(b)	9,240,365	9,084,105
		23,901,474	27,014,774
Current liabilities			
Lease liabilities	15	1,196,141	1,377,209
Accounts payable, deposits received and accrued charges	25	10,695,071	11,694,873
Amounts due to fellow subsidiaries	23	278,252	–
Amounts due to related companies	23	166,063	140,842
Taxation		492,536	752,201
Loan from non-controlling interests	28	6,862	27,703
Short-term bank loans and current portion of long-term bank loans	29	2,226,402	3,648,671
Bank overdrafts	24(b)	83,801	199,201
		15,145,128	17,840,700

	Note	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Loans from non-controlling interests	28	209,144	205,594
Long-term bank loans	29	6,586,447	2,261,839
Lease liabilities	15	1,453,234	2,384,652
Deferred taxation	30	614,209	406,072
Retirement benefit obligations	31	52,110	50,028
Other non-current liabilities	25	24,096	176,775
		8,939,240	5,484,960
ASSETS LESS LIABILITIES		21,249,705	24,836,716
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	903,712	903,655
Share premium		4,074,169	4,072,917
Retained profits and other reserves	27	13,451,213	16,071,908
		18,429,094	21,048,480
Put options written on non-controlling interests		-	(4,593)
		18,429,094	21,043,887
Non-controlling interests		2,820,611	3,792,829
TOTAL EQUITY		21,249,705	24,836,716

On behalf of the Board

MA Wing Kai William
Director

CHEUNG Ping Chuen Vicky
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Operating activities			
Net cash generated from operations	32(a)	7,881,848	6,854,700
Interest paid		(299,355)	(160,811)
Income tax paid		(2,198,581)	(920,899)
Net cash generated from operating activities		5,383,912	5,772,990
Investing activities			
Additions of property, plant and equipment	16	(1,612,847)	(1,636,549)
Additions of investment properties	14	(3,326)	-
Additions of right-of-use assets – leasehold land and land use rights		(2,260)	(99,735)
Purchase of financial assets at fair value through other comprehensive income		(377,633)	(503,652)
Disposal of financial assets at fair value through other comprehensive income		572,446	5,960
Purchase of financial assets at fair value through profit or loss		(244,942)	(1,667,164)
Disposal of financial assets at fair value through profit or loss		977,854	992,159
Proceeds from sale of property, plant and equipment		119,378	166,901
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	32(c)	-	13,620,078
Proceeds from sale of associates		935,826	2,166
Dividend income from financial assets at fair value through other comprehensive income		-	5,360
Dividends received from associates and joint ventures		100,006	98,654
Net decrease in balances with associates and joint ventures		21,532	60,510
Interest received		72,791	49,128
Acquisition of subsidiaries, net of cash and cash equivalent acquired	32(b)	(1,131,724)	(264,596)
Acquisition of associates and joint ventures		(500)	(30,000)
(Increase)/decrease in restricted and pledged bank deposits		(635)	2,395
Net cash (used in)/generated from investing activities		(574,034)	10,801,615

	Note	2022 HK\$'000	2021 HK\$'000
Financing activities			
Repayment of bank loans		(6,181,819)	(6,522,170)
Drawdown of bank loans		9,216,347	6,576,093
Dividends of subsidiaries paid to non-controlling interests		(894,804)	(555,392)
Capital injection from non-controlling interests		187,154	95,842
Drawdown of loans from non-controlling interests		12,802	46,547
Repayments of loans from non-controlling interests		(7,849)	(47,722)
Payments of lease liabilities		(1,381,398)	(1,281,072)
Net cash consideration paid to non-controlling interests without change of control	32(d)	(3,688,212)	(166,488)
Dividends paid		(1,409,766)	(13,967,664)
Proceeds from exercise of pre-IPO share option scheme allotments		1,172	103,121
Net cash used in financing activities		(4,146,373)	(15,718,905)
Increase in cash and cash equivalents		663,505	855,700
Effect of exchange rate changes		(391,845)	(220,774)
Cash and cash equivalents at beginning of the year		8,884,904	8,249,978
Cash and cash equivalents at end of the year	24(b)	9,156,564	8,884,904

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Attributable to shareholders of the Company								
		Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Put options written on non-controlling interests HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2022		903,655	4,072,917	261,024	14,907,229	903,655	(4,593)	21,043,887	3,792,829	24,836,716
Profit for the year		-	-	-	3,579,191	-	-	3,579,191	240,827	3,820,018
Defined benefit pension plans										
- Actuarial gain		-	-	-	3,575	-	-	3,575	3,294	6,869
- Deferred taxation		-	-	-	(715)	-	-	(715)	(659)	(1,374)
Net translation differences on foreign operations	27	-	-	(1,105,714)	-	-	-	(1,105,714)	(184,995)	(1,290,709)
Fair value change on financial assets at fair value through other comprehensive income	27	-	-	(26,019)	-	-	-	(26,019)	(3,893)	(29,912)
Total comprehensive income for the year		-	-	(1,131,733)	3,582,051	-	-	2,450,318	54,574	2,504,892
Dividends of subsidiaries paid to non-controlling interests		-	-	-	-	-	-	-	(1,079,118)	(1,079,118)
2021 final dividend paid		-	-	-	(32)	(903,655)	-	(903,687)	-	(903,687)
2022 interim dividend paid		-	-	-	(506,079)	-	-	(506,079)	-	(506,079)
2022 proposed final dividend		-	-	-	(686,821)	686,821	-	-	-	-
Transfers	27	-	-	24,599	(24,599)	-	-	-	-	-
Acquisition of subsidiaries	33	-	-	-	-	-	-	-	10,819	10,819
Capital injection from non-controlling interests		-	-	-	-	-	-	-	187,154	187,154
Changes in ownership of interests in subsidiaries without change of control	32(d)	-	-	(3,661,110)	-	-	4,593	(3,656,517)	(145,647)	(3,802,164)
Exercise of pre-IPO share option scheme allotment	27	57	1,252	(137)	-	-	-	1,172	-	1,172
Total transactions with owners		57	1,252	(3,636,648)	(1,217,531)	(216,834)	4,593	(5,065,111)	(1,026,792)	(6,091,903)
Balance at 31 December 2022		903,712	4,074,169	(4,507,357)	17,271,749	686,821	-	18,429,094	2,820,611	21,249,705

Attributable to shareholders of the Company									
Note	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Put options written on non-controlling interests HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2021	898,600	3,962,825	195,504	22,002,829	427,734	(4,593)	27,482,899	4,997,036	32,479,935
Profit for the year	-	-	-	7,938,653	-	-	7,938,653	1,091,943	9,030,596
Defined benefit pension plans									
- Actuarial losses	-	-	-	(2,795)	-	-	(2,795)	(501)	(3,296)
- Deferred taxation	-	-	-	559	-	-	559	102	661
Net translation differences on foreign operations	27	-	(374,164)	-	-	-	(374,164)	(85,054)	(459,218)
Fair value change on financial assets at fair value through other comprehensive income	27	-	3,689	-	-	-	3,689	3,447	7,136
Total comprehensive income for the year	-	-	(370,475)	7,936,417	-	-	7,565,942	1,009,937	8,575,879
Dividends of subsidiaries paid to non-controlling interests									
2020 final dividend paid	-	-	-	(1,411)	(427,734)	-	(429,145)	-	(429,145)
2021 interim dividend paid	-	-	-	(381,341)	-	-	(381,341)	-	(381,341)
2021 special dividend paid	-	-	-	(13,157,178)	-	-	(13,157,178)	-	(13,157,178)
2021 proposed final dividend	-	-	-	(903,655)	903,655	-	-	-	-
Transfers	27	-	588,563	(588,563)	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	39,735	39,735
Disposal of subsidiaries	-	-	-	-	-	-	-	(1,749,904)	(1,749,904)
Deemed disposal of a subsidiary with retained interest recognised as an associate	-	-	-	-	-	-	-	(18,348)	(18,348)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	95,842	95,842
Changes in ownership of interests in subsidiaries without change of control	-	-	(140,411)	-	-	-	(140,411)	(26,077)	(166,488)
Exercise of pre-IPO share option scheme allotment	27	5,055	110,092	(12,026)	-	-	103,121	-	103,121
Share option lapsed	27	-	-	(131)	131	-	-	-	-
Total transactions with owners	5,055	110,092	435,995	(15,032,017)	475,921	-	(14,004,954)	(2,214,144)	(16,219,098)
Balance at 31 December 2021	903,655	4,072,917	261,024	14,907,229	903,655	(4,593)	21,043,887	3,792,829	24,836,716

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Kerry Logistics Network Limited was incorporated in the British Virgin Islands in 1991 and migrated to Bermuda to become an exempted company with limited liability in 2000. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of logistics, freight forwarding and e-commerce & express services. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

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

The consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 28 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below. Except as described below, these policies have been consistently applied to all the years presented, unless otherwise stated.

(a) BASIS OF PREPARATION

The significant accounting policies applied in the preparation of the consolidated financial statements which are in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") are set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, investment properties and put options written on non-controlling interests, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Pursuant to the conditional offer from S.F. Holding to acquire part of the issued shares of the Company in 2021, as part of the transaction, the Group entered into sale agreements with Kerry Holdings Limited ("KHL"), and sold the entire interest of the Hong Kong warehouse companies ("Hong Kong Warehouses") and the Taiwan business companies ("Taiwan Operation") (together the "Discontinued Operations") to KHL. The disposals of the Hong Kong Warehouses and Taiwan Operation were completed on 4 October 2021 and 27 September 2021 respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) BASIS OF PREPARATION (CONTINUED)

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 statements for the year ended 31 December 2021. Their results have been presented separately as one-line item below profit for the year from continuing operations as “discontinued operations” in the comparative figures in the consolidated income statement. Further details of financial information of the Discontinued Operations are set out in note 37.

(i) ADOPTION OF AMENDMENTS TO EXISTING STANDARDS

The following amendments to existing standards that are effective for the accounting period of the Group beginning on 1 January 2022 have been published:

Amendments to HKFRS 3, HKAS 16 and HKAS 37, “Narrow-scope amendments”

Amendments to HKFRS 16, “Covid-19-Related Rent Concessions”

Annual improvements to HKFRSs 2018–2020 cycle

Revised Accounting Guideline 5, “Merger accounting for common control combinations”

In the current year, the Group has applied, for the first time, the above amendments to existing standards issued by the HKICPA. The adoption of the above amendments to existing standards had no material impact on the consolidated financial statements of the Group.

(ii) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS, INTERPRETATION AND ACCOUNTING GUIDELINE WHICH ARE NOT YET EFFECTIVE

The following new standards and amendments to existing standards, interpretation and accounting guideline have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2023, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Amendments to HKAS 1 and HKFRS Practice Statement 2, ‘Disclosure of accounting policies’	1 January 2023
Amendments to HKAS 8, ‘Definition 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
HKFRS 17, ‘Insurance contracts’	1 January 2023
Amendments to HKFRS 17, ‘Insurance contracts’	1 January 2023
Amendments to HKAS 17, ‘Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information’	1 January 2023
Amendments to HKAS 1, ‘Classification of liabilities as current or non-current’	1 January 2024
Amendments to HKAS 1, ‘Non-current liabilities with covenants’	1 January 2024
Amendment to HKFRS 16, ‘Lease liability in a sale and leaseback’	1 January 2024
Hong Kong Interpretation 5 (Revised), ‘Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause’	1 January 2024
Amendments to HKFRS 10 and HKAS 28, ‘Sale 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 and interpretation 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) CONSOLIDATION

(i) SUBSIDIARIES

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured

initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) CONSOLIDATION (CONTINUED)

(I) SUBSIDIARIES (CONTINUED)

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(II) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognised at fair value as a written put option liability with a corresponding charge directly to equity. A written put option liability is subsequently remeasured at fair value as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognised in the consolidated income statement. In the event that the option is expired or unexercised, the written put option liability is derecognised with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) CONSOLIDATION (CONTINUED)

(III) PARTIAL DISPOSAL

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

(c) ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or when significant influence is obtained by the Group through participation in the board of directors of the entity. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the impairment loss in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) JOINT ARRANGEMENTS

Under HKFRS 11 'Joint arrangements', investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

JOINT VENTURES

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) FOREIGN CURRENCY TRANSLATION

(I) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollars (HK\$), which are the Company's functional and the Group's presentation currency.

(II) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) FOREIGN CURRENCY TRANSLATION (CONTINUED)

(II) TRANSACTIONS AND BALANCES (CONTINUED)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

(III) GROUP COMPANIES

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) PROPERTY, PLANT AND EQUIPMENT

Construction in progress represents logistics centres and warehouses under construction and is stated at cost less impairment losses. It will be reclassified to the relevant property, plant and equipment category upon completion and depreciation begins when the relevant assets are available for use.

Properties comprise mainly warehouses and logistics centres (including leasehold land classified as right-of-use assets), staff quarters, freehold land and buildings and port facilities. All property, plant and equipment are stated at historical cost less aggregate depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Port facilities	2.5% to 3.6%
Properties	Shorter of remaining lease term of 20 to 50 years or useful lives
Leasehold improvements	5% to 33.33%
Warehouse operating equipment	5% to 25%
Motor vehicles, furniture, fixtures and office equipment	5% to 50%

No amortisation is provided for freehold land.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of all property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the consolidated income statement.

(g) INVESTMENT PROPERTIES

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases, warehouse and office held for long-term rental yields.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at cost, including related transaction costs and borrowing costs.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuer. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) INVESTMENT PROPERTIES (CONTINUED)

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, except that the land portion is reclassified as right-of-use assets if it is operating lease in nature, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any increase from the carrying amount to the fair value of this item at the date of transfer is recognised in equity as a revaluation reserve of property, plant and equipment under HKAS 16, except any increase which reverses a previous impairment loss is recognised in the income statement. Any decrease in the carrying amount of the property is charged to the consolidated income statement. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity.

(h) INTANGIBLE ASSETS

(i) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately as a non-current asset. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill on acquisitions of subsidiaries is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment, and carried at cost less accumulated impairment losses. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately and as expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) INTANGIBLE ASSETS (CONTINUED)

(II) CUSTOMER RELATIONSHIPS

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate its cost over the expected life of the customer relationships, which range from five to ten years.

(III) NON-COMPETE AGREEMENTS

Non-compete agreements acquired in a business combination are recognised at fair value at the acquisition date. The non-compete agreements have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate its cost over the term of the agreements, which range from three to ten years.

(IV) TRADEMARKS

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of five to eight years.

(i) IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) FINANCIAL ASSETS

(I) CLASSIFICATION

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets change.

(II) RECOGNITION AND DERECOGNITION

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(III) MEASUREMENT

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) FINANCIAL ASSETS (CONTINUED)

(III) MEASUREMENT (CONTINUED)

DEBT INSTRUMENTS (CONTINUED)

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are recognised in the consolidated income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated income statement and presented net within other gains/(losses) in the period in which it arises.

Investment in convertible bonds are accounted for as fair value through profit or loss under HKFRS 9.

EQUITY INSTRUMENTS

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(IV) IMPAIRMENT

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 2(l) for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) FINANCIAL ASSETS (CONTINUED)

(IV) IMPAIRMENT (CONTINUED)

The Group's other financial assets carried at amortised cost include other receivables, amounts due from subsidiaries, associates and joint ventures. The impairment loss of other financial assets carried at amortised cost is measured based on twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

The carrying amount of the receivables is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within selling, administrative and other operating expenses. Subsequent recoveries of amounts previously written off are credited against selling, administrative and other operating expenses in the consolidated income statement.

(k) INVENTORIES

Inventories of finished goods are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) ACCOUNTS RECEIVABLE

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within normal operating cycle and therefore are all classified as current.

Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2(j)(IV) for a description of the Group's impairment policies.

(m) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as a separate current liability in the consolidated statement of financial position.

Restricted and pledged bank deposits are not included in cash and cash equivalents.

(n) ACCOUNTS PAYABLE

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(p) CURRENT AND DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary difference arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity on different taxable entities where there is an intention to settle the balance on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(r) FINANCIAL GUARANTEES

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net

liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated income statement immediately.

(s) LEASES

(I) THE GROUP IS THE LESSEE

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) LEASES (CONTINUED)

(I) THE GROUP IS THE LESSEE (CONTINUED)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Group also has interests in leasehold land and land use rights for use in its operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateable value set by the relevant government authorities. These payments are stated at cost and are amortised over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) LEASES (CONTINUED)

(I) THE GROUP IS THE LESSEE (CONTINUED)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(II) THE GROUP IS THE LESSOR

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 14). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

(t) EMPLOYEE BENEFITS

(I) EMPLOYEE LEAVE ENTITLEMENTS

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(II) DEFINED CONTRIBUTION PLAN

A defined contribution plan is a pension plan which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) EMPLOYEE BENEFITS (CONTINUED)

(III) DEFINED BENEFIT PLAN

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. When there is significant change to the plan and key assumptions, the defined benefit obligation will be recalculated by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds yield that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and immediately recognised in retained profits in the year in which they arise.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

(IV) SHARE-BASED COMPENSATION

KPL operates an equity-settled, share-based compensation plan. Prior to the Global Offering, the fair value of the employee services received by the Group in exchange for the grant of the options is recharged by KPL and is recognised as an expense in the consolidated income statement of the Group.

Pursuant to the Global Offering, the Group has outstanding options granted under its pre-IPO share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) EMPLOYEE BENEFITS (CONTINUED)

(V) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(VI) BONUS PLANS

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(u) REVENUE RECOGNITION

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) REVENUE RECOGNITION (CONTINUED)

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

LOGISTICS AND FREIGHT FORWARDING SERVICES

The Group provides logistics services, including freight forwarding services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue is recognised over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

GENERAL STORAGE AND OTHER ANCILLARY SERVICES

The Group provides general storage and other ancillary services to customers. Revenue from leased storage is recognised when general storage and other ancillary services are rendered according to the terms of the respective contracts.

SALES OF GOODS

Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with the credit policies, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(v) DIRECT OPERATING EXPENSES

Direct operating expenses mainly represent the freight and transportation costs and direct labour costs directly attributable to the business operations of the Group, and are charged to the income statement in the year in which they are incurred.

(w) BORROWING COSTS

Borrowing costs are accounted for on the accrual basis and charged to the consolidated income statement in the year in which they are incurred, except for costs related to funding of construction or acquisition of qualifying assets which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) EARNINGS PER SHARE

(I) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(II) DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(y) DIVIDEND INCOME

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

(z) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably estimated, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(aa) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders in the case of final dividends.

(ac) GOVERNMENT GRANT

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

(a) FINANCIAL RISK FACTORS

The Group's major financial instruments include financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, accounts and other receivables, cash and bank balances, investment in convertible bond, restricted and pledged bank deposits, accounts payable, bank overdrafts, bank loans, balances with group companies and related companies, balances with associates and joint ventures and loans from non-controlling interests. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's management under the supervision of the Board of Directors. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board of Directors provides guidance for overall risk management.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(I) MARKET RISK

(i) FOREIGN EXCHANGE RISK

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group entities' functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign exchange risk. At 31 December 2022, if major currencies such as Renminbi and Euro, to which the Group had exposure had strengthened/weakened by 5% (2021: 5%) against HK dollar with all variables held constant, there would have insignificant impact on the Group's profit for the year. Income in foreign currencies are generated from the Group's investments outside Hong Kong and cash in these foreign currencies are maintained in the relevant foreign currencies for operational needs. The Group ensures that its exposure to fluctuations in foreign exchange rates is minimised. Accordingly, no sensitivity analysis is performed as the impact would not be significant to the profit for the year. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments when the need arises.

The aggregate net foreign exchange gains/(losses) recognised in the consolidated income statement were HK\$136,985,000 (2021: HK\$28,975,000).

(ii) INTEREST RATE RISK

The Group is primarily exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings which carry prevailing market interest rates. The Group has not entered into any interest rate swap contracts to hedge the exposure as the Board of Directors consider the risk is not significant.

Interest rate sensitivity

For the year ended 31 December 2022, if interest rates had increased/decreased by 25 basis points and all other variables were held constant, the profit of the Group would have decreased/increased by approximately HK\$20,009,000 (2021: HK\$17,083,000) resulting from the change in interest income on bank deposits and borrowing costs of bank borrowings.

(II) CREDIT RISK

The carrying amounts of cash and bank balances, restricted and pledged bank deposits, accounts and other receivable and amounts due from associates, joint ventures and fellow subsidiaries, represent the Group's major exposure to credit risk in relation to financial assets.

- **CREDIT RISK OF CASH AND BANK BALANCES, RESTRICTED AND PLEDGED BANK DEPOSITS**

To manage this risk arising from cash and cash equivalents and restricted bank balances, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is minimal.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(II) CREDIT RISK (CONTINUED)

- CREDIT RISK OF ACCOUNTS AND OTHER RECEIVABLES

For accounts receivable, there is no concentration of credit risk with respect to accounts receivable from third party customers as the Group has a large number of customers which are internationally dispersed. In order to minimise the credit risk, management of the Company has delegated a team in each business unit responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group has closely monitored the credit qualities and the collectability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made. In this regard, the Directors of the Company consider that the expected credit risks of them are adequately covered.

To assess whether there is a significant increase in credit risk in accounts and other receivables, the Group compares the risk of a default occurring on the assets at the end of each reporting period with the risk of default at the date of initial recognition. It considers available, reasonable, supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of the counterparty and changes in the operating results of the counterparty.

A default on accounts and other receivables is when the counterparty fails to make contractual payments when they fall due.

Accounts and other receivables are written off when there is no reasonable expectation of recovery.

The Group provides for credit losses against accounts receivable to customers by geographical location and the lifetime expected credit loss rate ranged from 1.4%-7.2%.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(II) CREDIT RISK (CONTINUED)

- CREDIT RISK OF AMOUNTS DUE FROM ASSOCIATES, JOINT VENTURES AND FELLOW SUBSIDIARIES

The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the reporting period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- (1) actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- (2) actual or expected significant changes in the operating results of the counterparty;
- (3) significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates, and adjusts for forward looking macroeconomic data. In addition, the Group monitors the exposure to credit risk in respect of financial assistance provided to associates through exercising influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. No significant changes to estimation techniques or assumptions were made during the reporting period.

Based on historical experiences, amounts due from associates, joint ventures and fellow subsidiaries were settled within 12 months after upon maturity hence the expected credit loss is minimal.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) FINANCIAL RISK FACTORS (CONTINUED)

(III) LIQUIDITY RISK

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The following tables detail the contractual maturity of the Group for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 3 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
At 31 December 2022						
Bank loans	2,339,789	2,898,821	3,922,721	90,985	9,252,316	8,812,849
Accounts payable, deposits received and accrued charges	10,695,071	-	-	-	10,695,071	10,695,071
Bank overdrafts	83,801	-	-	-	83,801	83,801
Loans from non-controlling interests	6,862	209,144	-	-	216,006	216,006
Amounts due to fellow subsidiaries	278,252	-	-	-	278,252	278,252
Amounts due to related companies	166,063	-	-	-	166,063	166,063
Lease liabilities	1,246,249	611,312	663,152	281,133	2,801,846	2,649,375
Other non-current liabilities	-	24,096	-	-	24,096	24,096
At 31 December 2021						
Bank loans	3,760,718	164,164	2,188,483	-	6,113,365	5,910,510
Accounts payable, deposits received and accrued charges	11,694,873	-	-	-	11,694,873	11,694,873
Bank overdrafts	199,201	-	-	-	199,201	199,201
Loans from non-controlling interests	27,703	205,594	-	-	233,297	233,297
Amounts due to related companies	140,842	-	-	-	140,842	140,842
Lease liabilities	1,390,695	760,611	1,204,401	711,862	4,067,569	3,761,861
Other non-current liabilities	-	150,519	26,256	-	176,775	176,775

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the loan and equity balance.

The Directors of the Company regularly monitor the capital structure, which consists of the equity attributable to the Company's shareholders as disclosed in the statement of financial position. The Directors of the Company could balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital by maintaining prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as total bank loans and overdrafts, divided by equity attributable to the Company's shareholders excluding put option written on non-controlling interests.

The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022 HK\$ million	2021 HK\$ million
Bank loans and overdrafts	8,897	6,110
Equity attributable to the Company's shareholders excluding put option written on non-controlling interests	18,429	21,048
Gearing ratio	48.3%	29.0%

The Group's overall strategy remains unchanged throughout the year. The decrease was mainly attributable to the settlement of bank loans using the proceeds resolved from sale of subsidiaries.

(c) FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) FAIR VALUE ESTIMATION (CONTINUED)

The following table presents the Group's financial investments that are measured at fair value as at 31 December 2022 and 2021:

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2022				
Assets				
Investment in convertible bonds	-	-	5,538	5,538
Financial assets at fair value through other comprehensive income	-	142,484	412,478	554,962
Financial assets at fair value through profit or loss	38,137	-	-	38,137
Total assets	38,137	142,484	418,016	598,637
At 31 December 2021				
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Investment in convertible bonds	-	-	5,911	5,911
Financial assets at fair value through other comprehensive income	-	491,635	112,868	604,503
Financial assets at fair value through profit or loss	-	800,068	-	800,068
Total assets	-	1,291,703	118,779	1,410,482
Liability				
Put options written on non-controlling interests	-	-	4,208	4,208

There were no transfers between levels during the year (2021: Nil).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) FAIR VALUE ESTIMATION (CONTINUED)

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 instruments.

	Financial assets at fair value through other comprehensive income	Investment in convertible bonds	Put options written on non-controlling interests
	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2022			
At beginning of year	112,868	5,911	4,208
Fair value adjustment	(30,077)	-	14,148
Additions	331,983	-	-
Settlement	-	-	(18,356)
Exchange adjustment	(2,296)	(373)	-
At end of year	412,478	5,538	-

	Financial assets at fair value through other comprehensive income	Investment in convertible bonds	Put options written on non-controlling interests
	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2021			
At beginning of year	359,189	353,382	4,186
Fair value adjustment [#]	9,117	-	-
Transfer [#]	-	(359,899)	-
Additions	16,432	-	-
Settlement	(210,546)	-	-
Disposal of subsidiaries	(65,904)	-	-
Exchange adjustment	4,580	12,428	22
At end of year	112,868	5,911	4,208

[#] On 31 March 2021, KLN (Singapore) Pte. Ltd., a wholly owned subsidiary of the Company, exercised its conversion right to convert the bonds into further 25% equity interest of PT Puninar Saranaraya.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the year (2021: Nil).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) FAIR VALUE ESTIMATION (CONTINUED) VALUATION PROCESSES OF THE GROUP

The Group's finance department includes a team that performs the valuation of financial assets required for financial reporting purposes, including level 2 and level 3 fair values. Discussions of valuation processes and results are held between the management and the valuation team at each reporting date. Reasons for the fair value movements are explained during the discussions.

The following summarise the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as level 2 and 3 and the valuation process for assets and liabilities classified as level 2 and 3.

INVESTMENT IN CONVERTIBLE BONDS

The Group established fair value of investment in convertible bonds by using discounted cash flow model and market approach. The unobservable inputs of the valuation include fair value of the equity interest, historical volatility and effective discount rate by reference to other investments that are substantially the same.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group established fair value of unlisted financial assets at fair value through other comprehensive income by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group established fair value of financial assets at fair value through profit or loss by using valuation techniques. These valuation techniques maximise the use of observable market data including quoted prices where available, and rely as little as possible on entity-specific estimates.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

The fair value of the following financial assets and liabilities approximate their carrying amount as at 31 December 2022 and 2021:

- Accounts receivable, deposits, other receivables and amounts due from fellow subsidiaries, associates and joint ventures
- Cash and bank balances
- Accounts payable, accrued charges and amounts due to fellow subsidiaries and related companies
- Bank loans and overdrafts

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) ESTIMATE OF FAIR VALUE OF INVESTMENT PROPERTIES

The valuation of investment properties is performed in accordance with "The HKIS Valuation Standards on Properties (2020 Edition)" published by the Hong Kong Institute of Surveyors and the "International Valuation Standards" published by the International Valuation Standards Committee. The valuation is performed by qualified valuer by adopting the income approach of valuation by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests at appropriate capitalisation rates or wherever appropriate the direct comparison approach by making reference to comparable sales evidence as available in the relevant market subject to suitable adjustments between the subject properties and the comparable properties including but not limited to location, time, size, age and maintenance standard etc.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(II) INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(III) ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests whether goodwill (note 13) has suffered any impairment, in accordance with the accounting policy stated in note 2(h)(I). The recoverable amounts of cash-generating units have been determined based on the higher of value-in-use calculations and fair value less costs of disposal. These calculations require the use of estimates. The key assumptions and sensitivity test was disclosed in note 13. The recoverable amounts of the relevant cash generating units were determined based on the conditions as of 31 December 2022 and the impact of any non-adjusting subsequent events (if any) will be considered in the goodwill impairment test to be performed in 2023.

(IV) USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(V) IMPAIRMENT OF NON-FINANCIAL ASSETS

Management regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset, including property, plant and equipment, right-of-use assets, is lower than its recoverable amount which is the greater of its fair value less costs of disposal or its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(VI) IMPAIRMENT OF INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE

Intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Intangible assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(VII) IMPAIRMENT OF ASSOCIATES AND JOINT VENTURES

The Group determines whether an investment in associates and joint ventures is impaired by evaluating the duration and extent to which the recoverable amount of the investment is less than its carrying amount. This evaluation is subject to changes in factors, such as industry and sector performance and operational cash flows.

(VIII) RETIREMENT BENEFIT OBLIGATIONS

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate and future salary. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

The Group determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit liability.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(IX) IMPAIRMENT OF ACCOUNTS RECEIVABLE

The provision for impairment of accounts receivable are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3(a)(II).

(b) CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

DETERMINATION OF THE LEASE TERM

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of equipment, buildings and motor vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

(a) Revenue from continuing operations recognised during the year is as follows:

	2022	2021
	HK\$'000	HK\$'000
Integrated logistics	13,155,880	12,875,164
E-commerce & Express	6,090,091	6,927,411
International freight forwarding	67,403,492	59,152,149
	86,649,463	78,954,724

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(b) An analysis of the Group's financial results by operating segment and geographical area for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021, is as follows:

	For the year ended 31 December												
	Continuing operations								Discontinued operations after elimination				
	Integrated logistics		E-commerce & Express		International freight forwarding		Elimination		Consolidation		Consolidation		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue													
Turnover	13,155,880	12,875,164	6,090,091	6,927,411	67,403,492	59,152,149	-	-	86,649,463	78,954,724	2,816,415	86,649,463	81,771,139
Inter-segment revenue	984,624	790,659	1,026,102	951,254	12,489,225	18,976,168	(14,499,951)	(20,718,081)	-	-	-	-	-
	14,140,504	13,665,823	7,116,193	7,878,665	79,892,717	78,128,317	(14,499,951)	(20,718,081)	86,649,463	78,954,724	2,816,415	86,649,463	81,771,139
Turnover by Geographic													
Hong Kong	4,694,841	3,920,969	1,644,065	1,980,243	3,605,919	5,849,253	(1,333,234)	(2,913,384)	8,611,591	8,837,081	167,992	8,611,591	9,005,073
Mainland of China	6,647,517	7,098,102	-	-	21,678,918	29,233,302	(4,884,959)	(10,153,866)	23,441,476	26,177,538	-	23,441,476	26,177,538
Taiwan	-	-	-	-	-	-	-	-	-	-	2,648,423	-	2,648,423
Asia	2,657,175	2,510,513	5,328,309	5,870,367	12,940,465	13,138,273	(5,831,322)	(6,689,664)	15,094,627	14,829,489	-	15,094,627	14,829,489
Americas	-	-	-	-	29,231,522	18,169,112	(1,861,306)	(318,841)	27,370,216	17,850,271	-	27,370,216	17,850,271
EMEA	-	-	143,819	28,055	10,464,096	10,331,282	(542,925)	(598,911)	10,331,282	9,893,240	-	10,331,282	9,893,240
Oceania	140,971	136,239	-	-	1,705,505	1,274,281	(46,205)	(43,415)	1,800,271	1,367,105	-	1,800,271	1,367,105
	14,140,504	13,665,823	7,116,193	7,878,665	79,892,717	78,128,317	(14,499,951)	(20,718,081)	86,649,463	78,954,724	2,816,415	86,649,463	81,771,139
Segment profit/(loss)													
Hong Kong	756,171	455,147	19,356	63,171	1,277,477	553,532	-	-	903,274	1,071,850	413,763	903,274	1,485,613
Mainland of China	342,414	353,045	-	-	1,196,494	1,606,282	-	-	1,538,908	1,959,327	-	1,538,908	1,959,327
Taiwan	-	-	-	-	-	-	-	-	-	-	374,835	-	374,835
Asia	267,271	219,084	(863,477)	(25,257)	879,850	739,823	-	-	283,644	933,650	-	283,644	933,650
Americas	-	-	(49)	-	1,978,372	1,541,551	-	-	1,978,372	1,541,551	-	1,978,372	1,541,551
EMEA	-	-	18,357	3,101	399,025	295,060	-	-	417,382	298,161	-	417,382	298,161
Oceania	9,221	45,854	-	-	1,214,476	88,807	-	-	130,697	134,661	-	130,697	134,661
	1,375,077	1,073,130	(825,813)	41,015	4,703,013	4,825,055	-	-	5,252,277	5,939,200	788,598	5,252,277	6,727,798
Less: Unallocated administration expenses									(462,041)	(497,539)	(1,592)	(462,041)	(499,131)
Core operating profit									4,790,236	5,441,661	787,006	4,790,236	6,228,667
Interest income									72,791	46,544	168	72,791	46,712
Finance costs									(392,968)	(250,756)	(39,360)	(392,968)	(290,116)
Share of results of associates and joint ventures									166,894	157,958	661	166,894	158,619
Gain on disposal of associates [#]									397,611	-	-	397,611	-
Profit before taxation [*]									5,034,564	5,395,407	748,475	5,034,564	6,143,882
Taxation [*]									(1,221,588)	(1,224,690)	(140,785)	(1,221,588)	(1,365,475)
Profit for the year [*]									3,812,976	4,170,717	607,690	3,812,976	4,778,407
Non-controlling interests [*]									(240,801)	(950,934)	(135,666)	(240,801)	(1,086,600)
CORE NET PROFIT									3,572,175	3,219,783	472,024	3,572,175	3,691,807
Change in fair value of investment properties									9,315	298,850	1,969,920	9,315	2,268,770
Deferred tax of change in fair value of investment properties									(2,273)	(74,477)	-	(2,273)	(74,477)
Less: Non-controlling interests' share of change in fair value of investment properties and its related deferred tax									(26)	(5,343)	-	(26)	(5,343)
Gain on disposal of Hong Kong Warehouses and Taiwan operation									-	-	2,187,896	-	2,187,896
Goodwill impairment									-	(130,000)	-	-	(130,000)
Profit attributable to the Company's shareholders									3,579,191	3,308,813	4,629,840	3,579,191	7,938,653
Depreciation and amortisation	1,209,830	1,035,633	614,928	628,682	384,012	352,199			2,208,770	2,016,514	244,681	2,208,770	2,261,195

[#] Only the gain on disposal of Asia Airfreight Terminal Company Limited and Beijing Bei Jian Tong Cheng International Logistics Co., Ltd. are included.

^{*} Excluding the change in fair value of investment properties and its related deferred tax, gain on disposal of Hong Kong Warehouses and Taiwan operation, and goodwill impairment.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(c) DISAGGREGATION OF REVENUE

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	2022				2021			
	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers								
Integrated logistics	1,484,566	11,538,675	132,639	13,155,880	1,267,411	11,482,393	125,360	12,875,164
E-commerce & Express	-	6,090,091	-	6,090,091	-	6,927,411	-	6,927,411
International freight forwarding	-	67,403,492	-	67,403,492	-	59,152,149	-	59,152,149
Discontinued operations	-	-	-	-	7,676	2,669,827	138,912	2,816,415
	1,484,566	85,032,258	132,639	86,649,463	1,275,087	80,231,780	264,272	81,771,139

By geographical area	2022				2021			
	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total	Revenue recognised at a point in time	Revenue recognised over time	Rental income	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers								
Hong Kong	1,303,897	7,307,694	-	8,611,591	1,181,081	7,656,000	-	8,837,081
Mainland of China	156,367	23,194,832	90,277	23,441,476	49,023	26,036,410	92,105	26,177,538
Asia	24,302	15,027,963	42,362	15,094,627	37,307	14,758,927	33,255	14,829,489
America	-	27,370,216	-	27,370,216	-	17,850,271	-	17,850,271
EMEA	-	10,331,282	-	10,331,282	-	9,893,240	-	9,893,240
Oceania	-	1,800,271	-	1,800,271	-	1,367,105	-	1,367,105
Discontinued operations	-	-	-	-	7,676	2,669,827	138,912	2,816,415
	1,484,566	85,032,258	132,639	86,649,463	1,275,087	80,231,780	264,272	81,771,139

Note:

Revenue recognised at a point in time is represented by the revenue from sales of goods for the year.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(d) 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 in continuing operations of the Group, in 2022 namely integrated logistics, e-commerce & express and international freight forwarding, in each geographical area.

The disposed Hong Kong Warehouse and Taiwan Business were presented under “Discontinued Operation”.

Integrated logistics segment derives revenue from provision of logistics services and sales of goods.

E-commerce & Express segment derives revenue primarily from e-commerce businesses and domestic parcel delivery services.

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

During the year, the Group has re-determined a new operating segment namely e-commerce & express, which was originally included mainly in the integrated logistics segment in previous years. After the disposal of the Hong Kong Warehouse segment, with the combination of the continuing business expansion of e-commerce & express segment, for segment presentation purpose, e-commerce & express segment is presented as an operating segment for the current segmental analysis of operations. Prior period corresponding segment information that is presented for comparative purpose has been restated. The reclassification has no impact on the profit for the current and comparative period of the Group for the year ended 31 December 2022 and 31 December 2021 nor on the assets and liabilities of the Group as of 31 December 2022 and 31 December 2021.

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, gain on disposal of associates 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.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(d) (CONTINUED)

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

	Segment	
	non-current assets [#]	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	1,665,857	2,062,027
Mainland of China	7,068,214	7,788,141
Asia	7,512,809	8,129,462
Americas	2,870,537	1,055,752
EMEA	1,153,674	1,209,174
Oceania	137,839	153,854
	20,408,930	20,398,410

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

(e) UNSATISFIED PERFORMANCE OBLIGATIONS

For general storage and other ancillary services, the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the general storage and ancillary contracts do not have a fixed term. The Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

For logistics and freight forwarding services, they are rendered in short period of time and within a year and the Group has elected the practical expedient for not to disclose the remaining performance obligations at the end of respective periods.

(f) ASSETS RECOGNISED FROM INCREMENTAL COSTS TO OBTAIN A CONTRACT

There was no significant incremental costs to obtain a contract for the year ended 31 December 2022 (2021: Nil).

6 OTHER INCOME AND NET GAINS/(LOSSES)

	2022	2021
	HK\$'000	HK\$'000
Continuing operations		
Interest income from banks	71,870	43,724
Interest income from associates	921	2,820
Interest income from convertible bonds	-	2,416
Gain on disposal of property, plant and equipment	9,281	29,179
Gain/(loss) on disposal of subsidiaries	21,355	(22,062)
Gain/(loss) on disposal of associates (note)	429,941	(29)
Fair value change of financial assets at fair value through profit or loss	(5,191)	54,497
Gain on disposal of right-of-use assets and derecognition of lease liabilities	55,820	650
Goodwill impairment (note 13)	-	(130,000)
Net loss from settlement of put option written on non-controlling interest	(14,148)	-
	569,849	(18,805)

Note:

The amount mainly represents the gains on disposals of the Group's 15% interest in Asia Airfreight Terminal Company Limited and 24% interest in Beijing Bei Jian Tong Cheng International Logistics Co., Ltd. with the consideration of HK\$310,500,000 and the consideration of RMB588,000,000 (approximately HK\$679,081,000) respectively for the year ended 31 December 2022.

7 EXPENSES BY NATURE

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

	2022	2021
	HK\$'000	HK\$'000
Continuing operations		
Auditors' remuneration	39,630	42,792
Business tax and other taxes	21,556	23,327
Cost of goods sold (note 20)	1,251,023	1,050,617
Freight and transportation costs	69,568,904	61,660,586
Depreciation of property, plant and equipment (note 16)	786,864	737,508
Depreciation of right-of-use assets (note 15(II))	1,265,226	1,140,800
Amortisation of intangible assets (note 13)	156,680	138,206
Provision for impairment of receivables (note (22)(c))	138,790	108,283
Reversal of provision for impairment of receivables (note (22)(c))	(31,793)	(1,270)
Rental expenses on land and buildings	597,786	245,928
Employee benefit expenses (note 12)	7,316,097	7,428,200

Government grants amounting to HK\$37,111,000 (2021: HK\$11,281,000) have been recognised and deducted in employee benefit expenses for the year ended 31 December 2022.

8 FINANCE EXPENSES

	2022	2021
	HK\$'000	HK\$'000
Continuing operations		
Interest expenses on bank loans and overdrafts	299,355	134,821
Interest expenses on lease liabilities (note (15)(III))	93,613	115,935
	392,968	250,756

9 TAXATION

HONG KONG AND OVERSEAS PROFITS TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) for the year ended 31 December 2022 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% (2021: 25%) on the estimated assessable profit for the year.

9 TAXATION (CONTINUED)

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 Mainland of China and overseas countries.

	2022 HK\$'000	2021 HK\$'000
Continuing operations		
Hong Kong profits tax		
– Current	221,266	301,000
– Over provision in prior years	(1,105)	(18,808)
– Deferred	(19,417)	33
	200,744	282,225
Mainland of China taxation		
– Current	260,883	240,004
– Under provision in prior years	22,529	8,166
– Deferred	2,108	68,001
	285,520	316,171
Overseas taxation		
– Current	754,738	794,632
– Over provision in prior years and tax refunds	(42,072)	(136,975)
– Deferred	56,897	43,114
	769,563	700,771
	1,255,827	1,299,167

Note:

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

The Group's share of associates' and joint ventures' taxation for the year ended 31 December 2022 is HK\$37,189,000 (2021: HK\$25,495,000) and included in the share of results of associates and joint ventures in the consolidated income statement.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2022 HK\$'000	2021 HK\$'000
Continuing operations		
Profit before taxation	5,075,845	5,564,257
Less: Share of results of associates and joint ventures	(166,894)	(157,958)
	4,908,951	5,406,299
Calculated at Hong Kong profits tax rate of 16.5% (2021: 16.5%)	809,977	892,039
Tax effect of different taxation rates in other countries	318,780	377,460
Income not subject to taxation	(48,413)	(37,541)
Expenses not deductible in determining taxable profit	73,153	181,305
Tax losses not recognised	36,974	28,609
Utilisation of previously unrecognised tax losses	(4,134)	(4,597)
Over provision in prior years	(20,648)	(147,617)
Withholding tax on undistributed profits	90,138	9,509
Taxation charge	1,255,827	1,299,167

10 DIVIDENDS

A final dividend in respect of the year ended 31 December 2022 of 38 HK cents per share, amounting to a total dividend of HK\$686,821,000 is to be proposed at the annual general meeting on Monday, 22 May 2023. These financial statements do not reflect this dividend payable.

	2022 HK\$'000	2021 HK\$'000
Interim dividend paid of 28 HK cents (2021: 21.1 HK cents) per ordinary share	506,079	381,341
Special dividend paid of Nil (2021: 728 HK cents) per ordinary share	–	13,157,178
Proposed final dividend of 38 HK cents (2021: 50 HK cents) per ordinary share	686,821	903,655
	1,192,000	14,442,174

The proposed final dividend for the year ended 31 December 2022, as referred to above, is calculated on the basis of 1,807,424,842 ordinary shares in issue as at 31 December 2022, and at a final dividend of 38 HK cents per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2022 will be subject to the actual number of ordinary shares in issue on the record date 29 May 2023.

11 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.

	2022	2021
Adjusted weighted average number of ordinary shares in issue	1,807,383,897	1,803,147,927
Profit attributable to the Company's shareholders (HK\$'000)		
From continuing operations	3,579,191	3,308,813
From discontinued operation	–	4,629,840
Basic earnings per share (HK\$)		
From continuing operations	1.98	1.84
From discontinued operation	–	2.57

11 EARNINGS PER SHARE (CONTINUED)

DILUTED

Diluted earnings per share is calculated by dividing 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.

	2022	2021
Adjusted weighted average number of ordinary shares in issue	1,807,383,897	1,803,147,927
Adjustment for share options	257,232	2,840,424
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,807,641,129	1,805,988,351
Profit attributable to the Company's shareholders (HK\$'000)		
From continuing operations	3,579,191	3,308,813
From discontinued operation	-	4,629,840
Diluted earnings per share (HK\$)		
From continuing operations	1.98	1.83
From discontinued operation	-	2.56

12 EMPLOYEE BENEFIT EXPENSES

	2022 HK\$'000	2021 HK\$'000
Continuing operations		
Staff costs, including directors' emoluments	6,991,751	7,124,944
Pension costs		
- defined contribution plans	314,043	293,135
- defined benefit plans (note 31(b))	10,303	10,121
	7,316,097	7,428,200

Out of the total employee benefit expenses from continuing operations for the year ended 31 December 2022 of HK\$7,316,097,000 (2021: HK\$7,428,200,000), HK\$4,313,914,000 (2021: HK\$4,730,193,000) was included in direct operating expenses.

12 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) DIRECTORS' EMOLUMENTS

The remuneration of the Directors for the year ended 31 December 2022, excluding share option and share award benefits, is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (i) HK\$'000	Housing allowance HK\$'000	Estimating money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
WANG Wei	-	-	-	-	-	-	-
KUOK Khoon Hua	-	-	-	-	-	-	-
MA Wing Kai William	-	6,456	25,846	-	-	18	32,320
CHEUNG Ping Chuen Vicky	-	5,040	7,040	-	735	263	13,078
CHAN Fei	330	-	-	-	-	-	330
HO Chit	470	-	-	-	-	-	470
CHEN Keren	330	-	-	-	-	-	330
CHEUNG Wai Man	395	-	-	-	-	-	395
LAI Sau Cheong Simon	625	-	-	-	-	-	625
TAN Chuen Yan Paul	480	-	-	-	-	-	480
WONG Yu Pok Marina	620	-	-	-	-	-	620

12 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

The remuneration of the Directors for the year ended 31 December 2021, excluding share option and share award benefits, is set out below:

Name of Director	Fees HK\$'000	Special remuneration HK\$'000	Salary HK\$'000	Discretionary bonuses (i) HK\$'000	Housing allowance HK\$'000	Estimating money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
WANG Wei (appointment effective from 13 October 2021)	-	-	-	-	-	-	-	-
KUOK Khoo Hua	1,409	-	-	3,905	-	-	-	5,314
MA Wing Kai William	-	-	6,144	30,216	-	-	118	36,478
CHEUNG Ping Chuen Vicky	-	-	4,800	5,400	-	744	255	11,199
NG Kin Hang (resignation effective from 13 October 2021)	-	-	2,067	749	280	76	94	3,266
CHAN Fei (appointment effective from 13 October 2021)	70	-	-	-	-	-	-	70
HO Chit (appointment effective from 13 October 2021)	101	-	-	-	-	-	-	101
CHEN Keren (appointment effective from 13 October 2021)	70	-	-	-	-	-	-	70
TONG Shao Ming (resignation effective from 16 September 2021)	310	-	-	-	-	-	-	310
CHEUNG Wai Man (appointment effective from 13 October 2021)	81	-	-	-	-	-	-	81
LAI Sau Cheong Simon (appointment effective from 13 October 2021)	134	-	-	-	-	-	-	134
TAN Chuen Yan Paul (appointment effective from 13 October 2021)	103	-	-	-	-	-	-	103
WONG Yu Pok Marina	600	1,000	-	-	-	-	-	1,600
KHOO Shulamite N K (resignation effective from 13 October 2021)	362	1,000	-	-	-	-	-	1,362
YEO Philip Liat Kok (resignation effective from 13 October 2021)	348	1,000	-	-	-	-	-	1,348
ZHANG Yi Kevin (resignation effective from 13 October 2021)	408	1,000	-	-	-	-	-	1,408

Note:

(i) Discretionary bonuses are determined based on the overall performance of the individual and the Group.

12 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) SENIOR MANAGEMENT'S EMOLUMENTS

The Group considers a team of nine (2021: nine) senior executives who report to the Board of Directors as senior management. The emoluments of the nine (2021: nine) individuals, excluding share option and share award benefits, are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other short-term benefits	75,254	61,436

(c) SHARE OPTIONS GRANTED BY KPL TO THE DIRECTORS OF THE COMPANY

Certain directors of the Company held share options of KPL during the year presented as follows:

During the year ended 31 December 2022, no share options of KPL was granted to or exercised by directors of the Company (2021: Nil).

As at 31 December 2022, no director of the Company held share option of KPL to acquire share of KPL.

As at 31 December 2021, a director of the Company held the following share options of KPL to acquire shares of KPL:

No. of share options held	Exercise price	Exercise period
250,000	HK\$35.45	31/10/2012-29/04/2022
250,000	HK\$35.45	31/10/2013-29/04/2022

The closing market price of shares of KPL as at 31 December 2022 was HK\$17.00 (2021: HK\$20.30).

(d) SHARE OPTIONS GRANTED BY THE COMPANY TO THE DIRECTORS OF THE COMPANY

Certain directors of the Company held pre-IPO share options of the Company and post-IPO share options of the Company during the year presented as follows:

During the year ended 31 December 2022, no share was issued to directors of the Company pursuant to exercise of the share options (2021: 4,320,000 shares).

As at 31 December 2022 and 2021, no director of the Company held share option to acquire share of the Company.

The closing market price of the Company's shares as at 31 December 2022 was HK\$14.04 (2021: HK\$19.06).

(e) SHARE AWARDS GRANTED BY THE COMPANY TO THE DIRECTORS OF THE COMPANY

Certain directors of the Company were awarded shares under the Share Award Scheme of the Company. Movement of the awarded shares during the years presented as follows:

	No. of awarded shares	
	2022	2021
Unvested as at 1 January	583,651	890,353
Granted	686,482	287,820
Vested	(703,837)	(594,522)
Unvested as at 31 December	566,296	583,651

12 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(f) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 included two Directors (2021: two). The emoluments payable to the remaining three (2021: three) highest paid individuals during the years are as follows:

	2022 HK\$'000	2021 HK\$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	23,405	16,596
Discretionary bonuses	17,096	21,241
Pension contributions	155	395
	40,656	38,232

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
HK\$6,500,001 – HK\$7,000,000	-	-
HK\$7,000,001 – HK\$7,500,000	-	-
HK\$7,500,001 – HK\$8,000,000	-	1
HK\$8,000,001 – HK\$8,500,000	-	-
HK\$8,500,001 – HK\$9,000,000	-	-
HK\$9,000,001 – HK\$9,500,000	-	-
HK\$10,000,001 – HK\$10,500,000	-	1
HK\$10,500,001 – HK\$11,000,000	-	-
HK\$11,000,001 – HK\$11,500,000	-	-
HK\$11,500,001 – HK\$12,000,000	1	-
HK\$12,500,001 – HK\$13,500,000	-	1
HK\$13,500,001 – HK\$14,000,000	1	-
HK\$15,000,001 – HK\$15,500,000	1	-
	3	3

(g) REMUNERATION PAYABLE TO SENIOR MANAGEMENT

The remuneration payable to the senior management during the year fell within the following bands:

	Number of individuals	
	2022	2021
HK\$500,001 – HK\$1,000,000	-	1
HK\$1,000,001 – HK\$1,500,000	-	-
HK\$1,500,001 – HK\$2,000,000	-	-
HK\$2,000,001 – HK\$2,500,000	-	-
HK\$2,500,001 – HK\$3,000,000	-	-
HK\$3,000,001 – HK\$3,500,000	-	-
HK\$3,500,001 – HK\$4,000,000	1	-
HK\$4,000,001 – HK\$4,500,000	-	-
HK\$4,500,001 – HK\$5,000,000	1	1
HK\$5,000,001 – HK\$5,500,000	-	1
HK\$5,500,001 – HK\$6,000,000	1	1
HK\$6,000,001 – HK\$6,500,000	1	1
HK\$6,500,001 – HK\$7,000,000	1	-
HK\$7,000,001 – HK\$7,500,000	-	1
HK\$7,500,001 – HK\$8,000,000	1	1
HK\$8,000,001 – HK\$8,500,000	-	-
HK\$8,500,001 – HK\$9,000,000	-	-
HK\$9,000,001 – HK\$9,500,000	-	-
HK\$10,000,001 – HK\$10,500,000	-	1
HK\$11,500,001 – HK\$12,000,000	1	-
HK\$12,000,001 – HK\$12,500,000	-	1
HK\$13,500,001 – HK\$14,000,000	1	-
HK\$15,000,001 – HK\$15,500,000	1	-
	9	9

13 INTANGIBLE ASSETS

	Goodwill HK\$'000	Customer relationships HK\$'000	Non-competitive agreements HK\$'000	Trademarks HK\$'000	Total HK\$'000
At 1 January 2021	4,021,402	687,212	43,071	20,212	4,771,897
Acquisition of subsidiaries	269,941	73,867	15,337	-	359,145
Disposal of subsidiaries	(487,290)	(42,304)	(144)	-	(529,738)
Amortisation (note a)	-	(111,845)	(18,678)	(11,238)	(141,761)
Exchange adjustment	(19,889)	(6,328)	(36)	(171)	(26,424)
Impairment	(130,000)	-	-	-	(130,000)
At 31 December 2021	3,654,164	600,602	39,550	8,803	4,303,119
At 31 December 2021					
Cost	3,946,627	1,191,612	153,516	91,056	5,382,811
Accumulated amortisation and impairment	(292,463)	(591,010)	(113,966)	(82,253)	(1,079,692)
	3,654,164	600,602	39,550	8,803	4,303,119
At 1 January 2022	3,654,164	600,602	39,550	8,803	4,303,119
Acquisition of subsidiaries (note 33)	1,414,489	433,510	11,692	-	1,859,691
Amortisation	-	(137,718)	(14,366)	(4,596)	(156,680)
Exchange adjustment	(132,430)	(16,249)	(1,533)	(23)	(150,235)
At 31 December 2022	4,936,223	880,145	35,343	4,184	5,855,895
At 31 December 2022					
Cost	5,228,686	1,591,136	159,099	89,812	7,068,733
Accumulated amortisation and impairment	(292,463)	(710,991)	(123,756)	(85,628)	(1,212,838)
	4,936,223	880,145	35,343	4,184	5,855,895

The amortisation of intangible assets was charged to direct operating expenses.

Note a:

The amortisation of HK\$141,761,000 included HK\$138,206,000 (note 7) arising from continuing operations and HK\$3,555,000 arising from discontinued operations.

13 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units (CGUs) that are expected to benefit from business combinations and impairment testing is performed annually and when there is indication that they may be impaired.

The recoverable amount of a CGU is determined based on the higher of its fair value less costs of disposal and value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering five years.

The annual impairment assessment of goodwill was conducted at 31 December 2022. There was no impairment in goodwill for the year ended 31 December 2022.

A segment-level summary of the goodwill allocation based on geographical regions is presented below:

	2022 HK\$'000	2021 HK\$'000
Integrated logistics		
Hong Kong	196,738	152,826
Mainland of China	522,517	556,293
Asia	103,827	110,164
Oceania	9,355	10,045
	832,437	829,328
E-commerce & Express		
Hong Kong	84,412	84,412
Asia	33,520	36,694
	117,932	121,106
International freight forwarding		
Hong Kong	100,440	100,440
Mainland of China	580,998	615,480
Asia	500,713	508,842
EMEA	675,889	712,045
Americas	2,110,905	748,703
Oceania	16,909	18,220
	3,985,854	2,703,730
	4,936,223	3,654,164

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

For the year ended 31 December 2022

INTEGRATED LOGISTICS

	Hong Kong	Mainland of China	Asia
Profit margin	5%-10%	3%	3%-23%
Average revenue growth rate	3%-7%	5%	(2%)-8%
Discount rate	12%	13.5%	11%-14%

13 INTANGIBLE ASSETS (CONTINUED)

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS (CONTINUED)

For the year ended 31 December 2022

E-COMMERCE & EXPRESS

	Hong Kong	Asia (excluding Greater China)
Profit margin	5%	3%-7%
Average revenue growth rate	7%	2%-9%
Discount rate	12%	11%-16%

INTERNATIONAL FREIGHT FORWARDING

	Hong Kong	Mainland of China	Asia	EMEA	Americas
Profit margin	4%-10%	2%-3%	3%-23%	3%-4%	3%-5%
Average revenue growth rate	(4%)-3%	5%-8%	(8%)-19%	(3%)-21%	(6%)-5%
Discount rate	12%	13.5%	11%-19%	10.5%-16%	10.5%-13%

For the year ended 31 December 2021

LOGISTICS OPERATIONS (INCLUDING E-COMMERCE & EXPRESS)

	Hong Kong	Mainland of China	Asia
Profit margin	5%-8%	2%-4%	2%-23%
Average revenue growth rate	3%-5%	0%-8%	(11%)-9%
Discount rate	12%	12%	11%-16%

INTERNATIONAL FREIGHT FORWARDING

	Hong Kong	Mainland of China	Asia	EMEA	Americas
Profit margin	3%-10%	2%-4%	2%-11%	3%-4%	3%-5%
Average revenue growth rate	3%-6%	0%-8%	(11%)-19%	2%-16%	(9%)-3%
Discount rate	12%	12%	11%-16%	10%-14%	10%-13%

13 INTANGIBLE ASSETS (CONTINUED)

Management determined budgeted profit margins and revenue growth rates based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs. In performing the impairment assessments, management has considered reasonably possible changes for key assumptions. Assuming revenue growth rate decreased by 50 basis points and discount rate increased by 50 basis points, no impairment charge would be required for the goodwill as at 31 December 2022 (2021: impairment charge of HK\$19 million would be increased for business unit in EMEA).

14 INVESTMENT PROPERTIES

	2022 HK\$'000	2021 HK\$'000
At beginning of year	1,939,636	11,503,215
Additions	3,326	-
Change in fair value	9,315	2,268,770
Disposals of subsidiaries (note 32(c))	-	(11,696,000)
Transfer	-	(169,366)
Exchange adjustment	(132,688)	33,017
At end of year	1,819,589	1,939,636

(a) Investment properties were valued by independent professional valuer, namely Cushman & Wakefield Limited as at 31 December 2022 and 31 December 2021, by mainly adopting the income approach of valuation.

(b) The Group's investment properties at their net book values are analysed as follows:

	2022 HK\$'000	2021 HK\$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	1,819,589	1,939,636

As at 31 December 2022, investment properties amounting to HK\$116,801,000 (2021: HK\$115,536,000) was pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 35).

(c) For the year ended 31 December 2022, rental income of HK\$132,639,000 (2021: HK\$264,272,000, which included HK\$125,360,000 (note 5(c)) arising from continuing operations and HK\$138,912,000 (note 5(c)) arising from discontinued operations), and direct operating expenses of HK\$70,048,000 (2021: HK\$135,570,000, which included HK\$70,189,000 arising from continuing operations and HK\$65,380,000 arising from discontinued operations (from property that generated rental income)) were recognised in the consolidated income statement for investment properties.

14 INVESTMENT PROPERTIES (CONTINUED)

(d) VALUATION OF INVESTMENT PROPERTIES

FAIR VALUE MEASUREMENT USING SIGNIFICANT INPUTS

	Hong Kong HK\$'000	Mainland of China HK\$'000	Overseas HK\$'000	Total HK\$'000
At 1 January 2021	9,726,080	1,294,051	483,084	11,503,215
Change in fair value (note a)	1,969,920	287,303	11,547	2,268,770
Disposal of subsidiaries	(11,696,000)	-	-	(11,696,000)
Transfer	-	(479)	(168,887)	(169,366)
Exchange adjustment	-	36,415	(3,398)	33,017
At 31 December 2021	-	1,617,290	322,346	1,939,636
At 1 January 2022	-	1,617,290	322,346	1,939,636
Additions	-	3,326	-	3,326
Change in fair value	-	2,464	6,851	9,315
Exchange adjustment	-	(133,153)	465	(132,688)
At 31 December 2022	-	1,489,927	329,662	1,819,589

The Group measures its investment properties at fair value. The investment properties were revalued by Cushman & Wakefield Limited, an independent qualified valuer not connected with the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued at 31 December 2022. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management and the Audit and Compliance Committee. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Note: The change in fair value of HK\$2,268,770,000 included HK\$298,850,000 arising from continuing operations and HK\$1,969,920,000 arising from discontinued operations.

14 INVESTMENT PROPERTIES (CONTINUED)

(d) VALUATION OF INVESTMENT PROPERTIES (CONTINUED)

VALUATION TECHNIQUES

Fair value of investment properties in the Mainland of China and overseas are generally derived using the income approach and wherever appropriate, by direct comparison approach. Income approach is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison approach is based on comparing the property to be valued directly with other comparable properties, which have recently transacted.

SIGNIFICANT UNOBSERVABLE INPUTS USED TO DETERMINE FAIR VALUE

Capitalisation rates are estimated by valuer based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings for the Mainland of China and overseas investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The capitalisation rates used are as follows:

	2022	2021
Capitalisation rate	5.50% - 10.00%	4.25% - 6.75%

The following tables show the increase/(decrease) of the fair value of the investment properties if the capitalisation rate was to increase or decrease by 10%.

	2022 HK\$'000	2021 HK\$'000
Decrease of capitalisation rate by 10%	173,858	189,639
Increase of capitalisation rate by 10%	(153,753)	(166,958)

The following tables show the (decrease)/increase of the fair value of the investment properties if the reversionary income was to decrease or increase by 10%.

	2022 HK\$'000	2021 HK\$'000
Decrease of reversionary income by 10%	(145,886)	(146,807)
Increase of reversionary income by 10%	147,080	154,434

14 INVESTMENT PROPERTIES (CONTINUED)

(e) LEASING ARRANGEMENTS:

The Group leases various offices and warehouses to tenants under non-cancellable operating lease agreements with rentals receivable monthly. The lease terms are mainly between 1 year and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rates. No contingent rents were recognised during the year (2021: Nil).

Minimum lease payments receivable on leases of investment properties are as follows:

	2022 HK\$'000	2021 HK\$'000
Land and buildings:		
Within one year	66,496	46,195
In the second to fifth year, inclusive	91,706	66,093
Over five years	10,472	18,486
	168,674	130,774

15 LEASES

As at 31 December 2022, leasehold land and land use rights amounting to HK\$126,283,000 (2021: HK\$83,414,000) were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 35).

This note provides information for leases where the Group is a lessee.

(I) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2022 HK\$'000	2021 HK\$'000
Right-of-use assets		
Leasehold land and land use rights	697,708	762,743
Equipment	37,103	29,824
Buildings	2,065,114	2,802,012
Motor vehicles	421,348	753,626
	3,221,273	4,348,205
Lease liabilities		
Current	1,196,141	1,377,209
Non-current	1,453,234	2,384,652
	2,649,375	3,761,861

Additions and reallocation to the right-of-use assets during the year were HK\$1,079,815,000 (2021: HK\$1,945,685,000), of which no right-of-use assets from acquisition of subsidiaries (2021: HK\$21,723,000), and HK\$1,522,000 for reallocation to the right-of-use assets during the year (2021: HK\$52,387,000).

15 LEASES (CONTINUED)

(II) AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement shows the following amounts relating to leases:

	Note	2022 HK\$'000	2021 HK\$'000
Depreciation charge of right-of-use assets			
Leasehold land and land use rights		12,252	10,845
Equipment		10,912	18,624
Buildings		1,052,442	978,571
Motor vehicles		189,620	223,262
	(Note a)	1,265,226	1,231,302
Interest expense (included in finance cost)	(Note b)	93,613	129,306
Expense relating to short-term leases (included in direct operating expenses and administrative expenses)		597,786	259,079

The total cash outflow for leases in 2022 was HK\$1,979,184,000 (2021: HK\$1,540,151,000).

Notes:

(a) The amount for the year ended 31 December 2021 represented depreciation of right-of-use assets of HK\$1,231,302,000 which included HK\$1,140,800,000 (note 7) arising from continuing operations and HK\$90,502,000 arising from discontinued operations.

(b) The amount for the year ended 31 December 2021 represented interest expenses on right-of-use assets of HK\$129,306,000 which included HK\$115,935,000 (note 8) arising from continuing operations and HK\$13,371,000 arising from discontinued operations.

(III) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases various equipment, buildings and motor vehicles. Rental contracts are typically made for fixed periods of 1 month to 53 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets except leasehold land may not be used as security for borrowing purposes.

16 PROPERTY, PLANT AND EQUIPMENT

	Warehouse and logistics centres HK\$'000	Freehold land and buildings HK\$'000	Port facilities HK\$'000	Leasehold improvements HK\$'000	Warehouse operating equipment HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost								
At 1 January 2022	2,706,878	1,861,886	802,126	633,759	2,138,609	1,888,727	352,654	10,384,639
Additions, at cost	313,186	20,438	-	143,670	595,879	238,444	301,230	1,612,847
Acquisition of subsidiaries (note 33)	-	-	-	3,788	78	3,671	-	7,537
Disposals	-	(15)	-	(48,267)	(213,090)	(109,700)	-	(371,072)
Transfer/reclassification	173,992	73,538	-	7,084	14,123	(4,552)	(265,707)	(1,522)
Exchange adjustment	(186,796)	(80,153)	(30,225)	(29,986)	(125,989)	(110,950)	(21,331)	(585,430)
At 31 December 2022	3,007,260	1,875,694	771,901	710,048	2,409,610	1,905,640	366,846	11,046,999
Accumulated depreciation								
At 1 January 2022	486,096	225,596	195,057	241,147	623,615	1,086,900	-	2,858,411
Charge for the year	80,560	42,115	14,552	103,465	286,474	259,698	-	786,864
Disposals	-	(15)	-	(32,132)	(148,993)	(79,835)	-	(260,975)
Transfer/reclassification	-	227	-	(898)	697	(26)	-	-
Exchange adjustment	(32,332)	(16,453)	(7,195)	(20,611)	(63,864)	(66,258)	-	(206,713)
At 31 December 2022	534,324	251,470	202,414	290,971	697,929	1,200,479	-	3,177,587
Net book value								
As at 31 December 2022	2,472,936	1,624,224	569,487	419,077	1,711,681	705,161	366,846	7,869,412

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Warehouse and logistics centres	Staff quarters	Freehold land and buildings	Port facilities	Leasehold improvements	Warehouse operating equipment	Motor vehicles, furniture, fixtures and office equipment	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost									
At 1 January 2021	2,531,614	656	4,914,151	882,475	1,349,661	3,915,651	1,938,050	771,435	16,303,693
Additions, at cost	53,998	-	15,357	-	161,365	404,317	309,821	691,691	1,636,549
Acquisition of subsidiaries	-	-	-	-	17,199	8,746	15,307	-	41,252
Disposals	(36,129)	(195)	(60,182)	-	(135,526)	(185,068)	(111,087)	-	(528,187)
Disposal of subsidiaries (note 32(c))	(237,569)	(474)	(3,181,777)	-	(827,366)	(1,899,034)	(214,600)	(531,050)	(6,891,870)
Transfer/reclassification	354,414	-	265,167	-	74,950	17,632	1,270	(603,962)	109,471
Exchange adjustment	40,550	13	(90,830)	(80,349)	(6,524)	(123,635)	(50,034)	24,540	(286,269)
At 31 December 2021	2,706,878	-	1,861,886	802,126	633,759	2,138,609	1,888,727	352,654	10,384,639
Accumulated depreciation									
At 1 January 2021	524,531	359	574,233	197,785	738,416	1,514,825	1,060,318	-	4,610,467
Charge for the year (note a)	69,429	10	72,721	15,808	129,203	325,123	275,838	-	888,132
Disposals	(3,468)	(53)	(39,653)	-	(117,650)	(152,606)	(79,082)	-	(392,512)
Disposal of subsidiaries (note 32(c))	(114,924)	(322)	(347,817)	-	(510,025)	(1,028,679)	(148,238)	-	(2,150,005)
Transfer/reclassification	3,309	-	(10,664)	-	-	-	(153)	-	(7,508)
Exchange adjustment	7,219	6	(23,224)	(18,536)	1,203	(35,048)	(21,783)	-	(90,163)
At 31 December 2021	486,096	-	225,596	195,057	241,147	623,615	1,086,900	-	2,858,411
Net book value									
As at 31 December 2021	2,220,782	-	1,636,290	607,069	392,612	1,514,994	801,827	352,654	7,526,228

Note a: The depreciation of property, plant and equipment of HK\$888,132,000 included HK\$737,508,000 (note 7) arising from continuing operations and HK\$150,624,000 arising from discontinued operations.

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) As at 31 December 2022 and 2021, certain freehold land and buildings, warehouse and logistics centres and port facilities were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (note 35) with aggregate net book values as follows:

	2022 HK\$'000	2021 HK\$'000
Freehold land and buildings	119,874	674,873
Warehouse and logistics centres	199,711	188,603
Port facilities	224,206	241,247
	543,791	1,104,723

(b) The Group's freehold land and buildings and port facilities are located outside Hong Kong.

17 ASSOCIATES AND JOINT VENTURES

	2022 HK\$'000	2021 HK\$'000
Share of net assets (note (b))	1,633,304	2,250,233
Amounts due from associates and joint ventures (notes (c), (d))	9,457	30,989
	1,642,761	2,281,222

17 ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) The Group held interests in the following principal associates and joint ventures:

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ registered capital	Interest held indirectly	
				2022	2021
⁽⁴⁾⁽⁵⁾ Asia Airfreight Terminal Company Limited	Hong Kong	Air cargo terminal	Ordinary	0%	15%
⁽¹⁾⁽²⁾ Beijing Bei Jian Tong Cheng International Logistics Co., Ltd	PRC	Logistics business	RMB1,235,450,000	0%	24%
⁽³⁾ Chiwan Container Terminal Co., Ltd.	PRC	Port operation	US\$95,300,000	25%	25%
Giao Hang Tiet Kiem Joint Stock Company	Vietnam	Express business	Ordinary	42%	42%
PT. Puninar Saranaraya	Indonesia	Logistics business	Ordinary	40%	40%

Notes:

⁽¹⁾ English translation of name only

⁽²⁾ Foreign equity joint venture enterprise

⁽³⁾ Sino-foreign equity joint venture enterprise

⁽⁴⁾ Companies having a financial accounting period which is not conterminous with the Group

⁽⁵⁾ Significant influence is obtained by the Group through participation in the board of directors of the associate

17 ASSOCIATES AND JOINT VENTURES (CONTINUED)

(b) The Group's share of results of its associates and joint ventures and its aggregate assets and liabilities (including continuing and discontinued operations) are as follows:

	2022	2021
	HK\$'000	HK\$'000
Aggregate attributable amounts of total assets	2,155,147	3,635,816
Aggregate attributable amounts of total liabilities	521,843	1,385,583
Aggregate attributable amounts of total revenue	1,265,705	1,195,747
Aggregate attributable amounts of net profit after tax (note)	166,894	158,619

Note: The amount represents shares of result of associate of HK\$166,894,000 (2021: HK\$158,619,000) which includes shares of profit of HK\$166,894,000 (2021: HK\$157,958,000) arising from continuing operations and share of profit of HK\$Nil (2021: share of profit of HK\$661,000) arising from discontinued operations.

(c) The amounts due from associates and joint ventures are unsecured, and not expected to be received within twelve months for the respective end of the reporting periods. Except for the amounts of HK\$9,015,000 (2021: HK\$20,726,000) which bear interests at 2.5%-4.07% per annum (2021: 2%-4.35% per annum), all the other amounts due from associates and joint ventures are interest-free.

(d) The carrying amounts of the amounts due from associates and joint ventures are denominated in the following currencies:

	2022	2021
	HK\$'000	HK\$'000
Renminbi	-	20,053
Hong Kong dollar	4,669	6,179
Other currencies	4,788	4,757
	9,457	30,989

(e) There is no associate and joint venture that is individually significant to the Group.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
	HK\$'000	HK\$'000
Non-current		
- Unlisted fund investments, at fair value	554,962	587,337
Current		
- Unlisted fund investments, at fair value	-	17,166
	554,962	604,503

19 INVESTMENT IN CONVERTIBLE BONDS

On 17 March 2017, Kerry Express Services (Singapore) Pte. Ltd. ("KESS"), a wholly owned subsidiary of the Company, entered in to a convertible bond issuance and subscription agreement with PT Nusa Prima Express ("NPE"), whereby KESS has subscribed for the convertible bond with coupon rate of the lower of (i) SIBOR + 1% or (ii) 5% per annum issued by NPE in the amount of Indonesian Rupiah 9,826,950,000 (approximately HK\$5,538,000 (2021: HK\$5,911,000)) ("Principal Amount"). KESS may at any time convert all of the Principal Amount of the convertible bond it holds into issued shares in NPE.

Upon completion of the conversion of the convertible bond, KESS will own 55% interest in the total issued share capital of NPE.

20 INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Finished goods	482,035	374,775

The cost of inventories recognised as expenses and included in direct operating expenses for the year ended 31 December 2022 amounted to HK\$1,251,023,000 (2021: HK\$1,054,610,000).

Note: The amount for the year ended 31 December 2021 represented the cost of inventories of HK\$1,054,610,000 which included HK\$1,050,617,000 (note 7) arising from continuing operations and HK\$3,993,000 arising from discontinued operations.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Unlisted fund investments, at fair value	38,137	800,068

Fair value (losses)/gains of financial assets at fair value through profit or loss of HK\$5,191,000 (2021: HK\$54,497,000) are recorded in 'other income and net gains/(losses)' in the consolidated income statement.

22 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2022 HK\$'000	2021 HK\$'000
Accounts receivable	10,556,089	13,190,827
Less: Provision for impairment of receivable (note (c))	(357,895)	(343,838)
Accounts receivable – net	10,198,194	12,846,989
Prepayments (note (d))	971,481	910,960
Deposits (note (e))	669,559	521,054
Others (note (f))	1,567,675	2,383,934
	13,406,909	16,662,937

Notes:

(a) The Group has various credit policies for different business operations depending on the requirements of the markets and businesses. The ageing analysis of the accounts receivable based on date of the invoice and net of provision for impairment is as follows:

	2022 HK\$'000	2021 HK\$'000
Below 1 month	5,922,246	7,654,779
Between 1 month and 3 months	3,219,285	4,332,734
Over 3 months	1,056,663	859,476
	10,198,194	12,846,989

There is no concentration of credit risk with respect to accounts receivable, as the Group has a large number of customers.

(b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. The Group determines the provision for expected credit losses by grouping together accounts and other receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions.

(c) As of 31 December 2022, accounts receivable of HK\$357,895,000 (2021: HK\$343,838,000) were impaired and provided for.

Movements on the provision for impairment of receivables are as follows:

	2022 HK\$'000	2021 HK\$'000
At beginning of year	343,838	292,712
Provision for impairment of receivables (g)	138,790	108,536
Reversal of provision	(31,793)	(1,270)
Receivables written off during the year as uncollectible	(83,364)	(60,329)
Exchange adjustment	(9,576)	4,189
At end of year	357,895	343,838

(d) The balances of the Group mainly comprise prepaid rent and freight and transportation costs.

(e) The balances of the Group mainly comprise rental deposits and deposits to suppliers.

(f) The balance of the Group mainly comprise accrued income from the customers.

(g) The amount for the year ended 31 December 2021 represented the provision for impairment of receivables of HK\$108,536,000 which included HK\$108,283,000 (note 7) arising from continuing operations and HK\$253,000 arising from discontinued operations.

(h) The carrying amounts of the accounts receivable, prepayments and deposits are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
Renminbi	3,367,441	4,469,945
Hong Kong dollar	308,475	1,345,891
Thai Baht	776,499	1,168,360
United States dollar	5,340,333	5,679,528
Euro	1,359,428	1,126,203
Pound sterling	109,281	322,623
Indian Rupee	358,131	581,230
Malaysian Ringgit	192,044	218,486
United Arab Emirates Dirham	154,276	191,216
Australian dollar	221,563	168,585
Vietnamese Dong	352,686	161,675
Other currencies	866,752	1,229,195
	13,406,909	16,662,937

(i) The carrying amount of accounts receivable approximates the fair value of these balances. The provision and reversal of provision for impairment of receivables have been included in direct operating expenses in the consolidated income statement. Amounts charged to the allowance account are written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

23 BALANCES WITH GROUP COMPANIES

The balances with group companies are unsecured, interest-free and have no fixed terms of repayment. They are denominated mainly in Hong Kong dollars.

The collection of receivables with group companies is closely monitored in order to minimise any credit risk associated with the receivables. All of these financial assets are considered to have low credit risk as they have a low risk of default and the counterparty has strong capability to meet its contractual cash flow obligations in the near term. Therefore, impairment provision was limited to twelve months expected losses and estimated to be minimal.

Note:

Amounts due to non-controlling interests of HK\$6,600,000 (2021: HK\$20,449,000) was included in the amounts due to related companies. The balance are denominated in United States dollar.

24 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) RESTRICTED AND PLEDGED BANK DEPOSITS

As at 31 December 2022, the Group's bank balances amounting to approximately HK\$12,383,000 (2021: HK\$11,748,000) represented deposits pledged to secure general banking facilities granted to the Group.

(b) CASH AND CASH EQUIVALENTS

	2022 HK\$'000	2021 HK\$'000
Cash at bank and in hand	8,913,950	8,807,648
Short-term bank deposits	326,415	276,457
Cash and bank balances	9,240,365	9,084,105

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2022 HK\$'000	2021 HK\$'000
Cash and bank balances	9,240,365	9,084,105
Secured bank overdrafts	(20,187)	(45,791)
Unsecured bank overdrafts	(63,614)	(153,410)
	9,156,564	8,884,904

24 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

(b) CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
Renminbi	2,585,423	2,377,685
Hong Kong dollar	955,443	1,278,653
United States dollar	3,023,871	2,936,817
Pound sterling	284,401	282,303
Vietnamese Dong	48,785	149,705
Singapore dollar	86,323	97,894
Thailand baht	1,220,582	1,175,814
Other currencies	951,736	586,033
	9,156,564	8,884,904

For the Group's subsidiaries incorporated in the PRC, conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

25 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2022 HK\$'000	2021 HK\$'000
Accounts payables	4,531,800	6,274,910
Accrued charges (note (c))	3,882,202	2,829,496
Customer deposits	198,743	200,773
Consideration payable for business combinations	1,141,119	261,785
Others (note (d))	965,303	2,304,684
	10,719,167	11,871,648
Less: Non-current consideration payable for business combinations	(24,096)	(172,567)
Non-current written put option liabilities	-	(4,208)
	10,695,071	11,694,873

25 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES (CONTINUED)

(a) The ageing analysis of accounts payable based on the date of the invoice of the Group is as follows:

	2022 HK\$'000	2021 HK\$'000
Below 1 month	2,763,461	3,605,375
Between 1 month and 3 months	904,035	1,558,885
Over 3 months	864,304	1,110,650
	4,531,800	6,274,910

(b) The carrying amounts of the Group's accounts payable, deposits received and accrued charges are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
Renminbi	2,740,925	4,359,562
Hong Kong dollar	1,268,337	1,206,821
United States dollar	3,183,223	2,614,195
Euro	1,255,809	1,090,990
Pound sterling	193,071	400,882
Thai baht	772,111	970,709
Indian Rupee	185,546	219,224
Malaysian Ringgit	122,776	129,996
Other currencies	973,273	879,269
	10,695,071	11,871,648

(c) The balances of the Group mainly comprise accrued employee benefit expenses and freight and transportation costs.

(d) The balances of the Group mainly comprise written put option liabilities, freight charges received in advance and value added tax payables.

26 SHARE CAPITAL

	2022 HK\$'000	2021 HK\$'000
Authorised, issued and fully paid:		
1,807,374,842 ordinary shares of HK\$0.5 each (2021: 1,807,309,842 ordinary shares of HK\$0.5 each)	903,712	903,655

	2022		2021	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 January	1,807,309,842	903,655	1,797,200,042	898,600
Exercise of pre-IPO share option scheme allotment	115,000	57	10,109,800	5,055
At 31 December	1,807,424,842	903,712	1,807,309,842	903,655

27 RETAINED PROFITS AND OTHER RESERVES

	Other properties revaluation reserve HK\$'000	Share options reserve HK\$'000	Capital reserve (note (a)) HK\$'000	Enterprise expansion and general reserve funds (note (b)) HK\$'000	Exchange fluctuation reserve HK\$'000	Acquisition reserve (note (c)) HK\$'000	FVOCI reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1 January 2022	142,934	898	7,586	99,376	(138,057)	150,049	(1,762)	14,907,229	903,655	16,071,908
Profit for the year	-	-	-	-	-	-	-	3,579,191	-	3,579,191
Defined benefit pension plans										
- Actuarial gain	-	-	-	-	-	-	-	3,575	-	3,575
- Deferred taxation	-	-	-	-	-	-	-	(715)	-	(715)
2021 final dividend paid	-	-	-	-	-	-	-	(32)	(903,655)	(903,687)
2022 interim dividend paid	-	-	-	-	-	-	-	(506,079)	-	(506,079)
2022 proposed final dividend	-	-	-	-	-	-	-	(686,821)	686,821	-
Net translation differences on foreign operations	-	-	-	-	(1,105,714)	-	-	-	-	(1,105,714)
Exercise of pre-IPO share option scheme allotment	-	(137)	-	-	-	-	-	-	-	(137)
Change in ownership of interests in subsidiaries without change of control	-	-	-	-	-	(3,661,110)	-	-	-	(3,661,110)
Transfers from/(to) retained profits	-	-	-	24,599	-	-	-	(24,599)	-	-
Fair value change on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(26,019)	-	-	(26,019)
At 31 December 2022	142,934	761	7,586	123,975	(1,243,771)	(3,511,061)	(27,781)	17,271,749	686,821	13,451,213

27 RETAINED PROFITS AND OTHER RESERVES (CONTINUED)

	Other properties revaluation reserve HK\$'000	Share options reserve HK\$'000	Capital reserve (note (a)) HK\$'000	Enterprise expansion and general reserve funds (note (b)) HK\$'000	Exchange fluctuation reserve HK\$'000	Acquisition reserve (note (c)) HK\$'000	FVOCI reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1 January 2021	142,934	13,055	180,875	222,107	236,107	(602,150)	2,576	22,002,829	427,734	22,626,067
Profit for the year	-	-	-	-	-	-	-	7,938,653	-	7,938,653
Defined benefit pension plans										
- Actuarial losses	-	-	-	-	-	-	-	(2,795)	-	(2,795)
- Deferred taxation	-	-	-	-	-	-	-	559	-	559
2020 final dividend paid	-	-	-	-	-	-	-	(1,411)	(427,734)	(429,145)
2021 interim dividend paid	-	-	-	-	-	-	-	(381,341)	-	(381,341)
2021 special dividend paid	-	-	-	-	-	-	-	(13,157,178)	-	(13,157,178)
2021 proposed final dividend	-	-	-	-	-	-	-	(903,655)	903,655	-
Net translation differences on foreign operations	-	-	-	-	(374,164)	-	-	-	-	(374,164)
Exercise of pre-IPO share option scheme allotment	-	(12,026)	-	-	-	-	-	-	-	(12,026)
Change in ownership of interests in subsidiaries without change of control	-	-	-	-	-	(140,411)	-	-	-	(140,411)
Transfers from/(to) retained profits	-	-	(173,289)	(122,731)	-	892,610	(8,027)	(588,563)	-	-
Fair value change on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	3,689	-	-	3,689
Share option lapsed	-	(131)	-	-	-	-	-	131	-	-
At 31 December 2021	142,934	898	7,586	99,376	(138,057)	150,049	(1,762)	14,907,229	903,655	16,071,908

Notes:

- (a) Capital reserve of the Group arose from the Group's reorganisation in preparation for the listing of Kerry Properties Limited, its fellow subsidiary, on the Stock Exchange of Hong Kong Limited in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.
- (b) Enterprise expansion and general reserve funds are set up by a subsidiary established and operating in the Mainland of China. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.
- (c) The acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a change of control by the Group, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.

28 LOANS FROM NON-CONTROLLING INTERESTS

Loans from non-controlling interests of certain subsidiaries are unsecured, interest-free and not repayable within twelve months from the end of each reporting period, except for the amount of HK\$6,862,000 (2021: HK\$27,703,000) which are repayable within twelve months from the end of reporting period.

The carrying amounts of the loans from non-controlling interests are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
Hong Kong dollar	62,816	55,955
Other currencies	153,190	177,342
	216,006	233,297

29 BANK LOANS

	2022 HK\$'000	2021 HK\$'000
Non-current		
- unsecured	6,485,426	2,231,081
- secured (note 35)	101,021	30,758
	6,586,447	2,261,839
Current		
- unsecured	2,111,300	3,436,366
- secured (note 35)	115,102	212,305
	2,226,402	3,648,671
Total bank loans	8,812,849	5,910,510

(a) The maturity of bank loans is as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 year	2,226,402	3,648,671
Between 1 and 2 years	2,770,797	131,619
Between 3 and 5 years	3,731,710	2,130,220
Repayable within 5 years	8,728,909	5,910,510
Over 5 years	83,940	-
	8,812,849	5,910,510

29 BANK LOANS (CONTINUED)

(b) The effective annual interest rates of the major bank borrowings at the end of the reporting period were as follows:

	2022				
	United States dollar	Hongkong dollar	Singapore dollar	Renminbi	Thai baht
Bank loans	1.68%	3.64%	4.60%	4.37%	1.71%

	2021				
	United States dollar	Hongkong dollar	Singapore dollar	Renminbi	Thai baht
Bank loans	1.68%	0.56%	1.02%	4.16%	1.88%

(c) The carrying amounts of the bank loans approximate their fair values.

(d) The carrying amounts of the bank loans are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
Hong Kong dollar	6,059,448	3,110,000
United States dollar	757,886	796,296
Thai baht	8,647	48,093
Singapore dollar	355,458	481,067
Renminbi	1,336,180	1,306,664
Other currencies	295,230	168,390
	8,812,849	5,910,510

30 DEFERRED TAXATION

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	(463,169)	(155,944)
Deferred tax liabilities		
- Deferred tax liability to be settled after more than 12 months	614,209	406,072
Deferred tax liabilities (net)	151,040	250,128

30 DEFERRED TAXATION (CONTINUED)

The movement on the deferred income tax account is as follows:

	2022 HK\$'000	2021 HK\$'000
At beginning of year	250,128	645,991
Acquisition of subsidiaries	(87,055)	(29,241)
Disposal of subsidiaries (note 32(c))	-	(476,003)
Deferred taxation charged to income statement	39,588	125,046
Deferred taxation charged/(credit) to other comprehensive income	1,374	(661)
Transfer to current tax liabilities upon the distribution of dividends	(45,035)	(7,762)
Exchange adjustment	(7,960)	(7,242)
At end of year	151,040	250,128

Note: The amount represents the deferred taxation charge to income statement of HK\$125,046,000 which includes HK\$111,148,000 (note 9) arising from continuing operations and HK\$13,898,000 arising from discontinued operations for the year ended 31 December 2021.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2022, the Group has unrecognised tax losses of HK\$574,544,000 (2021: HK\$626,789,000). These tax losses have no expiry dates except for the tax losses of HK\$378,771,000 (2021: HK\$325,821,000) which can be carried forward up to a maximum period of 9 years.

As at 31 December 2022, the aggregate amount of unrecognised deferred tax liabilities associated with undistributed earnings in subsidiaries totalled approximately HK\$177,347,000 (2021: HK\$159,296,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

30 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax (assets) and liabilities during the year were as follows:

	Group					Total HK\$'000
	Pension obligations HK\$'000	Accelerated depreciation allowances, accruals, provisions and intangible assets from business combination HK\$'000	Revaluation HK\$'000	Tax losses HK\$'000	Withholding tax on distributed profits of subsidiaries and associates HK\$'000	
At 1 January 2021	(27,193)	409,822	282,195	(117,593)	98,760	645,991
Deferred taxation charged/(credited) to income statement	(837)	(45,715)	74,477	80,891	16,230	125,046
Deferred taxation credited to other comprehensive income	(661)	-	-	-	-	(661)
Acquisition/(disposal) of subsidiaries	17,768	(302,434)	(160,829)	(47,291)	(12,458)	(505,244)
Exchange adjustment	2,637	(18,854)	4,300	4,667	8	(7,242)
Transfer to current tax liabilities upon the distribution of dividends	-	-	-	-	(7,762)	(7,762)
At 31 December 2021	(8,286)	42,819	200,143	(79,326)	94,778	250,128
At 1 January 2022	(8,286)	42,819	200,143	(79,326)	94,778	250,128
Deferred taxation charged/(credited) to income statement	(1,406)	107,223	2,273	(158,640)	90,138	39,588
Deferred taxation charged to other comprehensive income	1,374	-	-	-	-	1,374
Acquisition of subsidiaries	-	(87,055)	-	-	-	(87,055)
Exchange adjustment	(242)	20,513	(18,196)	(6,439)	(3,596)	(7,960)
Transfer to current tax liabilities upon the distribution of dividends	-	-	-	-	(45,035)	(45,035)
At 31 December 2022	(8,560)	83,500	184,220	(244,405)	136,285	151,040

31 RETIREMENT BENEFITS

The Group operates various pension schemes. The schemes are funded through payments to independent trustee-administered funds. The Group has both defined contribution and defined benefit plans during the year.

(a) DEFINED CONTRIBUTION PLANS

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and is governed by Hong Kong law. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,500 (prior to 1 June 2014: HK\$1,250) per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is HK\$7,100 (prior to 1 June 2014: HK\$6,500) per month or more. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the "Fund") which

is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK\$10,000 (2021: HK\$10,000) per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. Such forfeited contributions utilised during the year as well as the unutilised forfeited contributions available at the year end to reduce future contributions are minimal.

The subsidiaries operating in the Mainland of China and overseas participate in the defined contribution retirement schemes as required by the relevant local government authorities. The Group is required to make contributions at a certain percentage of employees' salary in accordance with the schemes set up by the Mainland of China and overseas subsidiaries and/or under statutory requirements.

31 RETIREMENT BENEFITS (CONTINUED)

(b) DEFINED BENEFIT PLANS

The Group operates defined benefit pension plans mainly for Kerry Express Thailand and Kerry Siam Seaport Limited. The plans are valued by independent qualified actuaries, Mercer (Thailand) Limited and Actuarial Business Solutions Consulting Co., Ltd respectively, annually using the projected unit credit method.

The amounts recognised in the consolidated income statement were as follows:

	2022 HK\$'000	2021 HK\$'000
Current service cost	9,312	10,883
Interest cost, net	991	876
Total, included in staff costs	10,303	11,759

The amount includes HK\$10,303,000 (2021: HK\$10,121,000) arising from continuing operations (note 12) and Nil arising from discontinued operations (2021: HK\$1,638,000).

Out of the total charge, for the year ended 31 December 2022, HK\$1,217,000 (2021: HK\$3,098,000) were included in direct operating expenses, and HK\$9,086,000 (2021: HK\$8,661,000) were included in administrative expenses, respectively.

The amounts recognised in the consolidated statement of financial position are as follows:

	2022 HK\$'000	2021 HK\$'000
Fair value of plan assets	-	-
Present value of funded obligations	(52,110)	(50,028)
Total pension liabilities	(52,110)	(50,028)

The movements in the fair value of plan assets for the year are as follows:

	2022 HK\$'000	2021 HK\$'000
At beginning of year	-	134,094
Interest income	-	630
Remeasurement	-	2,176
Employer contributions	-	17,212
Disposal of subsidiaries	-	(148,381)
Benefits paid	-	(22,902)
Exchange adjustment	-	17,171
At end of year	-	-

The movements in the present value of funded obligations recognised in the consolidated statement of financial position are as follows:

	2022 HK\$'000	2021 HK\$'000
At beginning of year	50,028	277,513
Current service cost	9,312	10,883
Interest cost	991	1,506
Remeasurements	(6,869)	5,472
Disposal of subsidiaries	-	(231,870)
Benefits paid	(2,545)	(22,902)
Exchange adjustment	1,193	9,426
At end of year	52,110	50,028

	2022 HK\$'000	2021 HK\$'000
Actual return on plan assets in the year	-	2,176

31 RETIREMENT BENEFITS (CONTINUED)

(b) DEFINED BENEFIT PLANS (CONTINUED)

The principal actuarial assumptions used are as follows:

	2022	2021
Discount rate applied to pension obligations	1.91%-3.20%	1.66%-2.50%
Future salary increases	3.00%-4.00%	3.00%-4.00%

The amounts of the defined benefit obligations after applying the weighted principal assumptions in the result of the sensitivity analysis are as follows:

	Unfavourable change	
	2022 HK\$'000	2021 HK\$'000
Discount rate applied to pension obligations decreases by 0.5%	54,864	52,795
Future salary increases by 0.5%	54,865	52,748
Favourable change		
	2022 HK\$'000	2021 HK\$'000
Discount rate applied to pension obligations increases by 0.5%	49,566	47,253
Future salary decreases by 0.5%	49,583	47,333

Expected employer contribution to the plans of the Group for the year ending 31 December 2023 is Nil.

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from operations:

	2022 HK\$'000	2021 HK\$'000
Profit before taxation	5,075,845	10,470,548
Share of results of associates and joint ventures	(166,894)	(158,619)
Interest income	(72,791)	(46,712)
Interest income from investment in convertible bonds	-	(2,416)
Dividend income from financial assets at fair value through other comprehensive income	-	(5,360)
Finance expenses	392,968	290,116
Fair value change of financial assets at fair value through profit or loss	5,191	(54,497)
Change in fair value of investment properties	(9,315)	(2,268,770)
(Gain)/loss on disposal of associates	(429,941)	29
Gain on disposal of subsidiaries	(21,355)	(2,165,834)
Gain on disposal of property, plant and equipment	(9,281)	(31,226)
Provision for impairment of receivables	138,790	108,536
Reversal of provision for impairment of receivables	(31,793)	(1,270)
Amortisation of intangible assets	156,680	141,761
Depreciation of property, plant and equipment and right-of-use assets	2,052,090	2,119,434
Net loss from settlement of put option written on non-controlling interest	14,148	-
Gain on disposal of right-of-use assets and derecognition of lease liabilities	(55,820)	-
Goodwill impairment	-	130,000
Operating cash flow before working capital changes	7,038,522	8,525,720
Decrease/(Increase) in inventories, accounts receivable, prepayments and deposits	5,140,984	(5,020,592)
(Decrease)/Increase in current liabilities, excluding taxation, bank loans and bank overdrafts	(4,307,961)	3,355,025
Change in net pension liabilities	10,303	(5,453)
Net cash generated from operations	7,881,848	6,854,700

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Analysis of the net cash outflow in respect of the acquisition of subsidiaries treated as business combinations:

	2022	2021
	HK\$'000	HK\$'000
Cash consideration paid	(1,150,598)	(165,667)
Cash consideration paid for prior year's acquisitions	(123,906)	(120,339)
Cash and bank balances acquired	142,780	21,410
Net cash outflow in respect of the acquisition of subsidiaries	(1,131,724)	(264,596)

(c) Disposal of subsidiaries

	2022	2021
	HK\$'000	HK\$'000
Net assets disposed		
Goodwill (note 13)	-	487,290
Investment properties (note 14)	-	11,696,000
Property, plant and equipment	-	4,741,865
Intangible assets (note 13)	-	42,448
Right-of-use assets	-	1,106,581
Bank loans	-	(3,307,188)
Deferred tax liabilities (note 30)	-	(476,003)
Retirement benefit obligations	-	(83,489)
Lease liabilities	-	(1,071,682)
Non-controlling interests	-	(1,768,252)
Other assets	-	86,674
Book value of net assets disposed (excluding cash and cash equivalents)	-	11,454,244
Cash and cash equivalents disposed	-	1,037,168
Book value of net assets disposed	-	12,491,412

Analysis of gain disposal of subsidiaries

	2022	2021
	HK\$'000	HK\$'000
Consideration net of expenses incurred	-	13,620,078
Less: Net assets disposed (excluding cash and cash equivalents)	-	(11,454,244)
	-	2,165,834

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Transactions with non-controlling interests

During the year, the Group changed its ownership interests in certain subsidiaries without change of its control.

The effect of these transactions are summarised as follows:

	HK\$'000
Net cash consideration paid to non-controlling interests	(3,688,212)
Consideration to be paid	(118,545)
Total consideration	(3,806,757)
Net decrease in non-controlling interests	145,647
Changes in equity attributable to the Company's shareholders arising from changes in ownership of interests in subsidiaries without change of control	(3,661,110)

(e) Reconciliation of liabilities arising from financing activities

	Bank loans	Leases	Loans from non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2021	(9,011,274)	(4,191,023)	(233,654)	(13,435,951)
Net cash flows	(53,923)	1,281,072	1,175	1,228,324
Foreign exchange adjustments	(41,873)	55,113	(818)	12,422
Interest on lease liabilities	-	(129,306)	-	(129,306)
Increase in lease liabilities from entering into new contracts	-	(1,825,568)	-	(1,825,568)
Acquisition of subsidiaries	(110,628)	(23,831)	-	(134,459)
Disposal of subsidiaries	3,307,188	1,071,682	-	4,378,870
Balance as at 31 December 2021	(5,910,510)	(3,761,861)	(233,297)	(9,905,668)
Balance as at 1 January 2022	(5,910,510)	(3,761,861)	(233,297)	(9,905,668)
Net cash flows	(3,034,528)	1,381,398	(4,953)	(1,658,083)
Foreign exchange adjustments	132,189	112,139	889	245,217
Disposal of subsidiaries	-	-	21,355	21,355
Interest on lease liabilities	-	(93,613)	-	(93,613)
Lease cancellation	-	788,595	-	788,595
Increase in lease liabilities from entering into new contracts	-	(1,076,033)	-	(1,076,033)
Balance as at 31 December 2022	(8,812,849)	(2,649,375)	(216,006)	(11,678,230)

33 BUSINESS COMBINATIONS

In January 2022, the Group acquired 51% interest in Pro-Med Technology Limited, which is a trading business based in Hong Kong, for a consideration of HK\$55 million.

In April 2022, the Group entered into agreement to acquire 100% interests in Topocean Consolidation Service (Los Angeles), Inc. and its subsidiaries, which are engaged in international freight forwarding in the United States in four tranches, for an aggregate consideration of HK\$1,986 million. Topocean Consolidation Services (Los Angeles), Inc. and its subsidiaries are consolidated as wholly owned subsidiaries of the Group accordingly. The Group has legally completed the acquisitions of 80% interest during the year. The related consideration for the remaining 20% interest has been recognised as consideration payable in the consolidated financial statements.

Aggregate consideration of the acquisition transactions is as follows:

	HK\$'000
Consideration paid during the year	1,150,598
Consideration payable	890,555
	2,041,153

The recognised amounts of identifiable assets acquired and liabilities assumed as at the respective dates of such acquisitions are as follows:

	HK\$'000
Property, plant and equipment (note 16)	7,537
Accounts receivable, prepayments and deposits	2,227,289
Cash and bank balances	142,780
Accounts payable, deposits received and accrued charges	(2,208,587)
Other assets	23,262
Total identifiable net assets (excluding intangible assets)	192,281
Intangible assets (note 13)	445,202
Goodwill (note 13)	1,414,489
Non-controlling interests	(10,819)
Total	2,041,153

The goodwill of HK\$1,414,489,000 arising from these acquisitions is attributable to the future profitability of the acquired businesses.

The acquired businesses contributed revenue of HK\$7,196,761,000 and net profit of HK\$323,575,000 to the Company's shareholders for the period from their respective acquisition dates up to 31 December 2022.

34 COMMITMENTS

(a) At 31 December 2022, 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:

	2022 HK\$'000	2021 HK\$'000
Contracted but not provided for	2,053,791	1,428,165

Note:

On 9 June 2022, Kerry Freight Services (China) Limited (as the "Buyer"), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "KA Agreement") with Summer Way International Limited (as the "Seller"). Subject to the terms and conditions of KA Agreement, the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to acquire the remaining 39% interest in K-Apex Logistics (HK) Co., Limited ("K-Apex HK"), an indirect 61% owned subsidiary of the Company. The acquisition of 18% additional interest in K-Apex HK was completed on 10 June 2022. Closing of the remaining 21% interest ("Remaining Shares") is subject to a condition under KA Agreement (the "Condition"), that has not been satisfied by 10 June 2022, having been fulfilled and/or waived before the consideration in respect of the Remaining Shares is payable. Before the Condition is fulfilled and/or waived, both the Buyer and the Seller have the right (but not the obligation) to opt not to proceed with closing of the Remaining Shares by giving written notice to other party. As at 31 December 2022, the condition has not been satisfied.

(b) At 31 December 2022, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2022 HK\$'000	2021 HK\$'000
Land and buildings:		
Within one year	21,430	148,070

The Group has recognised right-of-use assets for non-cancellable operating leases, except for short-term and low-value leases, see note 15 for further information.

(c) The Group's future aggregate minimum lease payments receivable on leases of investment properties are disclosed in note 14(e).

35 PLEDGE OF ASSETS

At 31 December 2022, the Group's total bank loans of HK\$8,812,849,000 (2021: HK\$5,910,510,000) included an aggregate amount of HK\$216,123,000 (2021: HK\$243,063,000) which is secured. The Group's total bank overdrafts of HK\$83,801,000 (2021: HK\$199,201,000) included an aggregate amount of HK\$20,187,000 (2021: HK\$45,791,000) 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\$786,875,000 (2021: HK\$1,303,673,000) (notes 14, 15 and 16);
- (ii) assignments of insurance proceeds of certain properties; and
- (iii) certain balances of restricted and pledged deposits.

36 SHARE OPTIONS AND SHARE AWARD

KPL SHARE OPTIONS SCHEMES

The fair value of share options granted to the Directors and employees of the Group were recharged to the Group by KPL. There are 2 share option schemes of KPL as follows:

(a) 2011 SHARE OPTION SCHEME

The 2011 Share Option Scheme was adopted by KPL on 5 May 2011. Under the 2011 Share Option Scheme, the directors of KPL may, at their discretion, grant share options to executives and key employees and other persons who may make a contribution to KPL and its subsidiaries. The exercise price for any particular share option shall be such price as the board of directors of KPL may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

The 2011 Share Option Scheme was terminated on 20 May 2020 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options granted to the Directors and employees of the Group under the 2011 Share Option Scheme are as follows:

	2022		2021	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January	35.45	2,919,000	35.45	3,179,000
Lapsed during the year	35.45	(2,919,000)	35.45	(260,000)
At 31 December (note (i))	-	-	35.45	2,919,000

Since no share option was exercised during the year ended 31 December 2022, there was no weighted average share price (2021: Nil), and no proceeds received (2021: Nil). No share option was granted or cancelled during the year (2021: Nil).

Note:

(i) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK\$)	Number of share options	
		2022	2021
31/10/2012-29/04/2022	35.45	-	1,253,000
31/10/2013-29/04/2022	35.45	-	1,666,000
		-	2,919,000

36 SHARE OPTIONS AND SHARE AWARD (CONTINUED)

KPL SHARE OPTIONS SCHEMES (CONTINUED)

(b) 2020 SHARE OPTION SCHEME

The 2020 Share Option Scheme was adopted by KPL on 20 May 2020. Under the 2020 Share Option Scheme, the directors of KPL may, at their discretion, grant share options to executives and key employees and other persons who may make a contribution to KPL and its subsidiaries. The exercise price for any particular share option shall be such price as the board of directors of KPL may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

The 2020 Share Option Scheme will expire on 19 May 2030. No share option has been granted under the 2020 Share Option Scheme since its adoption on 20 May 2020.

KLN SHARE OPTIONS SCHEMES

(a) 2013 PRE-IPO SHARE OPTION SCHEME

The 2013 Pre-IPO Share Option Scheme was adopted by KLN on 25 November 2013. Under the 2013 Pre-IPO Share Option Scheme, the Directors of KLN may, at their absolute discretion, grant share options to motivate executives and key employees and other persons who may make a contribution to the Group, and enables KLN to attract and retain individuals with experience and ability and to reward them for their contributions. The exercise price of the options granted under the Pre-IPO Share Option Scheme is the offer price pursuant to the Global Offering of the shares of KLN.

Details of the movement of the share options granted to the Directors and employees of the Group under the 2013 Pre-IPO Share Option Scheme are as follows:

	2022		2021	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	HK\$10.2	753,200	HK\$10.2	10,973,000
Exercised during the year (note (i))	HK\$10.2	(115,000)	HK\$10.2	(10,109,800)
Lapsed during the year (note (ii))	-	-	HK\$10.2	(110,000)
At 31 December (note (iii))	HK\$10.2	638,200	HK\$10.2	753,200

For the share options exercised during the year ended 31 December 2022, the related weighted average share price at the time of exercise was HK\$17.68 (2021: HK\$23.57), and the total amount of proceeds received was approximately HK\$1,172,000 (2021: HK\$103,121,000). No share option was granted, granted for adjustment or cancelled during the year (2021: Nil).

36 SHARE OPTIONS AND SHARE AWARD (CONTINUED)

KLN SHARE OPTIONS SCHEMES (CONTINUED)

(a) 2013 PRE-IPO SHARE OPTION SCHEME (CONTINUED)

Notes:

(i) Details of share options exercised:

Exercise price per share (HK\$)	Number of share options	
	2022	2021
10.2	115,000	10,109,800

(ii) Details of share options lapsed:

Exercise price per share (HK\$)	Number of share options	
	2022	2021
10.2	-	110,000

(iii) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK\$)	Number of share options	
		2022	2021
19/12/2013-01/12/2023	10.2	255,000	320,000
02/12/2014-01/12/2023	10.2	383,200	433,200
		638,200	753,200

(iv) The weighted average fair value of the share options granted on 2 December 2013 to the directors and employees of the Group was HK\$1.19 per share. The valuation was based on a Binomial Model with the following data and assumptions:

Share price at grant date: HK\$8.16
 Exercise price: HK\$10.2
 Expected volatility¹: 30% per annum
 Share options life: 10 years
 Average risk-free interests rate²: 2.11% per annum
 Expected dividend yield: 3.35% per annum

Notes:

I It was determined based on historical share price movement.

II It is taken to be equal to the yield of Hong Kong government bonds over the exercise period.

The valuation has also taken into account the assumed rate of leaving service of 10% per annum and the assumption of early exercise of the share options by the optionholders when the share price is at least 180% of the exercise price.

The value of the share options varies with different values of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of the share options.

(b) 2013 POST-IPO SHARE OPTION SCHEME

The 2013 Post-IPO Share Option Scheme was adopted by the Company on 25 November 2013 and became effective on 19 December 2013 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

Under the 2013 Post-IPO Share Option Scheme, the Directors of the Company may, at their absolute discretion, grant share options to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Company to attract and retain individuals with experience and ability and to reward them for their contributions.

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 30% of the total number of shares in issue.

The exercise period of the share options granted is determinable and notified by the directors, and may commence after the date of grant but shall not be later than 10 years from the date of grant.

The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares on the date of the offer of the share options; and (iii) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

36 SHARE OPTIONS AND SHARE AWARD (CONTINUED)

KLN SHARE OPTIONS SCHEMES (CONTINUED)

(b) 2013 POST-IPO SHARE OPTION SCHEME (CONTINUED)

There were (i) no outstanding options granted under the Post-IPO Share Option Scheme as at 1 January 2021, 31 December 2021 and 31 December 2022, and (ii) no movements in options during the years ended 31 December 2021 and 2022.

SHARE AWARDS SCHEME

The Company has adopted the Share Award Scheme by a resolution of the Board on 25 January 2019.

Details of the movement of awarded shares granted to the Directors and employees of the Group under the Share Award Scheme are as follows:

	No. of awarded shares	
	2022	2021
Unvested as at 1 January	1,893,394	2,230,095
Granted	1,510,254	921,156
Vested	(1,534,293)	(1,257,857)
Unvested as at 31 December	1,869,355	1,893,394

37 DISCONTINUED OPERATION

Pursuant to the conditional offer from S.F. Holding to acquire part of the issued shares of the Company in 2021, as part of the transaction, the Group entered into sale agreements with KHL, and sold the entire interest of the Hong Kong Warehouses and Taiwan Operation to KHL. The results of the Hong Kong Warehouses and Taiwan Operation together with the gain on disposal were accounted for as discontinued operations under HKFRS 5 "Non-current assets held for sale and discontinued operations". Analysis of the results and cash flows relating to the Discontinued Operations is presented below.

(a) RESULTS FROM DISCONTINUED OPERATIONS

	2022	2021
	HK\$'000	HK\$'000
Revenue	-	2,816,415
Direct operating expenses	-	(1,714,970)
Other gains	-	7,575
Administrative expenses	-	(321,846)
Change in fair value of investment properties	-	1,969,920
Finance expenses	-	(39,360)
Share of results of associates	-	661
Profit before taxation	-	2,718,395
Taxation	-	(140,785)
Profit after taxation	-	2,577,610
Gain on disposal of Hong Kong Warehouses and Taiwan Operation	-	2,187,896
Profit for the year from discontinued operations	-	4,765,506

37 DISCONTINUED OPERATION (CONTINUED)

(b) CASH FLOWS FROM DISCONTINUED OPERATIONS

	2022 HK\$'000	2021 HK\$'000
Net cash generated from operating activities	-	870,452
Net cash generated from investment activities	-	14,167,488
Net cash used in financial activities	-	(31,690)
Increase in cash and cash equivalents	-	15,006,250
Effect of exchange rate changes	-	11,826
Net cash from discontinued operations	-	15,018,076

38 RELATED PARTY TRANSACTIONS

Except for the related party transactions disclosed in notes 17, 23 and 28 in the consolidated financial statements, the Group had the following material related party transactions carried out in the normal course of business during the year:

(a) SALES/(PURCHASES) OF SERVICES

	2022 HK\$'000	2021 HK\$'000
Associates of the Group/ Kerry Properties Limited/ Kerry Group Limited and subsidiaries of S.F. Holding		
Warehouse management fee income	31,962	16,054
Rental income	15,294	-
Logistics services income	124,558	30,897
Freight services income	218,423	17,541
GSA income	107,671	-
Freight cost	(886,871)	(78,023)
Logistics cost	(45,008)	-
Rental expense	(285,446)	(100,246)

During the year, the Group entered into several new long-term lease contracts under HKFRS 16 with related parties. The Group entered into lease contracts with associates of Kerry Holdings Limited which recognised an addition of right-of-use assets of HK\$17,204,000.

These transactions were conducted at terms as agreed between the Group and the respective related parties.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) KEY MANAGEMENT COMPENSATION

The key management compensation includes the salaries and other short-term benefits, excluding share option benefits, of the Board of Directors and nine (2021: nine) senior executives who report to the Board of Directors.

	2022 HK\$'000	2021 HK\$'000
Salaries and other short-term benefits	123,902	124,279

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES		
Non-current asset		
Subsidiaries	1,781,030	1,745,881
Current assets		
Prepayments	6,538	9,217
Amounts due from subsidiaries	16,106,935	12,124,531
Cash and bank balances	373,152	294,822
	16,486,625	12,428,570
Current liabilities		
Accrued charges	120,025	183,819
Amounts due to subsidiaries	7,079,577	3,541,309
	7,199,602	3,725,128
ASSETS LESS LIABILITIES	11,068,053	10,449,323
EQUITY		
Share capital	903,712	903,655
Share premium	4,074,169	4,072,917
Retained profits	6,089,411	5,471,853
Share options reserve	761	898
TOTAL EQUITY	11,068,053	10,449,323

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2023 and was signed on its behalf.

MA Wing Kai William
Director

CHEUNG Ping Chuen Vicky
Director

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Share capital	Share premium	Retained profits	Share option reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	898,600	3,962,825	4,490,249	13,055	9,364,729
Profit for the year	-	-	14,949,137	-	14,949,137
2020 final dividend paid	-	-	(429,145)	-	(429,145)
2021 interim dividend paid	-	-	(381,341)	-	(381,341)
2021 special dividend paid	-	-	(13,157,178)	-	(13,157,178)
Exercise of pre-IPO share option scheme allotment	5,055	110,092	-	(12,026)	103,121
Share option lapsed	-	-	131	(131)	-
At 31 December 2021	903,655	4,072,917	5,471,853	898	10,449,323
At 1 January 2022	903,655	4,072,917	5,471,853	898	10,449,323
Profit for the year	-	-	2,027,324	-	2,027,324
2021 final dividend paid	-	-	(903,687)	-	(903,687)
2022 interim dividend paid	-	-	(506,079)	-	(506,079)
Exercise of pre-IPO share option scheme allotment	57	1,252	-	(137)	1,172
At 31 December 2022	903,712	4,074,169	6,089,411	761	11,068,053

40 EVENT AFTER THE REPORTING PERIOD

On 29 March 2023, the Company, Natixis and SF Holding Limited entered into a subscription and placing agency agreement pursuant to which: (i) the Company agreed to issue perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 with distribution rate of 3.30% per annum payable semi-annually (the "Convertible Securities") to SF Holding Limited; (ii) Natixis conditionally agreed to use all reasonable efforts to procure SF Holding Limited to subscribe for the Convertible Securities; and (iii) SF Holding Limited conditionally agreed to subscribe and pay for the Convertible Securities at 100% of the principal amount subject to, and in accordance with, the terms of the subscription and placing agency agreement. Completion of the subscription and placing agency agreement has not taken place as at the date of this financial statements.

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES

At 31 December 2022, the Company held interests in the following principal subsidiaries:

Name	Place of incorporation and principal place of operation	Principal activities	Issued share capital ⁽⁷⁾ / registered capital	Interest held indirectly	
				2022	2021
⁽¹²⁾ ABX Express (M) Sdn. Bhd.	Malaysia	Express business	MYR5,000,000 MYR20,000,000 ⁽⁸⁾	100%	100%
⁽¹²⁾ APEX Maritime Co. (LAX), Inc.	US	Freight forwarding	US\$100,000 ⁽⁹⁾	100%	100%
⁽¹²⁾ APEX Maritime Co., Inc.	US	Freight forwarding	US\$238,203 ⁽⁹⁾	100%	100%
⁽¹⁾⁽¹²⁾ ASAV Logistics Services Inc.	Turkey	Freight forwarding	TRY3,000,000	100%	90%
⁽¹⁾⁽³⁾⁽¹²⁾ Beijing Kerry Logistics Ltd.	PRC	Logistics business	US\$12,000,000	100%	100%
⁽¹⁾⁽⁴⁾ Beijing Tengchang International Transportation Service Co., Ltd.	PRC	Freight forwarding	RMB15,000,000	51%	51%
⁽¹⁾⁽³⁾⁽¹²⁾ Chengdu Kerry Shudu Logistics Co., Ltd.	PRC	Logistics business	RMB50,000,000	100%	100%
Columbia International Removals Limited	HK	Logistics business	HK\$5,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ CV Global Logistics (Beijing) Limited	PRC	Logistics business	RMB50,000,000	100%	100%
⁽¹²⁾ E.A.E. Freight & Forwarding Sdn. Bhd.	Malaysia	Road freight	MYR500,000	100%	100%
⁽¹²⁾ F.D.I Co., Ltd	Vietnam	Freight forwarding	VND20,000,000,000	70%	70%
⁽¹²⁾ Globalink Transportation and Logistics Worldwide LLP	Kazakhstan	Freight forwarding	KZT391,027,000	51%	51%
International Enterprise Co. Limited	HK	Investment holding	HK\$10,010	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Jiachang (Zhuohai) Logistics Limited	PRC	Logistics business	RMB121,500,000	100%	100%
⁽¹⁾⁽⁴⁾⁽¹²⁾ JST Logistics Corporation Limited	PRC	Rail logistics	RMB55,016,130	50%	50%
⁽¹⁾⁽²⁾⁽¹²⁾ KART (China) Co., Ltd	PRC	Road freight	RMB30,000,000	100%	100%
⁽¹⁾⁽¹²⁾ KART (Thailand) Limited	Thailand	Road freight	THB80,000,000	100%	100%
⁽¹²⁾ KART (Vietnam) Transportation Company Limited	Vietnam	Road freight	VND4,622,000,000	100%	100%
Kerry Business Outsourcing Solutions Limited	HK	Documents storage	HK\$2	100%	100%
Kerry Coffee (Hong Kong) Limited	HK	Trading business	HK\$100,000	100%	100%
⁽¹⁾⁽⁴⁾⁽¹²⁾ Kerry Cold Chain Solution Ltd.	PRC	Cold chain solution logistics	RMB50,000,000	51%	51%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and principal place of operation	Principal activities	Issued share capital ⁽⁷⁾ / registered capital	Interest held indirectly	
				2022	2021
Kerry Cold Store (Hong Kong) Limited	HK	Warehouse operator	HK\$20	100%	100%
Kerry Distribution (Hong Kong) Limited	HK	Transportation and distribution services	HK\$500,000	100%	100%
Kerry Distribution Services (Hong Kong) Limited	HK	Transportation and distribution services	HK\$10,000	100%	100%
⁽⁴⁾⁽¹²⁾ Kerry EAS Logistics Limited	PRC	Logistics business	RMB270,000,000	70%	70%
Kerry eCommerce Limited	HK	Logistics business	HK\$10,000	60%	60%
Kerry Express (Hong Kong) Limited	HK	Courier services and logistics	HK\$5,000,000	60%	60%
⁽¹⁾⁽¹⁴⁾ Kerry Express (Thailand) Public Company Limited	Thailand	Express business	THB871,288,500	52.06%	52.06%
⁽¹²⁾ Kerry Far East Logistics (Bangladesh) Limited	Bangladesh	Freight forwarding	BDT10,000,000	70%	70%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry FFTZ Warehouse (Shenzhen) Ltd.	PRC	Logistics business	HK\$70,000,000	100%	100%
Kerry Freight (Hong Kong) Limited	HK	Freight forwarding	HK\$2,760,000	100%	100%
⁽¹⁾ Kerry Freight (Korea) Inc.	South Korea	Freight forwarding	KRW500,000,000 ⁽⁹⁾	100%	100%
⁽¹²⁾ Kerry Freight (Senegal) Sarl	Senegal	Freight forwarding	XOF1,000,000	100%	100%
Kerry Freight (Singapore) Pte. Ltd.	Singapore	Freight forwarding	SGD500,000	75%	75%
⁽¹²⁾ Kerry Freight (USA) Incorporated	US	Freight forwarding	US\$1,000,000	100%	100%
⁽¹²⁾ Kerry Freight Myanmar Limited	Myanmar	Freight forwarding	US\$100,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry IMS Chemical Logistics (Cangzhou) Ltd.	PRC	Logistics business	RMB10,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry IMS Chemical Logistics (Zhangjiagang) Ltd.	PRC	Logistics business	RMB10,000,000	100%	100%
⁽¹⁾⁽²⁾⁽¹²⁾ Kerry IMS Chemical Storage and Transportation (Shanghai) Co., Ltd	PRC	Logistics business	RMB30,000,000	100%	100%
⁽⁵⁾⁽⁶⁾⁽¹²⁾ Kerry Indev Logistics Private Limited	India	Freight forwarding	INR15,357,400	50%	50%
⁽¹²⁾ Kerry Integrated Logistics (Viet Nam) Co.,Ltd	Vietnam	Logistics business	US\$7,900,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Lanhai (Tianjin) Logistics Ltd.	PRC	Logistics business	RMB20,000,000	51%	51%
Kerry Logistics (Australia) Pty Ltd	Australia	Logistics business	AUD2,000,000	100%	100%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and principal place of operation	Principal activities	Issued share capital ⁽⁷⁾ / registered capital	Interest held indirectly	
				2022	2021
⁽¹⁾⁽¹²⁾ Kerry Logistics (Bangna) Limited	Thailand	Logistics business	THB500,000,000	100%	100%
⁽¹²⁾ Kerry Logistics (Cambodia) Pte. Ltd.	Cambodia	Freight forwarding	KHR96,960,000	100%	100%
Kerry Logistics (Canada) Inc.	Canada	Freight forwarding	CAD301	100%	95%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics (China) Investment Limited	PRC	Investment holding	US\$236,534,362	100%	100%
Kerry Logistics (Germany) GmbH	Germany	Freight forwarding	EUR50,000	100%	100%
⁽¹⁾⁽⁴⁾⁽¹²⁾ Kerry Logistics (Guangzhou) Limited	PRC	Logistics business	US\$35,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics (Hainan) Co., Ltd.	PRC	Logistics business	US\$18,000,000	100%	100%
Kerry Logistics (Hong Kong) Limited	HK	Logistics business	HK\$10,000,000	100%	100%
⁽¹⁾⁽¹²⁾ Kerry Logistics (Japan) Limited	Japan	Freight forwarding	JPY100,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics (Kunshan) Ltd.	PRC	Logistics business	HK\$128,000,000	100%	100%
⁽¹²⁾ Kerry Logistics (Macau) Limited	Macau	Logistics business	MOP100,000	51%	51%
Kerry Logistics (Netherlands) B.V.	Netherlands	Freight forwarding	EUR69,000	100%	100%
⁽¹²⁾ Kerry Logistics (Oceania) Limited	New Zealand	Freight forwarding	NZD250,000	100%	66.95%
Kerry Logistics (Oceania) Pty. Ltd.	Australia	Freight forwarding	AUD1,000,000	100%	66.95%
⁽¹²⁾ Kerry Logistics (Phils.), Inc.	Philippines	Freight forwarding	PHP16,000,000	51%	51%
⁽¹²⁾ Kerry Logistics (South Africa) (Pty) Ltd	South Africa	Freight forwarding	ZAR100,000	100%	100%
⁽¹²⁾ Kerry Logistics (Spain), S.A.U.	Spain	Freight forwarding	EUR120,202	100%	100%
Kerry Logistics (Sweden) AB	Sweden	Freight forwarding	SEK500,000	100%	100%
⁽¹⁾⁽¹²⁾ Kerry Logistics (Thailand) Limited	Thailand	Logistics business	THB160,000,000	100%	100%
Kerry Logistics (UK) Limited	United Kingdom	Freight forwarding	GBP20,000	100%	100%
⁽³⁾⁽¹²⁾ Kerry Logistics (Wuxi) Co., Ltd	PRC	Logistics business	HK\$125,000,000	100%	100%
⁽³⁾⁽¹²⁾ Kerry Logistics (Xiamen) Co., Ltd.	PRC	Logistics business	RMB78,000,000	100%	100%
⁽³⁾⁽¹²⁾ Kerry Logistics (Zhengzhou) Limited	PRC	Logistics business	RMB50,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics Anhui Co., Ltd.	PRC	Logistics business	RMB26,000,000	100%	100%
⁽¹²⁾ Kerry Logistics Bahrain WLL	Bahrain	Freight forwarding	BHD80,000	100%	100%
⁽¹²⁾ Kerry Logistics Centre (Tampines) Pte. Ltd.	Singapore	Logistics business	SGD1,020,000	100%	100%
Kerry Logistics Do Brasil – Transportes Internacionais Ltda	Brazil	Freight forwarding	BRL18,504,374	100%	100%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and principal place of operation	Principal activities	Issued share capital ⁽⁷⁾ / registered capital	Interest held indirectly	
				2022	2021
⁽⁶⁾ Kerry Logistics Engineering Limited	HK	Logistics solution engineering and consultancy services	HK\$5,000,000	41%	41%
⁽⁵⁾⁽¹²⁾ Kerry Logistics Lanka (Private) Limited	Sri Lanka	Freight forwarding	LKR30,000,000	51%	51%
⁽¹²⁾ Kerry Logistics Management (Asia) Pte. Ltd.	Singapore	Management services	SGD234,500,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Kerry Logistics Management (Shanghai) Company Limited	PRC	Supply chain solutions	US\$2,000,000	100%	100%
Kerry Logistics Mexico S.A. de C.V.	Mexico	Freight forwarding	MXN150,000 ⁽¹⁰⁾ MXN100,000 ⁽¹¹⁾	100%	100%
⁽¹²⁾ Kerry Logistics Middle East L.L.C.	UAE	Freight forwarding	AED300,000	75%	75%
Kerry Logistics Peru S.A.C.	Peru	Freight forwarding	PEN903,320	100%	100%
Kerry Medical Limited	HK	Pharmaceutical logistics business	HK\$10,000	82%	82%
Kerry PC3 Limited	HK	Logistics business	HK\$1	100%	100%
Kerry Pharma (Hong Kong) Limited	HK	Pharmaceutical logistics business	HK\$500,000	82%	82%
⁽¹²⁾ Kerry Project Logistics (Italia) S.p.A.	Italy	Freight forwarding of project cargo	EUR3,000,000	100%	100%
⁽¹²⁾ Kerry Project Logistics (Kazakhstan) LLP	Kazakhstan	Freight forwarding of project cargo	KZT88,800,000	100%	100%
⁽¹⁾⁽¹²⁾ Kerry Project Logistics (Turkmenistan) ES	Turkmenistan	Freight forwarding of project cargo	TMT80,000	100%	100%
⁽¹²⁾ Kerry Project Logistics Middle East LLC	UAE	Freight forwarding of project cargo	AED500,000	100%	100%
⁽¹⁾ Kerry Siam Seaport Limited	Thailand	Seaport operation	THB650,000,000	84.92%	84.92%
Kerry Warehouse (Hong Kong) Limited	HK	Warehouse operator	HK\$25,000,000	100%	100%

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and principal place of operation	Principal activities	Issued share capital ⁽⁷⁾ / registered capital	Interest held indirectly	
				2022	2021
KerryFlex Supply Chain Solutions Limited	HK	Supply chain solutions	HK\$5,000,000	100%	100%
Power Hub Limited	HK	Logistics business	HK\$10,240,000	75%	75%
⁽¹²⁾ PT. Kerry Logistics Indonesia	Indonesia	Freight forwarding	IDR21,681,276,712	59%	51%
Pro-Med Technology Limited	HK	Trading business	HK\$40,000	51%	0%
⁽³⁾⁽¹²⁾ Qingdao SCO Demo Zone Kerry Logistics Co., Ltd.	PRC	Logistics business	US\$15,000,000	100%	100%
Saison Food Service Limited	HK	Trading business	HK\$300,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Shanghai Fengjia Warehouse Services Co., Ltd.	PRC	Logistics business	US\$40,000,000	100%	100%
⁽¹⁾⁽³⁾⁽¹²⁾ Shanghai Jingan Transportation Co., Ltd.	PRC	Logistics business	RMB12,250,000	51%	0%
⁽¹⁾⁽⁴⁾ Shanghai TCI Freight Forwarding Co., Ltd.	PRC	Freight forwarding	RMB70,000,000	51%	51%
⁽¹⁾⁽²⁾ Shanghai Wisdom Global Logistics Co., Ltd.	PRC	Freight forwarding	RMB10,000,000	70%	70%
⁽¹⁾⁽⁴⁾⁽¹²⁾ Shenzhen Kerry Yantian Port Logistics Company Limited	PRC	Logistics business	RMB88,000,000	55%	55%
Taishan Insurance Brokers Limited	HK	Insurance brokers	HK\$1,000,000	100%	100%
The Meat Lab Limited	HK	Semi-automated raw meat processing and packing	HK\$10,000	51%	51%
⁽¹²⁾ Topocean Consolidation Service (Los Angeles) Inc.	US	Freight forwarding	US\$200,000 ⁽⁹⁾	80%	0%
Transpeed Cargo (S) Pte. Ltd.	Singapore	Freight forwarding	SGD100,000	75%	75%
⁽¹²⁾ Tuvia Italia S.p.A.	Italy	Freight forwarding	EUR1,130,050	100%	100%
⁽¹²⁾ UTS Logistics Sdn. Bhd.	Malaysia	Express business	MYR500,000	100%	100%
Wah Cheong Company, Limited	HK	General merchants	HK\$15,000,000	100%	100%

There is no non-controlling interest that is individually significant to the Group.

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

- (1) English translation of name only
- (2) Domestic corporation
- (3) Wholly foreign-owned enterprise
- (4) Sino-foreign equity joint venture enterprise
- (5) Companies having a financial accounting period which is not coterminous with the Group
- (6) Control is obtained by the Group through obtaining power over the investee, exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.
- (7) All being ordinary shares and fully paid up except otherwise stated
- (8) Redeemable preference shares
- (9) Common shares/common stock
- (10) Fixed capital shares
- (11) Variable capital shares
- (12) Companies not audited by PricewaterhouseCoopers
- (13) Companies incorporated in BVI and operating in HK
- (14) Listed company on The Stock Exchange of Thailand. The market value of the Group's investment in Kerry Express Thailand amounted to HK\$7,238,637,000 as at 31 December 2022.

HK Hong Kong Special Administrative Region

BVI British Virgin Islands

UAE United Arab Emirates

DEFINITIONS

“1H” or “2H”	first half or second half
“3PL”	third-party logistics
“AGM”	annual general meeting of the Company to be held on Monday, 22 May 2023
“Asia”	Asia continent, for the purpose of this annual report only, excludes Greater China and Middle East
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Circular”	the circular of the Company dated 3 May 2021
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Controlling Shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“E&E”	e-commerce & express
“ED”	Executive Director
“EMEA”	Europe, Middle East and Africa

<p>“ESG”</p> <p>“F&B”</p> <p>“Financial Statements”</p> <p>“Flourish Harmony”</p> <p>“GFA”</p> <p>“Global Offering”</p> <p>“Greater China”</p> <p>“Group” or “KLN Group”</p> <p>“HACCP”</p> <p>“HK\$”</p> <p>“HKAS”</p> <p>“HKFRS”</p> <p>“HKICPA”</p> <p>“Hong Kong” or “HKSAR”</p> <p>“IFF”</p> <p>“IL”</p> <p>“INED”</p>	<p>environmental, social and governance</p> <p>food and beverage</p> <p>the audited consolidated financial statements of the Group for the year ended 31 December 2022</p> <p>Flourish Harmony Holdings Company Limited, a wholly-owned subsidiary of S.F. Holding</p> <p>gross floor area</p> <p>the initial public offering of the Shares whereby the Shares were listed on the Main Board of the Stock Exchange on 19 December 2013</p> <p>for the purpose of this annual report only, the Mainland of China, Hong Kong, Macau and Taiwan</p> <p>the Company and its subsidiaries</p> <p>Hazard Analysis Critical Control Point</p> <p>Hong Kong dollars, the lawful currency of Hong Kong</p> <p>Hong Kong Accounting Standards</p> <p>Hong Kong Financial Reporting Standards</p> <p>Hong Kong Institute of Certified Public Accountants</p> <p>Hong Kong Special Administrative Region of the PRC</p> <p>international freight forwarding</p> <p>integrated logistics</p> <p>Independent Non-executive Director</p>	<p>“KEAS”</p> <p>“Kerry Express Thailand”</p> <p>“Kerry TJ”</p> <p>“KGL”</p> <p>“KHL”</p> <p>“KPL”</p> <p>“Listing Rules”</p> <p>“Macau”</p> <p>“Mainland” or “Mainland of China”</p> <p>“Model Code”</p> <p>“MT Programme”</p> <p>“NED”</p> <p>“Oceania”</p> <p>“Ordinary Share(s)” or “Share(s)”</p>	<p>Kerry EAS Logistics Limited, a limited company established under the law of the PRC, an indirect 70%-owned subsidiary of the Company</p> <p>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</p> <p>Kerry TJ Logistics Company Limited, incorporated under the laws of Taiwan and listed on Taiwan Stock Exchange (stock code: 2608)</p> <p>Kerry Group Limited, one of the Controlling Shareholders of the Company</p> <p>Kerry Holdings Limited, a wholly-owned subsidiary of KGL</p> <p>Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 683), and is a Substantial Shareholder of the Company</p> <p>the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time</p> <p>Macao Special Administrative Region of the PRC</p> <p>the PRC and, for the purpose of this annual report only, excludes Hong Kong, Macau and Taiwan</p> <p>the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules</p> <p>Management Trainee Programme</p> <p>Non-executive Director</p> <p>for the purpose of this annual report only, Australia and New Zealand</p> <p>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</p>
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“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
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“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), is a subsidiary of Shenzhen Mingde
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SFTS”	Shenzhen S.F. Taisen Holding (Group) Co., Ltd., a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of S.F. Holding
“SFTS Group”	SFTS and its subsidiaries
“Share Award Scheme”	share award scheme of the Company
“Shareholders”	the holders of the Shares
“Shenzhen Mingde”	Shenzhen Mingde Holding Development Co., Ltd., one of the Controlling Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Topocean”	Topocean Consolidation Service (Los Angeles) Inc., a California incorporated corporation, an indirect non-wholly owned subsidiary of the Company

“UNICEF”	The United Nations Children's Fund
“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\$” or “USD”	United States dollars, the lawful currency of the United States
“YEA”	Kerry Logistics Young Executives Academy
“%”	per cent



OUR CORE VALUES

VOICE

VALUE CREATION We create real value for our clients, employees and shareholders through innovative solutions, rewarding careers and financial growth. **OPENNESS** We believe in true openness and transparency throughout our company. Our management actively encourages open communication and dialogue at every level of the organisation. **INTEGRITY** Our business is built on integrity. We follow clear ethical guidelines and strictly enforce them throughout the company. **COMMITMENT** As a service provider we are committed to the success of our clients. We are fully dedicated to all projects and assignments we take on. We are also committed to our employees' career development and to meeting shareholders' expectations. **EXCELLENCE** We believe in excellence and practise a continuous process of improvement and innovation.

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www.kln.com



Kerry Logistics
Network Limited

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

