

ANNUAL REPORT 2021

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Carry on with Innovated Guidance

ANNUAL REPORT 2021

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Kerry TJ Logistics Company Limited

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DEDICATE TO TAIWAN WITH ASIA GLOBAL VISION

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Corporate Information

Information

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Deputy Spokesperson

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Title: Senior Assistant General Manager, General Affairs Division
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E-mail: corey.hu@kerrytj.com

Headquarters

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Zhongzheng Dist., Taipei City, Taiwan
Tel: 886 2 3322 6888
Offices: Northern, Central and Southern Region

Stock Transfer Agent

Name: Register & Transfer Agency Division, SinoPac Securities Co., Ltd.
Address: 3F., No. 17, Bo-ai Rd., Taipei City, Taiwan
Tel : 886 2 2381 6288
Website: www.sinopac.com

Auditors

Name: Yang, Chi-Sheng / Su, Ting-Chien
Firm Name: Deloitte & Touche
Address: 22F., No. 88, Sec. 1, Huizhong Rd., Xitun Dist., Taichung City,
Taiwan
Tel: 886 4 3705 9988
Website: www.deloitte.com.tw

Overseas Securities Exchange

None

Corporate Website

www.kerrytj.com



Employees:

5,500 +



Commercial Vehicle:

3,400 +



Operation Offices:

203



Ambient & Low Temperature
Warehouse/Distribution Station:

11/19



Depot/Logistics Center:

92/11



Pickup Terminal:

50

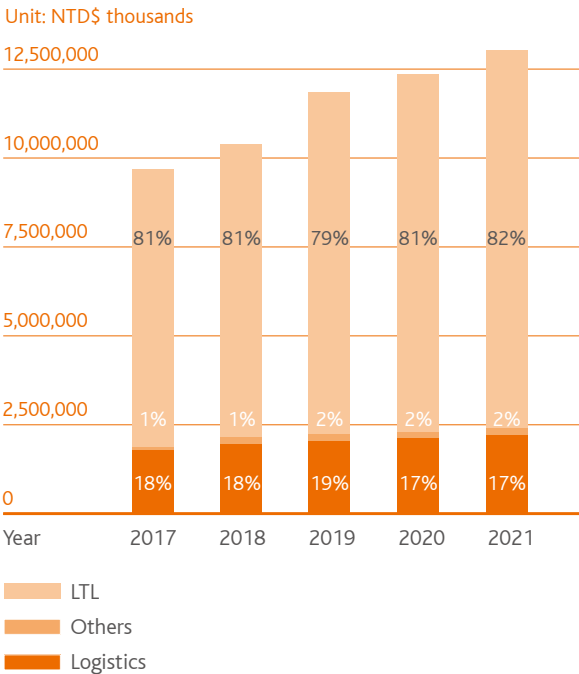


Dispatch Center:

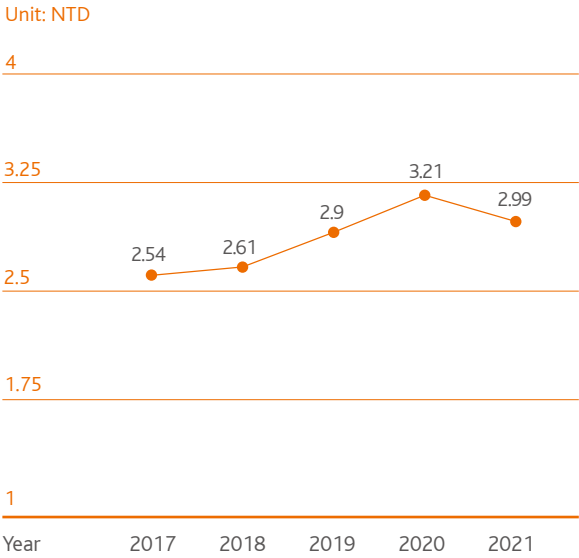
6

Financial Highlights

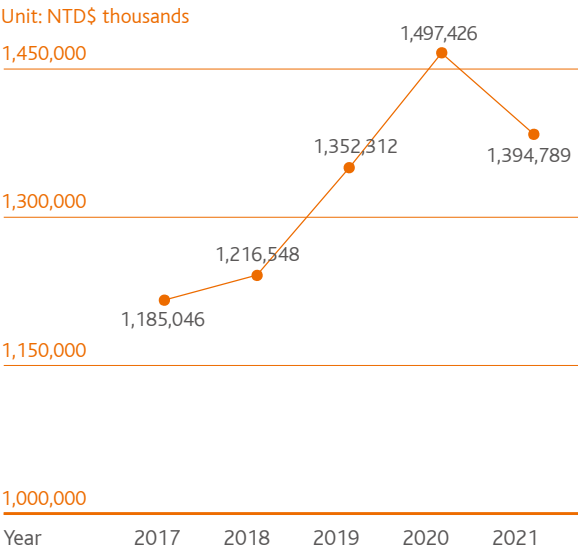
Revenue by Segment



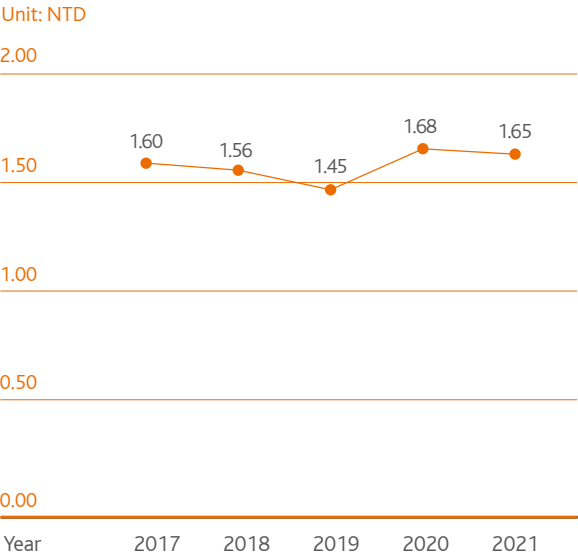
EPS



Net Income Attributable to Owners of the Company



Dividends



Note: (1) The dividends in 2021 will be distributed in accordance with the resolution in the shareholders' meeting.

Financial Highlights

Revenue (NTD) 13 Billion ▲ 6%	Operating Profit (NTD) 1.8 Billion ▼ 8%	Net Profit (NTD) 1.4 Billion ▼ 7%
LTL Business Dept. Profit (NTD) 1.5 Billion ▼ 11%	Logistics Dept. Profit (NTD) 0.3 Billion ▲ 3%	Net Assets Value Per Share (NTD) 23.45
Return on Asset 6.1%	Return on Equity 13%	Debt Asset Ratio 52%



Letter to Shareholders

2021 is a year with more arduous challenges since the COVID-19 pandemic. At the beginning of the year, due to the shortage of vaccines and other factors, the epidemic spread in Taiwan. Under the many challenges of the epidemic, the company still adhered to the important mission of being a leading logistics enterprise, and continued to provide the most complete services for customers of large and small enterprises in Taiwan, while taking into account the epidemic prevention and safety of all employees, demonstrating the flexibility and resilience of a large enterprise.

In this severe environment, Kerry TJ, on the one hand, has been burdened with the pressure of rising operating costs, from the increase in diesel prices to the shortage of labor in the manufacture and construction industries caused by the epidemic prevention and border control, which indirectly leads to labor in the logistics industry. The workforce was also lost and labor costs increased. On the other hand, with the management belief of “turning crisis into opportunity” and “turning challenge into success”, in addition to implementing epidemic prevention measures, providing employees with sufficient epidemic prevention materials and equipment, encouraging vaccination, implementing diversion and work in different places, and at the same time step up the pace to strengthen paperless operations, and adopt zero-contact electronic signatures to provide employees and customers with a safe anti-epidemic environment. In the most serious three-level alert of the epidemic, we worked together to meet customers’ needs for normal temperature, low temperature, bonded, and various special distribution, and did our best to ensure the smooth flow of important livelihood materials and food for people’s livelihood.

In the post-epidemic era and the booming home economy, the company has strengthened cost control, comprehensively inspected outdated operating methods and equipment, and strengthened on-the-job training for employees, to fully meet the needs of customized services necessary for e-commerce logistics. In terms of pharmaceutical logistics, the subsidiary Kerry Pharma won the bid for the perfect and professional pharmaceutical logistics service and obtained the central inventory storage and distribution of anti-epidemic materials entrusted by the Center for Disease Control and Prevention of the Ministry of Health and Welfare. To medical institutions and front-line epidemic prevention personnel, strong backing for the national epidemic prevention. In this challenging year, the company’s consolidated revenue still grew by 5.6% to 13 billion NTD, and the consolidated net profit after tax was nearly 1.4 billion NTD. Although there are still shortcomings in this achievement, we are still gratified and thank every employee for their hard work, allowing the company to grow in the face of adversity.

2021 is also a year of equity conversion for Kerry TJ. Kerry Holdings Limited officially became the parent company of Kerry TJ in September, which promoted the independent operation and independence of the company’s various businesses in Taiwan and provide local young talents who are interested in the development of the logistics industry, a perfect training environment, and career stage. The company has adhered to the core values of transparency and integrity since its inception, followed all laws and regulations, and timely revised laws and regulations and adjusted the internal management mechanism according to the actual operation situation, implemented the protection of shareholders’ rights and interests, strengthened the functions of the board of directors, played the functions of the audit committee and respected stakeholders’ rights and interests. We continue to innovate and improve our services under the promise of “employees’ peace of mind”, “customers’ peace of mind” and “shareholders’ happiness”, creating value for stakeholders, and becoming a sustainable and friendly excellent enterprise.

May you keep good health and all things well.

Sincerely yours,

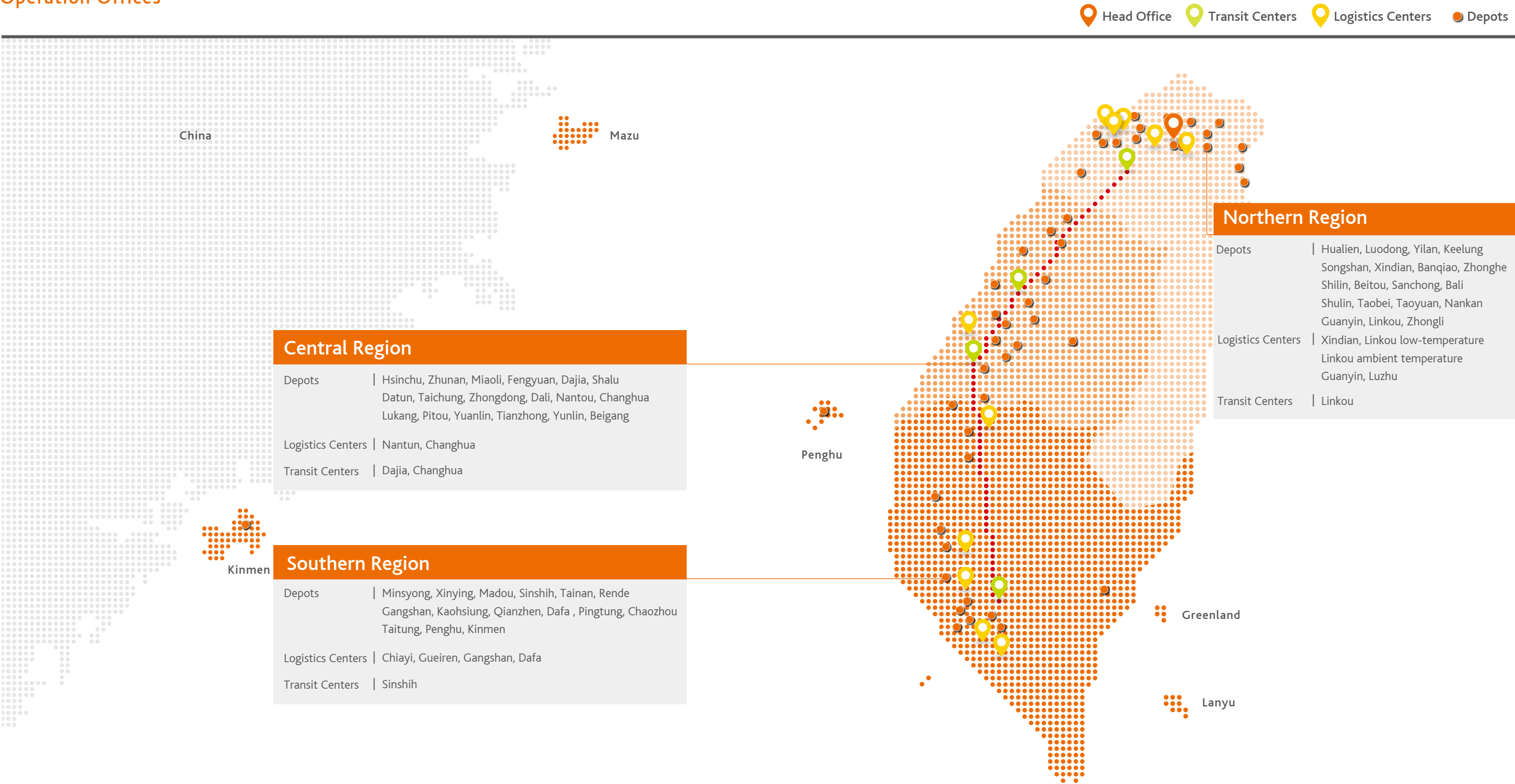
“In the post-epidemic era and the booming housing economy, the company has strengthened cost management control, comprehensively check outdated operating methods and equipment, and strengthen employee on-the-job training to fully meet the necessary customized service needs in e-commerce logistics.”

Richard Shen
Chairman



Company Profile

Operation Offices



2021 Milestone

Started the construction of "Xizhi Logistics Park" as Biotechnology Logistics Base of Taipei, New Taipei and Keelung City

Adhering to the spirit of deeply cultivating in Taiwan, actively investing in local construction, recently, in order to strengthen the service capacity of Taipei, New Taipei and Keelung City, and to meet the needs of the zero-contact home economy, distribution and warehousing of medicine and cold chain, at the end of 2020, the company own the bid for the national land with the highest standard planning scheme in Xizhi, New Taipei City, the land is leased from the National Property Administration, MOF, and the construction of Xizhi Biotechnology and Pharmaceutical Logistics Base has launched in 2021. It plans to build a constant temperature logistics and pharmaceutical cold chain logistics center that meets the PIC/s, GDP, and GMP standards of the Ministry of Health and Welfare. In the future, it will drive surrounding business opportunities and create more job opportunities. In the same year, this base in Xizhi participated in the "Action Plan for Accelerated Investment by Domestic Corporations" promoted by various government units after being approved by the Executive Yuan, and successfully obtained the relevant subsidy qualifications.

Provide warehousing and distribution of pandemic prevention materials of the Ministry of Health and Welfare

In response to the warehousing and distribution needs of pandemic prevention materials, the Center for Disease Control of the Ministry of Health and Welfare entrusted the warehousing and distribution of pandemic prevention materials from the central inventory in 2021. The subsidiary, Kerry Pharma Logistics, won the bid with its comprehensive and professional pharmaceutical logistics services, and properly carried out related pandemic prevention materials. Warehousing management and transportation and distribution tasks. The management inventory demand is 25,000 pallets. The management items include pandemic protective clothing, isolation clothing, N95 masks, protective face shields, gloves, etc. In line with the needs of the pandemic, implemented emergency distribution services, and pandemic prevention materials had immediately distributed to medical institutions and front-line pandemic prevention personnel.

Introduce automated guided vehicles to optimize the warehouse picking process

In line with the trend of industrial 4.0 intelligent automation of warehousing and logistics and as one of the solutions to the shortage of labor in the logistics industry, Xindian normal temperature warehouse of Kerry TJ introduced automated guided vehicles in 2021 to assist people in picking goods. With intelligent algorithm as the core and the application of the Internet of Things, the automated guided vehicles have the advantages of instantly optimizing the transportation path, avoiding invalid movement and simultaneously improving the storage capacity of the warehouse. While improving the overall picking efficiency and accuracy, it can also reduce labor intensity and operating costs, save about 35% of labor demand, and improve occupational health and safety.

Date of Establishment

T.Join Transportation Firm was established in Taichung in June 1954 and the establishment registration was approved by the Department of Commerce, MOEA, on December 21, 1959. The Company was reorganized to T.Join Transportation Company Limited in 1960. In 2011, after the resolution of the shareholders' meeting, the Company was renamed to Kerry TJ Logistics Company Limited.

Company History

Year	Company History
2021	Kerry Logistics Network Limited has sold Kerry TJ, its subsidiaries and all the relevant business in Taiwan to Kerry Holdings Limited in September. At the same time, the Company's intermediate parent company has officially switched to Kerry Holdings Limited in replace of Kerry Logistics Network Limited.
2020	The subsidiary, Kerry Pharma Logistics Co. Ltd., received the certification of ISO 13485:2016 Medical Devices Quality Management Systems Standards, and its Northern Pharma Logistics Park in Linkou acquired the GMP certificate issued by Taiwan Food and Drug Administration (TFDA) of the Ministry of Health and Welfare. The subsidiary, Kerrier Cold Chain Equipment Co. Ltd., was renamed to Kerry Cold Chain Equipment Co. Ltd. The affiliate, Kerry Speedy Logistics Co. Ltd., was renamed to Kerry Freight International Company Limited and merged with Direct Logistics Co. Ltd. to integrate the capability of the international freight forwarding business. The affiliate, Kerry Coffee Co. Ltd., was officially established as the agent of illy, an Italian coffee brand in Taiwan, and together with Kerry Fruit Co. Ltd. and the Kerry Go platform, it broadened our trading business and online shopping services.
2019	We purchased additional stakes in Science Park Logistics and become its largest corporate shareholder. Its high-tech logistics expertise such as bonded warehouse, bonded distribution, as well as storage for hazardous chemicals and airport customs clearance were utilized in combination with our existing core business to create synergy for the Group. To meet the growing cargo demand in Southern Taiwan, we acquired land in Xinshi, Tainan, and built our "Xinshi Transit Center" which was completed in May and integrated with our Xinshi depot, the Tainan depot of Kerry Pharma Logistics, and the Xinshi workshop of Kerry Cold Chain Equipment.
2018	To meet the logistics demand of the high-tech industry in Taiwan, we invested and acquired shares of Science Park Logistics. We commenced our planning in constructing Guanyin Logistics Center as the first green building of solar power in Taiwan's logistics industry. The subsidiary, Kerry Pharma Logistics, acquired GDP certificate from TFDA of the Ministry of Health and Welfare in December.
2017	Kerry Pharma Logistics officially launched the largest third party pharma logistics park in Taiwan. Kerry Fruit was established as a pioneer for transport and distribution of agricultural products. It built a nationwide fresh vegetable and fruit production/distribution network, promoted import and export business, and provided value-added services through Kerry Go e-commerce platform. Kerry TJ Logistics and the subsidiary, Kerry Express, obtained the ISO 27001:2015 Information Security Management System combined certification.
2016	The subsidiary, CFE Express Co. Ltd., was renamed to Kerry Express Co. Ltd. and moved its head office to Taipei City to enhance the express services in the metro area.
2015	Invested and acquired CF Express Co. Ltd. with a view to providing express services in Taiwan. Launched Kerry Go platform to provide e-commerce services. Obtained certification of the ISO 22000: 2005 Food Safety Management System and Codex HACCP Food Safety Control System.
2014	The Northern, Central and Southern regions of Pharma Logistics Centers passed the PIC/S GDP (Good Distribution Practice) pharma inspection; Linkou Logistics Center passed the PIC/S GDP medical device inspection. Received certification of the ISO 27001: 2013 Information Security Management System.
2013	The Fengshan Station of Trust Speed Logistics (later renamed to "Kerry Pharma Logistics Co. Ltd.") acquired the GDP certificate. The subsidiary, T.Join Transportation Co. Ltd., acquired the AEO (Authorized Economic Operators) certificate.

Year	Company History
2012	The head office was re-located to the Company's self-owned office in Taipei City to enhance the service quality in the Taipei Metro Area and have a better connection with international customers. With the resolution of shareholders' meeting, 51% of the shares were completely transferred to Kerry Logistics this year and the Company continued its re-organization project in China in order to integrate its resources. Received certification of the ISO 28000:2007 Supply Chain Security Management System and ISO 27001:2005 Information Security Management System.
2011	With the resolution of shareholders' meeting, the Company was re-named as "Kerry TJ Logistics Company Limited." Extended our business scope to include the professional pharmaceutical logistics by acquiring Trust Speed Logistics and re-named as "Kerry Pharma Logistics Company Limited." Established Kerry Cold Chain Equipment Company Limited (formally known as Kerrier Cold Chain Equipment) to be the agent for the US Carrier® transport refrigeration equipment, and has been in charge of the installation and maintenance of cold-chain storage and fleets for Kerry TJ Logistics, and dedicated to the sales and after-sales services of cold chain equipment.
2010	Invested and acquired Jianrong International Transportation Co. Ltd. (later renamed to T.Join Transportation Co. Ltd.) which was responsible for integrating transportation in the nighttime and container transportation business in the daytime.
2008	The management team of Kerry Logistics took over the business of the Company and re-structured the organization by conducting reelection of the directors, supervisors and chairman. The home delivery service was suspended in order to focus on the existing less-than-truck-load business.
2007	Won the Excellent Enterprise Innovation Award, categorized as the innovative service, of the 15th Industry Technology Development Awards, MOEA.
2003	The home delivery business was established and the Company was appraised as an outstanding logistics center by the MOEA again.
2002	Appraised as an outstanding logistics center by the MOEA.
2001	Investments were made continuously to establish subsidiaries in China, becoming one of the first companies in the logistics industry marching forward to the China market. Linkou International Logistics Center was established and the Automated Storage/Retrieval System (AS/RS) was developed and introduced in cooperation with Industrial Technology Research Institute (ITRI).
1999	The Internet-based cargo tracking system was fully launched.
1995	The Logistics Business Division obtained the ISO 9002 International Quality Certification.
1990	Stock listing was approved.
1960	Reorganized to T.Join Transportation Co. Ltd., and became a representative local transportation company in Taiwan.
1959	Establishment was approved by the Department of Commerce, MOEA.
1954	T.Join Transportation Firm was established in Wuqi, Taichung, in June.



Corporate Awards and Certification

Corporate Awards

In the following sequence:



Certificate of Appreciation
Sponsorship of Rural Public Transportation
Taipei City Motor Vehicles Office



Certificate of Appreciation
Donation of 5,000 pcs of Protective Clothing
Taoyuan City Government
2021.06.21



Certificate of Appreciation
Provision of free logistics service to the goods bank in Taichung City
Taichung City Government
2021.12.31



Certificate of Appreciation
Provision of free logistics services
Changhua County Government
2021.12



Certificate of Appreciation
United Way of Taiwan 2021.11.18



Certificate of Appreciation
Support of 2021 Taiwania Ultra Trail
Chinese Taipei Association of Ultra runners
2021.12.11

Certification

In the following sequence:



Passed ISO 9001:2015 Quality Management System Certification
Effective period of SGS certification:
2022.03.30-2025.03.30



Passed ISO 28000:2007 Supply Chain Security Management System Certification
Effective period of SGS certification:
2021.09.24 - 2024. 09.24



Passed ISO 27001:2013 Information Security Management System Certification
Effective period of SGS certification:
2021.09.25 - 2024.09.25



Passed HACCP Codex Alimentarius Hazard Analysis and Critical Control Point Certification
Effective period of SGS certification:
2021.12.18 - 2024.12.18



Passed ISO 22000:2018 Food Safety Management System Certification
Effective period of SGS certification:
2021.12.18 - 2024.12.18



Badge of Accredited Healthy Workplace
Effective period of HPA certification:
2021.01.01 - 2023.12.31

Corporate Social Responsibility

Kerry TJ logistics upholds the mission to “become the expertise in integrated logistics service provider” in Taiwan, and is dedicated to the expansion of our B2B market based on the existing niche as well as building home delivery fleets for the B2C and C2C markets. In addition to making use of the AIoT technology to adjust the service areas and routes for the drivers, we improve the operation efficiency and efficiency of the home delivery service to optimize our operations and realize the growth of our premium revenue and profitability. With these actions, we will ensure the stability of our operating systems, increase the returns to the shareholders, create values for the stakeholders continuously, and establish the foundation for the sustainable development of the Company.

To realize the vision of “using the densely deployed logistics network in Taiwan to exclusively provide local customized services that meet the international standards”, we proactively implement the corporate social responsibility in the corporate governance, abide by the laws and regulations of the government, place importance on the labor-capital relations, protect the right to work, care for the employees, improve the occupational health and safety, and implement environment protection and social welfare while pursuing the growth of the revenue and profit.

We support the policy of the government by introducing green procurement plans and create the information on green products and suppliers. In addition, we incorporate the Green Mark and the recoverability of the products in the assessment and selection of the suppliers to enhance and implement the green procurement ideas. Most of our new constructions were subject to the green and smart building specifications and application was filed for their certification. Solar panels have been installed at 9 large business bases since 2018. They could produce 6.1 million kWh of electricity every year and reduced about 3.40 million kilograms of carbon emissions. The Company also implements a contactless signature system with the electronic signature or QR Code as a substitute for the paper operations. It is expected to reduce the consumption of 12.5 million pieces of A4 paper and about 230 thousand kilograms of carbon emissions every year.

To act in line with the net zero emission policy of the government, we recently purchased new environment-friendly vehicles and

hybrid electric vehicles to speed up the replacement of the old vehicles with the new ones. We also purchased electric tricycles to reduce the impact on the environment and realize the green deployment in the last mile in the city. This way, we gradually introduced the technologies of low energy consumption and carbon emission and the vehicles certified with the energy label. These will be helpful for the efficient of the delivery and the operating performance in the last mile and the achievement of the carbon reduction and the sustainable goals of ESG (Environment, Social, and Governance). Kerry TJ logistics is dedicated to the implementation of the ESG and for the sustainable transformation. By doing so, we hope to implement the corporate sustainability in every detail of our operations and develop Kerry TJ logistics to be a benchmark of the logistics industry in Taiwan.

Recruitment, Training and Right of Employees

We recruit employees pursuant to the laws and regulations, including prohibition of forced child labor, strict implementation of the none-discrimination policy, and provision of the equal employment opportunities regardless of race, gender, religion, age, political orientation, physical and mental disabilities, and social background. In addition to the wage and welfare and the labor, health and group insurance, appropriation of labor pension reserve funds, annual leave, parental leave, and the paternity leave for male employees, we are committed to providing a work environment in which the dignity and safety of the employees are protected and ensuring that the employees are not discriminated against, harassed or treated unequally in any other circumstances and protected by the applicable laws. All of our employees have signed the “Employment Contract” to ensure their labor rights subject to the Labor Standards Act and other relevant laws and regulations.

We provide a complete career development plan and blueprint to ensure that employees can fully demonstrate their specialties to satisfy their development demands and goals, and the Company can accumulate human capital with extensive experiences. We work with colleges to implement industry-academe collaboration projects by providing flexible practical training programs. The young people who have outstanding performance during the industry-academe collaboration or internship and are qualified for further training will have the opportunity to become the new blood to the human assets of the Company.

Healthy Workplace and Happy Enterprise



We have built a humane-based safe and healthy workplace and created a safe and friendly work environment while taking the legal compliance and practical demands into consideration. Prevention of occupational diseases and protection of the safety and health of the employees are the guidelines of the Company in its business operations. In addition to providing physical examination that is better than what the law requires, we worked with famous medical institutions in 2021 and invited contracted physicians to provide on-site medical services at each business base. They implemented graded health management, provided personal health guidance, and gave proper work assignment advice to ensure the safety and health at the workplace. A total of 110 sessions were provided and 392 employees participated in the consultation.

We implemented the “Gift for Expectant Mothers” to encourage childbearing and increase the identification of the pregnant employees at the workplace. In 2021, a total of 28 female employees received the maternal health protection and the medical personnel carried out hazard identification and risk assessment for 46 employees. They also provided health education information and work instructions needed during the pregnancy and after the childbirth. In 2021, 140 sessions of in-service safety and health training were organized to enhance the safety and health knowledge among the employees, arouse their hazard recognition awareness and avoid the risks in hazardous work; 63 sessions of emergency response exercises were held to enhance the safety protection of the operating stations. The practical disaster prevention exercises are helpful to improve the ability of the employees in emergency response, rescue, sheltering, and escape during disasters to minimize the risks and ensure safety and health at the workplace.

Public Welfare

A warm support from Kerry TJ logistics for PVS families of in Kaohsiung and Pingtung areas who almost go hungry



Some companies sponsored the public welfare event of “Collection of Vegetable Boxes for Vegetables” in July 2021. The demand of the Genesis Social Welfare Foundation for the cold chain delivery of vegetables from its branches in Kaohsiung and Pingtung was up to 300 boxes. The Covid-19 has been bringing explosive growth of the business to the logistics industry in Taiwan, causing many companies in the industry to stop their cold chain services at the beginning of June to relieve the accumulated business volume. The bad news about damage to many vegetable boxes due to the jammed cold chain logistics was heard frequently. Kerry TJ logistics promised to give support at the very beginning and “persistently finished the delivery tasks on time without delaying the communication of love.” We have participated in the community services for a long time with the awareness of upholding the core value of the Company and sparing no effort to provide services. Caring for and assisting the disadvantaged people are a matter that Kerry TJ logistics is dedicated to all the time. We devoted every effort to support this event by dispatching vehicles to deliver the “love” of the people to their destinations without delay, and we fulfilled our social responsibility for the public welfare by ensuring that more than 300 vegetable boxes could be delivered from the branches in Kaohsiung and Pingtung to families on time.

"Youchun sharing and treasuring of food in Taiwan"



There are many food banks and donations from companies in Taiwan. However, the problems of inefficient and unequal distribution still exist due to the scattered and unintegrated resources. To solve these problems, Taiwan Share Platform worked with the leading companies of different industries to establish the Taiwan Share Association with the support from all the sectors of the society. Kerry TJ logistics participated in this public welfare event based on our core business in the hope of solving the problems of waste and unequal distribution of food by integrating the resources of the public, corporate and private sectors.

"Youchun" in Chinese stands for "Wucun" in Taiwanese. "Share" has the meaning of "rich" in the hope of sharing the "Wucun" to the people in need and have them feel the warmth of the "Youchun." To care for the aged people in the communities with shared meals, the Taiwan Share Association works with the Public Share Information Platform and provides food matching and delivering services to optimize the efficiency of the distribution between the food donations and demands, reduce the waste of food, and satisfy the demands of the aged people for shared meals. This is the first online matching function and an innovative practice.

Sustainability of love and communication of more hopes for every tomorrow



The global Covid-19 pandemic brings about long-term substantial impact on the small and medium-sized public welfare institutions. They take the responsibility and mission to look after disadvantaged people on a long-term basis, but their anti-risk ability is much less than the large organizations. They are facing the most adverse donation circumstances while sustaining the reduction of the raised funds. United Way organized the fundraising activity for the promotion of regular donations and raised the annual funds for nearly 300 public welfare organizations. We hope that every need for tomorrow can be carried out. Kerry TJ logistics has gratuitously assisted United Way's donation transfer stations with delivery services for a long time and made the "goods of love" more precious under emergency circumstances. We participated in the time deposit project of the United Way in 2021 to make a contribution to the communication of more hopes for every tomorrow.

Shared Benefits in Society

"Happiness transported to our Gongliao" - Happy Bus and Happy Taxi 2.0 launched



The Gongliao District of New Taipei City is a remote area with a vast expanse. The traffic between villages is inconvenient and private vehicles are the only choice for the means of transport. To meet the requirements of the government to take care of the remote areas, avoid increasing the urban-rural gap due to inconvenient transportation and satisfying the demands of the local students for education and residents for medical services and employment, a flexible transport mode of "Happy Bus and Happy Tax" is introduced in the district to provide transport services. Kerry TJ logistics sponsored the operation of the "Happy Bus" in Gongliao District to make up for the transport equivalent to 8,750 kilometers of "Happy Route." We jointly launched the new era of the "Happy Bus" in Gongliao District to ensure "happiness is over there regardless of the distance."

Green building for energy saving and carbon reduction and financial support of street lights for nearby residents

Kerry TJ logistics established a base at Xizhi Industrial Park and created a benchmark for the logistics industry with a green building. The planned ambient temperature logistics center will support the supply chains for the industries in Taipei City, New Taipei City and Keelung City and the pharmaceutical cold chain logistics center will provide professional storage, delivery and other management services for the medical biotechnology industry. With these, the development of the nearby industries and the creation of the employment opportunities are expected to grow. We have provided financial support for the 100 street lights along

the Zhangnan Road in the Xizhi District, including the maintenance, repair and electricity costs, since July 2021. The support will last for a period of 20 years. It not only makes a contribution to the neighborhoods, but also protects the nearby residents who are engaged in activities at night.

Protection of the employees from the pandemic and support of disadvantaged people

The Covid-19 pandemic brought about a huge impact on individuals, companies and all sectors of society. We have created a safe workplace by setting up anti-pandemic stations at each business base for measurement of the body temperature and alcohol disinfection, planning working in different places/areas, cancelling large gatherings, changing physical meetings to video conferences, distributing masks to all the employees and providing frontline delivery personnel with medical masks, gloves, goggles, alcohol and other personal protection devices; face shields, protective clothes and other enhanced protection devices are provided for the delivery personnel in the high risk areas. Contactless signature equipment is used to reduce the risk of infection.

At this moment full of challenge and difficulty, we continue to support the delivery of donations to disadvantaged people for the goods bank projects of the local governments, Red Cross, Taiwan Share Association and other public welfare organizations. In addition to sponsoring the transport in remote areas, we support social care activities and participate in the events of the United Way and Sunshine Social Welfare Foundation as well as the Run for Green race on a periodic basis. With the persistence in the belief of "taking from the society and using for the society," we will keep supporting social welfare activities in the future.



The financial support and donations for public welfare in 2021 are broken down as follows:

Project	Delivery Quantity (Box)	Person-time of Invested	Number of Beneficiaries
Social Welfare Department, New Taipei City	697	28	5,177
Loving Care and Food Bank of the Social Welfare Department	27,488	1,100	15,934
"Happy Store - Goods Bank" of Changhua County	8,346	334	15,812
Food Bank of Social Affairs Bureau of Kaohsiung City Government	6,162	246	18,019
Food Bank of The Red Cross Society of Taichung City	1,835	73	5,520
Taiwan Share Association	254	10	15,855
Chinese Taipei Association of Ultrarunners	1,710	68	3,696
United Way	1,956	78	9,059
Sunshine Social Welfare Foundation	295	12	295
"Collection of Vegetable Boxes for Vegetables"	302	12	302

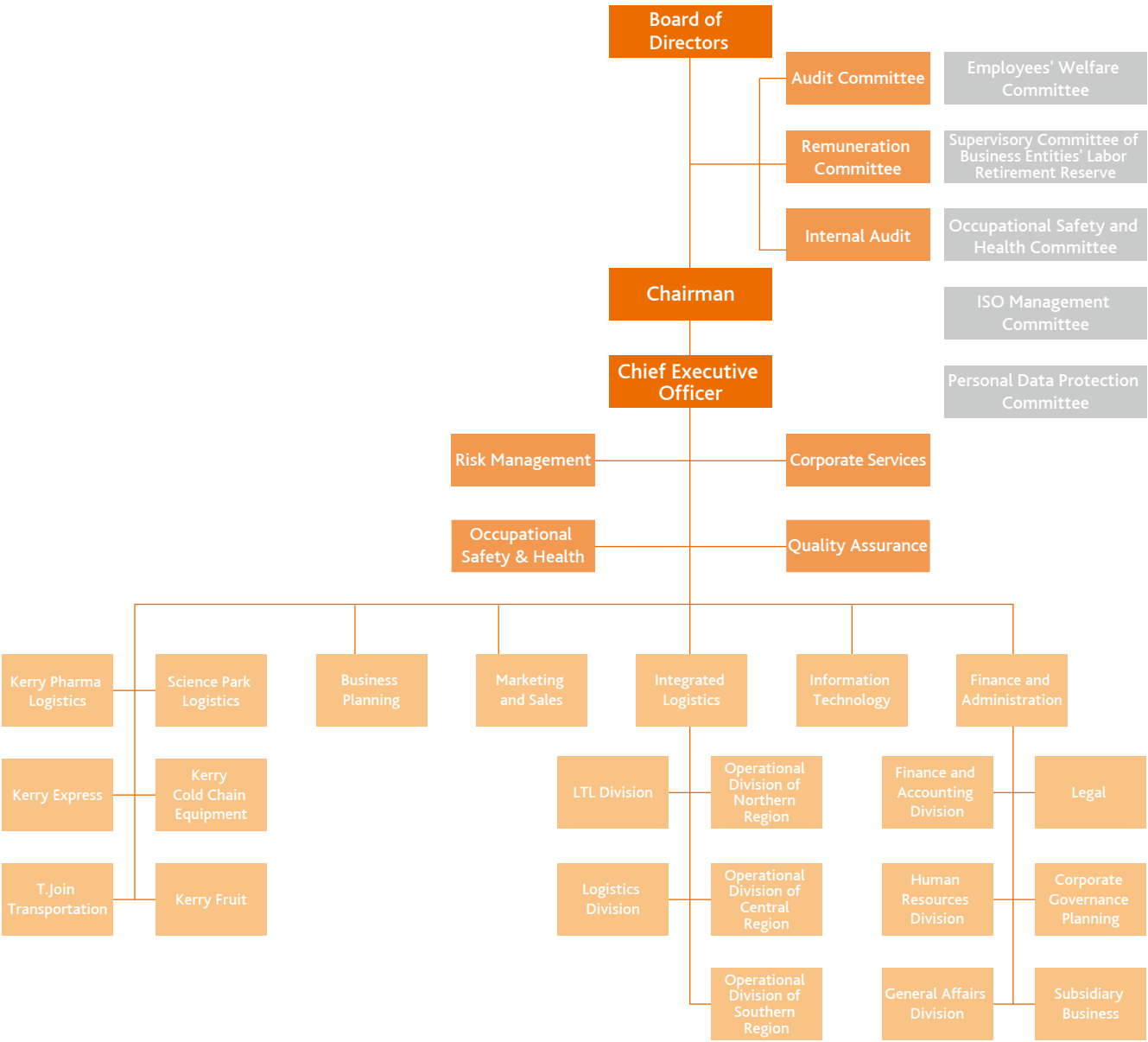
Project	Invested Amount (Unit: New Taiwan dollar)	Number of Beneficiaries
Happy Bus 2.0 in Gongliao District	350,000	2,772
Xizhi District Office, New Taipei City - Street Light Electricity and Maintenance Costs	100,000	
A donation of 5,000 Protectives Clothes to Taoyuan City Government	1,175,000	5,000
A donation of British reflective vests and police-specific all-weather coats to Jiaxian Police Station under Cishan Precinct of Kaohsiung City Policy Department	55,125	30
Operating Fund 401 Account of Taichung Veterans General Hospital	1,000,000	

Only the company of "sustainability" has no fear of the ever-changing environment. The Company is dedicated to achieving the UN Sustainable Development Goals (SDGs) and implementing ESG. We will make contributions to the sustainable development by playing a role in this respect and exerting positive influence with our solid strength. Besides, we will enhance the internal cohesion and solidarity while giving back to the society in the hope of improving the power of positive thinking among the people and march forward to a future of sustainability and innovation.

Corporate Governance Report

Organization

Corporate Governance Structure



Divisions and Functions

Division	Main Function
Internal Audit	Inspection and review of the internal control system to ensure compliance with the Corporate's policies and procedures as well as with external regulations
Risk Management	Ensures that possible risks within the scope of job duties including employees, trucks and cargos can be managed and prevented.
Corporate Services	Builds up the corporate image and brand identity. Handling with the public relations activities and supporting the management team.
Occupational Safety & Health	Establishes rules and regulations regarding occupational safety and health management plan and providing instructions to relevant divisions for implementation.
Quality Assurance	Establishes quality monitoring systems and formulating internal and external quality management KPIs.
Business Planning	Responsible for brand development and enhancing corporate competitiveness, optimizing operational processes, introducing new operational equipment/technologies, and strengthening linkages between industry, government, and academia.
Marketing and Sales	Responsible for planning the Corporate's maketing strategies. To maintain customer relationship by fulfilling the customers' demand with better services.
Integrated Logistics	Responsible for planning the Corporate's operational strategies, integrating operational resources to achieve the Company's long-term development.
LTL Division	The division administers all the operation offices in Taiwan and is responsible for the planning of overall strategies, including market analysis, KPI establishment, performance reviw and the application of innovative equipments.
Logistics Division	The division administers our ambient temperature and low temperature warehouses, low temperature LTL and whole truck transport services in Taiwan and is responsible for the planning of overall strategies, including market analysis, KPI establishment, performance review and the application of innovative equipments.
Operational Divisions of Northern Region/ Central Region/ Southern Region	Integration of the Corporate's resources to formulate business strategies, to expand our market through innovative servcies and continuous peformance review in each region.
Information Technology	Responsible for the planning, development, operation and maintenance of the Corporate's (including affiliates) technology and business IT systems.
Finance and Administration	Coordinates strategies and integrate resources related to the Corporate's finance, human resources, general affair, legal divisions and corporate governance.
Finance and Accounting Division	Responsible for the Corporate's financial planning and execution, financial risk management as well as formulation, revision, and implementation of financial procedures.
Human Resources Division	Establishes human resources policies regarding employees' performance appraisal, organizational development and personnel development.
General Affairs Division	Establishes procurement policies and strategies to improve procurement efficiency and reduces cost. To ensure the assets of the Corporate has been utilized effectively.
Legal	Provides legal advice for the Corporate, and updates relevant legal documents in compliance with the government's regulation. Provides counseling on matters relating to the revision of the articles of incorporation.
Corporate Governance Planning	Organizes Board Meetings and Shareholders' Meetings in accordance with the law and handle the relevant affairs of functional committee meetings, maintain the relationship with investors and implementation of corporate governance evaluations.
Subsidiary Business	Dealing with the financial affairs related to subsidiaries.

Directors, General Managers, Deputy General Managers, Senior Assistant Managers and Management Team

Board of Directors

I. Director

Apr 17, 2022

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected ⁽¹⁾	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Remark(s) (Note) ⁽²⁾
							Shares	%	Shares	%	Shares	%	Shares	%			
Director	R.O.C.	Da Ji International Limited	-	2019.06.27	3	2007.06.15	27,972,000	5.99%	27,972,000	5.99%	-	-	-	-	-	-	
Chairman	R.O.C.	Representative: Shen, Chung-Kui ⁽³⁾⁽⁵⁾	Male 71-80	2019.06.27	3	2008.11.27	-	-	-	-	-	-	-	-	Founder of Hong Kong Business Association in Taiwan Chairman of United Terminals Ltd., a subsidiary of Jardine Matheson Regional Operations Manager in Taiwan for U.S. Lines Inc. Bachelor's Degree, Navigation Management Dept., National Taiwan Ocean University Completed Dale Carnegie Course Training in San Francisco, USA Completed General Management Program at Ashridge College in London, UK Completed first-term graduate program in shipping management of the China Maritime Institute	Chairman and CEO of Kerry TJ Logistics Co., Ltd. Director, Representative of subsidiaries Director of investee companies	
Director	Singapore	Representative: Tong, Shao Ming ⁽³⁾⁽⁶⁾	Female 41-50	2021.09.03	3	2021.09.03	-	-	-	-	-	-	-	-	Investment Director of Kerry Holdings Limited Director of Yihai Kerry Arawana Holdings Co., Ltd. Investment Director of Wilmar International Limited Executive Director of Equity Capital Market Department of UBS Group AG Bachelor Degree in Jurisprudence, Oxford University	Investment Director of Kerry Holdings Limited Directors of subsidiaries and investee companies	
Director	UK	Representative: Tse, Kai Chi ⁽³⁾⁽⁶⁾	Male 51-60	2021.09.03	3	2021.09.03	-	-	-	-	-	-	-	-	Group Financial Controller, Non-executive Director of South China Morning Post Group Limited Non-executive Director of Kerry Properties Limited Graduate of The London School of Economics and Political Science	Deputy Chief Finance Officer of Kerry Holding Limited Director of related companies	
Director	R.O.C.	Representative: Juan, Hui-Wen	Female 51-60	2019.06.27	3	2014.08.13	-	-	-	-	-	-	-	-	Director of Finance Division of Kerry TJ Logistics Co., Ltd. Manager of Finance Division of Kerry TJ Logistics Co., Ltd. Finance Division of Jardine Matheson Taipei Branch Master of Business Administration, National Taiwan University of Science and Technology Bachelor of Accountancy, Soochow University	General Manager of Finance and Administration of Kerry TJ Logistics Co., Ltd. Director and Supervisor of subsidiaries Supervisor of investee companies	
Director	R.O.C.	Hsinchu Transportation Co., Ltd.	-	2019.06.27	3	2007.06.15	9,471,271	2.03%	9,471,271	2.03%	-	-	-	-	-	-	
Director	R.O.C.	Representative: Hsieh, Wen-Chien ⁽⁴⁾	Female 61-70	2019.06.27	3	2008.11.27	-	-	-	-	-	-	-	-	Director of Taiwan Private Equity Association Honorary Attorney, Small and Medium Enterprise Administration, MoEA MBA, Graduate Institute of Finance, National Taiwan University	Senior Partner of Dentons Taiwan	

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected ⁽¹⁾	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Remark(s) (Note) ⁽²⁾
							Shares	%	Shares	%	Shares	%	Shares	%			
Director	R.O.C.	Chen, Tse-Tsung	Male 71-80	2019.06.27	3	1999.06.25	5,188,028	1.11%	5,058,028	1.08%	1,202,353	0.26%	-	-	Supervisor, Home Delivery Logistics Office of Kerry TJ Logistics Co., Ltd. BA in Political Science, Chinese Culture University	Executive Director of Wholeful Co., Ltd.	
Independent Director	R.O.C.	Kuo, Tsung-Hsiung	Male 61-70	2019.06.27	3	2016.06.27	-	-	-	-	-	-	-	-	Vice President of Taiwan Land Development Group General Manager of Taiwan Commerce Development Co., Ltd. Secretary-General of Electric-Electronic & Environmental Technology Development Association Team Leader of Industrial Development Bureau, MoEA Master of Laws, Ming Chuan University	Independent Director and Member of Remuneration Committee of Kerry TJ Logistics Co., Ltd..	
Independent Director	R.O.C.	Liu, Zou-Hsin	Male 51-60	2019.06.27	3	2016.06.27	-	-	-	-	-	-	-	-	Head, Project Development, Conergy, Taiwan, Macquarie Capital Group Country Head of Vena Energy President of Motech Energy System Co., Ltd. Executive Director, KHL Capital Co., Ltd. MBA, Finance and Financial Management, Haas School of Business, UC Berkeley	Independent Director and Member of Remuneration Committee of Kerry TJ Logistics Co., Ltd. General Manager of Guo Jin Energy Ltd.	
Independent Director	R.O.C.	Lee, Ying-Chu	Male 41-50	2019.06.27	3	2019.06.27	-	-	-	-	-	-	-	-	Director of Shihlin Electric and Engineering Corporation Master of Finance, Fu Jen Catholic University	Senior Director of Shihlin Electric and Engineering Corporation Senior Assistant Manager of HCT Logistics Co., Ltd.	

Note:

(1) Except director HCT Logistics Co., Ltd., was the director or the supervisory of the Company on 2007.06.15 to 2013.06.20, and re-elected the director on 2019.06.27.

(2) The directors have no spouse or second kin relationship with other directors or executive.

(3) Representative of Da Ji International Limited.

(4) Representative of Hsinchu Transportation Co., Ltd.

(5) Shen, Chung-Kui is the Chairman of the Board of Directors and the CEO at the same time in response of the Company operational need. More than half of the directors of the Company have not been employees or managers at the same time.

(6) Da Ji International Limited changed its representatives on September 3, 2021: Directors Tong, Shao Ming and Tse, Kai Chi took office, Directors Cheng, Chi-Wai and Hung, Wai-Shing resigned.

(I) Major Shareholders of the Institutional Shareholders

Apr 17, 2022

Name of Institutional Shareholders	Major Shareholders	%
Da Ji International Limited.	Kerry Logistics Holdings (Taiwan) Limited	100.00%
Hsinchu Transportation Co., Ltd.	HCT Logistics Co., Ltd.	100.00%

(II) Major shareholders of the Company's major institutional shareholders

Apr 17, 2022

Name of Institutional Shareholders	Major Shareholders	%
Kerry Logistics Holdings (Taiwan) Limited	Kerry Logistics (Taiwan) Investments Limited	66.00%
HCT Logistics Co., Ltd.	Yeang Der Investment Co., Ltd.	39.94%
	Ruei-Jun Development and Investment Co., Ltd.	8.00%
	Ruei-Yao Investment Limited	6.18%
	Future Vision Management Limited, BVI	5.78%
	Memorial Foundation of Mr. Ching-The Hsu	5.77%
	Hsu, Shu-Wan	2.02%
	Shihlin Electric and Engineering Corporation	1.91%
	Cheng, Yu-Chuan	1.72%
	Employees' Welfare Committee of HCT Logistics Co., Ltd.	1.71%
	Chu-Da Co., Ltd.	1.29%

II. Disclosure of the information on the professional qualifications of the directors and the independence of the independent directors

April 17, 2022

Condition				The number of other listed companies in which a concurrent position as an independent director exists
	Name	Professional qualifications and experience ⁽¹⁾	Independence ⁽²⁾	
	Shen, Chung-Kui	Profession capability: Transportation Logistics Management / Shipping Management / Logistics Industrial experience: Shipping / Logistics / Warehousing / International Trade / Ocean Freight Transportation Forwarding Services	The representative of the Company and a director of an affiliated company, but not the spouse or a relative within the second degree of kinship of any supervisor or director of the Company or our affiliated companies; he, his spouse and minor children do not hold any shares of the Company by themselves or in the name of others. He is a director representative at the Company.	-
	Tong, Shao Ming	Professional capability: Law / Finance/M&A Industrial experience: Property / Logistics / Hotel / Marine Affairs / BOD Member Of Overseas Listed Companies / Practicing Lawyer In Hong Kong	Employees and directors of the Company's affiliated company, but not the spouse or a relative within the second degree of kinship of any supervisor or director of the Company or our affiliated companies; he (she), his (her) spouse and minor children do not hold any shares of the Company by themselves or in the name of others. He (She) is a director representative at the Company.	-
	Tse, Kai Chi	Professional capability: Financial Monitoring / Corporate Financing Planning / M&A / Long-Term Financial Planning Industrial experience: Property / Logistics / Hotel/ Marine Affairs / Practicing Lawyer In The UK		-
	Juan, Hui-Wen	Professional capability: Finance/Accounting / Related Regulations of Listed Companies Industrial experience: Land Transportation / Logistics/Warehousing / International Trade		-
	Hsieh, Wen-Chien	Professional capability: Law / Finance Industrial experience: Senior partner of a law firm	Not an employee of the Company or our affiliated company, and not the spouse or a relative within the second degree of kinship of any supervisor or director of the Company or our affiliated companies; she, her spouse and minor children do not hold any shares of the Company by themselves or in the name of others. She is a director representative at the Company.	-
	Chen, Tse-Tsung	Profession capability : Transportation Logistics Management Industrial experience: Land Transportation/Logistics	Employee of the Company or our affiliated company, and not the spouse or a relative within the second degree of kinship of any supervisor or director of the Company or our affiliated companies; he is a natural-person shareholder and has a shareholding, together with the shares held by his spouse, ranking in the top 10 in total holdings. He is an elected director of the Company.	-

Condition		The number of other listed companies in which a concurrent position as an independent director exists	
Name	Professional qualifications and experience ⁽¹⁾	Independence ⁽²⁾	
Kuo, Tsung-Hsiung	Professional capability: Theory and Practice of Company Act / Industrial Park Development and Management Industrial experience: Industrial Development And Management/Environmental Industry Development/BOD Member Of A Listed Company	Maintenance of independence within the execution scope of the Company's or affiliated company's business: He is not an employee nor the spouse or a relative within the second degree of kinship of any supervisor or director; he did not receive cumulative compensation exceeding NT\$500,000 in the most recent two years for the provision of commercial, legal, financial, accounting or related services.	-
Liu, Zou-Hsin	Professional capability: New Business Development In Greater China / Investment and Follow-Up Management or Disposal / Planned Financing / M&A / Listing Planning / Long-Term Financial Planning / Corporate Financing And Loans / Business Strategy Planning / Business Performance Analysis And Benefit Improvement / General Financial Management Industrial experience: R&D on renewable energy / Consulting on Financial Investments	Compliance with legal shareholding upper limit: He, his spouse and minor children do not hold any shares of the Company by themselves or in the name of others. To sum up, he has the independence to be elected as an independent director after checking all the relevant laws and regulations.	-
Lee, Ying-Chu	Professional capability: Business Strategy / Financial Management / Business Analysis and Accounting / Investment Industrial experience: Land Transportation / Logistics / Warehousing		-

Note:

(1) None of the Company's directors meets the requirements specified in Article 30 of the Company Act.

(2) Confirmation of the independence of the Company's independent directors: The Company received the statement of independence from each independent director when he/she was elected, and reviewed and confirmed the compliance with the qualifications required by the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Furthermore, Article 14-2 and 14-3 of the Securities and Exchange Act are abided by in this respect.

III. Diversification and independence of the Board of Directors

(I) Diversification of the Board of Directors

To improve the corporate governance and facilitate the development of the Board's composition and structure, the Company drew up policies in Article 20 of the "Corporate Governance Best Practice Principles" to diversify the board members. These policies specify that diversification shall be taken into account for the composition of the Board of Directors members and that the number of directors concurrently serving as the Company's managers may not be more than one-third of all director seats in the Board. The diversification policies shall be established based on the Company's operations, business mode and development requirements and shall include basic requirements and values (such as gender, age, nationality and culture), professional knowledge, skills and industry experience (such as law, accounting, industry, finance, marketing or technology). The members of the Board of Directors have practical experience in business administration, transportation, logistics, finance, and law and in other professional fields. They are of Taiwan, Singapore or British nationality. The Company has also focused on the gender equality in the composition of the board members. Currently, the 9 directors include 3 female directors, with a percentage of about 33%.

(II) Independence of the Board of Directors

To enhance the independence and function of the directors and improve the operation performance of the Board of Directors, the Company's Board of Directors has three independent directors occupying about 33% of the total BOD members. All the directors meet the requirements specified in Article 26-3, Paragraph 3 and 4 of the Securities and Exchange Act with respect to the independence of the directors. None of them is the spouse or a relative within the second degree of kinship of any other director.

Management Team

Apr 17, 2022

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Remark(s) (Note) ⁽¹⁾
					Shares	%	Shares	%	Shares	%			
CEO	R.O.C.	Shen, Chung-Kui ⁽²⁾	Male	2018.01.01	-	-	-	-	-	-	- Founder of Hong Kong Business Association in Taiwan Chairman of United Terminals Ltd., a subsidiary of Jardine Matheson Regional Operations Manager in Taiwan for U.S. Lines Inc. Bachelor's Degree, Navigation Management Dept., National Taiwan Ocean University Completed Dale Carnegie Course Training in San Francisco, USA Completed General Management Program at Ashridge College in London, UK Completed first-term graduate program in shipping management of the China Maritime Institute	Representative of subsidiaries Director of investee companies	
Integrated Logistics General Manager	R.O.C.	Chang, Kuo-Tien	Male	2019.08.14	11,000	-	31	-	0	-	- General Manager of Kerry TJ Logistics Main Operation Dept. Department of International Trade, National Chang-Hua Senior School of Commerce	Director of subsidiaries	
Finance and Administration General Manager	R.O.C.	Juan, Hui-Wen	Female	2014.09.01	0	-	0	-	0	-	- Director of Finance Division of Kerry TJ Logistics Co., Ltd. Manager of Finance Division of Kerry TJ Logistics Co., Ltd. Finance Division of Jardine Matheson Taipei Branch Master of Business Administration, National Taiwan University of Science and Technology Bachelor of Accountancy, Soochow University	Director, Supervisor of subsidiaries Director of investee companies	
Business Planning General Manager	R.O.C.	Wang, Ju-Peng	Male	2019.08.14	589,028	0.57%	578,417	0.12%	0	-	- General Manager of Kerry Pharma Logistics Co., Ltd. Master of Informantion Management, Da-Yeh Univeristy	Director of subsidiaries	
Information Technology General Manager	R.O.C.	Wu,Yu-Hsiang	Male	2020.07.01	0	-	0	-	0	-	- Deputy General Manager of Kerry TJ Logistics Co., Ltd. Information Division Bachelor of Information Management, Shih Chien University	None	
Business Planning Director	R.O.C.	Huang, Yu-Tsung	Male	2021.10.01	0	-	0	-	0	-	- General Manager of Kerry Express Co., Ltd. PhD of Busines Administration, National Central University	None	
Integrated Logistics Deputy General Manager	R.O.C.	Chen, Chun-Yi	Female	2021.12.01	0	-	0	-	0	-	- General Manager of Kerry TJ Logistics Marketing and Sales Master of Integrated Marketing Communications, Northwestern University	None	
Integrated Logistics Deputy General Manager	R.O.C.	Jiang, Guo-Xi	Male	2022.04.01	0	-	0	-	0	-	- Regional General Manager of Kerry TJ Logistics Operational Division of Central Region Department of Mechanical Engineering, United Industry Technical College	None	
Operational Division of Northern Region Regional General Manager	R.O.C.	Teng, De-Chang	Male	2022.04.01	0	-	0	-	0	-	- Regional General Manager of Kerry TJ Logistics Operational Division of Northern Region Department of Food Processing, Deh-Yu College of Nursing and Management	None	
Operational Division of Central Region Regional General Manager	R.O.C.	Lin, Shih-Mao	Male	2022.04.01	0	-	0	-	0	-	- General Manager of T.Join Transportation Co., Ltd. Open College Affiliated with National Taipei University of Business	None	
Operational Division of Southern Region Regional General Manager	R.O.C.	Liao, Chieh-Hua	Male	2021.05.01	0	-	0	-	0	-	- Station Manager of Kerry TJ Logistics Co., Ltd. Taichung Depot Department of Electronic Engineering, Kun Shan Institute of Technology	None	
General Affairs Division Senior Assistant General Manager	R.O.C.	Hu, Ming-Chang	Male	2021.01.22	0	-	0	-	0	-	- Assistant General Manager of Kerry TJ Logistics Co., Ltd. General Affairs Division Bachelor of Transportation Management, Tamkang University	Director, Supervisor of subsidiaries	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Remark(s) (Note) ⁽¹⁾
					Shares	%	Shares	%	Shares	%			
Human Resources Division Senior Assistant General Manager	R.O.C.	Hsu, Yao-Jen	Male	2022.01.24	0	-	0	-	0	-	Assistant General Manager of Kerry TJ Logistics Co., Ltd. Human Resources Division Master of Industrial Management, National Taiwan University of Science and Technology Master of Human Resource Development, National Kaoshiung University of Science and Technology	None	
Marketing and Sales Senior Assistant General Manager	R.O.C.	Chou, Tzu-Yang	Male	2022.04.01	0	-	0	-	0	-	Senior Assistant General Manager of Kerry Coffee Co., Ltd. Marketing and Sales Dept. Bachelor of Arts, Department of English Language and Literature, Soochow University	None	
Logistics Division Assistant General Manager	R.O.C.	Kuo, Tzu-Hsuan	Female	2021.11.01	0	-	0	-	0	-	Senior Manager of Kerry TJ Logistics Co., Ltd. LTL Division Bachelor of Economics, National Chengchi University	None	
LTL Division Assistant General Manager	R.O.C.	Chen, Chien-Chih	Male	2021.12.01	0	-	0	-	0	-	Senior Manager of Kerry TJ Logistics Co., Ltd. Information Technology Development Dept. Bachelor of Information Management, Chung Yuan Christian University	None	

Note:
(1) The company's general manager, deputy general manager, senior assistant general manager, heads of departments are not spouses or relatives within second or third degree of kinship.
(2) Due to the company's operational needs, Chairman Shen, Chung-Kui, concurrently serves as the company's chief executive officer. Mr. Shen will discuss with General Managers when making managerial decisions.

Remuneration of Directors, Independent Directors, Supervisors, General Manager and Deputy General Manager

I. Remuneration of to Directors and Independent Directors

Unit: NT\$ thousands

		Remuneration				Total Remuneration (A+B+C+D) and Ratio to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Total Compensation (A+B+C+D+E+F+G) and Ratio to Net Income (%)						
		Base Compensation(A)		Severance Pay(B)				Directors Compensation(C)		Allowances(D)		Salary, Bonuses, and Allowances(E)		Severance Pay (F)					Employee Compensation (G)			
Title	Name	All companies in the consolidated financial statements		Companies in the consolidated financial satements		Companies in the consolidated financial satements		Companies in the consolidated financial satements		Companies in the consolidated financial statements		Companies in the consolidated financial statements		Companies in the consolidated financial statements		The company		All companies in the consolidated financial statements		Companies in the consolidated financial statements		Remuneration from ventures other than subsidiaries or from the parent company
		The company		The company		The company		The company		The company		The company		The company		Cash	Stock	Cash	Stock	The company		
Director	Da Ji International Limited																					
Chairman	Da Ji International Limited Representative: Shen, Chung-Kui																					
Director	Da Ji International Limited Representative: Tong, Shao Ming ⁽²⁾																					
Director	Da Ji International Limited Representative: Tse, Kai Chi ⁽²⁾																					
Director	Da Ji International Limited Representative: Juan, Hui-Wen																					
Director	Da Ji International Limited Representative: Cheng, Chi-Wai ⁽²⁾	1,800	1,800	0	0	16,732	17,111	2,700	2,930	21,232 1.52%	21,841 1.57%	24,180	24,180	108	108	20	0	20	0	45,540 3.27%	46,257 3.31%	0
Director	Da Ji International Limited Representative: Hung, Wai-Shing ⁽²⁾																					
Director	Hsinchu Transportation Co., Ltd.																					
Director	Hsinchu Transportation Co., Ltd. Representative: Hsieh, Wen-Chien																					
Director	Chen, Tse-Tsung																					
Independent Director	Kuo, Tsung-Hsiung																					
Independent Director	Liu, Zou-Hsin																					
Independent Director	Lee, Ying-Chu																					

Note:

- (1) Proposed distribution of employees' compensation and remuneration of directors are refer to profit before tax without deducting employees' compensation and remuneration of directors in 2021, in accordance with the Articles of Incorporation.
- (2) Da Ji International Limited changed its representatives on September 3, 2021: Directors Tong, Shao Ming and Tse, Kai Chi took office, Directors Cheng, Chi-Wai and Hung, Wai-Shing resigned.

Range of Remuneration

Name of Directors			Name of Directors		
Total of (A+B+C+D)			Total of (A+B+C+D+E+F+G)		
Range of Remuneration	The company	Companies in the consolidated financial statements	Range of Remuneration	The company	Companies in the consolidated financial statements
Less than NT\$1,000,000	Shen, Chung-Kui / Tong, Shao Ming / Tse, Kai Chi / Juan, Hui-Wen / Hung, Wai-Shing / Cheng, Chi-Wai / Hsieh, Wen-Chien / Kuo, Tsung-Hsiung / Liu, Zou-Hsin / Lee, Ying-Chu	Shen, Chung-Kui / Tong, Shao Ming / Tse, Kai Chi / Juan, Hui-Wen / Hung, Wai-Shing / Cheng, Chi-Wai / Hsieh, Wen-Chien / Kuo, Tsung-Hsiung / Liu, Zou-Hsin / Lee, Ying-Chu	Less than NT\$1,000,000	Tong, Shao Ming / Tse, Kai Chi / Hung, Wai-Shing / Cheng, Chi-Wai / Hsieh, Wen-Chien / Kuo, Tsung-Hsiung / Liu, Zou-Hsin / Lee, Ying-Chu	Tong, Shao Ming / Tse, Kai Chi / Hung, Wai-Shing / Cheng, Chi-Wai / Hsieh, Wen-Chien / Kuo, Tsung-Hsiung / Liu, Zou-Hsin / Lee, Ying-Chu
NT\$1,000,000 ~ NT\$2,000,000	-	-	NT\$1,000,000 ~ NT\$2,000,000	-	-
NT\$2,000,000 ~ NT\$3,500,000	Hsinchu Transportation Co., Ltd. / Chen, Tse-Tsung	Hsinchu Transportation Co., Ltd. / Chen, Tse-Tsung	NT\$2,000,000 ~ NT\$3,500,000	Hsinchu Transportation Co., Ltd. / Chen, Tse-Tsung	Hsinchu Transportation Co., Ltd. / Chen, Tse-Tsung
NT\$3,500,000 ~ NT\$5,000,000	-	-	NT\$3,500,000 ~ NT\$5,000,000	-	-
NT\$5,000,000 ~ NT\$10,000,000	-	-	NT\$5,000,000 ~ NT\$10,000,000	-	-
NT\$10,000,000 ~ NT\$15,000,000	Da Ji International Limited	Da Ji International Limited	NT\$10,000,000 ~ NT\$15,000,000	Da Ji International Limited / Shen, Chung-Kui / Juan, Hui-Wen	Da Ji International Limited / Shen, Chung-Kui / Juan, Hui-Wen
NT\$15,000,000 ~ NT\$30,000,000	-	-	NT\$15,000,000 ~ NT\$30,000,000	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-	NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-	NT\$50,000,000 ~ NT\$100,000,000	-	-
Greater than or equal to NT\$100,000,000	-	-	Greater than or equal to NT\$100,000,000	-	-
Total	13	13	Total	13	13

II. Remuneration of the General Managers and Deputy General Managers

Unit: NTD\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances(C)		Employee Compensation (D)				Total Compensation (A+B+C+D) and Ratio to Net Income %			Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements		
			Cash		Stock		Cash	Stock							
Corporate Services CEO	Shen, Chung-Kui														
Integrated Logistics General Manager	Chang, Kuo-Tien														
Finance and Administration General Manager	Juan, Hui-Wen														
Business Planning General Manager	Wang, Ju-Peng														
Information Technology General Manager	Wu,Yu-Hsiang														
Corporate Services General Manager	Cheng, Hao-Tung ⁽²⁾														
Business Planning Director	Huang, Yu-Tsung														
Integrated Logistics Deputy General Manager	Chen, Chun-Yi	41,173	41,173	2,183	2,183	23,972	24,526	133	0	133	0	67,461 4.84%	68,016 4.88%		0
Integrated Logistics Deputy General Manager	Jiang, Guo-Xi														
Operational Division of Northern Region Regional General Manager	Teng, De-Chang														
Operational Division of Northern Region Regional General Manager	Huang, Chen-Yang ⁽³⁾														
Operational Division of Taoyuan and Hsinchu Region ⁽⁵⁾ Regional General Manager	Liao, Wen-Chang ⁽⁴⁾														
Operational Division of Central Region Regional General Manager	Lin, Shih-Mao ⁽⁴⁾⁽⁶⁾														
Operational Division of Southern Region Regional General Manager	Liao, Chieh-Hua ⁽⁷⁾														
Operational Division of Southern Region Regional General Manager	Lin, Chien-Liang ⁽⁷⁾														

Note:

- (1) Proposed distribution of employees' compensation and remuneration of directors are refer to profit before tax without deducting employees' compensation and remuneration of directors in 2021, in accordance with the Articles of Incorporation.
- (2) Corporate services general manager Cheng, Hao-Tung resigned as of November 5, 2021, served as CEO of affiliates Kerry Freight International Co., Ltd.
- (3) Regional general manager of operational division of northern region Huang, Chen-Yang resigned as of May 1, 2021, served as senior assistant general manager of subsidiaries T.Join Transportation Co., Ltd.
- (4) Regional general manager of operational division of Taoyuan and Hsinchu region Liao, Wen-Chang resigned as of May 1, 2021, served as General Manager of subsidiaries T.Join Transportation Co., Ltd.
- (5) Operational division of Taoyuan and Hsinchu region has been incorporated into operational division of northern region on April 1, 2022.
- (6) Regional general manager Lin, Shih-Mao has changed from operational division of Taoyuan and Hsinchu region to operational division of central region on April 1, 2022.
- (7) Regional general manager of operational division of southern region Lin, Chien-Liang resigned as of May 1, 2021, served as regional general manager of operational division of Taoyuan and Hsinchu region.

Range of Remuneration

Range of Remuneration	Name of General Manager and Deputy General Manager	
	The company	Companies in the consolidated financial statements
Less than NT\$1,000,000	Lin, Chien-Liang / Huang, Chen-Yang / Cheng, Hao-Tung	Lin, Chien-Liang / Huang, Chen-Yang / Cheng, Hao-Tung
NT\$1,000,000 ~ NT\$2,000,000	Liao, Chieh-Hua / Liao, Wen-Chang	Liao, Chieh-Hua / Liao, Wen-Chang
NT\$2,000,000 ~ NT\$3,500,000	Jiang, Guo-Xi / Huang, Yu-Tsung / Lin, Shih-Mao	Jiang, Guo-Xi / Huang, Yu-Tsung / Lin, Shih-Mao
NT\$3,500,000 ~ NT\$5,000,000	Chen, Chun-Yi / Teng, De-Chang / Wu, Yu-Hsiang	Chen, Chun-Yi / Teng, De-Chang / Wu, Yu-Hsiang
NT\$5,000,000 ~ NT\$10,000,000	Chang, Kuo-Tien / Wang, Ju-Peng	Chang, Kuo-Tien / Wang, Ju-Peng
NT\$10,000,000 ~ NT\$15,000,000	Shen, Chung-Kui / Juan, Hui-Wen	Shen, Chung-Kui / Juan, Hui-Wen
NT\$15,000,000 ~ NT\$30,000,000	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Greater than or equal to NT\$100,000,000	-	-
Total	15	15

Name and distribution of managers who distribute employee compensation

December 31, 2021 Unit: NTD\$ thousand

	Title	Name	Employee	Employee	Total	Ratio of Total Amount to Net Income (%)
			Compensation in Stock	Compensation in Cash		
Managers	CEO	Shen, Chung-Kui				
	Integrated Logistics General Manager	Chang, Kuo-Tien				
	Finance and Administration General Manager	Juan, Hui-Wen				
	Subsidiaries and Associates General Manager	Wang, Ju-Peng				
	Information Technology General Manager	Wu, Yu-Hsiang				
	Corporate Services Director	Huang, Yu-Tsung ⁽³⁾				
	Integrated Logistics Deputy General Manager	Chen, Chun-Yi				
	Operational Division of Northern Region Regional General Manager	Jiang, Guo-Xi	0	166	166	0.01%
	Operational Division of Taoyuan and Hsinchu Region Regional General Manager	Lin, Shih-Mao ⁽⁴⁾				
	Operational Division of Central Region Regional General Manager	Teng, De-Chang				
	Operational Division of Southern Region Regional General Manager	Liao, Chieh-Hua ⁽⁵⁾				
	General Affairs Division Senior Assistant General Manager	Hu, Ming-Chang ⁽⁶⁾				
	Finance and Accounting Division Senior Manager	Chen, Ya-Li				

Note:

(1) Proposed distribution of employees' compensation and remuneration of directors are refer to profit before tax without deducting employees' compensation and remuneration of directors in 2021, in accordance with the Articles of Incorporation.

(2) The position held by the managers on December 31, 2021.

(3) Seconded subsidiary Kerry Express as general manager, changed to corporate services as a director on October 1, 2021.

(4) Formerly the general manager of the subsidiary T.Join Transportation Co., Ltd., changed to operational division of Taoyuan and Hsinchu region as a regional general manager on May 1, 2021.

(5) Promoted on May 1, 2021.

(6) Promoted on January 22, 2022.

Comparison and analysis of the ratio of all the compensation paid to the directors, General Managers, and Deputy General Managers by the Company and all the companies in the consolidated statements of the last two years to the after-tax profit in the separate or individual financial statements; description of the relevance of the policy, standard and portfolio for payment of compensation and compensation determination procedure to business performance and future risks.

I. Ratio of Compensation to After-tax Profit

	2021		2020	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	3.27%	3.31%	2.82%	2.84%
General Manager and Deputy General Manager	4.84%	4.88%	4.30%	4.31%

II. Policy, Standard and Portfolio for Payment of Compensation, and Compensation Determination Procedure

(1) The percentage or range of employee and director compensation specified in the Company's Articles of Incorporation:

According to the Articles of Incorporation, annual profits concluded by the Company shall be subject to employee compensation of no less than 1% and director compensation of no more than 3%. However, the profits shall be first retained for any cumulative losses. The Remuneration Committee prepared and submitted a suggestion proposal with respect to the percentage of employee and director compensation to the Board of Directors for resolution and then reported the same to a shareholders' meeting in accordance with the regulations.

(2) The Remuneration Committee prepared a suggestion proposal with respect to transportation allowance for directors based on peer-level payment and submitted the same to the Board of Directors for resolution.

(3) The Remuneration Committee prepared a suggestion proposal for the compensation to the General Manager and Deputy General Manager according to the regulations regarding payment of compensation and submitted the same to the Board of Directors for resolution.

III. Relevance to Business Performance and Future Risks

(1) The compensation of directors has taken full account of the Company's annual business objectives, financial status and the duties of directors.

(2) The bonuses and remuneration of managers have taken full account of their professional competency, the Company's annual business performance and financial status.

Corporate Governance Operations

Information on the Board of Directors' Operations

There were 10 (A) board meetings held in the last year up to December 31, 2021. The directors attendance status is shown as follows, and the average attendance rate of the directors is 98.18%:

Title	Name	Attendance in Person (B)	Attendance by Proxy	In-person Attendance Rate (%) (B/A)(1)	Remark
Chairman	Representative of Da Ji International Limited Shen, Chung-Kui	10	-	100%	
Director	Representative of Da Ji International Limited Tong, Shao Ming	4	-	100%	Replacement of representative on 2021.09.03.
Director	Representative of Da Ji International Limited Tse, Kai Chi	4	-	100%	Replacement of representative on 2021.09.03.
Director	Representative of Da Ji International Limited Juan, Hui-Wen	10	-	100%	
Director	Representative of Hsinchu Transportation Co., Ltd. Hsieh, Wen-Chien	8	2	80%	
Director	Chen, Tse-Tsung	10	-	100%	
Independent Director	Kuo, Tsung-Hsiung	10	-	100%	
Independent Director	Liu, Zou-Hsin	10	-	100%	
Independent Director	Lee, Ying-Chu	10	-	100%	
Director	Representative of Da Ji International Limited Cheng, Chi-Wai	6	-	100%	Resignation of representative on 2021.09.03.
Director	Representative of Da Ji International Limited Hung, Wai-Shing	6	-	100%	Resignation of representative on 2021.09.03.

Other particulars:

1. The items listed in Article 14-3 of the Securities and Exchange Act and other resolutions with records or written statement, to which any objection or reservation was expressed by independent directors at board meetings shall specify the meeting date, session, proposal contents, opinions from all the independent directors, and the Company's handling of the said opinions:

(1) Items listed in Article 14-3 of the Securities and Exchange Act: None.

(2) In addition to the item mentioned above, other resolutions with records or written statement to which any objection or reservation was expressed by independent directors at board meetings: None.

2. In the event of directors' recusal due to any proposals involving their interests, the director's name, contents of the proposals, causes of the recusal, and participation in the voting process shall be clearly stated.

(1) Board meeting on January 28, 2021: The representatives and directors of Da Ji International Limited, Juan, Hui-Wen recused herself from the discussion and voting since she had personal interests regarding the assign of corporate governance officer.

(2) Board meeting on March 23, 2021: The representatives and directors of Da Ji International Limited, Shen Chung-Kui and Juan Hui-Wen recused themselves from the discussion and voting since they had personal interests regarding the manager pay adjust plan.

(3) Board meeting on May 7, 2021: The independent director Lee, Ying-Chu recused himself from the discussion and voting since he had personal interests regarding lift the non-competition restrictions.

3. Goals to reinforce the functions of the Board (e.g. establish an audit committee and improve information transparency) and the evaluation of the implementation thereof in the current and the most recent years.

(1) The Company resolved at the board meeting held on October 30, 2020 to establish the "Board of Directors Performance Evaluation Regulations". To implement company governance and improve the competency of Board of directors of the company, establish the implementation goal to improve efficiency of operation.

(2) Please refer to the "Implementation of Board of Directors Self-evaluation (or Peer Review) on Page 47".

4. Listed companies shall disclose the cycle, period, target, method, items and implementation of the Board’s self-evaluation (or peer review):
- (1) The company has established the audit committee and elected 3 independent directors on June, 2019, assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.
 - (2) The company has appointed Kuo, Tsung-Hsiung, Liu, Zou-Hsin and Li, Kuei-jung to members of 4th remuneration committee of the company on August, 2019, review the performance evaluation and remuneration policy, system, standards, and structure for directors and managers and periodically evaluate and establish the remuneration of directors and managers.
 - (3) The company has assigned the General Manager of the Finance and Administration, Juan, Hui-Wen, as the corporate governance officer on January 28, 2021, devoted in practice of company governance. The company will also compile and declare the ESG report in 2023, enforce the transparency of information disclosure, improve the business of the company and other related information.
 - (4) In order to guide the behavior of the company's directors and managers to comply with ethical standards, and make the stakeholders more aware of the company's ethical standards, the company Board of Directors approved the "Guidelines for the Codes of Ethical Conduct" on May 5, 2022.

Note: The in-person attendance rate (%) was calculated based on the number of board meetings held during the directors’ terms of service and their in-person attendance.

Implementation of Board of Directors Self-evaluation (or Peer Review)

The Company completed the 2021 Board of Directors performance evaluation according to the “Board of Directors Performance Evaluation Regulations”. The unit responsible for board meetings submitted the evaluation result to the board meeting held on March 10, 2022 after organization and analysis of the data and disclosed the result on the “ESG/Governance/Board of Directors (https://www.kerrytj.com/ZH/esg/governance/manage_boss5.aspx)” section of the Company’s website and Market Observation Post System.

Cycle	Once a year
Period	January 1, 2021 to December 31, 2021
Scope	The Board, respective board members and functional committees
Method	Self-evaluation of the Board and of the board members
Item	1. Board of Directors performance evaluation includes five major aspects: (1) Participation in the Company’s operation. (2) Improvement of the Board’s decision quality. (3) The Board’s composition and structure. (4) Directors election and continuing education. (5) Internal control. 2. Individual board member performance evaluation includes six major aspects: (1) Understanding of the Company’s goals and tasks. (2) Knowledge of directors’ duties. (3) Participation in the Company’s operation. (4) Internal relation maintenance and communication. (5) Directors’ professional qualification and continuous training. (6) Internal control. 3. Functional committee performance evaluation includes five major aspects: (1) Participation in the Company’s operation. (2) Knowledge of the functional committee members’ duties. (3) Improvement of the committee’s decision-making quality. (4) The committee’s composition and member election. (5) Internal control.
Result	1. Board of Directors performance evaluation: Good. 2. Individual board member performance evaluation: Good. 3. Functional committee performance evaluation: Good.

Audit Committee’s Operation

The Audit Committee was responsible for assisting the Board of Directors in performing its supervision responsibility and the tasks provided by the Company Act, the Securities and Exchange Act and other related laws and regulations.

Items audited by the Audit Committee include:

- Establishment or amendment to the internal control system
- Effectiveness of the Company’s internal control system
- Important accounting policy procedures
- Items involving directors’ personal interests
- Significant transactions related to assets, derivative products, loans of fund, endorsement or guarantees
- Offering, issuance, or private placement of equity-type securities
- Company’s financial statements
- Appointment, discharge and remuneration of CPAs
- Appointment and discharge of financial, accounting or internal audit officers

There were 7 (A) Audit Committee meetings held in the most recent year up to December 31, 2021. The independent directors attending the meetings are shown as follows, and the average attendance rate of the committee members is 100%:

Title	Name	Attendance in Person (B)	Attendance by Proxy	In-person Attendance Rate (%) (B/A) ⁽¹⁾	Remark
Convener	Kuo, Tsung-Hsiung	7	-	100%	
Member	Liu, Zou-Hsin	7	-	100%	
Member	Lee, Ying-Chu	7	-	100%	

Other Notes:

1. If the operations of the Audit Committee met any of the following circumstances, the meeting date, session, contents of proposals, resolutions made by the Audit Committee and the Company’s handling of the opinions thereof shall be clearly stated.

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

Date	Resolution	Implementations status
2021.01.27	1 Proposal for reviewing the budget for construction of the Xizhi depot.	All the proposals were adopted and submitted to the Board of Directors for resolution.
2021.03.19	1 Approving the 2020 annual consolidated and individual financial statement. 2 Approving the 2020 “Internal Control Statement.” 3 Approving the appointment of CPAs to audit the 2021 financial statement. 4 Proposal for increasing budget to reconstruct the Chongxin depot. 5 Proposal for increasing budget to construct the Xizhi depot.	All the proposals were adopted and submitted to the Board of Directors for resolution.
2021.05.06	1 Proposal for 2020 distribution of earnings.	All the proposals were adopted and submitted to the Board of Directors for resolution.
2021.08.05	1 Approving the 2021 audit fee for CPA.	All the proposals were adopted and submitted to the Board of Directors for resolution.
2021.11.04	1 Announcement of the change of the Company's CPA appointment in response to the auditing firm's internal management adjustment.	All the proposals were adopted and submitted to the Board of Directors for resolution.

- (2) In addition to the items mentioned above, other resolutions which were not passed by the Audit Committee but were approved by two thirds or more of all directors: None.

- 2 In the event of independent directors' recusal due to any proposals involving their interests, the independent director's name, contents of the proposals, causes of the recusal, and participation in the voting process shall be clearly stated.
- There were no such circumstances in the current year.
- 3 Discussion between independent directors, the internal audit officer and CPAs (including the important matters, methods and results of the discussion with respect to the Company's financial and operation position).
- (1) The internal audit officer will provide the audit report monthly and will explain the implementation and operations of the Company's internal control only to independent directors at the Audit Committee meeting quarterly. Relevant information was disclosed on the "ESG/Governance/Internal Audit (https://www.kerrytj.com/zh/esg/governance/internal_audit.html)" section of the Company's website.
- (2) The Company scheduled a meeting for our CPAs to have discussion regarding the Company's financial and operation position with independent directors in December 2021. Relevant information was disclosed on the "ESG/Governance/Audit Committee (<https://www.kerrytj.com/zh/esg/governance/AuditCommittee.html>)" section of the Company's website. In addition to the meetings, the independent directors may communicate with the CPAs through financial reports and various channels (such as phone or e-mail).

Note:

- (1) The in-person attendance rate (%) was calculated based on the number of Audit Committee meetings held during the independent directors' terms of service and their in-person attendance.

Corporate Governance Operations, Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and Reasons thereof

Item	Implementation Status			Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies and Reasons thereof
	Yes	No	Summary	
1 Does the Company establish and disclose a corporate governance best practice principle in accordance with the "Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies"?	V		The Company has established the "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies" and disclosed the same on the "Sustainable Development/Governance/Internal Rules (https://www.kerrytj.com/zh/esg/governance/manage_rules.html)" section of the Company's website.	None
2 Company's equity structure and shareholders' equity				
(1) Does the Company formulate internal operational procedures and deal with shareholders' suggestions, doubts, disputes and lawsuits in accordance with such procedures?	V		(1) In addition to the commission of a professional stock agency to process our stock affairs, the Company set up the "Corporate Governance Office" in 2020 to handle affairs related to corporate governance, including maintenance of the relationship with institutional and individual investors and provided contact information for our shareholders on the "Investor (https://www.kerrytj.com/zh/investorzone/invest.html)" section of the Company's website.	None
(2) Does the Company have a list containing the major shareholders who actually control the company and the persons who are their ultimate controllers?	V		(2) The Company has understood the shareholding of our directors, managers and major shareholders based on a shareholder register as of the last day for share transfer registration provided by the professional stock agency, controlled the shareholding of the major shareholders according to the changes in insiders' shareholding reported monthly and uploaded these information to the Market Observation Post System for investors' reference.	
(3) Does the Company establish and implement risk control and firewall system between the Company and its affiliates?	V		(3) The Company established related management rules to control the loans of fund, endorsement and guarantees between the Company and our affiliates and set a supervision system for internal rules and internal control system.	
(4) Does the Company set any internal regulations to forbid insiders to use the information not yet disclosed to the market to trade in securities?	V		(4) The Company formulated the "Procedures for Handling Internal Material Information and Performing Insider Trading Prevention Management" in our internal rules and disclosed the same on the "Sustainable Development/Governance/Internal Rules (https://www.kerrytj.com/zh/esg/governance/manage_rules.html)" section of the Company's website, which prohibit our directors, managers, all employees and any persons informed any news of the Company based on their occupations or through control relationship from having any behavior that may be involved with any insider trading and promoted the regulation on a regular basis.	

Corporate Governance Operations, Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and Reasons thereof

Item	Implementation Status			Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies and Reasons thereof
	Yes	No	Summary	
3 Composition and responsibilities of the Board of Directors				None
(1) Has the Board of Directors established diversity policies and concrete management goals and implemented them properly?	V		(1) Implementation status of the Company's diversity policies and concrete management goals: 1 Diversity policy for directors To strengthen corporate governance and facilitate the development of the Board's composition and structure, the Company drew up policies in Article 20 of the "Corporate Governance Best Practice Principles" to diversify the board members. These policies specify that diversification shall be taken into account for the composition of the Board of Directors members and that the number of directors concurrently serving as the Company's managers may not be more than one-third of all director seats in the Board. The diversification policies shall be established based on the Company's operations, business mode and development requirements and shall include basic requirements and values (such as gender, age, nationality and culture), professional knowledge, skills and industry experience (such as law, accounting, industry, finance, marketing or technology). 2 Concrete management goals In consideration of specialization and diversification, the Company appointed 9 directors (including 3 independent directors) having practical experience in business administration, transportation, logistics, finance, and law and in other professional fields. They are of Taiwan, Singaporean or British nationality. The Company has also focused on the gender equality in the composition of the board members. Currently, the 9 directors included 3 female directors, with a percentage of about 33%. The Company disclosed the diversification of the Board of Directors on the "Sustainable Development/Governance/Board of Directors/Diversification of Directors (https://www.kerrytj.com/zh/esg/governance/manage_boss.html)" section of the Company's website.	

Corporate Governance Operations, Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and Reasons thereof

		Implementation Status			Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies and Reasons thereof																																																																																																																																																																													
Item		Yes	No	Summary																																																																																																																																																																														
3	Implementation status of the diversification of the Board members																																																																																																																																																																																	
	A total of 9 directors, including 6 regular and 3 independent members, were appointed for the 21st Board of Directors of the Company. The diversification is described below:																																																																																																																																																																																	
		<table> <tr> <th rowspan="4">Diversification Core Item</th><th colspan="6">Basic composition</th><th colspan="5">Professional ability and industrial experience</th></tr> <tr> <th rowspan="3">Name</th><th rowspan="3">Nationality</th><th rowspan="3">Gender</th><th rowspan="3">Has employee status</th><th colspan="2">Age</th><th rowspan="3">Length of office of independent director</th><th rowspan="3">Business judgment</th><th rowspan="3">Accounting and finance</th><th rowspan="3">CIS management operation and management</th><th rowspan="3">Industrial knowledge</th><th rowspan="3">International market outlook</th><th rowspan="3">Leadership</th><th rowspan="3">Law</th></tr> <tr> <th rowspan="2">41-51</th><th colspan="9" rowspan="2">50-60</th></tr> <tr> </tr> <tr> <td></td><td>Shen, Chung-Kui</td><td>ROC</td><td>Male</td><td>V</td><td></td><td></td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr> <tr> <td></td><td>Tong, Shao Ming</td><td>Singapore</td><td>Female</td><td></td><td>V</td><td></td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr> <tr> <td></td><td>Tse, Kai Chi</td><td>UK</td><td>Male</td><td></td><td></td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr> <tr> <td></td><td>Juan, Hui-Wen</td><td>ROC</td><td>Female</td><td>V</td><td></td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr> <tr> <td></td><td>Hsieh, Wen-Chien</td><td>ROC</td><td>Female</td><td></td><td></td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td></tr> <tr> <td></td><td>Chen, Tse-Tsung</td><td>ROC</td><td>Male</td><td></td><td></td><td></td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr> <tr> <td></td><td>Liu, Zou-Hsi</td><td>ROC</td><td>Male</td><td></td><td></td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr> <tr> <td></td><td>Kuo, Tsung-Hsiung</td><td>ROC</td><td>Male</td><td></td><td></td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td></tr> <tr> <td></td><td>Lee Ying-Chu</td><td>ROC</td><td>Male</td><td></td><td>V</td><td></td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr> </table>					Diversification Core Item	Basic composition						Professional ability and industrial experience					Name	Nationality	Gender	Has employee status	Age		Length of office of independent director	Business judgment	Accounting and finance	CIS management operation and management	Industrial knowledge	International market outlook	Leadership	Law	41-51	50-60										Shen, Chung-Kui	ROC	Male	V			V		V	V	V	V	V	V		Tong, Shao Ming	Singapore	Female		V				V	V	V	V	V	V		Tse, Kai Chi	UK	Male			V			V	V	V	V	V	V		Juan, Hui-Wen	ROC	Female	V		V			V	V	V	V	V	V		Hsieh, Wen-Chien	ROC	Female			V			V	V	V		V	V		Chen, Tse-Tsung	ROC	Male				V		V	V	V	V	V	V		Liu, Zou-Hsi	ROC	Male			V		V	V	V	V	V	V	V		Kuo, Tsung-Hsiung	ROC	Male			V		V	V	V	V		V	V		Lee Ying-Chu	ROC	Male		V		V		V	V	V	V	V	V	
Diversification Core Item	Basic composition							Professional ability and industrial experience																																																																																																																																																																										
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	Tse, Kai Chi	UK	Male			V			V	V	V	V	V	V																																																																																																																																																																				
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	Hsieh, Wen-Chien	ROC	Female			V			V	V	V		V	V																																																																																																																																																																				
	Chen, Tse-Tsung	ROC	Male				V		V	V	V	V	V	V																																																																																																																																																																				
	Liu, Zou-Hsi	ROC	Male			V		V	V	V	V	V	V	V																																																																																																																																																																				
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	Lee Ying-Chu	ROC	Male		V		V		V	V	V	V	V	V																																																																																																																																																																				
4	Implementation of Diversification and Independence Goals of the Board of Directors																																																																																																																																																																																	
	<table> <tr> <th rowspan="2">Diversification goals</th><th rowspan="2">Proportion of Directors Who Also Employees</th><th colspan="2">Independence</th><th rowspan="2">Proportion of Female Directors</th><th rowspan="2">Industrial Experience / Professional Capability</th></tr> <tr> <th>Proportion of Independent Directors</th><th>Term Years of Independent Directors</th></tr> <tr> <td>Implementation</td><td>22%</td><td>33%</td><td>All serve no more than three consecutive terms</td><td>33%</td><td>Experience in business management, transportation and logistics, finance and law, etc. or in professional fields respectively</td></tr> <tr> <td>Summary</td><td>No more than 1/3 of the number of directors eligible to serve as a company manager</td><td>The number of independent directors has not be less than 2, and the number of directors has not be less than 1/5</td><td>Strengthen the functions and independence of independent directors</td><td>Pay attention to gender equality in the composition of board members, with female directors accounting for 1/3</td><td></td></tr> </table>		Diversification goals	Proportion of Directors Who Also Employees	Independence		Proportion of Female Directors	Industrial Experience / Professional Capability	Proportion of Independent Directors	Term Years of Independent Directors	Implementation	22%	33%	All serve no more than three consecutive terms	33%	Experience in business management, transportation and logistics, finance and law, etc. or in professional fields respectively	Summary	No more than 1/3 of the number of directors eligible to serve as a company manager	The number of independent directors has not be less than 2, and the number of directors has not be less than 1/5	Strengthen the functions and independence of independent directors	Pay attention to gender equality in the composition of board members, with female directors accounting for 1/3																																																																																																																																																													
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(2)	Does the Company voluntarily set up other similar functional committees in addition to the Compensation Committee and Audit Committee established according to the law?	V			(2) The Company has set up the Audit Committee and Compensation Committee to assist the Board of Directors in performing related business and continuously facilitate the Company's corporate governance.	Please describe in summary																																																																																																																																																																												

Corporate Governance Operations, Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and Reasons thereof

Item	Implementation Status			Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies and Reasons thereof
	Yes	No	Summary	
(3) Does the Company formulate board of directors performance evaluation regulations and the methods of the evaluation, carry out the performance evaluation yearly and regularly, report the result thereof to the board of directors, and use the result as a reference for individual directors' compensation and nomination/ renewal.	V		(3) The Company's Board of Directors Performance Evaluation Regulations and evaluation procedure: 1 The Company resolved at the board meeting held on October 30, 2020 to establish the "Board of Directors Performance Evaluation Regulations" and disclosed the Regulations on the Company's website and Market Observation Post System. The Regulations specify that the Board of Directors shall carry out internal board performance evaluation at least once a year and external performance evaluation once every three years. 2 The result of the Company's 2021 board performance evaluation showed great board performance in all aspects and was submitted and reported at the board meeting held on March 10, 2022. (Please refer to the "Implementation of Board of Directors Self-evaluation (or Peer Review) on Page 47".) 3 Annual director performance evaluation results shall serve as a reference for individual director compensation and director nomination.	None
(4) Does the Company assess the CPAs' independence on a regular basis?	V		(4) The Finance and Accounting Division of the Company establishes the assessment items pursuant to No. 10 "Integrity, Objectivity and Independence" in the Bulletin of Norms of Professional Ethics for Certified Public Accountant of the Republic of China. It assesses the independence and competence of the CPAs once a year and submit the results to the Board of Directors for discussion and resolution. The 2021 assessment results of the CPAs' independence and their declarations were reviewed and approved by the Board of Directors on March 23, 2021.	None

Corporate Governance Operations, Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and Reasons thereof

Item	Implementation Status			Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies and Reasons thereof
	Yes	No	Summary	
4 Does the Company appoint an appropriate number of competent corporate governance personnel and a corporate governance head to handle corporate governance affairs (including but not limited to providing our directors and supervisors materials necessary for them to perform their duties, assisting the directors and supervisors with compliance with the laws, organizing board meetings and shareholders' meetings in accordance with the laws, and preparing meeting minutes for the board meetings and shareholders' meetings)?	V		(1) The Company set up the "Corporate Governance Office" in 2020 to handle corporate governance affairs. The Office is mainly responsible to: 1 Establish effective corporate governance systems to implement legal compliance and improve internal management. 2 Handle affairs related to shareholders' meetings, board meetings and functional committee meetings. 3 Carry out corporate governance evaluation and board performance evaluation yearly. (2) The Company resolved at the board meeting held on January 28, 2021 to assign the General Manager of Finance and Administration, Hui-Wen Juan, as the corporate governance head, who has more than eight years of experience in finance, stock affair and procedure management in public listed companies.	None
5 Does the Company have communication channels in place for stakeholders (including but not limited to shareholders, employees, clients and suppliers), set a stakeholder engagement section on the company's website, and make appropriate responses to important CSR issues concerned by the stakeholders?	V		The Company has set up the "Sustainable Development/ Stakeholder (https://www.kerrytj.com/zh/esg/stakeholders/sustainable_stakeholder.html)" section on the official website to provide stakeholders' issues raised thereby and corresponding contact information to maintain smooth and timely communication channels. A labor-management meeting was held every quarter on a regular basis to discuss and follow up the issues raised by the representatives of the union and respond to every proposals of the employees appropriately.	None
6 Does the Company commission any professional stock agency to handle shareholders' meeting affairs?	V		The Company commissioned "SinoPac Securities Corporation" to handle shareholders' meeting affairs.	None
7 Information Disclosure				
(1) Does the Company create a website to disclose its financial business and corporate governance information?	V		(1) The Company has set up a website (www.kerrytj.com) and disclosed the information about the corporate governance, business and finance of the Company on the "Investor" and "Sustainable Development" sections.	None

Corporate Governance Operations, Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and Reasons thereof

Item	Implementation Status			Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies and Reasons thereof
	Yes	No	Summary	
(2) Has the company adopted other means to disclose information (e.g. creating an English website, assigning a dedicated person to collect and disclose company information, implementing a spokesperson system, broadcasting institutional investor conferences via the company's website)?	V		(2) The Company has dedicated personnel to collect related information, appointed a spokesperson and a proxy thereof to make statements on behalf of the Company, provided required information to investors, and disclosed information related to institutional investor conferences and shareholders' meetings in both Chinese and English on our website.	None
(3) Does the Company announce and submit annual financial statements within 2 months after the end of a fiscal year and announce and submit Q1, Q2 and Q3 financial statements and the operations of each month early before the deadline?	V		(3) The Company has not announce and submit annual financial statements within 2 months after the end of a fiscal year and announce and submit Q1, Q2 and Q3 financial statements and the operations of each month early before the deadline.	None
8 Does the Company have other important information that enables a better understanding of its corporate governance operations (including but not limited to employees' rights and benefits, employee care, investor relations, supplier relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policies, and insuring against liabilities of company's directors and supervisors)?	V		(1) Employees' rights and benefits: Subject to the Labor Standards Act and the Company's personnel regulations. (2) Employee care: We have commissioned good medical institutions to carry out annual medical check-ups for our employees. (3) Investor relations: The Company has regularly disclosed our financial, business and material information on the Market Observation Post System and the Company's website to enable our investors to understand the Company's business development. At least two institutional investor conferences are held every year for this purpose.	

Corporate Governance Operations, Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and Reasons thereof

Implementation Status					Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies and Reasons thereof																																											
Item	Yes	No	Summary																																													
(4) Continuing education of directors in 2021:					None																																											
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	(5) Insuring against liabilities of directors and supervisors: The Company took out liability insurance for our directors and submitted it to the Board of Directors on November 5, 2021.																																															

Corporate Governance Operations, Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and Reasons thereof

Implementation Status				Nonconformities to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies and Reasons thereof
Item	Yes	No	Summary	
Please describe the made improvements based on the corporate governance evaluation results announced by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent and propose enhancement measures for any issues that have not yet been rectified.				
The Company's descriptions of the improvements that have been made and the issues that have not yet been rectified based on the 8th corporate governance evaluation results in 2021 are as follows:				
(1) Maintain shareholders' equity and equal treatment to shareholders				
1 The Company uploads the English version of the meeting handbook and supplementary meeting materials 30 days prior to the annual meeting of shareholders, and the English version of the annual report 7 days prior to this meeting.				
2 The Company's Board of Directors resolved on January 28, 2021 to approve the amendments of the "Procedures for Handling Internal Material Information and Performing Insider Trading Prevention Management" and disclosed the amended regulations on the "Sustainable Development/Governance/Internal Rules (https://www.kerrytj.com/zh/esg/governance/manage_rules.html)" section of the Company's website "Investors/Corporate Governance" section of the Company's website. These internal regulations prohibit our directors, employees and other insiders from using the information unavailable in the market to gain profits.				
(2) Enhance the Board's structure and operations				
The Company reports the operations of the corporate governance to the Board of Directors on a regular basis every year, including the risk management, intelligent property management, and ethical management of the business.				
(3) Improve information transparency				
The Company announces the midterm financial reports earlier than the deadline required by the law and discloses the written materials in English version within the time frame required by the evaluation indicators.				
(4) Implement corporate social responsibilities				
The Company set up the ESG Sustainability Report Compilation Group in 2021 and planned to establish the "Corporate Sustainability Committee" in 2022. In addition to publishing the corporate sustainability report every year pursuant to the relevant laws and regulations, we will continuously communicate with stakeholders regarding the environment, society, governance and economy respects of the Company, implement the tasks related to the corporate sustainability development, and review the implementation results on a regular basis.				

Operations of the Remuneration Committee

I. Committee Members' Information of the Remuneration Committee

Title	Name	Criteria		Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
		Professional Qualification and Experience	Independent Criteria ⁽¹⁾	
Independent Director (Convener)	Kuo, Tsung-Hsiung	Professional capability: Theory and Practice of Company Act / Industrial Park Development and Management Industrial experience: Industrial Development And Management/ Environmental Industry Development/BOD Member Of A Listed Company	Maintenance of independence within the execution scope of the Company's or affiliated company's business: He is not an employee nor the spouse or a relative within the second degree of kinship of any supervisor or director; he did not receive cumulative compensation exceeding NT\$500,000 in the most recent two years for the provision of commercial, legal, financial, accounting or related services.	-
Independent Director	Liu, Zou-Hsin	Professional capability: New Business Development In Greater China / Investment and Follow-Up Management or Disposal / Planned Financing / M&A / Listing Planning / Long-Term Financial Planning / Corporate Financing And Loans / Business Strategy Planning / Business Performance Analysis And Benefit Improvement / General Financial Management Industrial experience: R&D on renewable energy / Consulting on Financial Investments	Shareholding and independence: He, his spouse and minor children do not hold any shares of the Company by themselves or in the name of others. To sum up, he has the independence to be elected as a member of the Compensation Committee after checking all the relevant laws and regulations.	-
Others	Li, Kuei-Jung	Professional capability: Business consultant Industrial experience: Insurance broker		-

Note:
The Compensation Committee does not meet the requirements specified in Article 30 of the Company Act and meets the independence required by Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".

II. Attendance of Members at Remuneration Committee Meetings

- (1) There are 3 members in the Remuneration Committee.
- (2) The current term of the Committee is from June 29, 2019 to June 28, 2022. A total of 2 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate(%) (B/A) ⁽¹⁾	Remarks
Convener	Kuo, Tsung-Hsiung	2	-	100.00%	
Committee Member	Liu, Zou-Hsin	2	-	100.00%	
Committee Member	Li Kuei-Jung	2	-	100.00%	
Other Notes :					
1 If the board declines to adopt or modifies a recommendation of the Remuneration Committee, the date of the meeting, session, proposal content , board resolutions , and the Corporate’s response to the Remuneration Committee should be recorded.: None.					
2 Other instances where committee members expressed objections or reservations on record or through written opinions regarding Remuneration Committee proposals, and date of said Remuneration Committee meeting, session, proposal content, opinions of all committee members, and response to committee member opinions: None.					
Note:					
(1) The in-person attendance rate (%) was calculated based on the number of Remuneration Committee meetings held during the committee members' terms of service and their in-person attendance.					

III. Major Resolution of Remuneration Committee in the most recent year up to the publication date of this annual report

Date	Resolution	Implementations status
2021.03.19	1 The distribution of employee compensation and remuneration of directors in 2020. 2 Managers annual salary adjustment plan.	All the proposals were adopted and completely implemented in accordance with the result of the resolution.
2021.11.04	1 Reviewing the policy, system, standard and structure of the performance evaluation and compensation of directors and managers. 2 Distribution of managers’ year-end bonuses plan in 2021. 3 Discussion the annual plan of remuneration committee in 2022.	All the proposals were adopted and completely implemented in accordance with the result of the resolution.

IV. The duties of the Remuneration Committee are as follows

- (1) Establish and periodically review the performance evaluation and remuneration policy, system, standards, and structure for directors and managers.
- (2) Periodically evaluate and establish the remuneration of directors and managers.

Sustainable Development Implementation Status, Nonconformities to the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons thereof

Item	Implementation status			Nonconformities to the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof
	Yes	No	Summary	
1 Has the Company established a governance framework for the implementation of the sustainable development and set up a dedicated (concurrent) department for the implementation of the sustainable development? Does the Board of Directors authorize the top management to deal with this matter? How does the Board of Directors execute its supervision?	V		The Company implements the corporate sustainability with human as the basis and is dedicated to address the impact of the climate change based on our sound corporate governance system. We also participate in public welfare events on an ongoing basis. (Refer to Page 17 for the fulfillment of our corporate social responsibility.) In addition to establishment of the ESG Sustainability Report Compilation Group in 2021, we will continuously make our corporate governance framework more complete and set up the Corporate Sustainability Committee in 2022. We report on the related sustainable operating strategies, management guidelines and implementation status to the Board of Directors on a regular basis every year.	None
2 Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operation and establish relevant risk management policies or strategies based on the principle of materiality?	V		The Company listed 21 ESG issues relevant to Kerry TJ Logistics by following the GRI sustainability context and the principles of stakeholder inclusiveness and completeness with reference to the sustainable development trend, important domestic and international ESG issues, and relevant regulations and standards. We also distributed questionnaires to stakeholders of the Company to assess the risk impact of each issue on the environment, society, and corporate governance related to the operations of the Company, and identified and sorted material issues as a basis for the establishment/ amendment of the risk management policies relevant to the Company's operations.	None
3 Environmental issue				
(1) Has the Company established environmental policies suitable for the Company’s industrial characteristics?	V		(1) The Company is engaged in land transportation and dedicated to saving energy in offices and at each station. In addition to implementing the energy, electricity and water saving measures in its operations, we keep an eye on the overall conditions of the workplace and the surroundings at any time and continuously pay close attention to the normal operations of the Company's building/vehicles/facilities set up at the station and conduct cleaning and maintenance on a regular basis. We have acquired the ISO9001 quality management certificate, improved the overall environmental performance, and reduced the negative risk. Measures to ensure well-controlled temperature as well as safe and hygienic stations and transport vehicles are taken for low-temperature food business to comply with GHP requirements.	None

Sustainable Development Implementation Status, Nonconformities to the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons thereof

Item	Implementation status			Nonconformities to the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof
	Yes	No	Summary	
(2) Has the Company been dedicated to improving the energy efficiency and using the renewable materials that have low impact on the environment?	V		(2) In addition to the implementation of an electronic billing system, an electronic signature mode and an internal electronic submission mechanism, we promote the paper recycling awareness and proactively implement paperless operations. The lighting fixtures at the workplaces have been replaced with energy saving and low power consuming devices. Solar panels have been installed at the new factories and stations and waste pallets have been recycled to thoroughly implement the green logistics policy of the Group. We participate in the "Private Enterprise and Group Green Procurement Plan" of the Environmental Protection Administration, Executive Yuan, and take positive measures to support the green procurement practice. We also introduce the products that meet the requirements of the green procurement label and increase the green procurement amount every year. IConforming recycled tires are carefully selected for heavy duty trucks to meet the environmental requirement of resources recycle and make a contribution to the resources on the planet.	None
(3) Has the Company assessed the current and future potential risk and opportunity of the climate change for the Company?	V		(3) Kerry TJ Logistics positively faces the impact of climate change. In addition to using environmentally-friendly refrigerant for the freezing equipment and cooling system of the warehouses at the stations, the Company has set the goal to acquire the EEWH green building label for all of our new operating buildings since 2016 to support the policies of the government in energy saving, carbon reduction and green buildings. We eliminate old transport equipment and replace them with new ones every year based on the features of the industry to reduce the impact of the exhaust on the environment. We have introduced vehicles in line with Phase 6 of the environmental protection regulations in Europe from 2021. In addition to hybrid trucks, we purchased brand-new commercial electric trishaws to reduce the fuel consumption and demand. We established an autonomous exhaust management fleet and acquired the qualification label for it in the hope to reduce the smoke and carbon emissions.	Please described in summary

Sustainable Development Implementation Status, Nonconformities to the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons thereof

Item	Implementation status			Nonconformities to the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof
	Yes	No	Summary	
(4) Did the Company gather statistics of the greenhouse gas emission, water consumption and the gross weight of the waste in the past two years and establish the policies for reduction of greenhouse gas emission and water consumption or other waste management policies?	V		(4) To achieve the goals of energy saving, carbon reduction, and GHG minimization, we proactively made investment in the development of the "Route Optimization System" to reduce the fuel consumption for distribution of cargos to thoroughly implement the green logistics policy. Since 2017, we have collected the data of driving mileage; refrigerant; usage of electricity, fuel and water; working hours; and weight of waste, and analyzed them on a monthly basis. With these data, we prepared for calculation of the GHG emissions. To cooperate with the government to achieve Net Zero Emission policy in 2050, and according to "Listed Company Sustainability Roadmap", we launched the organization-based GHG inventory certification and counselling project (ISO 14064-1) in 2022 to acquire the GHG carbon emission inventory statement certification.	Please described in summary
4 Social issue				None
(1) Does the Company develop management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		(1) The Company fulfills the corporate social responsibility, protect the basic human rights of the employees, and follows the labor related regulations of the government to establish the policies of human rights applicable to the Company and implement them on the organizational level in the hope to fulfill our responsibility of respecting and protecting human rights.	
(2) Does the Company establish and implement proper employee welfare measures (including the salary, holidays and other welfare) and reflect the corporate business performance or achievements in the employee remuneration?	V		(2) We have established sound employee welfare measures. Please refer to Page 109 for more information on employee welfare measures, further education, training, pension system and their implementation status.	

Sustainable Development Implementation Status, Nonconformities to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and Reasons thereof

Item	Implementation status			Nonconformities to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons thereof
	Yes	No	Summary	
(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		(3) We set up a safety and health office for dissemination and control of labor safety and health matters. In addition to conducting regular risk assessment of maternal health at the workplace to protect the rights of female laborers, we provide employees with a safe and healthy work environment and arrange for a physician to provide regular on-site health consulting services pursuant to the requirements of the laws. We arrange employees to take physical examination every year on a regular basis. In addition to the regular fire safety inspection at business premises, we implement the work-from-home policy, arrange employees to come to the office at different time, and sterilize the workplace on a regular basis to provide employees with safe work environment.	
(4) Does the Company have an effective career capacity development training program established for the employees?	V		(4) To enhance the career capacity of the employees and improve their professional knowledge and skill, we establish the "Regulations on Implementation and Management of Education and Training" and the "External Training Management Regulations". In addition to the regular orientation training and irregular external training, we establish a comprehensive training system based on our talent training and development strategies to provide various digital learning courses and make the talent training system more complete by a systematic mechanism.	
(5) Does the Company have related consumer or customer interest protection policies and complaint procedures established for the issues of customer health and safety, client privacy, marketing and labeling of the products and services in accordance with related laws and regulations and international standards?	V		(5) The services we provide comply with relevant laws and international regulations. We also provide consumers with adequate complaint channels and procedures.	

Sustainable Development Implementation Status, Nonconformities to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and Reasons thereof

Item	Implementation status			Nonconformities to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons thereof
	Yes	No	Summary	
(6) Does the Company establish supplier management policies and require them to follow relevant regulations on the issues of environmental protection, occupational safety and health, or labor rights? How about the implementation?	V		(6) The Company establishes the "Supplier Selection Management Regulations" and other related regulations on the management and selection of suppliers, standard procurement procedures, and annual supplier assessment. We are dedicated to the improving the safety in the supply chain, following laws and regulations strictly, enhancing the communication of the information on supply chains, and increasing the safety performance of the supply chain. Hence, suppliers shall act in line with the supply chain safety policy announcement of the Company, sign the "Supplier Safety Assessment Form" and "Policy Notice" and undertake that they have the safety management capability in the control of their own supply chains, assets, personnel and information in the hope to jointly follow the regulations on occupational safety and labor rights.	
5 Does the Company prepare the corporate sustainability report or other reports that disclose non-financial information of the Company with reference to internationally accepted report preparation guidelines or guides? Does any third-party assurance or verification opinion is acquired for the above-mentioned reports?		V	The Company commissioned a professional consulting team to plan and set up a corporate sustainability report compilation group in 2021. The first corporate sustainability report compiled pursuant to the latest GRI standards, SASB standards, and TCFD framework will be published in 2023.	Please describe in summary
6 If the Company has established its own sustainable development best practice principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," specify any discrepancies between the implementation and the principles established by the Company: The Company is dedicated to implement its sustainable development practice in accordance with the established "Corporate Sustainable Development Best Practice Principles" and there are no substantial discrepancies.				
7 Other information useful for understanding the implementation of the sustainable development:				
1 Please refer to Page 17 or the official website of the Company.				
2 In 2021, a professional consultant team has been appointed to guide the company to publish ESG report every year by following GRI, SASB, and other standards from 2023 onwards. The company's ESG information is initially disclosed under the SASB standard indicators as follows: (SASB standard: Disclosing ESG issues that may affect the company's financial position and operating performance)				

SASB Topics Disclosure (This content is compiled with Kerry TJ Logistics Co., Ltd. as the main body, and its subsidiaries are not included in the scope of the disclosure.)

SASB Code	Activity Metric	Category	Response/Comment
Disclosure Topic: Greenhouse Gas Emissions			
TR-RO-110a.1	Gross Global Scope 1 emissions	Quantitative	As the company will re-appoint an external consultant in 2021 to assist in the inventory of greenhouse gas emissions 2021, the data will be completed in June 2022 and will be disclosed on the official website.
TR-RO-110a.2	Discussion of long-term and short-term strategies and plans to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	In the face of climate change, the company implements greenhouse gas reduction by promoting green logistics and low-carbon warehousing, creating positive environmental benefits. In addition, the company has been conducting greenhouse gas inventory since 2018, and the relevant information will be used as a reference for the company's greenhouse gas reduction plan, and the company will continue to monitor and compare the company's greenhouse gas emissions. <u>Green Logistics</u> • Import path optimization and scheduling management system • Promote electronic receipt of documents • Replacing old operating vehicles with new ones • Purchase of electric trucks and electric tricycle <u>Low-carbon warehousing</u> • Obtain green building certificates • Construction of solar energy equipment • Imported low-carbon smart management system for warehousing • Introduce electric moving equipment
TR-RO-110a.3	(1) Total fuel consumed (2) Percentage natural gas (3) Percentage renewable	Quantitative	Relevant data has not been collected and will not be disclosed this year.
Disclosure Topic: Air Quality			
TR-RO-120a.1	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O) (2) SO _x (3) Particulate matter (PM ₁₀)	Quantitative	Relevant data has not been collected and will not be disclosed this year.

SASB Code	Activity Metric	Category	Response/Comment
Disclosure Topic: Driver Working Conditions			
TR-RO-320a.1	(1) Total recordable incident rate (TRIR) and (2) Fatality rate for: a. Direct employees b. Contract workers	Quantitative	(1) 1.97 per 200,000 working hours (2a) 0 per 200,000 working hours (2b) 0 per 200,000 working hours
TR-RO-320a.2	(1) Voluntary and (2) Involuntary turnover rate for all employees	Quantitative	(1) 25.36% (2) 0.07%
TR-RO-320a.3	Description of approach to managing short-term and long-term driver health risks	Discussion and Analysis	The company's health management for drivers is carried out in accordance with the occupational safety and health management measures and relevant subsidiary regulations and guidelines, including: • Abnormal workload promotes disease prevention • Human Hazard Prevention • Maternal Health Protection • Wrongful Infringement Prevention <u>Short-term</u> The company conducts employee health inspections every year, and implements classification, abnormal tracking management, and health guidance based on the health inspection reports. If the level of the health check is serious (high risk), the unit supervisor will be notified for assistance, and employees will be immediately arranged to complete the medical follow-up; before the disease is controlled and stabilized, a special physician will be invited to provide work advice and provide it to the unit supervisor for consideration of work arrangements. <u>Long-term</u> The company has long-term arrangements for medical staff to provide health services at the worksite, including disease guidance, medical guidance, blood pressure measurement, assessment of the relationship between work patterns and health, advice on work suitability arrangements, home soothing, and rehabilitation exercise guidance, etc. The company also regularly updates health promotion posters and plans and implements relevant health promotion activities, such as smoking cessation classes, weight loss classes, etc., to create a healthy and safe working environment for drivers.

SASB Code	Activity Metric	Category	Response/Comment
Disclosure Topic: Accident and Safety Management			
TR-RO-540a.1	Number of road accidents and incidents	Quantitative	505
TR-RO-540a.2	Safety Measurement System BASIC percentiles for: (1) Unsafe Driving (2) Hours-of-Service Compliance (3) Driver Fitness (4) Controlled Substance/Alcohol (5) Vehicle Maintenance (6) Hazardous Materials Compliance	Quantitative	The Security Management System (SMS) is a system specially developed for the Federal Motor Carrier Safety Administration (FMCSA) to provide relevant measurement data for authorized users. However, because our company is not registered with FMCSA, Therefore, this indicator does not apply.
TR-RO-540a.3	(1) Number (2) Aggregate volume of spills and releases to the environment	Quantitative	Relevant data has not been collected and will not be disclosed this year.

SASB Code	Activity Metric	Category	Response/Comment
Disclosure Topic: Operation Activities			
TR-RO-000.A	Revenue ton-miles (RTM)	Quantitative	Because the current system of the company only counts the total mileage of each vehicle per day, the goods may be returned multiple times, and the freight mileage of each return and forwarding is not recorded, so the revenue ton-mile cannot be disclosed.
TR-RO-000.B	Load factor	Quantitative	Because the current system of the company only counts the total mileage of each vehicle per day, the goods may be returned multiple times, and the freight mileage of each return and forwarding is not recorded, so the load factor be disclosed.
TR-RO-000.C	Number of employees Number of truck drivers	Quantitative	Total employees = 4,409 Truck drivers = 2,511

Implementation status of ethical corporate management and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof

Item	Operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
1 Establishment of ethical corporate management policies and programs				None
(1) Does the Company establish ethical corporate management policies that are adopted by the Board of Directors and explicitly state such policies and the implementation methods in its Articles of Incorporation and external documents? Do the Board of Directors and top management actively implement their commitments to implementing the management policies?	V		(1) We have established the "Ethical Corporate Management Best Practice Principles" approved by the Board of Directors. They specify the requirements that the employees of the Company must follow for their external transactions and the establishment of the whistleblowing system. The principles have been disclosed on the official website of the Company. We also internally promote the awareness of ethical management and report its implementation status to the Board of Directors once a year. (A report was submitted to the Board of Directors on November 5, 2021.)	
(2) For the risk of unethical conduct, does the Company establish an assessment mechanism and regularly analyze and assess the business activities within its business scope which are possibly at a higher risk of being involved in unethical conduct to establish preventive solutions that at least cover the conduct specified in each subparagraph under Paragraph 2 in Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		(2) We apply an open and fair outsourcing mechanism to every important procurement operation. All the related matters are dealt with under the "open tendering" principle and the financial and audit personnel monitor the tendering jointly. Employees are not allowed to accept the invitation of any supplier for social engagement. Effective accounting and internal control systems have been established. A "Corporate Responsibility and Bribe Prohibition" clause is incorporated in the procurement agreement to ensure compliance with all the laws and regulations in every respect of the operations. We will set up the Corporate Sustainability Committee in 2022 as planned to promote the matters on corporate sustainable development and ethical management. A risk assessment mechanism of unethical conduct will be established, regular analysis will be conducted and the plans for prevention from unethical conduct will be implemented properly.	
(3) Does the Company explicitly defines procedures, guides of conduct, and disciplinary and reporting systems in case of a violation in the preventive solutions of unethical conduct, implements them accordingly, and carries out reviews and modifications of these solutions?	V		(3) We explicitly prohibit any malpractices and similar conduct in our "Ethical Corporate Management Best Practice Principles", "Guidelines for the Codes of Ethical Conduct", and "Employee Work Rules", and effects of insurance ethics for the employees in service to reduce and spread the risk to the Company and shareholders.	

Implementation status of ethical corporate management and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof

Item	Operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
2 Implementation of the ethical corporate management				None
(1) Does the Company have the integrity record of the trading counterparty assessed and with the clauses of ethical conduct expressed in the contract signed between them?	V		(1) The Company following our supplier management policy has establish the "Supplier Selection Management Regulations" and other related regulations on the management and selection of suppliers, standard procurement procedures, and annual supplier assessment. We conduct regular assessment to avoid transactions with the suppliers recorded as having unethical conduct. Relevant clauses are incorporated in the agreement.	
(2) Does the Company establish a unit dedicated to promoting ethical corporate management under supervision by the Board of Directors and whether such unit reports the ethical corporate management policies and the preventive solutions of unethical conduct, as well as the supervision of the implementation effectiveness to the Board of Directors (at lease once a year)?	V		(2) To fulfill our responsibility to supervise the ethical management, we have our internal audit unit to carry out relevant audit and communicate relevant cases and anti-corruption principles to the employees on a periodic basis at monthly meetings. The dedicated "Corporate Sustainability Committee" is planned to be established in 2022. It will report the implementation status of the ethical management to the Board of Directors on a regular basis at least once a year. (A report was submitted to the Board of Directors on November 5, 2021.)	
(3) Does the Company define any policy against conflict of interest, provide adequate channels, and implement the same thoroughly?	V		(3) The Company is always engaged in every business activity fairly, honestly, ethically, and transparently. A reporting mailbox is set up for conflict of interest matters. It is an appropriate complaint channel to ensure prevention of these matters.	
(4) Has the Company implemented ethical corporate management by establishing an effective accounting system and internal control system, and had an internal audit unit develop relevant audit plans according to the risk assessment results of unethical conduct and audited the compliance with the preventive solutions of unethical conduct accordingly, or appointed a CPA to do so?	V		(4) We have a complete accounting system and internal control mechanism. All the financial reports are subject to the CPAs' audit to ensure effective disclosure of the financial information. In addition to the self-assessment to be implemented on a regular basis every year under the internal control system, the auditors shall conduct regular/periodic audits depending on the requirements of the law and the operations of the Company, present an internal control system declaration, and submit the audit result and a follow-up improvement plan to the Board of Directors and the management on a regular basis to ensure the effectiveness of the audit.	

Implementation status of ethical corporate management and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof

Item	Operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
(5) Does the Company organize internal or external training on a regular basis to maintain ethical management?	V		(5) The Company communicates the importance of integrity to the employees during the internal regular/periodic meetings or training courses in the hope to enhance the determination of the Company to enhance our moral value and implement the ethical management. In addition to disclosing relevant regulations on the official website of the Company for query at any time, the cases occurring during the everyday work are used to teach the employees the importance of integrity and the consequence of failure to comply with the ethical management principles.	
3 Operation of the Company's whistleblowing system				None
(1) Does the Company define a specific whistleblowing and rewarding system, and establish convenient whistleblowing channels, and assign competent dedicated personnel to deal with the situation?	V		(1) In addition to spontaneous investigation through the internal audit system, we establish a misconduct reporting system on the official website of the Company. (http://www.kerrytj.com/zh/esg/stakeholders/offence_reporting_system.html) The management will grant awards in case any serious illegal activities or any events affecting the supply chain security are discovered in the reporting.	
(2) Does the Company define the standard operating procedure for investigation after acceptance of a reported misconduct, the follow-up actions to be taken after the investigation, and relevant confidentiality mechanism?	V		(2) To protect the whistleblower, the department accepting the case deals with all the matters in a confidential manner. In addition to officially announcing the reporting methods and channels, the accepting department, after receiving the reported case, deals with the same according to the given operation procedure and reports to the top management.	
(3) Does the Company adopt any measures to prevent the whistleblowers from being abused after reporting misconduct?	V		(3) We take measures to protect the whistleblower from being treated inappropriately or sustain damage and, by doing so, encourage employees to discover illegal conduct.	
4 Enhancement of information disclosure				
Does the Company disclose the Ethical Corporate Management Best Practice Principles and the effectiveness of implementation thereof on its website and Market Observation Post System?	V		The Company establish the regulations related to ethical management and disclose them on our official website. We strictly fulfill our responsibility for the disclosure of the Company's information and only execute the disclosure pursuant to relevant laws and regulations in order to improve the transparency of the information.	None

Implementation status of ethical corporate management and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof

Item	Operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
5 If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", specify any discrepancy between the implementation and the principles established by the Company: The Company is dedicated to fulfilling its ethical corporate management in accordance with the established "Ethical Corporate Management Best Practice Principles" and there is no substantial discrepancies.				
6 Other important information enabling better understanding of the Company's ethical management implementation: (Such as the Company has amended its Ethical Corporate Management Best Practice Principles.)				
(1) The Company has established the "Rules of Procedure for Board of Directors Meetings" to govern the motions at the meeting. In case conflict of interest occurs, affected personnel shall not participate in the discussion or voting as required under the recusal principle.				
(2) We firmly believe that the ethical management as a corporate culture is critical for the sustainable and sound development of the Company, and thus communicate relevant cases and anti-corruption principles to the employees on an irregular basis at monthly meetings.				
(3) The Company plan to establish the dedicated "Corporate Sustainability Committee" in 2022. It will report the implementation status of the ethical management to the Board of Directors on a regular basis at lease once a year.				

Where any corporate governance regulations and relevant bylaws are established, the Company shall disclose the query approaches:

We have established the "Corporate Governance Best Practice Principle", "Corporate Sustainable Development Best Practice Principles", "Guidelines for the Codes of Ethical Conduct", and "Ethical Corporate Management Best Practice Principles" and made them available for search on the official website of the Company.

Other important information enabling better understanding of the Company's corporate governance implementation:

- We provide complete information on the corporate governance implementation in the "Investor" and "Sustainable Development" sections on the official website of the Company.
- To implement corporate governance, we set up the "Corporate Governance Office" to handle corporate governance affairs. The Office is mainly responsible to:
 - Establish effective corporate governance systems to implement legal compliance and improve internal management.
 - Handle affairs related to shareholders' meetings, board meetings and functional committee meetings.
 - Carry out corporate governance evaluation and board performance evaluation yearly.
- The Company will establish the dedicated "Corporate Sustainability Committee" in 2022 and identify the material issues of environment, society, and corporate governance with respect to the shareholders under the guidance of the professional consultant team. We will also perform risk assessment and related management tasks for the implementation of the corporate sustainable development. The implementation status will be reported to the Board of Directors at least once a year.

Implementation of the Internal Control System

I. Statement of Internal Control System

March 10, 2022

Based on the findings of a self-assessment, Kerry TJ Logistics Company Limited (Kerry TJ) states the following with regard to its internal control system during the year 2021:

1. Kerry TJ's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Kerry TJ takes immediate remedial actions in response to any identified deficiencies.
3. Kerry TJ evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Kerry TJ has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Kerry TJ believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

6. This Statement is an integral part of Kerry TJ's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on March 10, 2022, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Kerry TJ Logistics Company Limited



Shen, Chung-Kui
Chairman



Juan, Hui-Wen
General Manager of Finance and Administration



Chang, Kuo-Tien
General Manager of Integrated Logistics



II. If a CPA was engaged to conduct a special audit of the internal control system, provide the CPA audit report: None.

Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control policy in the most recent year up to the publication date of this annual report; describe areas of weakness and any corrective actions taken

For the year of 2021 and up to the printing date of the annual report, the Company has complied with relevant laws and regulations of the Company Act, Securities and Exchange Act and Labor Standards Act, etc. There has been 9 case of labor inspection deficiency, and improvement has been carried out.

The Company performed various internal control system operation inspections in 2021 and no major deficiencies of “invalid execution of operating system” were found. In case of any operational deficiencies, the violating internal personnel were punished in accordance with relevant job specifications and follow-up review was executed until improvement was complete.

Important resolutions made at the shareholder's meeting and Board of Directors meeting in the most recent year up to the publication date of this annual report

Date	Session	Resolution	Implementations status
2021.01.28	Board of Directors	1 Proposal for reviewing the budget for construction of the Xizhi depot. 2 Proposal for appointment of the Company's corporate governance officer.	All the proposals were adopted and delivered to relevant units for discussion and implementation
2021.03.23	Board of Directors	1 Proposal for the review of the 2020 "Internal Control Statement." 2 Proposal for preparation of the 2020 business report as well as consolidated and individual financial statement. 3 Proposal for distribution of remuneration to employees, directors and supervisors in 2020. 4 Determination of the date, time, venue, agenda, and relevant matters of the 2021 annual meeting of shareholders. 5 Proposal for reviewing the agenda of the 2021 annual meeting of shareholders. 6 Proposal for budget to equipment construction of the Chongxin depot. 7 Proposal for adding budget to construct the Xizhi depot.	1 All the proposals were adopted and delivered to relevant units for discussion and implementation. 2 The 2021 annual meeting of shareholders was held on June 15, 2021.
2021.05.07	Board of Directors	1 Proposal for 2020 distribution of earnings. 2 Proposal for removal of the non-competition restrictions against the directors and their representatives. 3 Proposal for modifying the agenda of the 2021 annual meeting of shareholders.	All the proposals were adopted and had been completely implemented in accordance with the result of the resolution.
2021.06.21	Board of Directors	Determination of the relevant matters of postpone the 2021 annual meeting of shareholders.	Postpone the annual meeting of shareholders to 2021.07.20 in accordance with pandemic.

Important resolutions made at the shareholder's meeting and Board of Directors meeting in the most recent year up to the publication date of this annual report

Date	Session	Resolution	Implementations status
2021.07.20	Shareholders' meeting	1 Acknowledgement of the 2020 business report and all the final statements. 2 Acknowledgement of 2020 distribution of earnings. 3 Proposal for partial amendment of the "Articles of Incorporation." 4 Proposal for removal of the non-competition restrictions against the new directors and their representatives.	1 The record date of distribution was set on August 11, 2021 as resolved at the shareholders' and Board of Directors' meetings. The distribution was fully implemented on August 26, 2021 (cash dividend of \$1.68 per share). 2 The "Articles of Incorporation" was registered upon approval of the Ministry of Economic Affairs on August 12, 2021, and announced on the website of the Company.
2021.07.20	Board of Directors	Proposal for determining the schedule of the ex-dividend date with respect to the 2020 distribution of earnings.	The ex-dividend date was set on August 11, 2021; the cash dividend distribution date was set on August 26 of the same year and the dividends distributed.
2021.08.06	Board of Directors	Approving the 2021 audit fee for CPA.	All the proposals were adopted and completely implemented in accordance with the result of the resolution.
2021.09.11	Board of Directors	Proposal for reassign directors and supervisors of subsidiaries and investee companies.	All the proposals were adopted and delivered to relevant units for discussion and implementation.
2021.10.08	Board of Directors	Proposal for participation in establishment of superficies and land lease"	All the proposals were adopted and delivered to relevant units for discussion and implementation.
2021.11.05	Board of Directors	1 Proposal for review of the 2022 business plan and budget. 2 Proposal for review of the 2022 audit plan. 3 Proposal for change independent auditors due to internal restructuring at accounting firm. 4 To insure the liability insurance for directors and managers. 5 Personnel adjustment.	All the proposals were adopted and delivered to relevant units for discussion and implementation.
2021.12.28	Board of Directors	Proposal for sell the shares of investee company.	All the proposals were adopted and delivered to relevant units for discussion and implementation.

Date	Session	Resolution	Implementations status
2022.03.10	Board of Directors	1 Proposal for the review of the 2021 "Internal Control Statement."	All the proposals were adopted and delivered to relevant units for discussion and implementation.
		2 Proposal for preparation of the 2021 business report as well as consolidated and individual financial statement.	
		3 Proposal for distribution of remuneration to employees, directors and supervisors in 2021.	
		4 Determination of the date, time, venue, agenda, and relevant matters of the 2022 annual meeting of shareholders.	
2022.05.05	Board of Directors	1 Proposal for 2021 distribution of earnings.	All the proposals were adopted and delivered to relevant units for discussion and implementation.
		2 Proposal for removal of the non-competition restrictions against the directors and their representatives.	
		3 Proposal for modifying the agenda of the 2022 annual meeting of shareholders.	
		4 Proposal for reviewing the budget for construction of the New-Qianzhen depot.	

Documented opinions or declarations in writing made by directors or supervisors against important board resolutions in the most recent year up to the publication date of this annual report:

None.

Resignation or dismissal of personnel relating to the Company in the most recent year up to the publication date of this annual report:

Title	Name	Onboard date	Dismissal date	Resignation/dismissal reason
General Manager	Cheng, Hao-Tung	2020.07.01	2021.11.05	Served as CEO of affiliates.

Information Regarding the Company’s Independent Auditor

Audit Fee

Unit: NTD\$ thousands												
Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Total	Period Covered by CPA's Audit			Remarks
			System of Design	Company Registration	Human Resource	Others ⁽¹⁾	Subtotal		Yes	No	Period	
Deloitte & Touche	Yang, Chi-Sheng	5,455	-	-	-	430	430	5,880	V		2021	⁽²⁾
	Su, Ting-Chien											

Note:

(1) The "Others" items of non-audit fees include the following services: Audit of business tax (Transfer pricing report) NTD\$350K, salary review NTD\$30K and release letter order, tax consultation NTD\$50K.

(2) Article 10.5.1 of Regulation Governing Information published in Annual Report of Public Companies was not applicable to the company.

Replacement of CPA

Due to internal restructuring at firm, the company change its auditors from Tseng, Done-Yuin and Su, Ting-Chien to Yang, Chi-Sheng and Su, Ting-Chien from 2021Q4.

(1) Regarding the former CPA

Replacement Date	Fourth quarter of 2021		
Replacement reasons and explanations	Due to internal restructuring at firm.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	Not applicable	
No longer accepted (continued) appointment			
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters	None		

(2) Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Yang, Chi-Sheng
Date of appointment	Fourth quarter of 2021
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(3) The Reply of predecessor auditor on Article 10.6.1 and Article 10.6.2.3 of the Regulations: None.

The company’s chairman, general managers and managers in charge of financial and accounting operations, and those who have worked in the firm of a certified public accountant or its affiliated company within the most recent year.

None.

Changes in Shareholding of Directors, Managers and Major Shareholders

Title ⁽¹⁾	Name	2021		As of Apr 17, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Da Ji International Limited	-	-	-	-
Representative	Da Ji International Limited Representative: Shen, Chung-Kui	-	-	-	-
Representative	Da Ji International Limited Representative: Tong, Shao Ming ⁽²⁾	-	-	-	-
Representative	Da Ji International Limited Representative: Tse, Kai Chi ⁽²⁾	-	-	-	-
Representative	Da Ji International Limited Representative: Juan, Hui-Wen	-	-	-	-
Representative	Da Ji International Limited Representative: Cheng, Chi-Wai ⁽²⁾	-	-	-	-
Representative	Da Ji International Limited Representative: Hung, Wai-Shing ⁽²⁾	-	-	-	-
Director	Hsinchu Transportation Co., Ltd.	-	-	-	-
Representative	Hsinchu Transportation Co., Ltd. Representative: Hsieh, Wen-Chien	-	-	-	-
Director	Chen, Tse-Tsung	(110,000)	-	-	-
Independent Director	Kuo, Tsung-Hsiung	-	-	-	-
Independent Director	Liu, Zou-Hsin	-	-	-	-
Independent Director	Lee, Ying-Chu	-	-	-	-
Major Shareholder held using the name of others	Kerry Logistics Holdings (Taiwan) Limited	-	-	-	-
Major Shareholder held using the name of others	Taiwan Kerry Investments Co., Ltd.	-	-	-	-
Major Shareholder held using the name of others	Da Ji International Limited	-	-	-	-

Title ⁽¹⁾	Name	2021		As of Apr 17, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Major Shareholder held using the name of others	Tong Li Investment Co., Ltd.	-	-	-	-
Chairman and CEO	Shen, Chung-Kui	-	-	-	-
Integrated Logistics General Manager	Chang, Kuo-Tien	-	-	-	-
Finance and Administration General Manager	Juan, Hui-Wen	-	-	-	-
Business Planning General Manager	Wang, Ju-Peng	(2,075,000)	-	-	-
Information Technology General Manager	Wu, Yu-Hsiang	-	-	-	-
Corporate Services General Manager	Cheng, Hao-Tung ⁽³⁾	-	-	-	-
Business Planning Director	Huang, Yu-Tsung	-	-	-	-
Integrated Logistics Deputy General Manager	Chen, Chun-Yi	-	-	-	-
Integrated Logistics Deputy General Manager	Jiang, Guo-Xi	-	-	-	-
Operational Division of Northern Region Regional General Manager	Teng, De-Chang	-	-	-	-
Operational Division of Northern Region Regional General Manager	Huang, Chen-Yang ⁽⁴⁾	-	-	-	-
Operational Division of Taoyuan and Hsinchu Region Regional General Manager ⁽⁶⁾	Liao, Wen-Chang ⁽⁵⁾	-	-	-	-
Operational Division of Central Region Regional General Manager	Lin, Shih-Mao ^{(5) (7)}	-	-	-	-
Operational Division of Southern Region Regional General Manager	Liao, Chieh-Hua ⁽⁸⁾	-	-	-	-

Title ⁽¹⁾	Name	2021		As of Apr 17, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Operational Division of Southern Region Regional General Manager	Lin, Chien-Liang ⁽⁸⁾				
General Affairs Division Senior Assistant General Manager	Hu, Ming-Chang ⁽⁹⁾				
Human Resources Division Senior Assistant General Manager	Hsu, Yao-Jen ⁽¹⁰⁾	-	-	-	-
Marketing and Sales Senior Assistant General Manager	Chou, Tzu-Yang ⁽¹¹⁾	-	-	-	-
Finance and Accounting Division Senior Manager	Chen, Ya-Li	-	-	-	-

Note:

(1) The counterparty in any such transfer or pledge of equity interests is not a related party.

(2) Da Ji International Limited changed its representatives on September 3, 2021: Directors Tong, Shao Ming and Tse, Kai Chi took office, Directors Cheng, Chi-Wai and Hung, Wai-Shing resigned.

(3) Corporate services general manager Cheng, Hao-Tung resigned as of November 5, 2021, served as CEO of affiliates Kerry Freight International Co., Ltd.

(4) Regional general manager of operational division of northern region Huang, Chen-Yang resigned as of May 1, 2021, served as senior assistant general manager of subsidiaries T.Join Transportation Co., Ltd.

(5) Regional general manager of operational division of Taoyuan and Hsinchu region Liao, Wen-Chang resigned as of May 1, 2021, served as General Manager of subsidiaries T.Join Transportation Co., Ltd.

(6) Operational division of Taoyuan and Hsinchu region has been incorporated into operational division of northern region on April 1, 2022.

(7) Regional general manager Lin, Shih-Mao has changed from operational division of Taoyuan and Hsinchu region to operational division of central region on April 1, 2022.

(8) Regional general manager of operational division of southern region Lin, Chien-Liang resigned as of May 1, 2021, served as regional general manager of operational division of Taoyuan and Hsinchu region.

(9) Promoted on January 22, 2021.

(10) Promoted on January 24, 2022.

(11) Promoted on April 1, 2022.

Relationship among the Top Ten Shareholders

Unit: Shares, %									
Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		
	Shares	%	Shares	%	Shares	%	Name	Relationship	Remarks
Taiwan Kerry Investments Co., Ltd.	183,276,410	39.25%	-	-	-	-	(2)	(2)	
Taiwan Kerry Investments Co., Ltd. Representative: Shen, Chung-Kui	-	-	-	-	-	-	-	-	
Tong Li Investment Co., Ltd.	38,118,000	8.16%	-	-	-	-	(2)	(2)	
Tong Li Investment Co., Ltd. Representative: Shen, Chung-Kui	-	-	-	-	-	-	-	-	
Da Ji International Limited	27,972,000	5.99%	-	-	-	-	(2)	(2)	
Da Ji International Limited Representative: Shen, Chung-Kui	-	-	-	-	-	-	Tong Li Investment Co., Ltd.	Representative of the company	
Ying Hsin International Investments Co., Ltd.	14,882,000	3.19%	-	-	-	-	(3)	(3)	
Ying Hsin International Investments Co., Ltd. Representative: Hsu, Yu-Jui	-	-	-	-	-	-	-	-	
Hsinchu Transportation Co., Ltd.	9,471,271	2.03%	-	-	-	-	(3)	(3)	
Hsinchu Transportation Co., Ltd. Representative: Hsu, Yu-Jui	-	-	-	-	-	-	Ying Hsin International Investments Co., Ltd.	Representative of the company	
Jine De Sheng Co., Ltd.	5,913,000	1.27%	-	-	-	-	(3)	(3)	
Jine De Sheng Co., Ltd. Representative: Tsai, Ting-He	-	-	-	-	-	-	-	-	
Chen, Tse-Tsung	5,058,028	1.08%	1,202,353	0.26%	-	-	-	-	
Wang, Ju-Pin	2,990,129	0.64%	377,184	0.08%	-	-	-	-	
The Special Account of HSBC Taipei as Custodian for Sincere KAR International Small Capital Fund	2,864,000	0.61%	-	-	-	-	-	-	
Wang, Yi-Fang	2,790,013	0.60%	-	-	-	-	-	-	

Note:

(1) Current Shareholding record date is Apr 17, 2022, it is the book closure date for the shareholders meeting in 2022.

(2) Taiwan Kerry Investments Co., Ltd., Da Ji International Limited and Tong Li Investment Co., Ltd. are controlled by the same corporation.

(3) Ying Hsin International Investments Co., Ltd., Hsinchu Transportation Co., Ltd. and Jine De Sheng Co., Ltd. are controlled by the same corporation.

Ownership of Shares in Affiliated Enterprises

Unit: Shares/ %

Affiliated Enterprises ⁽¹⁾	Ownership by the Company		Direct of Indirect Ownership by Directors/Supervisors/ Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
T. Join Transportation Co., Ltd.	16,425	100%	-	-	16,425	100%
Rong Xing Investment Co., Ltd.	14,200,000	100%	-	-	14,200,000	100%
Kerry Cold Chain Equipment Co., Ltd.	6,231,986	64%	3,462,214	36%	9,694,200	100%
Kerry Pharma Logistics Co., Ltd.	-	-	9,000,000	90%	9,000,000	90%
Kerry Global Trading Co., Ltd.	100,000	100%	-	-	100,000	100%
Kerry Express Co., Ltd.	265,000	100%	-	-	265,000	100%

Note:
(1) The invested companies are long term equity investment for using the equity method by the Company.
(2) The board of directors of Kerry Fruit Co., Ltd. agreed to dissolve on Mar 9, 2022, and the dissolution and liquidation procedures are in progress.
(3) The shares are based on the actual holding of the shares in Dec 31, 2021.

Ownership of Shares in Affiliated Enterprises

Unit: Shares/ %

Affiliated Enterprises ⁽¹⁾	Ownership by the Company		Direct of Indirect Ownership by Directors/Supervisors/ Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Kerry Fruit Co., Ltd. ⁽²⁾	-	-	510,000	51%	510,000	51%
T-Join (BVI) International Limited	28,185,000	100%	-	-	28,185,000	100%
T-Join (HongKong) International Limited	32,594,604	49%	-	-	32,594,604	49%
Posh Kerry Renewables Co., Ltd.	240,000	40%	-	-	240,000	40%
Science Park Logistics Co., Ltd.	43,051,101	60%	-	-	43,051,101	60%
Cobang Nanjing Logistics Limited	-	-	4,500,000	25%	4,500,000	25%

Capital Overview

Capital and Shares

Source of Capital

Unit: Shares/NTD\$ thousand								
Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	Other
07/1994	10	320,000,000	3,200,000	269,724,000	2,697,240	capitalization of capital reserve NTD\$373,464 capitalization of retained earnings NTD\$248,976	None	1994/7/12 Tai Tsai Cheng (1) No.31123
06/1995	10	320,000,000	3,200,000	306,136,740	3,061,367	capitalization of capital reserve NTD\$364,127	None	1995/6/26 Tai Tsai Cheng (1) No.37459
06/1996	10	362,000,000	3,620,000	336,750,414	3,367,504	capitalization of capital reserve NTD\$153,068 capitalization of retained earnings NTD\$153,068	None	1996/6/25 Tai Tsai Cheng (1) No.39458
06/1997	10	700,000,000	7,000,000	454,613,058	4,546,130	capitalization of capital reserve NTD\$1,043,926 capitalization of retained earnings NTD\$134,700	None	1997/6/24 Tai Tsai Cheng (1) No.48888
06/1998	10	700,000,000	7,000,000	500,074,364	5,000,744	capitalization of capital reserve NTD\$318,229 capitalization of retained earnings NTD\$136,384	None	1998/6/22 Tai Tsai Cheng (1) No.54397
09/1999	10	700,000,000	7,000,000	515,076,595	5,150,766	capitalization of capital reserve NTD\$150,022	None	1999/9/1 Tai Tsai Cheng (1) No.79400
07/2000	10	700,000,000	7,000,000	520,227,361	5,202,274	capitalization of capital reserve NTD\$51,508	None	2000/7/11 Tai Tsai Cheng (1) No.58755
09/2001	10	700,000,000	7,000,000	522,703,498	5,227,035	capitalization of capital reserve NTD\$24,761	None	2001/9/12 Tai Tsai Cheng (1) No.157313
12/2003	10	700,000,000	7,000,000	497,703,498	4,977,035	treasury shares capital reduction of NTD\$250,000	None	2001/2/5 Tai Tsai Cheng (3) No.100619

Unit: Shares/NTD\$ thousand								
Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	Other
03/2009	10	700,000,000	7,000,000	495,532,498	4,955,325	treasury shares capital reduction of NTD\$21,710	None	2008/12/23 Ching Kuan Cheng (3) No. 0970067200
06/2009	10	700,000,000	7,000,000	483,582,498	4,835,825	treasury shares capital reduction of NTD\$119,500	None	2009/5/1 Ching Kuan Cheng (3) No. 0980018858
04/2017	10	700,000,000	7,000,000	467,000,498	4,670,005	treasury shares capital reduction of NTD\$165,820	None	2017/1/17 Ching Kuan Cheng Jiao Tzu No. 1060001856

Unit: shares				
Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total	
Common Stock	467,000,498	232,999,502	700,000,000	None
Note: Preferred stock issued None				

Information for Shelf Registration:

None

Status of Shareholders

As of 4/17/2022						
Number	Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons
	Total					
Number of Shareholders		-	6	162	49,891	129
Shareholding (shares)		-	206,513	280,585,586	165,571,188	20,637,211
Percentage (%)		-	0.04	60.09	35.45	4.42

Shareholding Distribution Status

A. Common Shares

As of 4/17/2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	21,312	2,541,743	0.54
1,000 ~ 5,000	25,151	46,984,390	10.06
5,001 ~ 10,000	2,238	17,347,154	3.71
10,001 ~ 15,000	544	6,941,201	1.49
15,001 ~ 20,000	313	5,749,857	1.23
20,001 ~ 30,000	215	5,394,904	1.15
30,001 ~ 40,000	96	3,441,275	0.74
40,001 ~ 50,000	61	2,846,061	0.61
50,001 ~ 100,000	115	8,271,891	1.77
100,001 ~ 200,000	46	6,726,544	1.44
200,001 ~ 400,000	29	7,877,256	1.69
400,001 ~ 600,000	15	7,360,623	1.58
600,001 ~ 800,000	13	9,151,027	1.96
800,001 ~ 1,000,000	5	4,474,754	0.96
1,000,001 or over	35	331,891,818	71.07
Total	50,188	467,000,498	100.00

B. Preferred Shares: None.

List of Major Shareholders

As of 4/17/2022

Shareholder's Name	Shareholding Shares	Percentage
Taiwan Kerry Investment Co., Ltd.	183,276,410	39.25%
Tong Li Investment Co., Ltd.	38,118,000	8.16%
Da Ji International Limited	27,972,000	5.99%
Ying Hsin International Investment Co., Ltd.	14,882,000	3.19%
Hsinchu Transportation Co., Ltd.	9,471,271	2.03%
Jine De Sheng Co., Ltd.	5,913,000	1.27%
Chen, Tse-Tsung	5,058,028	1.08%
Wang, Ju-Pin	2,990,129	0.64%
The Special Account of HSBC Taipei as Custodian for Sincere KAR Emerging Markets Small Capital Fund	2,864,000	0.61%
Wang, Yi-Fang	2,790,013	0.60%

Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$/thousand shares

Item	Year 2021	2020	as of March 31, 2022
Market Price per Share			
Highest Market Price	80.40	45.30	55.7
Lowest Market Price	40.00	31.00	40.45
Average Market Price	48.93	40.07	44.79
Net Worth per Share (Note 1)			
Before Distribution	23.45	21.99	24.07
After Distribution	21.80	20.31	22.42
Earnings per Share			
Weighted Average Shares	467,001	467,001	467,001
Diluted Earnings Per Share	2.99	3.21	0.62
Adjusted Diluted Earnings Per Share	2.99	3.21	0.62
Dividends per Share (Note 1)			
Cash Dividends	1.65	1.68	-
Stock Dividends	-	-	-
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends (Note 2)	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 3)	16.36	12.48	-
Price / Dividend Ratio (Note 4)	29.65	23.85	-
Cash Dividend Yield Rate (Note 5)	3.37%	4.19%	-

Note:

- (1) The 2021 annual earnings distribution has yet to be approved by the shareholders' meeting.
- (2) In issuing equity securities, provisions may be made to accumulate undistributed dividends for the year and postpone distribution until a year when profit is made. The dividends accumulated over the period ending in the year of distribution should be disclosed.
- (3) Price / Earnings Ratio = Average Market Price / Earnings per Share.
- (4) Price / Dividend Ratio = Average Market Price / Cash Dividends per Share.
- (5) Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.
- (6) The financial information as of March 31, 2022 have been reviewed by CPA.

Dividend Policy and Implementation Status

A. Dividend Policy

In 2021, the company has submitted a resolution to the shareholders' meeting to amend the dividend policy of the Articles of Incorporation, where the Company has a surplus earning after closing of accounts in a fiscal year, an amount shall be appropriated to make up the accumulated loss first, followed by setting aside 10% thereof as the legal reserve according to laws; however, where the legal reserve has reached the paid-in capital total amount of the Company, it is exempted from such limitation. In addition, special reserve shall be appropriated or reversed according to the laws or regulations of the competent authority. If there is remaining surplus earning, it shall be combined with the undistributed surplus earning of the same period, and the board of directors shall establish a surplus earning distribution proposal for submission to the shareholders' meeting for resolution on the distribution of shareholders' dividends and bonuses.

The dividend policy of the Company considers the factors of future operation development, capital budget, industry environmental changes and competition as well as long-term financial funding plans of the Company along with the consideration on the shareholders' interests and the long-term financial planning of the Company. Accordingly, the shareholders' dividends and bonuses are appropriated from the accumulated distributable earnings, and such distributable earnings shall not be less than 10% of the current net income after tax and the cash dividends among such distributable earnings shall not be less than 50%. However, in case where there is unexpected major capital expenditure, the cash dividend distribution ratio may be reduced to 20%.

The actual distribution ratio or method of the dividend distribution may be adjusted depending upon the operation status of the Company, and the board of directors shall prepare the distribution proposal for submission to the shareholders' meeting for resolution on the distribution thereof.

B. Proposed Distribution of Dividend

1. The company's distribution of dividends of last 5 years is listed as follows and the dividend policy will be remained stable and sustainable.
2. The proposal for the distribution of 2021 profits was passed at the meeting of the Board of Directors on May 5, 2022. The proposal for distribution of dividends will be discussed at the annual shareholders' meeting.

NTD per share	
Year	Dividend
2017	1.60
2018	1.56
2019	1.45
2020	1.68
2021	1.65

C. Expected future dividend policy changing: None

Impact of Stock Dividends issuance on the Company's Business Performance and Earnings per Share:

None

Compensation of Employees, Directors and Supervisors

A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

Please refer to P. 43 : Remuneration Policy.

B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period

The amount of compensation for employees, directors and supervisors in the current period is estimated appropriately in accordance with the Articles of Incorporation. If the actual amount of compensation distributed to employees and directors varies from the allocated amount, this will be treated as changes in accounting estimates. Profit / loss for the year will then be adjusted accordingly in the following year.

C. Distribution of Compensation of Employees and Directors for 2021 Approved in the Board of Directors Meeting

1. Recommended distribution of compensation of employees, directors and supervisors in cash is NTD\$16,731,900 each.
2. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: None.

D. The Distribution of Employee Compensation and Remuneration of Directors in the previous year

Unit: NTD\$			
2020	Amount approved in the annual Shareholders' meeting resolution	Amount proposed in the Board of Directors' meeting	Discrepancy
Remuneration to employees in cash	18,487,469	18,487,469	0
Director's remuneration	18,487,469	18,487,469	0

Buy-back of Treasury Stock

None.

Bonds

Corporate Bonds

None.

Convertible Bonds

None.

Exchangeable Bonds

None.

Shelf Registration for Issuing Bonds

None.

Corporate Bonds with Warrants

None.

Preferred Stock

Preferred Stock

None.

Preferred Stock with Warrants

None.

Global Depository Receipts

None.

Employee Stock Options

None.

Issuance of New Restricted Employee Shares

None.

Status of New Shares Issuance in Connection with Mergers and Acquisitions

None.

Financing Plans and Implementation

None.

Overview of Business Operation

Business Activities

Business Scope

I. **Business scope of Kerry TJ Logistics: Provision of following less-than-truck-load transport and supply chain integration logistics services:**

(I) Less-than-truck-load transport service:

1 LTL transport at ambient temperature, including commercial transport and individual home delivery services mainly in the fields of B2B (Business to Business), B2C (Business to Consumer), B2B2C (integration of companies and consumers via an e-commerce platform) with C2C (Consumer to Consumer) as the secondary service. The industries to which major customers belong are as follows:

- Food and catering
- General merchandise retail & wholesale
- Financial publishing
- Office suppliers
- FMCG
- Clothing & accessories
- Furnishings
- Recreation & entertainment
- IT equipment for computers, communication devices and consumer electronics
- Industrial products
- e-commerce/cross-border e-commerce

2 Logistics project service:

- e-commerce platform/live online shopping (including collection and receiving goods from positive and reverse logistics/dispatch to receive goods)
- Chain store & hypermarket/retail sales channel (including collecting and receiving goods from positive and reverse logistics/inter-store transfer/sales counter setup & removal/household appliances distribution)

- Costco channel (including integrated warehouse and store distribution/pallet lease/integrated warehouse and store container transport/e-commerce distribution service)
- Hypermarkets (including e-commerce/large furniture distribution and assembly)
- Full load transport (including multipoint distribution)

3 COD service

4 Customized POD service and real-time goods tracking system

(II) Supply chain integration and logistics service

1 Total supply chain logistics resolution; major industries are described below:

- Fashion products and haute couture
- Electronic technology
- Food and catering
- FMCG
- Industry and raw material
- Nutraceutical biotechnology

2 Warehouse management

- Storage at ambient and constant temperature, , and separate temperature-controlled cold/freezing storage environment
- Value-added services including devaning, inbound, tally, outbound and customized label printing, and gift box assembly
- Bonded logistics service
- Recovery, renovation, and disposal from reverse logistics

3 Cold chain logistics (including low-temperature storage and distribution)

- Carrier freezing units and temperature sensing devices to monitor storage and temperature variation during the distribution
- LTL transport at low temperature, including commercial transport and individual home delivery services mainly in the field of B2B (Business to Business) with B2C (Business to Consumer) as the secondary service.
- Chain store & hypermarket/retail sales channel (including collecting and receiving goods from positive and reverse logistics/multi-store transfer)
- Costco channel (including integrated warehouse and store distribution/integrated warehouse and inter-store container transporting/e-commerce distribution service)
- Full load transport (including multipoint distribution)

4 COD service

5 Customized POD service and real-time goods tracking system

II **Business scope of affiliates: Professional pharma logistics, import/export and inland container transport, cold chain equipment agency/planning/installation, metro express service, fresh fruit distribution; details are described below:**

(I) Kerry Pharma Logistics Limited

Major service items include provision of logistics, distribution and storage services for the manufacturers, agents and distributors of medical products such as medicines, medical devices, and health foods within the scope of GDP (Good Distribution Practice).

1 Service item

- Consignment service
 - Positive logistics distribution
 - Reverse logistics receiving/return
 - Positive & reverse logistics (to-and-fro service)

- Special value-added service
 - COD service
 - Fixed-point distribution
 - logistics in hospital
 - Goods launch service
 - Unpacking checkout
 - Recovery of shipping document and control certificate
- Special reserved transport service
 - Temperature controlled reserved transport below 25 , reserved cold storage transport at 2-8
 - Reserved transport of special pharmaceuticals
 - One-day delivery on the designated date
- Other projects
 - Storage/distribution of investigational products
 - Integrated service for import/export drugs and medical devices
 - Controlled drugs and vaccine distribution projects
 - Secondary processing service for drugs and medical devices
 - 4PL service

2 Storage service

- Temperature controlled warehouse below 25 /cold storage at 2-8 /ultra-low temperature from -20°C to -70°C
 - Customized storage management service
 - Inbound inspection, picking, packaging, and shipping management, inventory management of drugs and pharmaceuticals
 - Management of controlled drugs
 - Storage data exchange and feedback service
 - Drugs and pharmaceuticals recovery and disposition services
- Educational training and management of professional pharma logistics personnel
- Integrated supply chain planning, information system integration service
- Full pharma logistics record on the system and complete temperature record
- Information system remote backup to ensure completeness of customer's logistics data

- 3 Acquired recognition from MOHW as an “outstanding company in GDP (Good Distribution Practice) pharma inspection”.
- 4 Passed GDP (Good Distribution Practice) certification .
- 5 Passed ISO9001 certification.
- 6 Passed GMP (Good Manufacturing Practice) certification
- 7 Passed ISO13485 certification.
- 8 Passed GMP (Good Manufacturing Practice) labeling certification.

(II) T.Join Transportation Co., Ltd.

- 1 Service item
 - Container transport service
 - Import/export container transport
 - Long-distance to-and-fro transport
 - Package plant export (warehouse transfer)
 - Special container transporting service
 - Bonded container transport
 - Reefer/refrigerated container
 - Flatbed truck transport
 - Distribution and transport service
 - Special reserved direct delivery
 - Pickup, distribution and transshipment
 - Professional transport for channels and integrated warehouses
 - CFS storage and transport
 - Furniture assembly and distribution
 - Electric equipment installation and delivery
 - Special goods delivery and assembly
- 2 Passed AEO (Authorized Economic Operator) certification

(III) Science Park Logistics Co., Ltd.

- 1 Service item
 - Science park bonded warehouse, chemical warehouse
 - Science park import/export storehouse and customs clearance service
 - Bonded and special cargo transport
 - Logistics center and agency service

(IV) Kerry Cold Chain Equipment Co., Ltd.

- 1 Service item
 - Sale, installation, maintenance and repair of cold chain equipment
 - Provision of freezer and plant insulation as well as design, planning, construction and other professional services
 - Maintenance and repair of transporting equipment
- 2 Carrier Transicold distributor in Taiwan

(V) Kerry Express Co., Ltd.

- 1 Service item
 - One-day express service in Taiwan
 - Outlying/offshore island air express service
 - Small packet and document delivery
 - Overnight prompt delivery service
 - Metro motorcycle express
 - e-commerce express
 - COD service

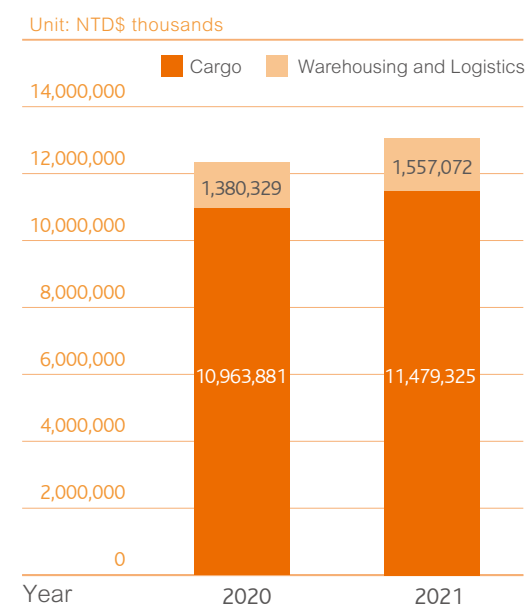
(VI) Kerry Fruit Co., Ltd.

- 1 Service item
 - Fruit supply chain solution
 - Purchase of fruits at local farms
 - Purchase at wholesale agricultural product market
 - Cross-border fruit trade
 - Product screening and grading
 - Full range of fruits and planning for different seasons
 - Customized order requirements planning and packaging
 - Logistics supply chain planning service
 - Fruit gift box, sale of fruits at group buying market
 - Ambient/low temperature distribution and storage service
- 2 Logistics center with ISO22000:2005 and HACCP certificates
- 3 Cleanroom-class packaging center

III Weight of business

- (I) The business items of the Company are, according to their nature, classified into cargo transport, logistics & storage, and other value-added services. The weight of individual items is described below:
- 1 The production value of the cargo transport was NT\$11,479,325,000 or 88.06% in the overall production value.
 - 2 The production value of the logistics & storage and other service items was NT\$1,557,072,000 or 11.94% in the overall production value.

Production value and weight of business of Kerry TJ Logistics



Overview of the Industry

I Status quo and development of the industry

- (I) Status quo of the automobile cargo transport service industry in Taiwan in 2021
(Source: Monthly Statistics of Transportation and Communications, MOTC; figures were collected up to the printing date of this annual report):

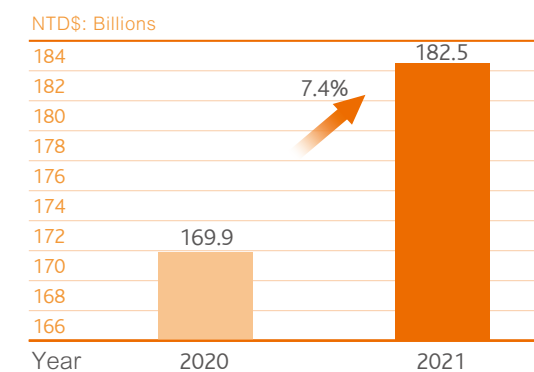
- 1 According to the Data of the Ministry of Transportation and Communications, the automobile cargo transport

service industry (including the automobile cargo transportation industry, automobile cargo transportation within designated route(s) industry, and container truck transportation industry) in Taiwan had an overall production value of NT\$182.5 billion in the growing domestic economic environment in 2021, indicating a growth rate of 7.4% in comparison with the production value of NT\$169.9 billion in 2020.

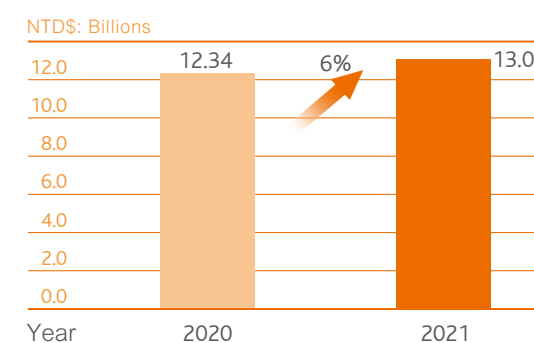
- 2 The total production value of the Company in combination with the affiliates in 2021 was NT\$13.04 billion with growth rate of 6% in comparison with the production value of NT\$12.34 billion in 2020. This performance was the result of the collaborative management teams, helping the Company operate steadily and maintain stable growth of the business operation.

Trend Comparison of Kerry TJ Logistics Revenue Growth with Market Value

Production Value of Automobile Cargo Transport Service



Production Value of KTJ



(II) The services of Kerry TJ Logistics Group are described below:

1 Ambient temperature logistics service

(1) Transport service within designated route(s)

With the Hub-and-Spoke Network as the core framework for the cargo transport in the night, the company flexibly adjusts the inter-regional long-distance vehicle dispatch and inter-station shuttle transport depending on the cargo volume to provide on-time consignment service in a highly effective manner and meet the requirements of various customer. Currently more than 200 stations have been set up in Taiwan, including business offices, transshipment hubs, and cargo terminals, to form a densely deployed network that provides strong support for our collection and distribution services.

(2) Express and home delivery services

The “Ubiquinomics” and “Customer Engagement Economy” have driven the explosive growth of the e-commerce market. The logistics service industry is currently built on a labor-intensive basis. However, the trend of low birth trend and aging society in the recent years has lead to reduction of the labor force in major Asian cities, making the logistics service a rare resource to meet the rapid requirements for the products of small quantity with multiple designs. Hence, many global leading e-commerce companies have changed their crucial battlefield to the logistics business and commenced the investment in stocks, acquisition, and formation of strategic alliances. On the other hand, logistics companies have introduced new technology services to improve the efficiency and meet individualized requirements.

2 Pharma logistics service

(1) To protect the quality and safety in use of drugs, the Ministry of Health and Welfare has, since July 1, 2016, requested the western pharmaceutical preparation manufacturers that are newly established, move from another location, or resumes the business operation and the logistics companies that implement labeling and packaging of western pharmaceutical preparations, and the pharmaceutical firms that apply for the first permit for any western pharmaceutical preparations to

meet the GDP (Good Distribution Practice) when applying for the GMP (Good Manufacturing Practice) inspection.

(2) All the existing western pharmaceutical preparation manufacturers, the logistics companies that implement labeling and packaging of western pharmaceutical preparations, and the pharmaceutical firms that own the permit for any western pharmaceutical preparations shall have finished the implementation prior to December 31, 2018.

(3) The pharmaceutical firms of western pharmaceutical preparations engaged in wholesale, import and export that need cold chain storage and transport shall have met the GDP requirements prior to December 31, 2021. The firms what do not acquire the GDP permit shall not be engaged in the business related to distribution of western pharmaceuticals.

(4) MINISTRY OF HEALTH AND WELFARE Notice (03/18/2021): Establishment of the “Medical Device Classification and Medical Device’s Dealers Shall Establish a Medical Device Good Distribution System Specified in Article 24 of the Medical Devices Act” taking effect on May 1, 2023. Establishment of the “Medical Device Classification and Medical Device’s Dealers Shall Establish a Medical Device Good Distribution System Specified in Article 24 of the Medical Devices Act” requires that the medical device dealers that have received the permit for the listed items in the attachment and the medical device dealers input under the authorization of the former shall establish a medical device good distribution system, meet the Medical Device good Distribution Practice, and receive a transport and distribution permit after being reported to and approved by the central competent authority.

3 Container transporting service

(1) According to the statistical data of the MOTC, the container loading and unloading volume at ports in 2021 reached up to 15.45 million TEUs, indicating a growth rate of 5.9% in comparison with 2020. (Source: 2021 Main Indicators of Transportation and Communications, MOTC)

(2) The vehicles that do not meet the requirements shall be eliminated to ensure compliance with the Air Pollution Control Act. We strive for the subsidy from the government to reduce the impact on the coat.

(3) In consideration of the development of bigger cargo ships in the future and the higher transport capacity requirements for each shipment, the fleet of the partners was used to create joint transport capacity and develop scale economy.

(4) Taipei Port plans to invest 2 billion to establish a smart warehousing and logistics park, integrating the Group’s local advantages in Bali and quickly introducing the card slot warehousing business into the logistics and transportation business.

(5) Integrate the advantages of the customs declaration of the Science Park and the trailers of T.Join itself, improve the business extension of Kaohsiung Port and various science parks, and integrate the logistics service needs of the customer’s supply chain. 4 Bonded logistics service

4 Bonded logistics service

The core competitiveness was in the area of bonded logistics for each science parks. A one-stop procurement and logistics system is available to the customers to meet their demands in the fields of storage, clearance of goods, air cargo bound transit, and special cargo transport. Since the hi-tech companies keep upgrading their processes and products, Science Park Logistics has invested in the development of different products and services, such as setup of the first legal bonded warehouse for public hazardous materials in the science park. The warehouses at constant temperature and humidity are suitable for storage of the equipment and material needed for the advanced process of the semi-conductor manufacturer. As for transport, Science Park Logistics particularly emphasizes service quality and is specialized in the transport of high-priced, high-sensitive, and special-sized cargos of the hi-tech manufacturer.

5 Cold chain logistics service

(1) Enhancement of business management

As food safety issues have emerged again and again, the competent health authority of the government has paid much attention to the safety

of the cold chain supply of food to ensure people can eat without worry. The authority has conducted health audit at the business premises of the cold chain logistics companies on an irregular basis to protect the food safety for the people. Hence, more attention shall be paid on the improvement in respect of how to improve the temperature control and business operation capability in the cold chain supply. Kerry TJ Logistics has professional cold chain storage facilities and dedicated cold chain distribution fleets. The temperature is controlled at any time using temperature sensing devices and Kerry TJ Logistics can surely ensure the food safety for the consumer.

(2) Focus on environmental protection issues

In line with the GHG emission regulations and EU environment policies and standards, R452a refrigerant is used in the cold chain equipment (including Carrier freezing units) to meet the environmental requirements and mitigate global warming.

6 Fresh fruit distribution service

(1) With the growing emphasis on food safety issues, more consumers have pay close attention to the transparency of the distribution process of agricultural products and fruits. The optimization and availability of the real-time digital information on every step of the supply chain including processing, collection, screening, grading, packaging, ambient/low temperature storage, logistics transport, adjustment of import/export production and sales volumes, and occupational health certification after picking of the fruit as well as reduction of the decay rate of products during the processing and satisfaction of the customization demands have become the first priority of the fruit transport and distribution companies in recent years.

(2) Due to impact of the global epidemic, the hotel and aviation operators have significantly reduced their fruit demand since 2020. Hence, expansion of the online and physical sales channels has become the priority and how to meet the requirements of other channels will be the next important issue to be solved.

II Connection between the upstream, midstream and downstream logistics companies

In the traditional circulation system, upstream manufacturers deliver final products to the midstream distributors or wholesalers and, then, to the downstream retail channels. The cost of storage and distribution becomes very high due to separation of the operating bases of these manufacturers and distributors/wholesalers. The downstream retailers hope to sell commodities of small quantity with multiple designs in the store to reduce the inventory cost and provide consumers with multiple selections. However, the cost of storage and distribution rises again because the manufacturers cannot produce in time, the distributors do not have sufficient product items, and commodities are needed more frequently but in a small quantity. In the circumstances, the traditional system can no longer meet the requirements of the retailers for "small quantity with multiple designs" and "high frequency". Establishment of logistics centers may redefine the production-marketing relation. Generally, the logistics center is positioned between the upstream manufacturer and midstream distributor/wholesaler. In addition to occupying a broad land lot, it has professional labor force and automated equipment to implement storage operations, and thus is more advantageous than the manufacturers and distributors/wholesalers in reduction of the storage cost and decrease of the overstock. Besides, commodities can be directly delivered to channels or consumers through logistics centers. This is very helpful to narrow the production-marketing gap and speed the circulation efficiency of commodities, and manufactures may control the data of purchase, sale and storage more effectively. The storage management and effective data analysis provide logistics companies more accurate and diverse purchase data and distribution requirements in great quantity. This way, logistics companies can estimate the cost and distribution efficiency more accurately and quote more reasonable. As a result, manufacturers will need less distributors/wholesalers and even be incorporated in the commodity structure and channel strategy. Once modern logistics centers have developed to its maturity, traditional cargo transport, processing, storage and other individual services will become their support. In the circumstances, the logistics companies may improve their market functions by meeting their demands for information and automated technology, and further drive

the development of the technology and information industries. The connection of the upstream, midstream and downstream transport logistics stakeholders is illustrated below:



III Development trend of the logistics industry and competition

(I) Development trend of the logistics industry

The logistics industry is an industrial sector where services are provided during the circulation process of commodities, including the circulation of (raw) materials, parts and components, semi-finished products, in-progress products, and finished products, revealing the meaning of making the best use and ensuring the "flow" of "goods". Commodities produced in factories or their place of origin are transferred to retail channels and stores through collection, storage, tally, distribution of goods and other operations. This process of improving efficiency, reducing costs, and increasing competitiveness is called distribution logistics or business logistics. The professional operation entity is usually called logistics or distribution center. When observing the logistics service from the viewpoint of the industry, the logistics industry provides the connection, management, procurement, preservation, and distribution functions during the process from manufacturing of the commodity to delivery of it to the end user. Hence, the logistics industry not only covers the traditional storage, transport and wholesale business, but also replace the traditional distributors/wholesalers and delivery service providers. The major development trend is described below:

1 Integration of upstream and downstream businesses

The major business items of the logistics industry are distribution, temporary storage, picking, sorting, preservation, and procurement. It plays an intermediary role between the manufacturing and retail sectors. In other words, all the distribution businesses that deliver commodities from the manufacturer to the retailer play a key role in connection of the producers and consumers to meet the market demand for commodities in small quantity with multiple designs and instant order placement, shorten the circulation channel, reduce the circulation cost, and facilitate smooth circulation of commodities on the consumer market.

2 Comprehensive functions

The logistics center with comprehensive functions integrates physical stores and information through the systems, networks, automated devices and professional techniques to implement the functions of wholesale, storage, and distribution. In addition to the foundation of a storage business, the ability of a distribution business, and the capability of integrating information and data, innovation and optimization of management and professional techniques must be implemented on an ongoing basis to deliver the commodities to the customer on time at the right place within the specific time frame in correct quantity, with the best service quality, and at the lowest transport cost.

3 Strategic management

The purpose of the commercial logistics is to deliver commodities and services to the customer in a timely manner at the right place. In conjunction with the application of the IT technology, the logistics operations are gradually upgraded to strategic functions from order placement, storage, distribution and other traditional physical transport functions. They feature the supply chain integration and management functions to support the strategic requirements of marketing.

4 Efficiency in time and space

What the logistics service provide pursue is the precise and efficient transfer of commodities from suppliers to retail channels at the lowest cost. Commodities are circulated smoothly through the optimal distribution routes as indicated in the big data analysis to realize the flow of goods and pipeline management and achieve

the goal of virtual organizations/virtual companies. The entire supply chain is connected closely by optimizing the efficiency as though operating in the same company or department to produce the benefit in saving of time and space.

5 Demands in small quantity with multiple designs at high frequency

The cost of inventory is one of the performance items that a company must control all the time. How to keep the lowest stock level while meeting the requirements of the customer without the worry of shortage is always a concern of the retail channel. Hence, logistics service providers must adapt themselves and tally commodities in small quantity with multiple designs and distribute them at high frequency to meet the market demand.

6 Professional capability and neutral position

Since positioning of the logistics service has become more important, the service provider must develop themselves to a higher professional level to meet the requirements of the customer for efficiency, precision and quality. In addition to many basic management and operating capabilities and know-how. they must adapt themselves flexibly in line with the regulations of the government and the fluctuation of the market, and upgrade their professional level by optimizing processes, introduce new equipment, and applying information technology. In addition, as an intermediary business, the logistics service provider must implement encryption, storage and management of the data on sales channels and end consumers appropriately. Hence, the professional capability of the logistics service provider and its neutral position in fair treatment of all the customers are one of its important features.

7 IT integration and support capability

Customized information integration technology is provided depending on the type of products, the source of orders, and sales channels, such as cross-border e-commerce, live stream on Facebook, and other channel platforms. In addition to understand the handling progress at different phases, the mechanisms for order integration and real-time feedback of distribution state must be available to support satisfaction of customer's requirement.

(II) Competition and challenge

1 Development of e-commerce

The global stay-at-home economy developed rapidly in 2020 thanks to the COVID-19. According to the estimate of eMarketer, sales amount in the field of the global e-commerce will reach up to US\$6.4 trillion (about NT\$177 trillion) in 2024, occupying about one fifth of the total retail sales.

Thanks to the variation of the COVID-19, consumers are getting used to online shopping in lieu of buy at physical stores. This facilitates the flourishing development of the O2O (Online to Offline) mode, shortens the distance from producers to end consumers, and stimulates the B2C or C2C distribution demand. Unlike the logistics services for upstream and midstream players or store channels in the past, logistics service providers must provide more diversified services because the offline purchase behavior are mostly transferred to online shopping. This brings more demands of the e-commerce platform for the logistics and storage services and, on the other hand, is a test to the logistics service providers to demonstrate their ability to provide integrated services. From the picking operation in the warehouse, logistics service providers must adapt themselves to the distribution in small quantity, increased distribution points, and the requirements for delivery within a specific time frame in the e-commerce operation mode. For these, new requirements for configuration of manpower and equipment such as drivers, assistants, tally personnel and vehicles emerge and the operating cost rises as a result, making optimization and upgrade of the operating efficiency crucial for reform of the logistics industry.

Consumers require much more service quality of the delivery personnel than manufacturers, indicating that logistics service providers must provide their employees with regular educational training to have a role to play in the competitive e-commerce environment. The emerging and aggressive new logistics model of cross-border e-commerce in the competitive logistics market provides consumers with more options of logistics distribution offers and reduces the required time in the entire logistics chain. Delivery of system data and

dedicated fleets are set up for this model to distribute commodities of special specifications and provide full competitive strength for the platforms and commodity suppliers.

2 Acquisition of operating resources

The prosperous e-commerce brings about more requirements of the logistics service provider for manpower, such as drivers and loading/unloading and tally personnel. However, the low birth rate in recent years, the stereotype of the logistics service as a kind of hard work, and the prohibition from hiring foreign laborers as specified in laws and regulations make shortage of manpower a restriction on the development of the logistics industry. In addition, the development of the emerging metro regions results in substantial increase of the land cost and business stations are forced to move to outskirts or the size of the land for the stations must be adjusted. The restrictive land category conditions and inconvenient outward accesses make acquisition of land lots for stations another restriction on the development of the logistics industry.

3 New competitors

The government recently allows the colleague from China to invest in Taiwan and they enter Taiwan market officially with a large amount of capital. This stimulates the existing logistics service providers in Taiwan to break through old practices in efficiency, quality, service items, information, and employee welfare on an ongoing basis to keep and even enhance their competitiveness in this liberalization wave without the worry of elimination. In addition to the freight companies, home delivery services and warehouse operators as the competitors of the logistics service providers nowadays, the e-commerce operators, such as Amazon, Momo, PC-Home, have built their own warehouses and fleets and entered the logistics area as a competitor in this field. The emerging food delivery services in Taiwan in recent years, such as Foodpanda and Ubereat, are new types of competitors trying to enter the logistics market. Taxi companies whose revenue was reduced substantially due to the severe pandemic in 2021 also transferred their target to the logistics market.

4 Information equipment and technology application

In consideration of the increasing shortage of manpower and increased personnel cost of the company, highly automated operations are required to improve the efficiency and reduce the dependence on labor force. Procurement of equipment and related investment impose considerable financial pressure on logistics service providers and these are not affordable to all of them.

In addition to hardware equipment, how to find out the financially most efficient and profitable operating model via big data analysis and AR (Augmented Reality) is a research area in which many logistics service providers invest, and recruitment and training of employees with both professional logistics knowledge and logical capability of statistical analysis bring about a challenge to logistics service providers.

(III) Perspectives of the logistics industry

According to the above analysis, the development and efficiency of the logistics industry have positive significance and close connection to the upgrade of the industry and promotion of the overall economic growth of the country. Hence, the logistics industry must pay attention to automation, big data analysis, and introduction of the AI model to redefine the logistics module. Commodities must be sorted at the front end based on their properties and the services to the end consumers are provided through optimal configuration of vehicles. Application of customer service response robots and sorters must be planned to optimize the processes, reduce the operating cost, and lower the error rate. The "intelligent logistics" put forward by the government depends on effective integration of IT capabilities and systems. Given that the economic significance of Taiwan in the Asia Pacific Area are increasing and measures are taken to adapt to the trade liberalization trend in the world, the logistics industry in Taiwan should develop itself with the goal to meet the multiple service requirements of the customer, build highly responsive and flexible customized systems, implement division of decision making processes, and act in line with the development of the logistics park and the support of the government to improve the logistics performance and corporate competitiveness.

Overview of technology and R&D

1. Continuously transfer the AS/400 TMS and WMS systems to open platforms and improve the service quality and operating efficiency of the abnormal temperature, low temperature, express, and medicine transport and storage business.
2. Carry out information security risk assessment and management operation according to ISO27001, in order to ensure the confidentiality, integrity, availability of the information assets of the Company and protection of personal data, thereby reducing possible risks encountered.
3. Develop the war room system to provide assistance for the top management in making decision on the business operation.
4. Develop the real-time operating information board system, so the station manager can view the real-time information about the transport volume and inventory on a single page.
5. Introduce the distribution area management and optimization system to present the actual situation of the distribution area and relevant information, and, to the best extent, ensure the rationality and fairness between the distribution area and compensation of the drivers at each station.
6. Introduce the KPMS 2.0 medicine transport management system and improve the overall service quality and operating efficiency.
7. Introduce the KP App 2.0 new smart device and increase the application modules for the operation in the field to improve the efficiency and customer's satisfaction.
8. Carry out the automatic maintenance notification for Kerry Cold Chain to reduce the manpower substantially and improve the process.
9. Optimize the engineering system structure, alter the vehicle repair management platform, improve the M&O quality, and comply with ISO information security.
10. Kerry Express plans to deploy an express management system of new generation (KETMS 2.0) to improve the overall service quality and operation efficiency.
11. Kerry Express develops brand new handheld device APP (KE App2.0) and introduces electronic signature for receipt, contactless signature for receipt, and photographing for receipt to provide multiple on-site application and enhance the operating performance.
12. Daron Freight sets up a brand new TJMS system for effective management of the mileage, fuel, ETC, repair and maintenance costs of the vehicles to improve the operation and optimize the process.

- 13. The Science Park Logistics introduces an IoV project that enables a real-time control of the vehicle dispatching information and follow-up of the goods via a simple operation of the APP (elocation.pro) on the mobile phone. It introduces the PDA and APP of new generation that change the operation process to reduce the manual input in the computer system and improve the immediacy of the Company's information.
- 14. Introduce an electronic billing system to replace the paper bills and make a contribution to the environmental protection.
- 15. Introduce a system for the payment of the receivables at convenient stores to provide multiple payment channels for customers and increase their satisfaction.
- 16. Kerry Cold Chain transfers its financial system to CHING HANG T9 and introduces a comprehensive financial application system to replace the distributed independent manual Excel accounting operations and improve the efficiency in the financial field.

Long and short term business development plans

I Short term business development plan

- (I) Setup of operating bases
The Guanyin Logistics Center is launched to meet the customized requirements of the corporate partners.
A collection and distribution warehouse for a large American hypermarket is established at the same place. It is currently the only integrated vertical multi-temperature compound warehouse in Taiwan to provide customers with total solutions.
In this construction renewal project, a vertically integrated building is constructed with additional automatic sorters and multi-story platforms to facilitate the sorting in the field, centralization of the distribution personnel, and separation of the employees and goods. This practice is more favorable for the reduction of the labor cost and increase of the goods distribution efficiency.
A great deal of automation is applied for the Xizhi Pharma Logistic Park to provide integrated distribution services of ambient temperature and pharma logistics.

(II) Setup and adjustment of fleets

- 1 In addition to the existing B2B fleet of Kerry TJ Logistics, the home delivery fleet system is enhanced to effectively improve the distribution quality of 2C commodities and increase the customer satisfaction in conjunction with the existing metro express and one-day delivery service of the Group's Kerry Express.
- 2 Large commodities are transported by the fleet of the Group's Darong Freight Company. Diversified operation mode is adopted to improve competitiveness of the corporate partners on the market.
- 3 Commodities must be stacked properly to reduce accidents and transport cost.

(III) Improvement of service quality

- 1 Organized regular training on service etiquette and sales talk to integrate response skills in the daily life of the driver and customer service/office personnel.
- 2 Invite internal/external instructors to give lectures on an irregular basis to enhance professional skills.

(IV) Integration of information systems

- 1 Continuously optimize the Group's universal new transport and storage operation system KTMS, KWMS and cloud EDI consignment function.
- 2 Provide drivers with industrial mobile phones and replace the old HT(Handy Terminal) with the Group's shared operation app for the drivers to report goods status instantly; electronic receipt by signature function is used to replace traditional paper for receiving consignment messages and important internal announcements; support simple operation query and understand the driving behavior using the onboard GPS positioning and monitoring system.

(V) Overall operating strategy

- 1 Focus on supply chain integration and group business division of labor, establish independent and exclusive fleets such as cold chain, express, pharmaceutical, high-tech and bonded fleets to provide customers with professional and one-stop services.

- 2 Take more care of key customers and provide them with deeper and more extensive value-added services such as full load at ambient temperature, distribution to chain stores around Taiwan, and container transportation service.
- 3 Develop commodities of the same properties, engage in the channel business of the same type, and make use of the cluster effect.
- 4 Development the distribution and assembly service markets of pallets, irregular/oversized commodities and other goods of special specifications.
- 5 Pursue Group's synergy, such as developing B2B fruit supply markets, participating in government bidding projects, providing catering services, and marketing freezing units aiming at low-temperature transport vehicles of agricultural and aquatic products.
- 6 Introduce and promote internationally famous coffee and to multiply brand benefit.
- 7 Invest in new venues, automation equipment, integrate group resources and strategic layout of strongholds.

II Long term business development plan

- (I) Planning of operating policies
 - 1 Integrate assets and share idle equipment between affiliates.
 - 2 Enhance the outsourced fleet manpower management platform, extend the economic scale and implement the control mechanism.
 - 3 Plan multiple value-added services, such as one-day delivery from North to South and vice versa, motorcycle delivery in six municipalities, fruit cutting, 4PL distribution and agency, and money flow.
 - 4 Make more effort in the management of special business fleets, furniture assembly fleets, and 3C (computer, communication, and consumer electronics) professional fleets to build a serve network around Taiwan.

- 5 Develop international logistics; make use of Kerry Network's bases in the world to extend and integrate logistics services with cross-border IFF business; provide domestic logistics storage, distribution, and value-added services
- 6 Be dedicated to developing various professional logistics techniques and control the safety of food logistics for the people in Taiwan

(II) Enhancement of backend support

- 1 Establish a cross-department and cross-affiliate customer service team in response to the integrated logistics service of the Group to provide customers with one-stop services.
- 2 Enhance the information system integration and support ability within the Group; provide customized system connection services based on the property of commodities and the time frame of delivery to ensure easy order placement and cargo query.
- 3 Establish a professional cost analysis team to control the profit of each core business; request the professional proposing team to provide individualized plans and solve the logistics problems of the customer.
- 4 Enhance the vehicle and refreezing unit maintenance and repair efficiency and skill, screen parts and components to ensure their quality, reduce the frequency and time of the vehicles to enter the workshop, and eliminate Phase 1 and Phase 2 vehicles according to laws to improve the utilization of the vehicles in service and reduce the operation and maintenance costs.
- 5 Introduce hybrid electric vehicles and fulfill the corporate social responsibility to ensure the sustainable development of the company.

Overview of the market, production, and marketing

Market analysis

IV Overview and analysis of Kerry TJ Logistics market

(I) The status quo of the industry is described below with the core business of Kerry TJ Logistics as the basis:

1 Transport service within designated route(s)

- (1) B2B (Business to Business): The recent epidemic drove transformation of companies. Kerry TJ Logistics are dedicated to developing the important node of each corporate logistics. Though it looks optimistic in the short term, the subsequent development must be adjusted together with the partners to ensure a win-win situation.
- (2) B2C (Business to Consumer): The flourishing development of the cross-border e-commerce drives the prosperous trade of goods across the Taiwan Strait. The emerging stay-at-home economy, the mature electronic payment tools, and the regular e-commerce promotion speed up the growth of the B2C home delivery business.
- (3) C2C (Consumer to Consumer): Small private e-commerce businesses, influencers and live sellers have become very popular and the logistics distribution capability in Taiwan has been improved substantially. The traditional integrated warehouse as the source of goods is gradually transformed to the third-party pickup mode.

2 Cold chain and warehouse

- (1) Ambient temperature storage
Kerry TJ Logistics is dedicated to providing professional customized total logistics solutions. It has insight in the model of different industries and understand what the customer and market need. As the first choice of many quality goods suppliers and chain brand stores, Kerry TJ Logistics gradually builds intelligent logistics warehouses to provide customers with more efficient and flexible storage services.

(2) Low temperature distribution

Kerry TJ Logistics has set up professional cold chain warehouses and dedicated low temperature distribution fleets. Temperature sensing devices are used to control the temperature during the distribution. Kerry TJ Logistics is one of the best companies in the precise control of temperature at each phase.

(II) Overview and analysis of the major markets with respect to affiliates are described below:

1 Kerry Pharma Logistics Limited

- (1) As the 2021 data of the Department of Industrial Technology, Ministry of Economic Affairs shows, the production value of the pharmaceutical industry dropped in the first half of the year due to preparation of stocks in advance and reduction of the purchase in fear that the pandemic might affect the import and export of the goods. The pandemic was gradually controlled in the second half of the year thanks to the coverage of the vaccination. The economic activities were recovered during this period and the production value of the pharmaceutical industry increased slightly by 0.7% and reached an amount of NT\$20.49 billion. It is estimated that the production value in 2021 did not have much difference from the production value of NT\$79.48 billion in 2020.
- (2) Pharma logistics costs (transport and storage) occupy about 3%~5% (about NT\$ 2.38 billion ~NT\$3.97 billion) of the value of the medicine. In the respect of the transport service, 90% of the pharmaceutical manufacturers and firms outsource pharma transport services and more than 50% of the warehouse operators outsource distribution services. In these circumstances, Kerry Pharma Logistics has a share of about 50% on the pharma distribution market.

2 T.Join Transportation Co., Ltd.

- (1) From the viewpoint of the global development trend, future business will be focused on deep water ports with outstanding conditions.
- (2) Direct sea transportation across Taiwan Strait: A total of 2,598,762 TEUs were transported in and from the ports of the Republic of China in 2021. The Taipei Port had the highest increase rate followed by Keelung Port, and only Port of Taichung showed negative growth. (Source: 2021 Main Indicators of Transportation and Communications, MOTC)
- (3) By combining the metro areas of Taipei City and New Taipei City, it is expected to have rapid growth at the Taipei Port in the express service business.

3 Science Park Logistics Co., Ltd.

With the extensive experience in local science park, Science Park Logistics meets the requirements of the customers at the science park and guides the supply chain partners of the hi-tech industries such as optoelectronics and semi-conductor to enter its supply chain system rapidly. Although there are competitors in the area, Science Park Logistics provides one-stop logistics and other value-added services and responds rapidly through a single contact window. The flexible operation substantially shortens the adaptation period and raises the threshold for the competitors to enter the market. As for transport, in addition to providing most airfreight operators with transshipment services, Science Park Logistics uses its quality service and management systems to implement complicated goods collection and delivery processes and special cargo transport to meet customer’s demands.

4 Kerry Cold Chain Equipment Company Limited

The purchase volume of refrigerated and frozen food packages increases due to the impact of the COVID-19. Transport of the vaccine requires accurate temperature control and higher quality of the cold chain equipment. The overall demand on the cold chain market in Taiwan increases substantially.

5 Kerry Express Co., Ltd.

The one-day delivery from Taipei to Kaohsiung, metro document express, small packet, e-commerce home delivery services are the core competitiveness. Kerry Express provides customer with fast, convenient, and premium delivery experience like sending the objects personally, and plays a role to finish the “last mile” in the rapidly developed e-commerce supply chain. The consumer behavior changes in recent years and the change of the home delivery business ranging from online to offline services is evident. Cross-industry alliance, automated process and equipment as well as information technology, such as use of apps and electronic services, are the indispensable means to overcome the challenge in the high demand for manpower in order to reduce the cost and optimize the service quality for the customers to create a win-win situation.

6 Kerry Fruit Company Limited

In Taiwan, there are more than 30 species from the torrid, subtropical, and temperate zones. They are planted around Taiwan in a total area of 185,296 hectares. The production volume is about 27.05 million tons with an annual production value of NT\$ 97.6 billion. In addition to fresh fruits sold in the local markets, many business opportunities of international export trade can be developed for fruit juice and flesh, dried fruit, jam, frozen and cut fruit, and other processed fruits.

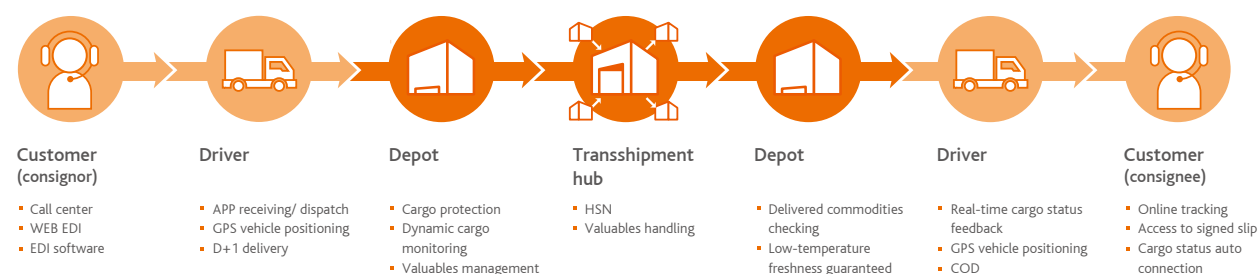
Supply of major raw materials

The major tasks of the Company and affiliates are distribution and storage services. The major raw material is the fuel needed during the transport and there are no other demands for supply of other raw materials. CPC Corporation, Taiwan, is the major supplier of the fuel.

Important applications of major products and production process

I Major service items of Kerry TJ Logistics and important applications are described below:

- (1) Transport service within designated route(s) - Less-than-truck-load transport is the major service. Special reserved transport service is also provided. The major partners are companies, individuals, e-commerce platforms, channel stores that receive the collection, distribution, and COD services in positive and reverse logistics.
- (2) Integrated logistics service - Customized integrated supplied chain logistics solutions are provided, covering the storage at different temperature (ambient, constant and low temperature), circulation and processing, bounded and cold chain logistics (less-than-truck-load transport freezing/refrigeration, special reserved transport) and other distribution services.
- (3) The major transport service process are illustrated below:



II Major service items of affiliates and important applications are described below:

- (1) Kerry Pharma Logistics Limited - Provide pharmaceutical manufacturers, agents, distributors with logistics, distribution and storage services covering medicines, medical devices and health foods within the scope of GDP.
- (2) T.Join Transportation Co., Ltd. - Provide special reserved transport of import and export containers, long-distance to-and-fro transport around Taiwan, pallet cargos, furniture assembly, and installation and delivery of electric equipment, including container transportation service at multiple ambient and low temperature.
- (3) Science Park Logistics Co., Ltd. - Located at Tainan and Hsinchu Science Parks, Science Park Logistics are dedicated to providing bonded storage, transport, and customs clearance services. It provides customers with total logistics solutions using 4PL management technique and customize dedicated logistics management procedures that can produce the best benefit.
- (4) Kerry Cold Chain Equipment Company Limited - Engage in maintenance and repair of transport equipment, act as an agent to sale, install, maintain and repair foreign cold chain equipment, and provide freezer and plant insulation as well as design, planning, construction and other professional services.
- (5) Kerry Express Co., Ltd. - Provide one-day express service around Taiwan, metro document express service, and e-commerce and small packet delivery services; provide customer with fast, convenient, and premium delivery experience.
- (6) Kerry Fruit Company Limited - Be dedicated to fruit supply chain solutions, provide ambient/low temperature fruit distribution and storage services as well as Cleanroom-class packaging center. The production area of each fruit is the source of the fruits to be distributed. They are flexibly purchased at Taipei First Wholesale Fruit and Vegetable Market every day based on the floating supply-sale volume. Kerry Fruit has cooperated with major trading companies and purchased imported fruits from them for many years. Most of the fruits come from the USA, South Africa, New Zealand and Australia, and Chile.

Name of customers representing more than 10% of total purchases (sales) in any of the most recent two years, and the amount and percentage of their purchases (sales). Describe causes for any variation.

- Name list of major purchasing customer: The core business of the Company and the affiliates (excluding Kerry Fruit) is less-than-truck-load transport and logistics storage services. There is no principal purchasing customer with a purchase amount representing more than 10% of the total purchase.
- Name list of major sales customer: The customers of the Company and the affiliates (excluding Kerry Fruit) mostly need the less-than-truck-load distribution as well as warehouse tally and processing services. The operating income from any single customer is small in the overall revenue of each company and none of such income represents a percentage up to 10%.
- The demand of the Kerry Fruit's major customer, airline catering service, dropped substantially due to the epidemic in 2021. Since Kerry Fruit acted as the agent and import the brand pineapples from the Philippines in the same year, the sales channels were increased for other companies in the same trade. It developed an online delivery service platform in the second half of the year to balance the revenue.

Production and sales volumes in the most recent two years

I Production in the Last Two Years

Category	2021			2020		
	Capacity (Kiloton)	Output (Kiloton)	Amount (NTD thousands)	Capacity (Kiloton)	Output (Kiloton)	Amount (NTD thousands)
Cargo	4,654	3,864	11,479,325	4,593	3,814	10,963,881
Warehousing, Logistics and Others ⁽¹⁾	-	-	1,557,072	-	-	1,380,329
Total	4,654	3,864	13,036,397	4,559	3,814	12,344,210

Note: Capacity refers to the quantity of normal functioning the manufacturing equipment, and excludes the factor of necessary suspension, holidays, etc.

(1) The capacity and output of Warehousing, Logistics and Others can not be measured because of the characteristic of the service.

II Major Services Region

Category	2021		2020	
	Amount (NTD thousands)	%	Amount (NTD thousands)	%
Domestic	13,036,397	100	12,344,210	100
Export	-	-	-	-
Total	13,036,397		12,344,210	

Note: Cargo, warehouse logistics and the other additional services of the Company and its related-corporation are all domestic.

Workforce Structure in the most recent two years and up to the printing date of this annual report

Year		2021	2020	As of Feb 10, 2022
Number of Employees		5,594	5,711	5,583
Average Age		40.86	40.65	41.33
Average Years of Service		8.42	7.79	8.47
Education	Ph.D.	0.02%	0.03%	0.02%
	Masters	1.50%	1.24%	1.46%
	Bachelor's Degree	35.07%	32.71%	35.14%
	Senior High School	52.45%	54.77%	52.35%
	Below Senior High School	10.96%	11.25%	11.02%

Environmental Protection Expenditure Information

Costs Incurred from Polluting Environment in the Most Recent Year up to the Publication Date of the Annual Report

The Company was fined NT\$67,000 in total for vehicle exhaust emission in 2021. The costs and related punishments are shown as follows:
Other affiliated companies did not sustain losses or were fined due to pollution of the environment.

No.	Date	Document No.	Violated Provision	Violation	Punishment
1	01/08/2021	FU-SHOU-HUAN-KUNG-TZU No.1100005197	Paragraph 1, Article 45 of the Air Pollution Control Act	Vehicle with plate number HS-N35 violated the Air Emission Standards of Mobile Source.	A fine of NT\$5,000; a 1-hour environmental protection lecture.
2	02/24/2021	Document No.: 21-110-020018 FU-SHOU-HUAN-KUNG-TZU No.1100040465	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 3K-421 had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$5,000
3	03/29/2021	PIN-FU-HUAN-KUNG-TZU No.11031202100	Paragraph 1, Article 45 of the Air Pollution Control Act	Vehicle with plate number 240-ZV had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$5,000; a 1-hour environmental protection lecture.
4	04/16/2021	Document No.: 21-110-041226 FU-SHOU-HUAN-KUNG-TZU No.1100071432	Paragraph 1, Article 45 of the Air Pollution Control Act	Vehicle with plate number QAH-025 had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$3,000
5	04/21/2021	Document No.: 21-110-040020 FU-SHOU-HUAN-KUNG-TZU No.1105101753	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 296-HG had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$5,000; a 1-hour environmental protection lecture.

No.	Date	Document No.	Violated Provision	Violation	Punishment
6	05/28/2021	HSIN-PEI-HUAN-CHI-TZU No.21-110-051294	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 7K-018 had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$5,000; a 1-hour environmental protection lecture.
7	05/25/2021	HSIN-PEI-HUAN-CHI-TZU No.21-110-051304	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 145-JW violated the Air Emission Standards of Mobile Source.	A fine of NT\$3,000
8	05/25/2021	HSIN-PEI-HUAN-CHI-TZU No.21-110-051297	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 085-JW had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$3,000
9	05/26/2021	Document No.: 21-110-050003 FU-HUAN-KUNG-TZU No.1100102264	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 750-XJ had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$3,000
10	05/28/2021	Document No.: DA-TZU No. 21-110-050594	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 272-HG had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$5,000; a 2-hour environmental protection lecture.
11	05/31/2021	Document No.: FU-HUAN-KUNG-ERH-TZU No. 1103606917	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 090-HV had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$5,000; a 1-hour environmental protection lecture.
12	06/06/2021	Document No.: DA-TZU No. 21-110-070193	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 079-ZV had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$5,000; a 2-hour environmental protection lecture.
13	10/18/2021	Document No.: DA-TZU No. 21-110-100039	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 395-GH had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$5,000
14	10/26/2021	Document No.: 21-110-100018 KAO-SHIH-HUAN-JU-KUNG-CHU-TZU No. 21-110-100181	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 100-Q9 violated the Air Emission Standards of Mobile Source.	A fine of NT\$5,000; a 1-hour environmental protection lecture.
15	01/14/2022	HSIN-PEI-HUAN-CHI-TZU No.21-111-01211	Paragraph 1, Article 36 of the Air Pollution Control Act	Vehicle with plate number 370-G had smoke emissions violating the Air Emission Standards of Mobile Source.	A fine of NT\$5,000

Current and Potential Estimated Amount and Countermeasures

In order to actively implement environmental protection measures and fulfill corporate social responsibilities, in addition to enhancing the regular implementation of routine testing and maintenance for our vehicles according to the laws and regulations, we plan to purchase new vehicles in the following year to replace a total of 275 vehicles violating the Air Pollution Control Act.

Labor Relations

Employee Welfare, Continuing Education, Training, Retirement System, and Implementation thereof

Kerry TJ Logistics focuses on talent cultivation and is dedicated to provide complete employee welfare and good working environment to enable our employees to enjoy better care and protection.

- I Compensation system - Provide a competitive compensation system, allowing our employees to share the Company's operating results.
 - (I) Salary is set at a competitive level.
 - (II) Bonus for three festivals: Dragon Boat Festival bonus, Moon Festival bonus and year-end bonus.
 - (III) Employee dividend: Reward system based on performance.
 - (IV) Annual salary adjustment based on individual performance.
 - (V) Other bonuses: Recommendation bonus, proposal bonus, marketing bonus, etc.
- II Welfare measure - Provide comprehensive welfare measures to balance work and life.
 - (I) Employee welfare subsidy: Subsidies for marriages, funerals and hospitalization.

- (II) Gifts from Employee Welfare Committee: Gifts for employees' birthdays, senior employees, retired employees, the Labor Day on May 1, the Moon Festival, etc.
- (III) Medical check-ups: Provide annual routine medical check-ups and health care programs better than those required by the regulations for our employees.
- (IV) Company activities, birthday dinner parties, spring parties with lucky draw activities, softball competitions, and the Company's marathons to promote environmental protection.

- III Training and development - Train logistics professionals in consideration both of our operational strategies and goals and the employees' career development. We are dedicated to setting up learning maps for different functions and checking the competency gap. The training categories are classified into six focuses of "new employee orientation", "self-development training", "professional competency training", "managerial competency training", "general competency training", and "internal instructors training".
 - (I) Recruit orientation training
 - To help new employees know better our working environment and organizational culture, we have launched and promoted a recruit training program to guide the employees through common problems by mostly reviewing actual cases. In addition, we assign counselors to help the new employees adapt to their jobs.
 - (II) Self-development training
 - To encourage our employees to engage in continuous learning and improvement, the Company has actively provided various external learning resources to build a diversified learning environment and facilitate knowledge sharing. Furthermore, we introduced a training and learning platform in 2018 for our employees to self-develop and improve their abilities through the platform. We hope that our employees can make outstanding achievement with the Company through their continuous self-development.

- (III) Professional skill training
 - We designed learning blueprints for different main positions to allow the employees to understand professional knowledge and skills required for each position in short term, mid term and long term and prepare for their career development.t.
- (IV) Managerial skill training
 - We prepared management courses according to the capacities required for grass-roots employees, middle managements and executives respectively and appointed professional lecturers to guide and assist the employees in improving their managerial capacity after taking relevant training and becoming a professional and excellent leader. Moreover, to pursue sustainable development and innovation, the Company has been committed to the training of potential managerial talents and the promotion of training programs for management trainees and operation management trainees in the hope to build up a pool of excellent managerial leaders for the Company through the training programs.
- (V) General competency training
 - We plan the general competency training courses based on the needs of the employees in their daily work and life, and help them share knowledge through internal instructors and external learning resources to enhance their awareness of the personnel affairs, labor safety and health, and laws in the hope to improve their proficiency in general knowledge and help them apply it in their work.
- (VI) Internal instructors training
 - To assist internal instructors in improving their teaching skills and quality, we implement internal instructors training to improve their teaching attitude and teaching

material preparation capability, and teaching skill. This way, we establish the internal knowledge impartation and management system to build up the learning capital of the Company.

- IV Insurance and retirement planning - Take out various insurance and implement pension contribution in accordance with the laws for our employees from the first day of their employment, enabling them to work without any worries.
 - (I) Provide national health insurance and labor insurance in accordance with the laws.
 - (II) Group insurance: Bear all the expenses of life insurance, accident medical insurance, occupational accident insurance and other group insurance for our employees to further protect their works and lives.
 - (III) Group insurance for employees' dependents: Provide preferential ratings to take care of not only the employees but also their families.
- (IV) Labor pension system
 - 1 Old labor pension system: We set up the "Labor Pension Fund Supervision Committee" to supervise all pension payments. For the employees applied to the old pension system, we have contributed 10% of their salary monthly as their pension funds.
 - 2 New labor pension system: We have remitted 6% of the employees' insured salary to their personal pension accounts monthly in accordance with the relevant regulations.
 - 3 Employees who meet the retirement requirements specified in the Labor Standards Act may file an application to the Company 30 days before their retirement.

Costs Incurred from Employer-employee Disputes in the Most Recent Year up to the Publication Date of the Annual Report

The Company were fined NT\$1,864,000 in total for employer-employee disputes (including the violations of the Labor Standards Act that were found in labor inspections) in 2021. The costs and related punishments are shown as follows:

No.	Date	Document No.	Violation	Amount of Fines (NT\$)
1	03.08.2021	KAO-SHIH-LAO-TIAO-TZU No.11031632800	Overtime exceeded 46 hours per month, violating Paragraph 2, Article 32 of the Labor Standards Act Statutory 11-hour break was not provided for workers on shifts, violating Paragraph 2, Article 34 of the Labor Standards Act	100,000
2	03.10.2021	HSIN-PEI-FU-LAO-CHIEN-TZU No. 1104716547	Statutory overtime was unpaid, violating Article 24 of the Labor Standards Act (shortage in payment)	600,000
3	03.10.2021	HSIN-PEI-FU-LAO-CHIEN-TZU No. 11047165471	The attendance in the records was not registered to the minute pursuant to Article 30, Paragraph 6 of the Labor Standards Act.	48,000
4	03.10.2021	HSIN-PEI-FU-LAO-CHIEN-TZU No. 11047165472	Overtime exceeded 46 hours per month, violating Paragraph 2, Article 32 of the Labor Standards Act	96,000
5	03.15.2021	NAN-SHIH-LAO-AN-TZU No. 1100288562	The attendance in the records was not registered to the minute pursuant to Article 30, Paragraph 6 of the Labor Standards Act.	20,000
6	04.06.2021	PEI-SHIH-LAO-TUNG-TZU No. 11060057231	Overtime exceeded 46 hours per month, violating Paragraph 2, Article 32 of the Labor Standards Act Workers did not have statutory regular day offs and leaves, violating Paragraph 2, Article 36 of the Labor Standards Act	400,000
7	11.12.2021	HSIN-PEI-FU-LAO-CHIEN-TZU No. 1104746159	Statutory overtime was unpaid, violating Article 24 of the Labor Standards Act (shortage in payment)	600,000

Current and Potential Estimated Amount and Countermeasures

To cope with the frequent amendment of the labor laws and regulations in recent years, we will incorporate relevant labor inspection punishment cases in the items to be improved, enhance the dissemination of these laws and regulations, deploy manpower effectively, upgrade the transport equipment, and improve labor conditions on an ongoing basis. In addition, the Company is committed to the harmony between the employees and the employer, and knows very well that good labor conditions bring stable business development and harmonious labor-management relationship.

Protective Measures for Working Environment and Employee Personal Safety

1. We install a 24-hour surveillance system and entrance control facilities to ensure the safety of our employees.

2. Our working environment is well-ventilated and has adequate natural light. Designated personnel are assigned to keep the workplaces clean every day.

3. First-aid medicine and medical supplies are always in place at the workplaces and fully automatic electronic sphigmomanometer are available for employees to use.

4. We commission suppliers to maintain water dispensers monthly to ensure the supply of hygienic drinking water for the employees.

5. We also assign qualified first-aid personnel. They are retrained periodically to maintain their professional skills and ensure effective emergency care.

6. We arrange for employees to take physical examination every year.

7. Contracted medical service personnel are hired to implement employee health grading management, conduct health education dissemination, and arrange on-site health services periodically, perform flu control and other health promotion activities.

8. We have established plans related to the “prevention of abnormal workload-triggered disorders”, “prevention of ergonomic hazards”, “maternity protection”, and “prevention of unlawful infringement”. Preventive strategies and measures have been amended and implemented in accordance with the PDCA process.

9. Prevention of sexual harassment: Reporting channels and related regulations are available.
10. To maintain our employees’ safety and health, we set up a safety and health management unit, appoint a Class-I manager of occupational safety and health affairs and an occupational safety and health management specialist. We establish various regulations, including the “Disaster Prevention and Protection Regulations”, “Work Rules for Safety and Health”, “Safety and Health Management Program”, “Safety and Health Management Regulations”, “Safety and Health Self-inspection Regulations”, and “Regulations for Contractors’ Safety and Health Management”, formulate standard operations required to be implemented by all units, and amend operational standards from time to time to ensure the occupational safety and health of the employees.

11. We install fire control systems in accordance with the Fire Services Act, including an alarm system, sprinkler system, escape equipment, and fire extinguishers. We implement self-inspection and equipment maintenance monthly and commission qualified institutions to perform annual fire safety equipment inspection and reporting. We organize fire protection exercises on a regular basis to help employees become familiar with the operations of the fire fighting and escape systems.

12. For the protection against occupational disasters and accidents, we perform investigations, statistical analyses and improvement in accordance with the laws, and conduct occupational safety inspection and management by walking around to improve the environmental safety continuously. We enhance the educational training of the employees on occupational safety and health, arouse their hazard awareness, and help them avoid danger at the first moment.

Management of Information and Communication Securitys

Security Policy

We implement the Company's information security governance on a long term basis, and strictly abide by the Company Act, Trade Secrets Act, The Communication Security and Surveillance Act, Personal Data Protection Act and its enforcement rules, Electronic Signatures Act and other laws and regulations governing commercial behavior. We are dedicated to the improvement of the information security performance by implementing well-established internal control systems, providing educational training based on the cultivation and retention of talents, enhancing the communication of internal and external information, enforcing regulations on daily work and administration, and making information security policies and systems more complete.

Risk Management

The ISO Management Committee is the highest decision-making unit of the risk management organization. It is responsible for the supervision and review of the management policies and systems. The Management Committee holds a meeting at least once a year. It communicates and discusses risk-related issues with other functional committees on a regular basis. The Information General Division makes risk analysis every year. It integrates and manages all the important risks that may have effect on the operation of the systems, and takes action in advance to ensure effective prevention.

Costs Incurred from Substantial Information and Communication Security Events in the Most Recent Year up to the Publication Date of the Annual Report

None

Current and Potential Estimated Amount and Countermeasures

None

Important Contracts

Contract Nature	Counterparty	Contract Term	Contents	Limitation Clause	Remark
Construction contract	Contractor: Verizon Construction Ltd.	04.01.2018-01.25.2024	Construction in Xinshi Dist., Tainan City	None	
Construction contract	Contractor: Xu Yuan Construction Co. Ltd.	11.01.2019-12.02.2025	Restoration construction in Guanyin Dist., Taoyuan City	None	
Construction contract	Contractor: Lih Hwa Construction Company Limited	04.24.2020-11.26.2026	Reconstruction in Sanchong Dist., New Taipei City	None	
Construction contract	Contractor: Lih Hwa Construction Company Limited	05.27.2021-05.26.2028	"Construction in Lot Chang'an, Xizhi District, New Taipei City"	None	
Oil trading contract	Seller: CPC Corporation, Taiwan	12.01.2016-11.30.2027	Purchase gasoline and diesel with a fleet card issued by the CPC	None	Renewal of 5 years
Superficies contract	Leasor: Taiwan Sugar Corporation	01.21.2013-01.20.2033	Right to use the land in Rende Dist., Tainan City	None	
Superficies contract	Leasor: Economic Development Department of the New Taipei City Government	11.27.2020-11.26.2040	Right to use the land in Changan section, Xizhi Dist., New Taipei City	None	
Superficies contract	Leasor: Taiwan Sugar Corporation	10.19.2021-10.18.2041	Right to use the land in Qianzhen District, Kaohsiung City	None	

Note: The construction contracts are scheduled to expire on the last day of the agreed completion deadline, plus a warranty period (of 5 years). The actual date will be adjusted based on the completion date.

Financial Information

Five-Year Financial Summary

I. Consolidated Condensed Balance Sheet - Based on IFRS

Unit: NTD\$ thousands						
Item		Financial Summary for The Last Five Years				
		2021	2020	2019	2018	2017
		As of March 31,				
		2022 (Note)				
Current assets		3,818,502	3,725,922	3,895,234	3,066,470	2,910,626
Property, plant and equipment		14,508,482	13,366,991	13,110,979	11,240,723	10,366,486
Right-of-use assets		4,725,748	3,563,856	3,364,419	-	-
Intangible assets		360,201	373,601	386,225	100,622	85,042
Other assets		749,032	638,534	763,775	952,253	730,879
Total assets		24,161,965	21,668,904	21,520,632	15,360,068	14,093,033
Current liabilities	Before distribution	3,383,238	3,228,405	3,710,799	2,779,290	3,239,123
	After distribution	2,612,687	4,012,966	4,387,950	3,507,811	3,986,324
Non-current liabilities		9,245,246	7,617,796	7,795,315	3,682,644	2,487,319
Total liabilities	Before distribution	12,628,484	10,846,201	11,506,114	6,461,934	5,726,442
	After distribution	11,857,933	11,630,762	12,183,265	7,190,455	6,473,643
Equity attributable to shareholders of the parent		10,952,255	10,268,269	9,483,751	8,878,139	8,349,898
Capital stock		4,670,005	4,670,005	4,670,005	4,670,005	4,670,005
Capital surplus		2,308	2,308	2,308	2,308	2,308
Retained earnings	Before distribution	6,227,281	5,641,470	4,807,048	4,229,044	3,662,432
	After distribution	5,456,730	4,856,909	4,129,897	3,500,523	2,915,231
Other equity interest		52,661	(45,514)	4,390	(23,218)	15,153
Treasury stock		-	-	-	-	-
Non-controlling interest		581,226	554,434	530,767	19,995	16,693
Total equity	Before distribution	11,533,481	10,822,703	10,014,518	8,898,134	8,366,591
	After distribution	10,762,930	10,038,142	9,337,367	8,169,613	7,619,390

Note:
(1) 2021 annual financial information was verified by CPA. The financial information as of March 31, 2022 have been reviewed by CPA.
(2) The 2021 earnings distribution amount has not yet been discussed by the Shareholders' meeting as of the date of printing of this annual report.

II. Consolidated Condensed Statement of Comprehensive Income - Based on IFRS

Unit: NTD\$ thousands						
Item		Financial Summary for The Last Five Years				
		2021	2020	2019	2018	2017
		As of March 31,				
		2022 (Note)				
Revenue		13,036,397	12,344,210	11,855,676	10,383,996	9,677,011
Gross profit		2,517,363	2,669,453	2,394,730	1,941,485	1,756,768
Operating Income/loss		1,812,125	1,961,928	1,708,658	1,435,239	1,264,334
Non-Operating Income and Expenses		24,076	6,090	16,165	119,398	201,244
Net income before tax		1,836,201	1,968,018	1,724,823	1,554,637	1,465,578
Net income from continuing operations		1,483,488	1,570,394	1,406,755	1,222,623	1,186,671
Loss from discontinued operations		-	-	-	-	-
Net profit (loss) for current term		1,483,488	1,570,394	1,406,755	1,222,623	1,186,671
Other comprehensive income (loss) during the term (Net amount after tax)		73,082	(36,473)	(22,312)	8,633	(33,037)
Total comprehensive income for the term		1,556,570	1,533,921	1,384,443	1,231,256	1,153,634
Net income attributable to						
Shareholders of the parent		1,394,789	1,497,426	1,352,312	1,216,548	1,185,046
Non-controlling interests		88,699	72,968	54,443	6,075	1,625
Total comprehensive income (loss) attributable to						
Shareholders of the parent		1,468,547	1,461,669	1,334,133	1,225,165	1,151,964
Non-controlling interests		88,023	72,252	50,310	6,097	1,670
Earnings per share		2.99	3.21	2.90	2.61	2.54

Note:
(1) The company's interests of capitalization has not included in the interest expenses.
(2) Capital increase out of earnings or capital reserve retroactively adjusted based on the number of shares after distribution, calculated weighted average number of ordinary shares as par value NTD\$10 per shares.
(3) 2021 annual financial information was verified by CPA. The financial information as of March 31, 2022 have been reviewed by CPA.

III. Individual Condensed Balance Sheet - Based on IFRS

Unit: NTD\$ thousands

		Year	Financial Summary for The Last Five Years					As of March 31, 2022 (Note)
			2021	2020	2019	2018	2017	
Current assets			2,530,647	2,741,140	3,168,043	2,351,767	2,313,286	2,361,487
Property, plant and equipment			12,478,789	11,361,651	11,039,664	10,892,388	9,961,114	12,530,862
Right-of-use assets			2,828,776	2,094,611	1,761,139	-	-	2,825,308
Intangible assets			-	-	-	-	-	-
Other assets			2,617,262	2,278,011	2,218,286	1,572,597	1,272,257	2,721,029
Total assets			20,455,474	18,475,413	18,187,132	14,816,752	13,546,657	20,438,686
Current liabilities	Before distribution		2,303,796	2,191,360	2,647,570	2,267,591	2,712,569	1,978,275
	After distribution		1,533,245	2,975,921	3,324,721	2,996,112	3,459,770	1,207,724
Non-current liabilities			7,199,423	6,015,784	6,055,811	3,671,022	2,484,190	7,219,562
Total liabilities	Before distribution		9,503,219	8,207,144	8,703,381	5,938,613	5,196,759	9,197,836
	After distribution		8,732,668	8,991,705	9,380,532	6,667,134	5,943,960	8,427,285
Capital stock			4,670,005	4,670,005	4,670,005	4,670,005	4,670,005	4,670,005
Capital surplus			2,308	2,308	2,308	2,308	2,308	2,308
Retained earnings	Before distribution		6,227,281	5,641,470	4,807,048	4,229,044	3,662,432	6,515,565
	After distribution		5,456,730	4,856,909	4,129,897	3,500,523	2,915,231	5,745,014
Other equity interest			52,661	(45,514)	4,390	(23,218)	15,153	52,971
Treasury stock			-	-	-	-	-	-
Total equity	Before distribution		10,952,255	10,268,269	9,483,751	8,878,139	8,349,898	11,240,849
	After distribution		10,181,704	9,483,708	8,806,600	8,149,618	7,602,697	10,470,298

Note:

- (1) 2021 annual financial information was verified by CPA. The financial information as of March 31, 2022 have been reviewed by CPA.
 (2) The 2021 earnings distribution amount has not yet been discussed by the Shareholders' meeting as of the date of printing of this annual report.

IV. Individual Condensed Statement of Comprehensive Income - Based on IFRS

Unit: NTD\$ thousands

		Year	Financial Summary for The Last Five Years					As of March 31, 2022 (Note)
			2021	2020	2019	2018	2017	
Revenue			10,565,689	10,133,871	9,823,283	9,297,035	8,776,010	2,512,906
Gross profit			1,601,765	1,869,827	1,716,254	1,653,434	1,522,750	325,253
Operating Income/loss			1,209,660	1,475,739	1,369,213	1,302,108	1,179,331	231,227
Non-Operating Income and Expenses			430,066	336,042	246,988	219,405	262,602	107,589
Net income before tax			1,639,726	1,811,781	1,616,201	1,521,513	1,441,933	338,815
Net income from continuing operations			1,394,789	1,497,426	1,352,312	1,216,548	1,185,046	288,284
Loss from discontinued operation			-	-	-	-	-	-
Net profit (loss) for current term			1,394,789	1,497,426	1,352,312	1,216,548	1,185,046	288,284
Other comprehensive income (loss) during the term (Net amount after tax)			73,758	(35,757)	(18,179)	8,617	(33,082)	310
Total comprehensive income for the term			1,468,547	1,461,669	1,334,133	1,225,165	1,151,964	288,594
Earnings per share			2.99	3.21	2.90	2.61	2.54	0.62

Note:

- (1) The amount of capitalization of interests of the Company has not included in the interest expenses.
 (2) Capital increase out of earnings or capital reserve retroactively adjusted based on the number of shares after distribution, calculated weighted average number of ordinary shares as par value NTD\$10 per shares.
 (3) 2021 annual financial information was verified by CPA. The financial information as of March 31, 2022 have been reviewed by CPA.

Names of auditing CPAs of the recent five years and their audit opinions

Year	Name of CPA	Audit Opinion
2017	Tseng, Tung-Yun/Hsu, Wen-Ya	Unqualified opinion
2018	Tseng, Tung-Yun/Hsu, Wen-Ya	Unqualified opinion
2019	Tseng, Tung-Yun/Hsu, Wen-Ya	Unqualified opinion with explanatory notes
2020	Tseng, Tung-Yun/Su, Ting-Chien	Unqualified opinion
2021	Yang, Chi-Sheng/Su, Ting-Chien	Unqualified opinion

Financial analysis for the last five years

Consolidated Financial Analysis - Based on IFRS

Item		Year	Financial Analysis for the Last Five Years					As of March
			2021	2020	2019	2018	2017	31, 2022
Financial structure (%)	Debt to asset ratio (%)		52.27	50.05	53.47	42.07	40.63	50.57
	Ratio of long-term capital to property, plant and equipment		143.22	137.96	135.84	111.92	104.70	144.71
Solvency (%)	Current ratio		112.87	115.41	104.97	110.33	89.86	123.83
	Quick ratio		108.94	111.34	101.97	101.73	85.81	118.81
	Interest earned ratio (times)		17.14	19.54	15.62	43.84	50.75	14.39
Operating performance	Accounts receivable turnover (times)		6.38	6.40	6.37	5.95	5.81	6.40
	Average collection period		57.21	57.03	57.29	61.34	62.82	57.03
	Inventory turnover (times)		2.33	2.21	2.23	2.80	1.99	2.26
	Accounts payable turnover (times)		14.48	15.79	22.33	18.70	18.62	14.02
	Average days in sales		156.65	165.15	163.67	130.36	183.42	161.50
	Property, plant and equipment turnover (times)		0.94	0.93	0.97	0.96	0.97	0.87
	Total assets turnover (times)		0.57	0.57	0.64	0.71	0.72	0.53
	Return on total assets (%)		6.87	7.67	8.10	8.45	8.97	5.64
Profitability	Return on stockholders' equity (%)		13.27	15.07	14.88	14.16	14.59	10.81
	Pre-tax income to paid-in capital ratio (%)	Operating income	38.80	42.01	36.59	30.73	27.07	34.24
		Pre-tax income	39.32	42.14	36.93	33.29	31.38	33.92
	Profit ratio (%)		11.38	12.72	11.87	11.77	12.26	9.98
	Earnings per share (NTD\$)		2.99	3.21	2.90	2.61	2.54	0.62
Cash flow	Cash flow ratio (%)		72.56	94.17	72.30	48.18	48.60	16.83
	Cash flow adequacy ratio (%)		104.23	95.48	80.65	71.54	82.45	113.95
	Cash reinvestment ratio(%)		7.04	10.42	8.90	3.14	5.20	2.01
Leverage	Operating leverage		1.67	1.58	1.65	1.38	1.43	1.84
	Financial leverage		1.07	1.06	1.07	1.02	1.02	1.08

Note:

(1) Analysis of financial ratio differences for the last two years.

(i) Cash flow ratio of 2021 is less than 2020, due to net cash flow from operation activities decrease 585,154 thousands dollars and current liabilities increase 154, 833 thousands dollars.

(2) All financial reports from 2017-2021 were audited by CPA. The financial report of Q1 2022 has been reviewed by CPA.

Individual Financial Analysis - Based on IFRS

Item		Year	Financial Analysis for the Last Five Years				
			2021	2020	2019	2018	2017
Financial structure (%)	Debt to asset ratio (%)		46.46	44.42	47.85	40.08	38.36
	Ratio of long-term capital to property, plant and equipment		145.46	143.32	140.76	115.21	108.76
Solvency (%)	Current ratio		109.85	125.09	119.66	103.71	85.28
	Quick ratio		108.64	123.85	118.69	102.02	83.50
	Interest earned ratio (times)		22.69	26.22	20.88	47.02	55.54
Operating performance	Accounts receivable turnover (times)		6.55	6.53	6.27	6.10	5.96
	Average collection period		55.73	55.90	58.21	59.84	61.24
	Inventory turnover (times)		-	-	-	-	-
	Accounts payable turnover (times)		16.03	15.83	18.64	19.74	19.33
	Average days in sales		-	-	-	-	-
	Property, plant and equipment turnover (times)		0.89	0.90	0.90	0.89	0.92
	Total assets turnover (times)		0.54	0.55	0.60	0.66	0.68
	Return on total assets (%)		7.48	8.48	8.54	8.71	9.30
Profitability	Return on stockholders' equity (%)		13.15	15.16	14.73	14.12	14.59
	Pre-tax income to paid-in capital ratio (%)	Operating income	25.90	31.60	29.32	27.88	25.25
		Pre-tax income	35.11	38.80	34.61	32.58	30.88
	Profit ratio (%)		13.20	14.78	13.77	13.09	13.50
	Earnings per share (NTD\$)		2.99	3.21	2.90	2.61	2.54
Cash flow	Cash flow ratio (%)		69.50	107.04	77.32	57.69	55.20
	Cash flow adequacy ratio (%)		89.22	86.52	76.69	71.61	82.10
	Cash reinvestment ratio(%)		3.73	7.98	6.51	3.05	4.85
Leverage	Operating leverage		1.75	1.59	1.63	1.37	1.41
	Financial leverage		1.07	1.05	1.06	1.02	1.02

Note:

(1) Analysis of financial ratio differences for the last two years.

(i) Cash flow ratio of 2021 is less than 2020, due to net cash flow from operation activities decrease 744,492 thousands dollars and current liabilities increase 112,436 thousands dollars.

(2) All financial reports from 2017-2021 were audited by CPA.

(3) The calculation formulas of each financial analysis are as follow:

- A. Financial structure
- (i) Debt to asset ratio (%) = Total liabilities / Total assets
 - (ii) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Net amount of property, plant and equipment
- B. Liquidity
- (i) Current ratio = Current assets / Current liabilities
 - (ii) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities
 - (iii) Interest earned ratio = Earnings before interest and taxes / Interest expense
- C. Operating ability
- (i) Receivable (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
 - (ii) Average collection days = 365 / Receivable turnover
 - (iii) Inventory turnover = Cost of sales / Average amount of inventory
 - (iv) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances
 - (v) Average days of sales = 365 / Inventory turnover
 - (vi) Property, plant and equipment turnover ratio = Net Sales / Average net property, plant and equipment
 - (vii) Total assets turnover = Net sales / Average total assets
- D. Profitability
- (i) Return on total assets = (Net income + Interest expense * (1- tax rate)) / Average total assets
 - (ii) Return on total equity = Net income / net average equity
 - (iii) Net margin = Net income / Net sales
 - (iv) Earnings per share = (income belonging to owner of parent company stock dividend of preferred stocks)/ weighted average number of issued shares
- E. Cash flow
- (i) Cash flow ratio = Net cash flows from operating activities / current liabilities
 - (ii) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years
 - (iii) Cash reinvestment ratio = (net cash flows from operating activities cash dividend) / (gross margin of property, plant and equipment + long term investment + other non current assets+ working capital)
- F. Leverage
- (i) Operating leverage = (net operating revenues current operating cost and expense) /operating profit
 - (ii) Financial leverage = Operating profit/ (operating profit - interest expense)



Kerry TJ Logistics Company Limited

Audit Committee’s Review Report

The Board of Directors has prepared the Company’s 2021 Business Report, Financial Statements, and proposal for distribution of annual earnings. The CPA Chi-Sheng Yang and Ting-Chien Su of Deloitte & Touche was retained to audit Kerry TJ’s Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and annual earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Kerry TJ Logistics Company Limited. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Convener of the Audit Committee: Kuo, Tsung-Hsiung



May 4, 2022

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Kerry TJ Logistics Co., Ltd.

By:

Chung-Kui Shen
Chairman



March 10, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Kerry TJ Logistics Co., Limited

Opinion

We have audited the accompanying consolidated financial statements of Kerry TJ Logistics Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. 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.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021 is as follows:

Recognition of freight logistics revenue

The Group's major source of revenue comes from freight logistics, and the amount of freight logistics revenue is measured based on freight rates and freight volume in accordance with the Group's revenue recognition policies. Since unapproved freight rates may cause revenue to be recognized incorrectly, the recognition of freight logistics revenue has been identified as a key audit matter, refer to Notes 4 and 31 for the details.

We obtained an understanding of the setup and changes in the system flow of the main price file (freight rates table/contract rates table) and evaluated the design and determined the implementation of the related controls, and we also performed tests of controls.

The main audit procedures that we performed are as follows:

- 1. We obtained the freight rate deviation table, checked the rationality of differences between the listed freight rates and the actual rates paid, and we also checked that rates were approved by the relevant supervisors.
- 2. We obtained an understanding of the logic process of generating freight rate deviation table and recalculated and verified the accuracy of the report calculation logic.
- 3. We performed the substantive analytical procedures on freight logistics revenue.

Other Matter

We have also audited the parent company only financial statements of Kerry TJ Logistics Co., Limited as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China 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.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional

judgment and maintain professional skepticism throughout the audit. We also:

1. 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.
2. 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.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s 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 auditors’ 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 auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. 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.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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.

We communicate with those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021, and are therefore the key audit matters. We describe these matters in our auditors’ 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 partners on the audits resulting in this independent auditors’ report are Chi-Sheng Yang and Ting-Chien Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

楊啟聖



蘇定堅



March 10, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and consolidated financial statements shall prevail.

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES | CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 1,506,806	6	\$ 1,507,885	7
Notes receivable (Notes 4, 7 and 20)	432,258	2	350,822	2
Accounts receivable (Notes 4, 7, 20 and 26)	1,718,696	7	1,570,076	7
Other receivables (Notes 4 and 26)	8,190	-	130,868	1
Inventories (Notes 4 and 10)	56,015	-	59,686	-
Prepayments (Note 26)	76,745	1	71,861	-
Other current assets	<u>19,792</u>	<u>-</u>	<u>34,724</u>	<u>-</u>
Total current assets	<u>3,818,502</u>	<u>16</u>	<u>3,725,922</u>	<u>17</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 8)	10,925	-	2,961	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 9 and 26)	248,295	1	188,285	1
Investments accounted for using the equity method (Notes 4 and 12)	100,507	-	95,437	-
Property, plant and equipment (Notes 4, 5, 13, 27 and 28)	14,508,482	60	13,366,991	62
Right-of-use assets (Notes 4, 5 and 14)	4,725,748	20	3,563,856	16
Other intangible assets (Note 4)	110,105	1	123,505	1
Goodwill (Notes 4)	250,096	1	250,096	1
Deferred tax assets (Notes 4 and 22)	90,109	-	103,574	1
Other non-current assets (Notes 4 and 15)	<u>299,196</u>	<u>1</u>	<u>248,277</u>	<u>1</u>
Total non-current assets	<u>20,343,463</u>	<u>84</u>	<u>17,942,982</u>	<u>83</u>
TOTAL	<u>\$ 24,161,965</u>	<u>100</u>	<u>\$ 21,668,904</u>	<u>100</u>

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES | CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Notes 4 and 16)	\$ 269,000	1	\$ 44,000	-
Short-term bills payable (Note 16)	-	-	54,973	-
Notes payable	632	-	2,535	-
Accounts payable (Note 26)	832,241	3	617,776	3
Other payables (Notes 17 and 26)	1,344,592	6	1,438,928	7
Current tax liabilities (Notes 4 and 22)	153,795	1	219,392	1
Lease liabilities - current (Notes 4, 5 and 14)	441,566	2	415,088	2
Current portion of long-term bank loans (Notes 4, 16 and 27)	56,718	-	166,400	1
Other current liabilities	<u>284,694</u>	<u>1</u>	<u>269,313</u>	<u>1</u>
Total current liabilities	<u>3,383,238</u>	<u>14</u>	<u>3,228,405</u>	<u>15</u>
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 4, 16 and 27)	4,252,512	18	3,609,230	17
Deferred tax liabilities (Notes 4 and 22)	586,896	2	590,161	3
Lease liabilities - non-current (Notes 4, 5 and 14)	4,068,568	17	3,046,640	14
Net defined benefit liabilities - non-current (Notes 4 and 18)	314,465	1	349,656	1
Deposits received	22,553	-	21,857	-
Other non-current liabilities	<u>252</u>	<u>-</u>	<u>252</u>	<u>-</u>
Total non-current liabilities	<u>9,245,246</u>	<u>38</u>	<u>7,617,796</u>	<u>35</u>
Total liabilities	<u>12,628,484</u>	<u>52</u>	<u>10,846,201</u>	<u>50</u>

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES | CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	\$ 4,670,005	19	\$ 4,670,005	21
Capital surplus	2,308	-	2,308	-
Retained earnings				
Legal reserve	1,260,632	5	1,109,475	5
Special reserve	345,430	2	299,916	1
Unappropriated earnings	4,621,219	19	4,232,079	20
Total retained earnings	6,227,281	26	5,641,470	26
Other equity	52,661	-	(45,514)	-
Total equity attributable to owners of the Company	10,952,255	45	10,268,269	47
NON-CONTROLLING INTERESTS	581,226	3	554,434	3
Total equity	11,533,481	48	10,822,703	50
TOTAL	\$ 24,161,965	100	\$ 21,668,904	100

The accompanying notes are an integral part of the consolidated financial statements.

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 26)	\$ 13,036,397	100	\$ 12,344,210	100
OPERATING COSTS (Notes 10, 21 and 26)	10,519,034	81	9,674,757	78
GROSS PROFIT	2,517,363	19	2,669,453	22
OPERATING EXPENSES (Notes 21 and 26)	705,238	5	707,525	6
PROFIT FROM OPERATIONS	1,812,125	14	1,961,928	16
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Interest income	902	-	1,558	-
Other income (Notes 21 and 26)	104,529	1	124,785	1
Other gains and losses (Note 21)	19,238	-	(4,906)	-
Finance costs (Note 21)	(113,777)	(1)	(106,135)	(1)
Share of profit (loss) of associates accounted for using the equity method (Note 12)	5,220	-	(212)	-
Valuation gain (loss) on financial assets at fair value through profit or loss (Note 8)	7,964	-	(9,000)	-
Total non-operating income and expenses	24,076	-	6,090	-
PROFIT BEFORE INCOME TAX	1,836,201	14	1,968,018	16
INCOME TAX EXPENSE (Notes 4 and 22)	352,713	3	397,624	3
NET PROFIT FOR THE YEAR	1,483,488	11	1,570,394	13

(Continued)

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	(\$ 31,292)	-	(\$ 15,415)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	98,800	1	(23,023)	(1)
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 22)	<u>6,258</u>	-	<u>3,083</u>	-
	<u>73,766</u>	<u>1</u>	(<u>35,355</u>)	(<u>1</u>)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(534)	-	-	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(<u>150</u>)	-	(<u>1,118</u>)	-
	(<u>684</u>)	-	(<u>1,118</u>)	-
Other comprehensive income (loss) for the year, net of income tax	<u>73,082</u>	<u>1</u>	(<u>36,473</u>)	(<u>1</u>)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,556,570</u>	<u>12</u>	<u>\$ 1,533,921</u>	<u>12</u>

(Continued)

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,394,789	11	\$ 1,497,426	12
Non-controlling interests	<u>88,699</u>	-	<u>72,968</u>	<u>1</u>
	<u>\$ 1,483,488</u>	<u>11</u>	<u>\$ 1,570,394</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,468,547	11	\$ 1,461,669	12
Non-controlling interests	<u>88,023</u>	<u>1</u>	<u>72,252</u>	-
	<u>\$ 1,556,570</u>	<u>12</u>	<u>\$ 1,533,921</u>	<u>12</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 2.99</u>		<u>\$ 3.21</u>	
Diluted	<u>\$ 2.98</u>		<u>\$ 3.20</u>	

(Concluded)

The accompanying notes are an integral part of the consolidated financial statements.

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Note 19)				Equity Attributable to Owners of the Company (Note 19)						
	Retained Earnings				Retained Earnings		Other Equity			Non-controlling Interests (Note 19)	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translation Foreign Operations	Unrealized Gain (Loss) on Investments in Financial Assets at Fair Value Through Other Comprehensive Income	Total		
BALANCE AT JANUARY 1, 2020	\$ 4,670,005	\$ 2,308	\$ 974,244	\$ 323,134	\$ 3,509,670	\$ 4,807,048	\$ 13,482	(\$ 9,092)	\$ 9,483,751	\$ 530,767	\$ 10,014,518
Appropriation of 2019 earnings											
Legal reserve	-	-	135,231	-	(135,231)	-	-	-	-	-	-
Special reserve	-	-	-	(23,218)	23,218	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(677,151)	(677,151)	-	-	(677,151)	-	(677,151)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(48,585)	(48,585)
Net profit for the year ended December 31, 2020	-	-	-	-	1,497,426	1,497,426	-	-	1,497,426	72,968	1,570,394
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(11,474)	(11,474)	(1,260)	(23,023)	(35,757)	(716)	(36,473)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,485,952	1,485,952	(1,260)	(23,023)	1,461,669	72,252	1,533,921
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 9 and 27)	-	-	-	-	25,621	25,621	-	(25,621)	-	-	-
BALANCE AT DECEMBER 31, 2020	4,670,005	2,308	1,109,475	299,916	4,232,079	5,641,470	12,222	(57,736)	10,268,269	554,434	10,822,703
Appropriation of 2020 earnings											
Legal reserve	-	-	151,157	-	(151,157)	-	-	-	-	-	-
Special reserve	-	-	-	45,514	(45,514)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(784,561)	(784,561)	-	-	(784,561)	-	(784,561)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(61,231)	(61,231)
Net profit for the year ended December 31, 2021	-	-	-	-	1,394,789	1,394,789	-	-	1,394,789	88,699	1,483,488
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(24,417)	(24,417)	(625)	98,800	73,758	(676)	73,082
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,370,372	1,370,372	(625)	98,800	1,468,547	88,023	1,556,570
BALANCE AT DECEMBER 31, 2021	\$ 4,670,005	\$ 2,308	\$ 1,260,632	\$ 345,430	\$ 4,621,219	\$ 6,227,281	\$ 11,597	\$ 41,064	\$ 10,952,255	\$ 581,226	\$ 11,533,481

The accompanying notes are an integral part of the consolidated financial statements.

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,836,201	\$ 1,968,018
Adjustments for:		
Depreciation	1,179,433	1,098,075
Amortization expense	40,177	48,748
Expected credit losses recognized on accounts receivable	811	15,214
Valuation (gain) loss on financial assets at fair value through profit or loss, net	(7,964)	9,000
Finance costs	113,777	106,135
Interest income	(902)	(1,558)
Dividend income	(19,840)	(24,048)
Share of (profit) loss of associates accounted for using the equity method	(5,220)	212
(Gain) loss on disposal of property, plant and equipment, net	(9,438)	2,155
Property, plant and equipment transferred to expense	129	1,117
Write-down of inventories	8,579	-
Gain on lease modifications	(13)	(9)
Other revenue	(6,000)	(8,000)

(Continued)

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Net changes in operating assets and liabilities:		
Notes receivable	(\$ 81,436)	\$ 25,622
Accounts receivable	(149,431)	(41,812)
Other receivables	(1,781)	367,884
Inventories	(4,908)	(1,382)
Prepayments	(4,884)	(18,777)
Other current assets	14,932	(13,785)
Other non-current asset	(22,098)	18,366
Notes payable	(1,903)	1,637
Accounts payable	214,465	13,526
Other payables	(68,347)	31,344
Other current liabilities	15,381	(30,001)
Net defined benefit liabilities	(66,483)	(75,971)
Cash generated from operations	2,973,237	3,491,710
Interest received	909	1,529
Interest paid	(117,369)	(108,209)
Income tax paid	(401,852)	(344,951)
Net cash generated from operating activities	2,454,925	3,040,079

(Continued)

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ -	\$ 62,524
Proceeds from financial assets at fair value through other comprehensive income capital reduction	38,790	1,334
Payments for property, plant and equipment	(1,263,209)	(704,726)
Proceeds from disposal of property, plant and equipment	14,794	14,885
Decrease (increase) in refundable deposits	8,800	(13,448)
Payments for intangible assets	(3,428)	(3,316)
Increase in other non-current assets	(6,438)	(10,319)
Increase in prepayments for equipment	(514,884)	(329,671)
Dividends received	<u>19,840</u>	<u>24,048</u>
Net cash used in investing activities	(<u>1,705,735</u>)	(<u>958,689</u>)

(Continued)

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	\$ 3,324,000	\$ 2,274,000
Repayments of short-term bank loans	(3,099,000)	(2,624,000)
Repayments of short-term bills payable	(54,973)	(232,687)
Proceeds from long-term bank loans	5,130,000	2,170,000
Repayments of long-term bank loans	(4,596,400)	(2,384,370)
Increase in guarantee deposits received	696	6,066
Repayment of the principal portion of lease liabilities	(608,270)	(401,058)
Dividends paid	(784,561)	(677,151)
Change in non-controlling interests	(<u>61,231</u>)	(<u>48,585</u>)
Net cash used in financing activities	(<u>749,739</u>)	(<u>1,917,785</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(<u>530</u>)	<u>18</u>
NET (DECREASE) INCREASE IN CASH	(1,079)	163,623
CASH AT THE BEGINNING OF THE YEAR	<u>1,507,885</u>	<u>1,344,262</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,506,806</u>	<u>\$ 1,507,885</u>

(Concluded)

The accompanying notes are an integral part of the consolidated financial statements.

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Kerry TJ Logistics Co., Limited (the "Company") was incorporated in the Republic of China (ROC) in December 1959. The Company is mainly engaged in the business of automobile cargo transportation within designated routes, container transportation, warehousing and refrigeration delivery.

The Company's original parent company is Kerry Logistics Services Limited (KLSL), which was owned by Kerry Logistics Network Limited (KLN). KLSL sold all its businesses in Taiwan (including 49.67% of the Company's ordinary shares) to Treasure Seeker Group Limited (TSGL), which was owned by Hong Kong Kerry Holding Limited (KHL) on September 27, 2021. KHL became the parent company of the Company from that date. However, KHL is Kerry Group Limited's subsidiary. The Group's ultimate parent company and ultimate controller is still Kerry Group Limited.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since December 1990.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 10, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC

Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies.

- b. New IFRSs endorsed by the FSC for application in 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. New IFRSs in issue by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17—Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and the defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability.

- c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed

after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries, including structured entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, tables 8 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required had those interests been directly disposed of by the Group.

f. Foreign currencies

In preparing the consolidated financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries or associates in other countries or those that use currencies which are different from the Company) are translated into the New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income and attributed to the owners of the Company and non-controlling interests as appropriate.

g. Inventories

Inventories consist of raw materials, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair

value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on

a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

l. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and remeasurement gains or losses on such financial assets are recognized in profits or losses. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, notes and accounts receivable at amortized cost, other receivable, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) A financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;

- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

- iii. Investments in equity instruments at FVTOCI
On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

- b) Impairment of financial assets
The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in

credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 120 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

- c) Derecognition of financial assets
The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

- 2) Financial liabilities
 - a) Subsequent measurement
Financial liabilities are measured at amortized cost using the effective interest method.
 - b) Derecognition of financial liabilities
The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

- n. Provision
Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

- o. Revenue recognition
The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods Revenue from the sale of goods comes from sales of commercial refrigerators and freezers, fruits and vegetables. Sales of commercial refrigerators and freezers, fruits and vegetables are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. 2) Revenue from the rendering of services Revenue from the rendering of services comes from the rendering of services of automobile cargo transportation, container transportation and warehousing. The services committed by the Group are determined based on the contracts, and the related revenue is recognized when services are rendered.	2) The Group as lessee The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.	The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.	s. Employee benefits 1) Short-term employee benefits Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services. 2) Retirement benefits Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions. Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur, when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.
p. Leasing At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative standalone price and accounts for each component separately. 1) The Group as lessor Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.	Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.	q. Borrowing costs Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred. r. Government grants Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.	t. Taxation Income tax expense represents the sum of the tax currently payable and deferred tax. 1) Current tax Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions, on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical Accounting Judgments

Lease terms

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Group occurs.

Key Sources of Estimation Uncertainty

a. Useful lives of property, plant and equipment

As described in Note 4, the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date. Should there be changes in the estimated useful lives due to changes in actual conditions, the expenses and assets recognized may be significantly affected.

b. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH

	December 31	
	2021	2020
Cash on hand and petty cash	\$ 89,148	\$ 63,712
Checking accounts and demand deposits	<u>1,417,658</u>	<u>1,444,173</u>
	<u>\$ 1,506,806</u>	<u>\$ 1,507,885</u>

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2021	2020
<u>Notes Receivable</u>		
At amortized cost		
Gross carrying amount	\$ 432,339	\$ 350,903
Less: Allowance for doubtful accounts	(<u>81</u>)	(<u>81</u>)
	<u>\$ 432,258</u>	<u>\$ 350,822</u>
<u>Accounts Receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,726,829	\$ 1,578,289
Less: Allowance for doubtful accounts	(<u>8,133</u>)	(<u>8,213</u>)
	<u>\$ 1,718,696</u>	<u>\$ 1,570,076</u>

The average credit period of operating revenue was 60-120 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management administrator annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable:

	Within 120 Days	Over 120 Days
<u>December 31, 2021</u>		
Expected credit loss rate (%)	0%-0.1%	0%-75%
Gross carrying amount	\$ 1,718,515	\$ 8,314
Loss allowance (Lifetime ECLs)	(4,133)	(4,000)
Amortized cost	<u>\$ 1,714,382</u>	<u>\$ 4,314</u>
<u>December 31, 2020</u>		
Expected credit loss rate (%)	0%-0.1%	0%-100%
Gross carrying amount	\$ 1,573,885	\$ 4,404
Loss allowance (Lifetime ECLs)	(6,004)	(2,209)
Amortized cost	<u>\$ 1,567,881</u>	<u>\$ 2,195</u>

The movements of the loss allowance of trade receivables were as follows:

	<u>December 31</u>	
	2021	2020
Balance at January 1	\$ 8,294	\$ 8,818
Net remeasurement of loss allowance	811	15,214
Amount written off	(891)	(15,738)
Balance at December 31	<u>\$ 8,214</u>	<u>\$ 8,294</u>

8. FINANCIAL INSTRUMENTS AT FVTPL - NON-CURRENT

	<u>December 31</u>	
	2021	2020
<u>Domestic unlisted preference shares</u>		
PKR Offshore Co., Ltd. ("PKRO")	\$ 10,925	\$ 2,961
<u>Domestic unlisted ordinary shares</u>		
Hantek Technology Co., Ltd. ("Hantek")	-	-
	<u>\$ 10,925</u>	<u>\$ 2,961</u>

Hantek wound up operations as approved by the competent authority in 2006. As of the date of the auditors' report, the liquidation procedures have not yet been completed.

The Company invested \$12,240 thousand in PKRO's preference shares, and its shareholding proportion was 51% in November 2019. Based on the contract, the Group does not have control; and as stipulated in the Company's articles of incorporation (the "Articles"), the preference share dividends will be distributed, in priority, in one lump sum in cash at face value at the interest rate of 4.7%. At the end of the accounting year, if the net profit is insufficient for the distribution of preference share dividends, the dividends would be accumulated and distributed in the following year.

Since the above-mentioned preference shares do not meet the requirements of recognition as investments in debt instruments measured at amortized cost or at fair value through other comprehensive income, they were classified as investments in debt instruments at fair value through profit or loss.

9. FINANCIAL INSTRUMENTS AT FVTOCI - NON-CURRENT

	<u>December 31</u>	
	2021	2020
<u>Domestic unlisted ordinary shares</u>		
Everterminal Co., Ltd. ("Everterminal")	\$ 164,502	\$ 109,492
J.Shine International Logistics Co., Ltd. ("J. Shine")	69,222	63,222
Chunghwa Express Co., Ltd. ("Chunghwa Express")	10,392	10,392
Develop Cultural and Creative Valve Venture Capital Co., Ltd. ("Develop Cultural")	3,826	4,826
Omnihealth Group, Inc. ("Omnihealth")	353	353
Central Taiwan Science Park Logistics Co., Ltd. ("CTSPL")	-	-
West Lake Resortopia Corp ("West Lake")	-	-
Taskco E-Business Corp. ("Taskco")	-	-
	<u>\$ 248,295</u>	<u>\$ 188,285</u>

These investments in equity instruments are held for medium-to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term

fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In June 2020, the Company's board of directors resolved to dispose of its shares in Kerry Freight International Company Ltd. ("KFI") to Taiwan Kerry Investment Company ("TKI"). The shares sold had a fair value of \$15,308 thousand (900 thousand shares at \$17.06 per share) and its related unrealized valuation gain of \$4,398 thousand was transferred from other equity to retained earnings.

In March 2020, the Company's board of directors resolved to dispose of its shares in CTSPL to Chien Shing Harbour Service Co., Ltd. The shares sold had a fair value of \$47,216 thousand (2,700 thousand shares at \$17.54 per share) and its related unrealized valuation gain of \$21,223 thousand was transferred from other equity to retained earnings.

10. INVENTORIES

	<u>December 31</u>	
	2021	2020
Raw materials	\$ 52,605	\$ 47,486
Merchandise	3,410	12,196
Finished goods	-	4
	<u>\$ 56,015</u>	<u>\$ 59,686</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$134,742 thousand and \$130,600 thousand, respectively.

The nature of the cost of goods sold is as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Inventory write-downs	<u>\$ 8,579</u>	<u>\$ -</u>

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

			% of Ownership		
			December 31		
Investor	Investee	Main Business	2021	2020	Remark
The Company	Rong Xing Investment Corporation ("Rong Xing")	Professional investment business	100	100	
	T-join (BVI) International Limited ("T-join (BVI)")	Professional investment business	100	100	
	T.Join Transportation Co., Ltd ("TJ")	Container freight business	100	100	
	Kerry Global Trading Company Limited ("KGT")	International trade business	100	100	
	Kerry Express Company Limited ("KE")	Car freight business	100	100	
	Science Park Logistics Co., Ltd. ("SPL")	Logistics transportation business	60	60	
The Company and subsidiaries	Kerry Cold Chain Equipment Company Limited ("KCC")	Transportation tools and parts manufacturing	100	100	
Rong Xing	Datai Warehousing Equipment Company Limited ("Datai")	Warehousing and distribution	100	100	Note
	Kerry Pharma Logistics Co., Ltd. ("KP")	Car freight business	90	90	
	Kerry Fruit Company Limited ("KF")	Fruit and vegetable wholesale	51	51	

Note: Datai has carried out the dissolution and liquidation procedures in 2013, and as of the date of the auditors' report, the liquidation procedures have not yet been completed.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investee	December 31			
	2021		2020	
	Carrying Amount	Percentage of Ownership (%)	Carrying Amount	Percentage of Ownership (%)
<u>Material associates</u>				
T-Join (HK) International Limited ("T-Join (HK)")	\$ 76,868	49	\$ 74,917	49
Cobang Nanjing Logistics Limited ("Cobang Nanjing")	23,639	25	20,520	25
<u>Associates that are not individually material</u>				
Posh Kerry Renewables Co., Ltd. ("Posh Kerry")	-	40	-	40
Lian He Circulate Co., Ltd. ("Lian He")	-	46	-	46
	<u>\$ 100,507</u>		<u>\$ 95,437</u>	

For information on the nature of activities, principal places of business and countries of incorporation of the aforementioned associates, please refer to Tables 8 and 9.

Lian He wound up operations as approved by the competent authority in 2014, and as of the date of the auditors' report, the liquidation procedures have not yet been completed.

The share of profit or loss and other comprehensive income of investments accounted for using the equity method in 2021 and 2020 were calculated based on their financial statements which have been audited for the same periods.

13. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2021				
	Balance, Beginning of Year	Additions	Decrease	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 5,761,728	\$ -	\$ -	\$ -	\$ 5,761,728
Buildings	6,151,811	52,221	(96,836)	1,440,649	7,547,845
Machinery	472,122	22,516	(33,919)	100,737	561,456
Transportation equipment	5,345,505	96,405	(303,922)	441,759	5,579,747
Lease improvements	867,507	21,692	(2,207)	24,620	911,612
Other equipment	579,239	50,229	(32,389)	31,270	628,349
Construction in progress	<u>1,639,780</u>	<u>997,745</u>	<u>-</u>	<u>(1,454,360)</u>	<u>1,183,165</u>
	<u>20,817,692</u>	<u>\$ 1,240,808</u>	<u>(\$ 469,273)</u>	<u>\$ 584,675</u>	<u>22,173,902</u>
<u>Accumulated depreciation</u>					
Buildings	2,945,902	\$ 251,633	(\$ 96,689)	\$ -	3,100,846
Machinery	285,450	36,942	(33,919)	-	288,473
Transportation equipment	3,088,210	282,622	(299,004)	-	3,071,828
Lease improvements	704,323	40,886	(1,915)	-	743,294
Other equipment	<u>426,816</u>	<u>66,553</u>	<u>(32,390)</u>	<u>-</u>	<u>460,979</u>
	<u>7,450,701</u>	<u>\$ 678,636</u>	<u>(\$ 463,917)</u>	<u>\$ -</u>	<u>7,665,420</u>
	<u>\$ 13,366,991</u>				<u>\$ 14,508,482</u>

For the Year Ended December 31, 2020

	Balance, Beginning of Year	Additions	Decrease	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 5,761,588	\$ 140	\$ -	\$ -	\$ 5,761,728
Buildings	6,209,988	24,654	(100,801)	17,970	6,151,811
Machinery	460,625	6,894	(137)	4,740	472,122
Transportation equipment	5,222,384	102,469	(245,389)	266,041	5,345,505
Lease improvements	840,552	9,943	(101)	17,113	867,507
Other equipment	553,873	30,001	(36,963)	32,328	579,239
Construction in progress	<u>1,573,849</u>	<u>444,173</u>	<u>-</u>	<u>(378,242)</u>	<u>1,639,780</u>
	<u>20,622,859</u>	<u>\$ 618,274</u>	<u>(\$ 383,391)</u>	<u>(\$ 40,050)</u>	<u>20,817,692</u>
<u>Accumulated depreciation</u>					
Buildings	2,828,172	\$ 219,382	(\$ 88,092)	(\$ 13,560)	2,945,902
Machinery	254,991	30,296	(137)	300	285,450
Transportation equipment	3,024,755	304,522	(241,067)	-	3,088,210
Lease improvements	649,135	41,543	(101)	13,746	704,323
Other equipment	<u>413,155</u>	<u>50,965</u>	<u>(36,954)</u>	<u>(350)</u>	<u>426,816</u>
	<u>7,170,208</u>	<u>\$ 646,708</u>	<u>(\$ 366,351)</u>	<u>\$ 136</u>	<u>7,450,701</u>
<u>Accumulated impairment</u>					
Construction in progress	<u>341,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 341,672)</u>	<u>-</u>
	<u>\$ 13,110,979</u>				<u>\$ 13,366,991</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	25-50 years
Others	3-15 years
Machinery	3-15 years
Transportation equipment	3-15 years
Lease improvements	3-20 years
Other equipment	3-7 years

In consideration of operational development, in August 2018, the board of directors passed the resolution for the reconstruction of buildings in Chongxin station on their own land. The construction contract, with a total contract price of \$589,481 thousand (including tax), was signed in April 2021; the recognized amount of construction in progress was \$359,303 thousand based on the degree of completion of construction, of which \$359,303 thousand has been paid.

In consideration of operational development, in January 2021, the board of directors passed the resolution for the construction of buildings in Xizhi station on their leased land. The construction contract has a total contract price of \$1,218,000 thousand (including tax), and the recognized amount of construction in progress was \$348,000 thousand based on the degree of completion of construction, of which \$348,000 thousand has been paid.

As of December 31, 2021, constructions are still in progress; refer to Notes 28 and Table 4.

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest amount	\$ 3,925	\$ -
Capitalization rate	1.02%	-

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 27.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
Carrying amount		
Land	\$ 1,086,225	\$ 1,103,045
Buildings	3,542,744	2,366,564
Machinery	86,496	81,866
Transportation equipment	<u>10,283</u>	<u>12,381</u>
	<u>\$ 4,725,748</u>	<u>\$ 3,563,856</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 1,669,214</u>	<u>\$ 739,838</u>
Depreciation charge for right-of-use assets		
Land	\$ 44,219	\$ 44,716
Buildings	406,380	359,371
Machinery	44,644	39,621
Transportation equipment	<u>5,554</u>	<u>7,659</u>
	<u>\$ 500,797</u>	<u>\$ 451,367</u>

Except for the addition and depreciation listed above, there was no major sublease or impairment of the Group's right-of-use assets in 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount		
Current	\$ 441,566	\$ 415,088
Non-current	\$ 4,068,568	\$ 3,046,640

Ranges of discount rates for lease liabilities were as follows:

	December 31	
	2021	2020
Land	1.16%-2.35%	1.16%-2.29%
Buildings	1.16%-2.98%	1.16%-2.98%
Machinery	1.16%-2.14%	1.16%-2.00%
Transportation equipment	1.20%-2.20%	1.16%-2.00%

e. Changes in liabilities arising from financing activities

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Other	
Lease liabilities	\$ 3,461,728	(\$ 608,270)	\$ 1,669,214	(\$ 12,538)	\$ 4,510,134

For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Other	
Lease liabilities	\$ 3,219,991	(\$ 401,058)	\$ 739,838	(\$ 97,043)	\$ 3,461,728

c. Material leasing activities and terms

The Group leases land and buildings for the use of offices with lease terms of 1 to 50 years. Some of the land lease contracts are subject to lease payment adjustments every two years based on the announced land values.

The Group has the option to purchase or continue leasing the buildings for a nominal amount at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 76,095	\$ 94,226
Total cash outflow for leases	(\$ 760,115)	(\$ 553,888)

15. OTHER NON-CURRENT ASSETS

	December 31	
	2021	2020
Refundable deposits	\$ 106,224	\$ 115,024
Prepayments for equipment	102,831	50,828
Other financial assets (Note 27)	55,902	33,804
Other prepayments	34,239	48,621
	\$ 299,196	\$ 248,277

16. BORROWINGS**a. Short-term borrowings**

	December 31	
	2021	2020
Unsecured borrowings	\$ 269,000	\$ 44,000
Unsecured borrowings interest rate (%)	0.97-1.15	1.20

b. Short-term bills payable

	December 31	
	2021	2020
Bills payable	\$ -	\$ 55,000
Less: Bills payable discounts	-	(27)
	\$ -	\$ 54,973
Interest rate (%)	-	1.1

c. Long-term borrowings

	December 31	
	2021	2020
Unsecured borrowings	\$ 3,091,000	\$ 2,491,000
Secured borrowings	1,218,230	1,284,630
	4,309,230	3,775,630
Less: current portion	(56,718)	(166,400)
	\$ 4,252,512	\$ 3,609,230
Unsecured borrowings interest rate (%)	0.88-1.23	0.97-1.23
Secured borrowings interest rate (%)	0.97-1.20	0.97-1.40

The bank loan is secured by the Group's own land, buildings and transportation equipment, refer to Note 27 for the details. The loan period of the Company and KP is 2 years, with monthly interest payments and repayment of principal at maturity. The loan period of SPL is 2 years, with monthly and quarterly interest payments and repayment of principal.

17. OTHER LIABILITIES

	December 31	
	2021	2020
Payables for salaries or bonuses	\$ 577,331	\$ 648,809
Payables for annual leave	88,842	81,917
Payables for purchases of equipment	87,108	113,434
Payables for labor and health insurance	77,821	71,757

	December 31	
	2021	2020
Payables for business and other tax	63,025	58,013
Payables for pension (new system)	47,793	44,240
Payables for directors, supervisors and compensation of employees	33,464	36,975
Payables for accidents	30,972	25,557
Payables for disaster loss	-	53,270
Others	<u>338,236</u>	<u>304,956</u>
	<u>\$ 1,344,592</u>	<u>\$ 1,438,928</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, KCC, TJ, KF, KGT, KE, KP and SPL adopted pension plans under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

As Rong Xing and T-join (BVI) are investment holding companies with no employees, there are no retirement plans.

b. Defined benefit plans

The Company, KP and SPL adopted the defined benefit plan under the Labor Standards Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company, KP and SPL contribute amounts equal to 10%, 2%, 2%, respectively, of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 831,970	\$ 887,859
Fair value of plan assets	(517,505)	(538,203)
Net defined benefit liabilities	<u>\$ 314,465</u>	<u>\$ 349,656</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	\$ 887,859	(\$ 538,203)	\$ 349,656
Service cost			
Current service cost	7,354	-	7,354
Net interest expense (income)	<u>3,644</u>	(<u>2,253</u>)	<u>1,391</u>
Recognized in profit or loss	<u>10,998</u>	(<u>2,253</u>)	<u>8,745</u>
Remeasurement			
Actuarial loss - changes in demographic assumptions	2,126	-	2,126
Actuarial gain - changes in financial assumptions	(15,393)	-	(15,393)
Actuarial loss (gain) - experience adjustments	<u>52,329</u>	(<u>7,770</u>)	<u>44,559</u>
Recognized in other comprehensive income	<u>39,062</u>	(<u>7,770</u>)	<u>31,292</u>
Contributions from the employer	-	(75,228)	(75,228)
Benefits paid	(<u>105,949</u>)	<u>105,949</u>	<u>-</u>
	(<u>105,949</u>)	<u>30,721</u>	(<u>75,228</u>)
Balance at December 31, 2021	\$ 831,970	(\$ 517,505)	\$ 314,465
Balance at January 1, 2020	\$ 954,625	(\$ 544,413)	\$ 410,212
Service cost			
Current service cost	9,017	-	9,017
Net interest expense (income)	<u>7,748</u>	(<u>4,455</u>)	<u>3,293</u>
Recognized in profit or loss	<u>16,765</u>	(<u>4,455</u>)	<u>12,310</u>
Remeasurement			
Actuarial loss - changes in demographic assumptions	70	-	70
Actuarial loss - changes in financial assumptions	24,768	-	24,768
Actuarial loss (gain) - experience adjustments	<u>9,552</u>	(<u>18,975</u>)	(<u>9,423</u>)
Recognized in other comprehensive income	<u>34,390</u>	(<u>18,975</u>)	<u>15,415</u>
Contributions from the employer	-	(88,281)	(88,281)
Benefits paid	(<u>117,921</u>)	<u>117,921</u>	<u>-</u>
	(<u>117,921</u>)	<u>29,640</u>	(<u>88,281</u>)
Balance at December 31, 2020	\$ 887,859	(\$ 538,203)	\$ 349,656

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate(s)	0.50%-0.59%	0.20%-0.42%
Expected rate(s) of salary increase	1.00%-3.00%	1.00%-3.00%

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate(s)		
0.5% increase	(\$ 24,808)	(\$ 30,383)
0.5% decrease	\$ 45,596	\$ 51,356
Expected rate(s) of salary increase		
0.5% increase	\$ 45,760	\$ 51,392
0.5% decrease	(\$ 24,742)	(\$ 30,275)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	\$ 50,075	\$ 88,154
The average duration of the defined benefit obligation	3.6-11.28 years	3.9-12 years

19. EQUITY

a. Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	700,000	700,000
Shares authorized	\$ 7,000,000	\$ 7,000,000
Number of shares issued and fully paid (in thousands)	467,000	467,000
Shares issued	\$ 4,670,005	\$ 4,670,005

A holder of issued ordinary shares with a par value of \$10 is entitled to vote and receive dividends.

b. Capital surplus

The capital surplus from shares issued in excess of par (including ordinary shares issued in excess of face value and the difference between the consideration received and the carrying amount of the subsidiaries' equity on acquisition) and donations received may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus and once a year.

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on July 20, 2021 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). Under the dividend policy as set forth in the Articles, where the Group made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to Note 21.

The Company's dividends policy shall be made based on the following: the future operational developments, capital budget, the changes and competitions of industry environment, long-term financial capital plans. The interests of shareholders, long-term financial plans, and other factors should also be taken into account. The cumulative distributable earnings shall be allocated not less than 10% of the net profit after tax to shareholders; the distribution of dividends to shareholders shall be allowed by the cash or

shares, and the cash dividends shall not be less than 50% of the total dividends. Only when there are sudden major capital expenditures that the cash dividends shall be reduced to 20% of the total dividends.

According to the dividend policy in the Articles before amendments, where the Group made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders.

The distribution of dividends and bonuses to shareholders shall be allowed by cash or shares, and the cash dividends shall not be less than 50% of the total dividends. Only when there are sudden major capital expenditures that the cash dividends shall be reduced to 20% of the total dividends. The actual rates and methods of distribution of dividends shall be based on operating conditions. Retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Group's paid-in capital. The legal reserve may be used to offset deficit. If the Group has no deficit and the legal reserve has exceeded 25% of the Group's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings in July 2021 and June 2020, respectively, were as follows:

Appropriation of Earnings
For the Year Ended December 31

	2021	2020
Legal reserve	\$ 151,157	\$ 135,231
Special reserve	45,514	(23,218)
Cash dividends	784,561	677,151
Cash dividends per share (NT\$)	1.68	1.45

d. Special reserve

For the Year Ended December 31

	2021	2020
Special reserve		
Initial application of IFRS	\$ 299,916	\$ 299,916
Debit to other equity items	45,514	-
	<u>\$ 345,430</u>	<u>\$ 299,916</u>

e. Other equity items

- 1) Exchange differences on the translation of the financial statements of foreign operations

For the Year Ended December 31

	2021	2020
Balance at January 1	\$ 12,222	\$ 13,482
Share from subsidiaries and associates accounted for using the equity method	(625)	(1,260)
Balance at December 31	<u>\$ 11,597</u>	<u>\$ 12,222</u>

- 2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

For the Year Ended December 31

	2021	2020
Balance at January 1	(\$ 57,736)	(\$ 9,092)
Recognized for the year		
Unrealized gain/(loss) - equity instruments	95,000	(24,483)
Share of profit of associates accounted for using the equity method	3,800	1,460
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal (Note 9)	-	(25,621)
Balance at December 31	<u>\$ 41,064</u>	<u>(\$ 57,736)</u>

f. Non-controlling interests

For the Year Ended December 31

	2021	2020
Balance at January 1	\$ 554,434	\$ 530,767
Share in profit for the year	88,699	72,968
Cash dividends	(61,231)	(48,585)
Remeasurement of net defined benefit plans	(616)	(858)
Other comprehensive income/(loss) during the year		
Share in other comprehensive income of associates accounted for using the equity method	(60)	142
Balance at December 31	<u>\$ 581,226</u>	<u>\$ 554,434</u>

20. REVENUE

For the Year Ended December 31

	2021	2020
Main revenue		
Freight transportation	\$ 11,479,325	\$ 10,963,881
Warehouse logistics	1,259,484	1,087,500
Others	<u>159,008</u>	<u>139,892</u>
	12,897,817	12,191,273
Merchandise revenue	<u>138,580</u>	<u>152,937</u>
	<u>\$ 13,036,397</u>	<u>\$ 12,344,210</u>

a. Contract balances

For the Year Ended December 31

	2021	2020
Notes receivable and accounts receivable	<u>\$ 2,150,954</u>	<u>\$ 1,920,898</u>

b. Contracts that have not been fully completed

As of December 31, 2021 and 2020, the Group's contract obligations that have not yet been fully satisfied are customer contracts with an expected duration not exceeding one year.

21. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operations includes the following:

a. Other revenue

For the Year Ended December 31

	2021	2020
Dividend revenue	\$ 19,840	\$ 24,048
Fee revenue	7,100	7,472
Others	<u>77,589</u>	<u>93,265</u>
	<u>\$ 104,529</u>	<u>\$ 124,785</u>

b. Other gains and losses

For the Year Ended December 31

	2021	2020
Gain (loss) on disposal of property, plant and equipment (Note 13)	\$ 9,438	(\$ 2,155)
Others	<u>9,800</u>	<u>(2,751)</u>
	<u>\$ 19,238</u>	<u>(\$ 4,906)</u>

c. Finance costs

For the Year Ended December 31

	2021	2020
Interest on bank loans	\$ 37,681	\$ 44,856
Interest on lease liabilities	75,750	58,604
Interest on short-term bill payable	<u>346</u>	<u>2,675</u>
	<u>\$ 113,777</u>	<u>\$ 106,135</u>

d. Depreciation and amortization expenses

For the Year Ended December 31

	2021	2020
Property, plant and equipment	\$ 678,636	\$ 646,708
Right-of-use assets	<u>500,797</u>	<u>451,367</u>
	<u>\$ 1,179,433</u>	<u>\$ 1,098,075</u>
Depreciation expense classified by function		
Operating cost	\$ 1,131,658	\$ 1,056,902
Operating expense	<u>47,775</u>	<u>41,173</u>
	<u>\$ 1,179,433</u>	<u>\$ 1,098,075</u>
Amortization expense classified by function		
Operating cost	\$ 20,626	\$ 26,828
Operating expense	<u>19,551</u>	<u>21,920</u>
	<u>\$ 40,177</u>	<u>\$ 48,748</u>

e. Employee benefit expense

	For the Year Ended December 31	
	2021	2020
Salaries and bonuses	\$ 3,875,452	\$ 3,826,311
Defined contribution plan	200,063	196,431
Defined benefit plan	8,745	12,310
Employee insurance expense	440,009	415,092
Other employee benefits	171,276	167,567
	<u>\$ 4,695,545</u>	<u>\$ 4,617,711</u>
Classified by function		
Operating cost	\$ 4,291,320	\$ 4,216,509
Operating expense	404,225	401,202
	<u>\$ 4,695,545</u>	<u>\$ 4,617,711</u>

f. Compensation of employees and remuneration of directors

The Group accrued compensation of employees and remuneration of directors at the rates of 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020, which have been approved by the Company's board of directors in March 2022 and March 2021, respectively, were as follows:

	2021		2020	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	1%	\$16,732	1%	\$18,487
Remuneration of directors	1%	16,732	1%	18,487

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS**a. Major components of tax expense recognized in profit or loss**

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 338,894	\$ 373,783
Income tax on unappropriated earnings	4	9,927
Adjustment for prior years	(2,643)	(13,597)
	<u>336,255</u>	<u>370,113</u>
Deferred tax		
In respect of the current year	16,442	14,266
Adjustments for prior years	16	13,245
	<u>16,458</u>	<u>27,511</u>
Income tax expense recognized in profit or loss	<u>\$ 352,713</u>	<u>\$ 397,624</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2021	2020
Income tax expense calculated at the statutory rate	\$ 355,548	\$ 384,277
Adjustment:		
Permanent differences	14,530	15,156
Temporary differences	(16,102)	(13,944)
Loss carryforwards used in the current year	(15,082)	(11,706)
	<u>\$ 352,713</u>	<u>\$ 397,624</u>

b. Deferred tax assets and liabilities

The changes of deferred tax assets and liabilities are as follows:

For the Year Ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit plans	\$ 69,930	(\$ 13,297)	\$ 6,258	\$ 62,891
Loss on disposal of assets	5,520	(159)	-	5,361
Payable for annual leave	15,556	1,046	-	16,602
Unrealized loss of disaster loss	9,003	(9,003)	-	-
Others	3,565	1,690	-	5,255
	<u>\$ 103,574</u>	<u>(\$ 19,723)</u>	<u>\$ 6,258</u>	<u>\$ 90,109</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	\$ 531,964	\$ -	\$ -	\$ 531,964
Property, plant and equipment	36,531	(1,098)	-	35,433
Intangible assets	21,666	(2,167)	-	19,499
	<u>\$ 590,161</u>	<u>(\$ 3,265)</u>	<u>\$ -</u>	<u>\$ 586,896</u>

For the Year Ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit plans	\$ 82,041	(\$ 15,194)	\$ 3,083	\$ 69,930
Loss on disposal of assets	5,667	(147)	-	5,520
Payable for annual leave	12,271	3,285	-	15,556
Right-of-use assets	13,245	(13,245)	-	-
Unrealized loss of disaster loss	14,626	(5,623)	-	9,003
Others	3,415	150	-	3,565
	<u>\$ 131,265</u>	<u>(\$ 30,774)</u>	<u>\$ 3,083</u>	<u>\$ 103,574</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	\$ 531,964	\$ -	\$ -	\$ 531,964
Property, plant and equipment	37,627	(1,096)	-	36,531
Intangible assets	23,833	(2,167)	-	21,666
	<u>\$ 593,424</u>	<u>(\$ 3,263)</u>	<u>\$ -</u>	<u>\$ 590,161</u>

c. **Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets**

	<u>December 31</u>			<u>December 31</u>	
	2021	2020		2021	2020
Loss carryforwards			Expiry in 2029	1,096	1,096
Expiry in 2022	\$ 1,675	\$ 65,404	Expiry in 2030	<u>3,167</u>	<u>3,167</u>
Expiry in 2023	14,662	27,679		<u>\$ 76,847</u>	<u>\$ 153,593</u>
Expiry in 2024	11,883	11,883	Deductible temporary differences		
Expiry in 2026	18,942	18,942	Payables for annual leave	<u>\$ 5,835</u>	<u>\$ 4,134</u>
Expiry in 2027	24,684	24,684			
Expiry in 2028	738	738			

d. **The income tax returns of the Group through 2019 have been assessed by the tax authorities.**

23. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Group	Number of Shares (In Thousands)	Earnings Per Share (NTD)
<u>For the year ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Group	\$ 1,394,789	467,000	<u>\$ 2.99</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	470	
Diluted earnings per share			
Profit for the year attributable to owners of the Group plus effect of potentially dilutive ordinary shares	<u>\$ 1,394,789</u>	<u>467,470</u>	<u>\$ 2.98</u>
<u>For the year ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Group	\$ 1,497,426	467,000	<u>\$ 3.21</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	521	
Diluted earnings per share			
Profit for the year attributable to owners of the Group plus effect of potentially dilutive ordinary shares	<u>\$ 1,497,426</u>	<u>467,521</u>	<u>\$ 3.20</u>

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares that will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued ordinary shares, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure annually. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Management of the Group considers the carrying amounts of the Group's financial instruments that are not measured at fair value as close to their fair values or their fair values could not be reasonably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Domestic unlisted shares investments	\$ -	\$ -	\$ 10,925	\$ 10,925
Financial asset at FVTOCI				
Domestic unlisted shares investments	\$ -	\$ -	\$ 248,295	\$ 248,295
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Domestic unlisted shares investments	\$ -	\$ -	\$ 2,961	\$ 2,961
Financial asset at FVTOCI				
Domestic unlisted shares investments	\$ -	\$ -	\$ 188,285	\$ 188,285

There were no transfers between Levels 1 and 2 in 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI
	Debt Instruments	Equity Instruments
Balance at January 1, 2021	\$ 2,961	\$ 188,285
Unrealized gain on financial assets at FVTPL	7,964	-
Unrealized valuation gain on financial assets at FVTOCI	-	98,800
Capital reduction	-	(38,790)
Balance at December 31, 2021	\$ 10,925	\$ 248,295

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI
	Debt Instruments	Equity Instruments
Balance at January 1, 2020	\$ 11,961	\$ 275,166
Unrealized loss on financial assets at FVIPL	(9,000)	-
Unrealized valuation loss on financial assets at FVTOCI	-	(23,023)
Capital reduction	-	(1,334)
Sales	-	(62,524)
Balance at December 31, 2020	\$ 2,961	\$ 188,285

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of non-publicly traded equity investments are mainly determined by using the asset approach and market approach.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost ^(Note 1)	\$ 3,828,076	\$ 3,708,479
Mandatorily classified as at FVTPL	10,925	2,961
Investments in equity instruments at FVTOCI	248,295	188,285
<u>Financial liabilities</u>		
Amortized cost ^(Note 2)	\$ 5,889,972	\$ 5,955,699

Note 1: The balances include financial assets at amortized cost, which comprise cash, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposits and so on.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term bank loans and bills payable, notes payable, accounts payable, other payables, long-term bank loans (including current portion) and guarantee deposits received and so on.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, accounts receivable, accounts payable, borrowings, and lease liabilities. The Group's financial management department provides services to the business, coordinates access to financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

As the transactions of the Company and its subsidiaries are mainly in their respective functional currencies, the foreign currency risk is not significant.

b) Interest rate risk

The Group was exposed to interest rate risk because the Group deposits and borrows funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Short-term bank loan	\$ 269,000	\$ 14,000
Short-term bills payable	-	54,973
Lease liabilities	4,510,134	3,461,728
Long-term bank loans (including current portion of long-term bank loans)	1,200,000	245,630
Cash flow interest rate risk		
Bank deposits (including other financial assets)	1,408,574	1,340,545
Short-term bank loans	-	30,000
Long-term bank loans (including current portion of long-term bank loans)	3,109,230	3,530,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 1 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 basis point higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$170 thousand and \$222 thousand, respectively, which was mainly a result of variable-rate borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from:

- The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- The maximum amount the Group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

As the Group's customer base is large and made up of unrelated customers, the concentration of credit risk is not high.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group had available unutilized bank loan facilities set out as follows:

	For the Year Ended December 31	
	2021	2020
Unutilized bank loan limits	\$ 5,795,666	\$ 5,884,254

Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows

of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity

dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

Non-derivative Financial Liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
December 31, 2021					
Non-interest bearing	\$ 410,175	\$ 372,498	\$ 50,048	\$ 152	\$ -
Lease liabilities	59,457	94,725	377,491	1,547,547	3,595,998
Variable interest rate liabilities	-	-	56,719	3,053,265	-
Fixed interest rate liabilities	15,000	200,053	54,000	1,200,526	-
	<u>\$ 484,632</u>	<u>\$ 667,276</u>	<u>\$ 538,258</u>	<u>\$ 5,801,490</u>	<u>\$ 3,595,998</u>
December 31, 2020					
Non-interest bearing	\$ 290,029	\$ 324,826	\$ 4,500	\$ 956	\$ -
Lease liabilities	56,867	76,294	326,351	1,240,286	2,742,728
Variable interest rate liabilities	-	-	30,000	3,530,000	-
Fixed interest rate liabilities	-	-	235,373	79,230	-
	<u>\$ 346,896</u>	<u>\$ 401,120</u>	<u>\$ 596,224</u>	<u>\$ 4,851,471</u>	<u>\$ 2,742,728</u>

Additional information on the maturity analysis for lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
December 31, 2021						
Lease liabilities	<u>\$ 531,673</u>	<u>\$ 1,547,547</u>	<u>\$ 1,081,452</u>	<u>\$ 513,472</u>	<u>\$ 659,416</u>	<u>\$ 1,341,658</u>
December 31, 2020						
Lease liabilities	<u>\$ 459,512</u>	<u>\$ 1,240,286</u>	<u>\$ 913,393</u>	<u>\$ 459,902</u>	<u>\$ 291,689</u>	<u>\$ 1,077,744</u>

26. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed in the other notes, details of transactions between the Group and its related parties were disclosed as follows:

a. Related party name and category

Related Party Name	Relationship Party Category
KHL	The Company's parent ^(Note)
KLN	The Company's original parent ^(Note)
Posh Kerry	Associates
TKI	Other related party
KFI	Other related party
Da Ji International Limited ("DA JI")	Other related party
Tong Li Investment Company ("TONG LI")	Other related party
Kerry Logistics Hong Kong Limited ("KLHK")	Other related party
Kerry Freight Hong Kong Limited ("KFHK")	Other related party
KLN Services SDN.BHD.	Other related party
Kerry ESG (HK) Company Limited	Other related party
Kerry Coffee Company Limited	Other related party
Taiwan Sugar Corporaton ("Taiwan Sugar")	Other related party
HCT Logistics Co., Ltd. ("HCT LOGISTICS")	Other related party
Hsieh, Wen-Chien	Other related party

Note: KLN sold all the Company's ordinary shares to KHL on September 27, 2021, so KHL became the parent company of the Company.

b. Operating transactions

Related Party Category	For the Year Ended December 31	
	2021	2020
<u>Operating Revenue</u>		
Other related parties	\$ 38,277	\$ 12,507
<u>Operating Cost</u>		
Other related parties	\$ 6,774	\$ 17,641
<u>Operating Expense</u>		
Other related parties	\$ 32,025	\$ 47,912
<u>Other income</u>		
Other related parties	\$ 1,886	\$ 1,333
Associates	33	34
	\$ 1,919	\$ 1,367

The terms and conditions of transactions with related parties and that of non-related parties were not significantly different.

The balance of accounts receivable from related parties on the balance sheet date is as follows:

Related Party Category	December 31	
	2021	2020
<u>Accounts receivable</u>		
Other related parties	\$ 3,714	\$ 1,121

The balance of accounts payable from related parties on the balance sheet date is as follows:

Related Party Category	December 31	
	2021	2020
<u>Accounts payable</u>		
Other related parties	\$ 1,033	\$ 1,711

c. Other related party transactions

The balance of other receivables from related parties on the balance sheet date is as follows:

Related Party Category	December 31	
	2021	2020
Other related parties	\$ 80	\$ 1,201

d. Disposal of financial assets

For the year ended December 31, 2020

Related Party Category/ Name	Number of Shares	Underlying Asset	Proceeds	Gain on Disposal (Note 9)
<u>Other related parties</u>				
TKI	900 thousand	KFI	\$ 15,354	\$ 4,398

e. Remuneration of key management personnel

Total remuneration of directors and other key management personnel is as follows:

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 152,287	\$ 129,069
Termination benefits	4,015	15,893
	\$ 156,302	\$ 144,962

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

The balance of other payables from related parties on the balance sheet date is as follows (classified as other payables):

Related Party Category	December 31	
	2021	2020
Other related parties	\$ -	\$ 23,155

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, goods clearance deposits and performance bonds, etc.

	December 31	
	2021	2020
Property, plant and equipment	\$ 2,378,299	\$ 2,403,381
Other financial assets - non-current (classified as non-current assets)	55,902	33,804
	\$ 2,434,201	\$ 2,437,185

28. SIGNIFICANT UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments were as follows:

	December 31	
	2021	2020
Acquisition of property, plant and equipment	\$ 1,014,107	\$ 628,249

b. Significant unrecognized commitments were as follows:

	Guarantor Bank	Guaranteed Project	Due Date	Amount
<u>December 31, 2021</u>				
The Company	CTBC Bank - Tunnan branch	Operation related business	December 2021 to January 2023	\$ 13,685
SPL	Bank of Taiwan - Tainan Science-Based Industrial Park branch	Tariff-related, commodity tax accounting and logistics center establishment etc.	April 2022 to September 2024	65,118
KP	Taipei Fubon Bank - Anho branch	Operation related business	February 2022	7,587
	Hua Nan Commercial Bank - Hsinsheng branch	Operation related business	March 2023	<u>9,062</u>
				<u>\$ 95,452</u>
<u>December 31, 2020</u>				
The Company	CTBC Bank - Tunnan branch	Operation related business	December 2020 to December 2022	\$ 21,636
SPL	Bank of Taiwan - Tainan Science-Based Industrial Park branch	Tariff-related, commodity tax accounting and logistics center establishment etc.	June 2021 to October 2022	46,942
KP	Taipei Fubon Bank - Anho branch	Operation related business	February 2021	<u>5,110</u>
				<u>\$ 73,688</u>

29. OTHER ITEMS

The Group continues to evaluate the economic impact caused by COVID-19. As of the report date, there is no significant impact of COVID-19 on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact on its operations.

30. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: Table 2.
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 3.
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: Table 4.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6.
- 9) Trading in derivative instruments: None.
- 10) Other: Intercompany relationships and significant intercompany transactions: Table 7.

b. Information on investees: Table 8.

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward

remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area: Table 9.

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
- c) The amount of property transactions and the amount of the resultant gains or losses: None.
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 10.

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments were as follows:

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	LTL	Logistics	Others	Adjustment and Elimination	Total
For the Year Ended December 31, 2021					
Revenues from external customers	\$ 10,633,151	\$ 2,194,814	\$ 208,432	\$ -	\$ 13,036,397
Inter-segment revenues	<u>2,146,970</u>	<u>4,265</u>	<u>467,461</u>	(<u>2,618,696</u>)	<u>-</u>
Segment revenue	<u>\$ 12,780,121</u>	<u>\$ 2,199,079</u>	<u>\$ 675,893</u>	(<u>\$ 2,618,696</u>)	<u>\$ 13,036,397</u>
Segment income	<u>\$ 1,497,386</u>	<u>\$ 309,160</u>	(<u>\$ 15,356</u>)	<u>\$ 20,935</u>	\$ 1,812,125
Interest revenue					902
Other income					138,076
Other loss					(1,125)
Finance costs					(<u>113,777</u>)
Profit before income tax					<u>\$ 1,836,201</u>

	LTL	Logistics	Others	Adjustment and Elimination	Total
For the Year Ended December 31, 2020					
Revenues from external customers	\$ 10,020,387	\$ 2,108,602	\$ 215,221	\$ -	\$ 12,344,210
Inter-segment revenues	<u>1,887,301</u>	<u>58</u>	<u>385,099</u>	(<u>2,272,458</u>)	<u>-</u>
Segment revenue	<u>\$ 11,907,688</u>	<u>\$ 2,108,660</u>	<u>\$ 600,320</u>	(<u>\$ 2,272,458</u>)	<u>\$ 12,344,210</u>
Segment income	<u>\$ 1,675,753</u>	<u>\$ 298,796</u>	(<u>\$ 27,933</u>)	<u>\$ 15,312</u>	\$ 1,961,928
Interest revenue					1,558
Other income					122,615
Other loss					(11,948)
Finance costs					(<u>106,135</u>)
Profit before income tax					<u>\$ 1,968,018</u>

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries. Share of profit of associates accounted for using the equity method, lease income, interest income, gains or losses on disposal of property, plant and equipment, exchange gains or losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

b. Geographical information

The Group mainly operates in a single geographical area - Taiwan.

The Group's revenue from continuing operations from external customers by location of operations and information on its non-current assets by location of assets are detailed below.

c. Information on major customers

No revenue from a single customer accounted for at least 10% of the Group's operating revenue in 2021 and 2020.

TABLE 1

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed (Note 2)	Interest Rate		Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)
														Item	Value		
0	KTJ	KP	Receivable from related parties	Yes	\$ 30,000	\$ 30,000	\$ 30,000	0.959%		Short-term financing	\$ -	For working capital	\$ -	-	\$ -	\$ 547,612	\$ 2,190,451
		KE	Receivable from related parties	Yes	30,000	30,000	-	0.959%		Short-term financing	-	For working capital	-	-	-	547,612	2,190,451

Note 1: According to the Company's "Financing provided to others operation regulations", the total amount of financing shall not exceed 20% of the net assets of the Company based on its latest financial statements. For companies that have short-term financing needs, the amount of financing for each borrower shall not exceed 5% of the net assets of the Company based on its latest financial statements. However, where the Company directly or indirectly holds 100% of the shares of foreign companies, the financing limit is 10% of the net assets of the Company based on its latest financial statements. For financing provided by subsidiaries to individual borrowers, the amount of financing shall not exceed 40% of the subsidiary's paid-in capital, and the loan period shall not exceed 10 years. The aggregate financing limit for loans provided by subsidiaries is 50% of the subsidiary's paid-in capital.

Note 2: Intercompany accounts and transactions have been eliminated. Please refer to Table 7.

TABLE 2

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed		Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on behalf of Companies in Mainland China
		Name	Relationship (Note 1)											
0	KTJ	KP	1, 2	\$ 2,190,451	\$ 520,000	\$ 385,000	\$ 385,000		Credit	3.52%	\$ 5,476,127	Y	N	N
		KE	1, 2	2,190,451	160,000	110,000	110,000		Credit	1.00%	5,476,127	Y	N	N
		TJ	1, 2	2,190,451	60,000	-	-		Credit	-	5,476,127	Y	N	N
		KCC	1, 2	2,190,451	60,000	60,000	60,000		Credit	0.55%	5,476,127	Y	N	N
		KF	1, 2	2,190,451	35,000	35,000	35,000		Credit	0.32%	5,476,127	Y	N	N

Note 1: The relationship between endorser/guarantor and the endorsee/guarantee can be classified into the following categories:

- 1) A company with a business relationship.
- 2) A company in which KTJ directly and indirectly holds more than 50% of the voting shares.

Note 2: According to the Company's "Financing provided to others operation regulations":

- 1) The total amount of guarantees provided for other companies shall not exceed 50% of the net assets of the Company based on its latest financial statements.
- 2) The endorsement/guarantee amount for each entity shall not exceed 30% of the net assets of the endorsing/guaranteeing company based on its latest financial statements, and 10% of the net assets of the Company based on its latest financial statements.
- 3) The endorsement/guarantee amount for each subsidiary shall not exceed 20% of the net assets of the Company based on its latest financial statements.
- 4) The amount of the endorsement/guarantee provided by the subsidiary for the parent company is not subject to any limit.

TABLE 3

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value
	Shares						
KTJ	Everterminal	None	Financial assets at FVTOCI - non-current	3,664,509	\$ 155,794	8	\$ 156,308
	J.Shine	None	Financial assets at FVTOCI - non-current	3,543,000	69,222	15	69,587
	Chunghwa Express	None	Financial assets at FVTOCI - non-current	700,000	10,392	7	11,017
	Omnihealth	None	Financial assets at FVTOCI - non-current	48,659	353	1	395
	Taskco	None	Financial assets at FVTOCI - non-current	2,500,000	-	4	-
	PKRO	None	Financial assets at FVTPL - non-current	1,224,000	10,925	51	10,631
	Hantek	None	Financial assets at FVTPL - non-current	6,631,775	-	8	-
	Shares						
Rong Xing	Develop Cultural	None	Financial assets at FVTOCI - non-current	733,334	3,826	1	3,467
	Everterminal	None	Financial assets at FVTOCI - non-current	214,400	8,708	-	9,128
	West Lake	None	Financial assets at FVTOCI - non-current	100,000	-	-	-

TABLE 4

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
KTJ	Plant engineering	2018.8.9	\$ 589,481	Payment according to the progress of completion, \$359,303 has been paid as of the balance sheet date	Lihua Construction Company Ltd.	None	-	-	-	\$ -	Construction on company-owned land	Logistic center	-
KTJ	Plant engineering	2021.1.28	1,218,000	Payment according to the progress of completion, \$348,000 has been paid as of the balance sheet date	Lihua Construction Company Ltd.	None	-	-	-	-	Construction on company-leased land	Logistic center	-
KTJ	Right-of-use asset building	2021.10.19	775,670	Payment according to the contract	Taiwan Sugar Corporation	None	-	-	-	-	Market condition	Logistic center	-
KTJ	Right-of-use asset building	2021.2.4	290,065	Payment according to the contract	Tung Wei Construction Company Ltd.	None	-	-	-	-	Market condition	Logistic center	-

TABLE 5

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars)

Purchaser or Seller	Related Party	Relationship	Transaction Details			Transaction Details		Abnormal Transaction		Notes/Accounts Receivable (Payable)		
			Purchase/Sale	Amount	%	Payment Terms	Unit Price	Payment Terms		Ending Balance	%	Note
KTJ	TJ	Parent to subsidiary	Operating costs	\$ 1,527,265	58	30-60 days	\$ -	-		(\$ 176,983)	(31)	
	KCC	Parent to subsidiary	Operating costs	255,519	78	30-60 days	-	-		(62,988)	(11)	
	KE	Parent to subsidiary	Operating costs	403,911	35	30-60 days	-	-		(79,924)	(14)	
TJ	KTJ	Subsidiary to parent	Sale	(1,527,082)	(84)	30-60 days	-	-		177,001	76	
KCC	KTJ	Subsidiary to parent	Sale	(405,410)	(76)	30-60 days	-	-		62,988	71	
KE	KTJ	Subsidiary to parent	Sale	(403,911)	(55)	30-60 days	-	-		79,924	62	

TABLE 6

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
TJ	KTJ	Subsidiary to parent	\$ 177,001	8.53	\$ -	-	\$ 153,392	\$ -

TABLE 7

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars)

Number	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Operating Revenue or Assets
0	KTJ	TJ	1	Operating revenue	\$ 5,201	-	-
				Other income	891	-	-
				Accounts payable	176,983	-	1
		KP	1	Operating revenue	28,550	-	-
				Other income	26,630	-	-
				Other receivables	38,838	-	-
		KCC	1	Accounts payable	7,686	-	-
				Operating revenue	1,100	-	-
				Other income	2,554	-	-
		KE	1	Accounts payable	62,988	-	-
				Construction in progress	204,784	-	1
				Operating revenue	71,522	-	1
		KF	1	Other income	5,249	-	-
				Accounts receivable	23,728	-	-
				Accounts payable	79,924	-	-
		KGT	1	Operating revenue	1,869	-	-
				Other income	357	-	-
1	KCC	SPL	1	Operating revenue	78	-	-
				Other receivables	62	-	-
		KTJ	2	Other receivables	9,450	-	-
				Operating revenue	405,410	-	4
		KP	3	Operating revenue	14,417	-	-
				Other unearned revenue	8,949	-	-

Number	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Operating Revenue or Assets
		KE	3	Operating revenue	\$ 13,812	-	-
		TJ	3	Operating revenue	33,145	-	-
		SPL	3	Operating revenue	315	-	-
2	TJ	KTJ	2	Operating revenue	33	-	-
		KE	3	Operating revenue	1,527,082	-	14
		SPL	3	Operating revenue	8,312	-	-
		KP	3	Operating revenue	28,831	-	-
3	KP	KTJ	2	Operation revenue	4	-	-
				Operating revenue	36,724	-	-
				Other income	274	-	-
		KE	2	Operating revenue	403,911	-	4
		SPL	3	Operating revenue	101	-	-
		KF	3	Operating revenue	2	-	-
5	KF	KTJ	2	Operating revenue	1	-	-
		KE	3	Operating revenue	256	-	-
		KCC	3	Operating revenue	11	-	-
		TJ	3	Operating revenue	46	-	-
6	SPL	TJ	3	Operating revenue	14	-	-
		KE	3	Operating revenue	1,929	-	-
				Operating revenue	3	-	-

Note: 1.From the parent company to the subsidiary.
2.From the subsidiary to the parent.
3.From the subsidiary to the subsidiary.

TABLE 8

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2021				(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)						
Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount		
KTJ	TJ ^(Note)	Taiwan	Container freight business	\$ 148,350	\$ 148,350	16,425	100	\$ 315,658	\$ 79,797	\$ 79,798
	Rong Xing ^(Note)	Taiwan	Professional investment business	151,131	151,131	14,200,000	100	316,507	64,303	64,099
	KCC ^(Note)	Taiwan	Transportation tools and parts manufacturing	45,000	45,000	6,231,986	64	90,503	70,902	42,541
	KE ^(Note)	Taiwan	Car freight business	278,000	278,000	265,000	100	268,988	73,220	72,492
	T-Join (BVI) ^(Note)	British Virgin Islands	Professional investment business	933,405	933,405	28,185,000	100	(179)	(180)	(180)
	KGT ^(Note)	Taiwan	International trade business	1,000	1,000	100,000	100	4,688	66	66
	SPL ^(Note)	Taiwan	Logistics transportation business	947,124	947,124	43,051,101	60	990,011	223,803	126,598
	T-Join (HK)	Hong Kong	Professional investment business	125,953	125,953	32,594,204	49	76,868	3,982	1,951
	Posh Kerry	Taiwan	Vessel carriers	2,400	2,400	240,000	40	-	(118,552)	-
	Lian He	Taiwan	General merchandise	10,000	10,000	1,000,000	22	-	-	-
RONG XING	KP ^(Note)	Taiwan	Car freight business	82,258	82,258	9,000,000	90	250,720	78,916	71,047
	KCC ^(Note)	Taiwan	Transportation tools and parts manufacturing	25,000	25,000	3,462,214	36	35,020	70,902	23,625
	KF ^(Note)	Taiwan	Fruit and vegetable wholesale	5,100	5,100	510,000	51	6,815	(6,817)	(3,477)
	Lian He	Taiwan	General merchandise	10,320	10,320	1,099,996	24	-	-	-

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 9

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
T-Join Transportation Beijing	Warehousing and Automobile Cargo Transportation Business	\$ 133,971 (USD 4,840)	(2)	\$ 139,891	\$ -	\$ -	\$ 139,891	\$ 7,042	49%	\$ 3,451	\$ 98,638	\$ -
T-Join Transportation Wuhan (Note 4)	Warehousing and Automobile Cargo Transportation Business	55,360 (USD 2,000)	(2)	66,727	-	-	66,727	1,887	49%	925	15,010	-
T-Join Transportation Shenyang (Note 4)	Warehousing and Automobile Cargo Transportation Business	55,360 (USD 2,000)	(2)	66,727	-	-	66,727	(5,954)	49%	(2,917)	14,978	-
T-Join Transportation Kunming (Note 4)	Warehousing and Automobile Cargo Transportation Business	58,128 (USD 2,100)	(2)	71,013	-	-	71,013	1,419	49%	695	13,916	-
Datai (Notes 5 and 6)	Warehousing and Automobile Cargo Transportation Business	8,304 (USD 300)	(1)	8,271	-	-	8,271	-	100%	-	-	-
Cobang Nanjing	Warehousing and Automobile Cargo Transportation Business	78,249 (RMB 18,000)	(1)	20,768	-	-	20,768	10,753	15%	1,615	13,956	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 611,582 (US \$ 21,388 and RMB \$ 4,500)	\$ 707,137 (US \$ 24,369 and RMB \$ 7,500)	\$ 6,571,353

Note 1: The investments were made as follows:

- (1) The investment was made directly by a subsidiary located in mainland China.
- (2) The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China.
- (3) Others

Note 2: Calculated based on the amounts in the parent company's audited financial statements multiplied by the shareholding ratio.

Note 3: According to the "Regulations of Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, the amount is calculated using 60% of higher net worth or combined net worth.

Note 4: T-Join (BVI) Company has disposed of its shares in T-Join Transportation Wuhan, T-Join Transportation Shenyang and T-Join Transportation Kunming in the amounts of \$12,640 thousand, \$56,534 thousand and \$62,170 thousand, respectively. As of December 31, 2021, the disposal proceeds have not been remitted back to Taiwan.

Note 5: In 2012, Rong Xing Company obtained approval from the Investment Commission, Ministry of Economic Affairs to invest in Datai Company US\$278 thousand.

Note 6: Significant intercompany accounts and transactions have been eliminated.

TABLE 10

KERRY TJ LOGISTICS CO., LIMITED
INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2021

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
TKI	183,276,410	39.25
TONG LI	38,118,000	8.16
DA JI	27,972,000	5.99

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, including shares that had not yet completed registration and physical delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the Group's consolidated financial statements may differ from the number of shares that have been issued but have not yet completed registration and physical delivery due to differences in the basis of preparation.

Note 2: If the above information is related to shareholders who have delivered their shares held to a trust, the information is separately disclosed by each trustor's account opened by the trustee. As for the declaration of insider shareholdings exceeding 10% in accordance with the securities and exchange act, the shareholdings include the shares held by the shareholder as well as those that have been delivered to the trust and for which the shareholder has the right to determine the use of trust property. For information on the declaration of insider shareholdings, refer to the Market Observation Post System website of the TWSE.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Kerry TJ Logistics Co., Limited

Opinion

We have audited the accompanying financial statements of Kerry TJ Logistics Co., Limited (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and other regulations.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the financial statements for the year ended December 31, 2021 is as follows:

Recognition of freight logistics revenue

The Company's major source of revenue comes from freight logistics, and the amount of freight logistics revenue is measured based on freight rates and freight volume in accordance with the Company's revenue recognition policies. Since unapproved freight rates may cause revenue to be recognized incorrectly, the recognition of freight logistics revenue has been identified as a key audit matter, refer to Note 4 and Statement 11 for the details.

We obtained an understanding of the setup and changes in the system flow of the main price file (freight rates table/contract rates table) and evaluated the design and determined the implementation of the related controls, and we also performed tests of controls.

The main audit procedures that we performed are as follows:

- 1. We obtained the freight rate deviation table, checked the rationality of differences between the listed freight rates and the actual rates paid, and we also checked that rates were approved by the relevant supervisors.

- 2. We obtained an understanding of the logic process of generating freight rate deviation table and recalculated and verified the accuracy of the report calculation logic.
- 3. We performed the substantive analytical procedures on freight logistics revenue.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China 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 financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 1. Identify and assess the risks of material misstatement of the 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.
- 2. 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 Company's internal control.
- 3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4. Conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' 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 partners on the audits resulting in this independent auditors' report are Chi-Sheng Yang and Ting-Chien Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

楊啟聖



蘇定堅



March 10, 2022

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

KERRY TJ LOGISTICS CO., LIMITED | BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 754,907	4	\$ 999,718	5
Notes receivable (Note 4)	396,215	2	316,131	2
Accounts receivable (Notes 4, 7 and 24)	1,288,239	6	1,219,717	7
Other receivables (Notes 4 and 24)	54,494	-	163,675	1
Prepayments	27,787	-	27,128	-
Other current assets	<u>9,005</u>	<u>-</u>	<u>14,771</u>	<u>-</u>
Total current assets	<u>2,530,647</u>	<u>12</u>	<u>2,741,140</u>	<u>15</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 8 and 23)	10,925	-	2,961	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 9, 23 and 24)	235,761	1	177,407	1
Investments accounted for using the equity method (Notes 4 and 10)	2,063,223	10	1,835,161	10
Property, plant and equipment (Notes 4, 5, 11, 24, 25 and 26)	12,478,789	61	11,361,651	62
Right-of-use assets (Notes 4, 5 and 12)	2,828,776	14	2,094,611	11
Deferred tax assets (Notes 4 and 20)	71,097	1	78,477	-
Other non-current assets (Notes 4, 13 and 25)	<u>236,256</u>	<u>1</u>	<u>184,005</u>	<u>1</u>
Total non-current assets	<u>17,924,827</u>	<u>88</u>	<u>15,734,273</u>	<u>85</u>
TOTAL	<u>\$ 20,455,474</u>	<u>100</u>	<u>\$ 18,475,413</u>	<u>100</u>

KERRY TJ LOGISTICS CO., LIMITED | BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Notes 4 and 14)	\$ 200,000	1	\$ -	-
Accounts payable (Note 24)	573,912	3	544,364	3
Other payables (Note 15)	947,050	5	989,081	5
Current tax liabilities (Notes 4 and 20)	91,163	-	164,058	1
Lease liabilities - current (Notes 4, 5 and 12)	313,116	1	331,528	2
Other current liabilities	<u>178,555</u>	<u>1</u>	<u>162,329</u>	<u>1</u>
Total current liabilities	<u>2,303,796</u>	<u>11</u>	<u>2,191,360</u>	<u>12</u>
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 4, 14 and 25)	4,130,000	20	3,530,000	19
Deferred tax liabilities (Notes 4 and 20)	531,964	3	531,964	3
Lease liabilities - non-current (Notes 4, 5 and 12)	2,254,874	11	1,634,336	9
Net defined benefit liabilities - non-current (Notes 4 and 16)	273,904	1	311,482	1
Deposits received	8,250	-	7,750	-
Investments accounted for using the equity method - credit (Notes 4 and 10)	179	-	-	-
Other non-current liabilities	<u>252</u>	<u>-</u>	<u>252</u>	<u>-</u>
Total non-current liabilities	<u>7,199,423</u>	<u>35</u>	<u>6,015,784</u>	<u>32</u>
Total liabilities	<u>9,503,219</u>	<u>46</u>	<u>8,207,144</u>	<u>44</u>

KERRY TJ LOGISTICS CO., LIMITED | BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%
EQUITY				
Ordinary shares	\$ <u>4,670,005</u>	<u>23</u>	\$ <u>4,670,005</u>	<u>25</u>
Capital surplus	<u>2,308</u>	<u>-</u>	<u>2,308</u>	<u>-</u>
Retained earnings				
Legal reserve	1,260,632	6	1,109,475	6
Special reserve	345,430	2	299,916	2
Unappropriated earnings	<u>4,621,219</u>	<u>23</u>	<u>4,232,079</u>	<u>23</u>
Total retained earnings	<u>6,227,281</u>	<u>31</u>	<u>5,641,470</u>	<u>31</u>
Other equity	<u>52,661</u>	<u>-</u>	(<u>45,514</u>)	<u>-</u>
Total equity	<u>10,952,255</u>	<u>54</u>	<u>10,268,269</u>	<u>56</u>
TOTAL	<u>\$ 20,455,474</u>	<u>100</u>	<u>\$ 18,475,413</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

KERRY TJ LOGISTICS CO., LIMITED
STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 24)	\$ 10,565,689	100	\$ 10,133,871	100
OPERATING COSTS (Notes 19 and 24)	<u>8,963,924</u>	<u>85</u>	<u>8,264,044</u>	<u>81</u>
GROSS PROFIT	1,601,765	15	1,869,827	19
OPERATING EXPENSES (Notes 19 and 24)	<u>392,105</u>	<u>4</u>	<u>394,088</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>1,209,660</u>	<u>11</u>	<u>1,475,739</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Interest income (Note 24)	822	-	1,276	-
Other income (Notes 19 and 24)	94,680	1	142,419	1
Other gains and losses (Note 19)	14,842	-	(6,044)	-
Valuation gain (loss) on financial assets at fair value through profit or loss (Notes 8 and 23)	7,964	-	(9,000)	-
Finance costs (Note 19)	(75,607)	(1)	(71,828)	(1)
Share of profit of subsidiaries and associates accounted for using the equity method	<u>387,365</u>	<u>4</u>	<u>279,219</u>	<u>3</u>
Total non-operating income and expenses	<u>430,066</u>	<u>4</u>	<u>336,042</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	1,639,726	15	1,811,781	18
INCOME TAX EXPENSE (Notes 4 and 20)	<u>244,937</u>	<u>2</u>	<u>314,355</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,394,789</u>	<u>13</u>	<u>1,497,426</u>	<u>15</u>

(Continued)

KERRY TJ LOGISTICS CO., LIMITED
STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 16)	(\$ 29,386)	-	(\$ 12,401)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	95,000	1	(24,483)	(1)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Note 10)	2,892	-	(93)	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 20)	<u>5,877</u>	<u>-</u>	<u>2,480</u>	<u>-</u>
	74,383	1	(34,497)	(1)
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Note 10)	(<u>625</u>)	<u>-</u>	(<u>1,260</u>)	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>73,758</u>	<u>1</u>	(<u>35,757</u>)	(<u>1</u>)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,468,547</u>	<u>14</u>	<u>\$ 1,461,669</u>	<u>14</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 2.99</u>		<u>\$ 3.21</u>	
Diluted	<u>\$ 2.98</u>		<u>\$ 3.20</u>	

(Concluded)

The accompanying notes are an integral part of the financial statements.

KERRY TJ LOGISTICS CO., LIMITED
STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	Ordinary Shares (Note 17)	Capital Surplus (Notes 4 and 17)	Retained Earnings (Note 17)		Retained Earnings (Note 17)		Other Equity (Notes 4 and 17)		
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translation Foreign Operations	Unrealized Gain (Loss) on Investments in Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2020	\$ 4,670,005	\$ 2,308	\$ 974,244	\$ 323,134	\$ 3,509,670	\$ 4,807,048	\$ 13,482	(\$ 9,092)	\$ 9,483,751
Appropriation of 2019 earnings									
Legal reserve	-	-	135,231	-	(135,231)	-	-	-	-
Special reserve	-	-	-	(23,218)	23,218	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(677,151)	(677,151)	-	-	(677,151)
Net profit for the year ended December 31, 2020	-	-	-	-	1,497,426	1,497,426	-	-	1,497,426
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(11,474)	(11,474)	(1,260)	(23,023)	(35,757)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,485,952	1,485,952	(1,260)	(23,023)	1,461,669
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 9 and 24)	-	-	-	-	25,621	25,621	-	(25,621)	-
BALANCE AT DECEMBER 31, 2020	4,670,005	2,308	1,109,475	299,916	4,232,079	5,641,470	12,222	(57,736)	10,268,269
Appropriation of 2020 earnings									
Legal reserve	-	-	151,157	-	(151,157)	-	-	-	-
Special reserve	-	-	-	45,514	(45,514)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(784,561)	(784,561)	-	-	(784,561)
Net profit for the year ended December 31, 2021	-	-	-	-	1,394,789	1,394,789	-	-	1,394,789
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(24,417)	(24,417)	(625)	98,800	73,758
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,370,372	1,370,372	(625)	98,800	1,468,547
BALANCE AT DECEMBER 31, 2021	\$ 4,670,005	\$ 2,308	\$ 1,260,632	\$ 345,430	\$ 4,621,219	\$ 6,227,281	\$ 11,597	\$ 41,064	\$ 10,952,255

The accompanying notes are an integral part of the financial statements.

KERRY TJ LOGISTICS CO., LIMITED
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,639,726	\$ 1,811,781
Adjustments for:		
Depreciation expense	895,165	851,151
Amortization expense	17,981	25,742
Expected credit losses recognized on accounts receivable	875	13,769
Valuation (gain) loss on financial assets at fair value through profit or loss, net	(7,964)	9,000
Finance costs	75,607	71,828
Interest income	(822)	(1,276)
Dividend income	(19,562)	(23,432)
Share of profit of subsidiaries and associates accounted for using the equity method	(387,365)	(279,219)
(Gain) loss on disposal of property, plant and equipment, net	(7,449)	6,038
Property, plant and equipment transferred to expense	125	1,117
Gain on lease modifications	(13)	(9)
Other revenue	(6,000)	(8,000)
Net changes in operating assets and liabilities:		
Notes receivable	(80,084)	28,120
Accounts receivable	(69,397)	(18,347)
Other receivables	(15,264)	373,305
Prepayments	(659)	(1,459)

(Continued)

KERRY TJ LOGISTICS CO., LIMITED
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Other current assets	\$ 5,766	(\$ 5,202)
Other non-current assets	(21,448)	-
Accounts payable	29,548	44,542
Other payables	(13,826)	(63,253)
Other current liabilities	16,226	(70,552)
Net defined benefit liabilities	(66,964)	(76,530)
Cash generated from operations	1,984,202	2,689,114
Interest received	815	1,305
Interest paid	(79,199)	(73,902)
Income tax paid	(304,575)	(270,782)
Net cash generated from operating activities	<u>1,601,243</u>	<u>2,345,735</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	-	62,524
Proceeds from financial assets at fair value though other comprehensive income capital reduction	36,646	-
Payments for property, plant and equipment	(1,086,067)	(612,203)
Proceeds from disposal of property, plant and equipment	11,984	8,592
Increase in refundable deposits	(2,486)	(11,285)
Proceeds from related parties loans	-	27,000
Increase in other non-current assets	-	(9,040)
Increase in prepayments for equipment	(499,141)	(323,477)

(Continued)

KERRY TJ LOGISTICS CO., LIMITED
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Dividends received	\$ 181,311	\$ 142,410
Net cash used in investing activities	(1,357,753)	(715,479)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	3,150,000	2,100,000
Repayments of short-term bank loans	(2,950,000)	(2,400,000)
Proceeds from long-term bank loans	5,030,000	1,980,000
Repayments of long-term bank loans	(4,430,000)	(2,320,000)
Increase in guarantee deposit received	500	6,990
Repayment of the principal portion of lease liabilities	(504,240)	(329,783)
Dividends paid	(784,561)	(677,151)
Net cash used in financing activities	(488,301)	(1,639,944)
NET DECREASE IN CASH	(244,811)	(9,688)
CASH AT THE BEGINNING OF THE YEAR	999,718	1,009,406
CASH AT THE END OF THE YEAR	\$ 754,907	\$ 999,718

(Concluded)

The accompanying notes are an integral part of the financial statements.

KERRY TJ LOGISTICS CO., LIMITED
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Kerry TJ Logistics Co., Limited (the "Company") was incorporated in the Republic of China (ROC) in December 1959. The Company is mainly engaged in the business of automobile cargo transportation within designated routes, container transportation, warehousing and refrigeration delivery.

The Company's original parent company is Kerry Logistics Services Limited (KLSL), which was owned by Kerry Logistics Network Limited (KLN). KLSL sold all its businesses in Taiwan (including 49.67% of the Company's ordinary shares) to Treasure Seeker Group Limited (TSGL), which was owned by Hong Kong Kerry Holding Limited (KHL) on September 27, 2021. KHL became the parent company of the Company from that date. However, KHL is Kerry Group Limited's subsidiary. The Group's ultimate parent company and ultimate controller is still Kerry Group Limited.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since December 1990.

The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 10, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies.

- b. New IFRSs endorsed by the FSC for application in 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. New IFRSs in issue by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17—Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and the defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted

for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company’s financial statements, transactions in currencies other than the Company’s functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the financial statements, the functional currencies of the Company (including subsidiaries and associates in other countries or those that use currencies that are different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Investments in subsidiaries

The Company uses the equity method to account for its investment in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company’s share of equity of subsidiaries.

Changes in the Company’s ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

f. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset,

including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

g. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and remeasurement gains or losses on such financial assets are recognized in profits or losses. Fair value is determined in the manner described in Note 23.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, notes and accounts receivable at amortized cost, other receivables, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

ii) A financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 120 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.	that reimbursement will be received and the amount of the receivable can be measured reliably.			the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.
c) Derecognition of financial assets The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.	l. Revenue recognition The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component. <u>Revenue from the rendering of services</u> Revenue from the rendering of services comes from the rendering of services of automobile cargo transportation, container transportation and warehousing. The services committed by the Company are determined based on the contracts, and the related revenue is recognized when services are rendered.	2) The Company as lessee The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.	The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.	
2) Financial liabilities a) Subsequent measurement Financial liabilities are measured at amortized cost using the effective interest method. b) Derecognition of financial liabilities The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.	m. Leasing At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.	Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate. Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of	n. Borrowing costs Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.	Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.
k. Provision Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain	1) The Company as lessor Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are		o. Government grants Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.	

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur, when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable

that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in a subsidiary.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions, on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised

if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical Accounting Judgments

Lease terms

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Group occurs.

Key Sources of Estimation Uncertainty

a. Useful lives of property, plant and equipment

As described in Note 4, the Company reviews the estimated useful lives of property, plant and equipment at each balance sheet date. Should there be changes in the estimated useful lives due to changes in actual conditions, the expenses and assets recognized may be significantly affected.

b. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH

	December 31	
	2021	2020
Cash on hand and petty cash	\$ 81,723	\$ 56,982
Checking accounts and demand deposits	673,184	942,736
	<u>\$ 754,907</u>	<u>\$ 999,718</u>

7. ACCOUNTS RECEIVABLE

	December 31	
	2021	2020
At amortized cost		
Gross carrying amount	\$ 1,292,239	\$ 1,223,717
Less: Allowance for doubtful accounts	(4,000)	(4,000)
	<u>\$ 1,288,239</u>	<u>\$ 1,219,717</u>

The average credit period of operating revenue was 60-120 days. No interest was charged on accounts receivable. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management administrator annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different

customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable:

	Within 120 Days	Over 120 Days
<u>December 31, 2021</u>		
Expected credit loss rate (%)	0%	75%
Gross carrying amount	\$ 1,286,916	\$ 5,323
Loss allowance (Lifetime ECLs)	-	(4,000)
Amortized cost	<u>\$ 1,286,916</u>	<u>\$ 1,323</u>
<u>December 31, 2020</u>		
Expected credit loss rate (%)	0.15%	100%
Gross carrying amount	\$ 1,221,508	\$ 2,209
Loss allowance (Lifetime ECLs)	(1,791)	(2,209)
Amortized cost	<u>\$ 1,219,717</u>	<u>\$ -</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 4,000	\$ 5,831
Net remeasurement of loss allowance	875	13,769

	For the Year Ended December 31	
	2021	2020
Amounts written off	(875)	(15,600)
Balance at December 31	<u>\$ 4,000</u>	<u>\$ 4,000</u>

8. FINANCIAL INSTRUMENTS AT FVTPL-NON-CURRENT

	December 31	
	2021	2020
<u>Domestic unlisted preference shares</u>		
PKR Offshore Co., Ltd. ("PKRO")	\$ 10,925	\$ 2,961
<u>Domestic unlisted ordinary shares</u>		
Hantek Technology Co., Ltd. ("Hantek")	-	-
	<u>\$ 10,925</u>	<u>\$ 2,961</u>

Hantek wound up operations as approved by the competent authority in 2006. As of the date of the auditors' report, the liquidation procedures have not yet been completed.

The Company invested \$12,240 thousand in PKRO's preference shares, and its shareholding proportion was 51% in November 2019. Based on the contract, the Group does not have control; and as stipulated in the Company's articles of incorporation (the "Articles"), the preference share dividends will be distributed, in priority, in one lump sum in cash at face value at the interest rate of 4.7%. At the end of the accounting year, if the net profit is insufficient for the distribution of preference share dividends, the dividends would be accumulated and distributed in the following year.

Since the above-mentioned preference shares do not meet the requirements of recognition as investments in debt instruments measured at amortized cost or at fair value through other comprehensive income, they were classified as investments in debt instruments at fair value through profit or loss.

9. FINANCIAL INSTRUMENTS AT FVTOCI - NON-CURRENT

	December 31	
	2021	2020
<u>Domestic unlisted ordinary shares</u>		
Everterminal Co., Ltd. ("Everterminal")	\$ 155,794	\$ 103,440
J.Shine International Logistics Co., Ltd. ("J. Shine")	69,222	63,222
Chunghwa Express Co., Ltd. ("Chunghwa Express")	10,392	10,392
Omnihealth Group, Inc. ("Omnihealth")	353	353
Central Taiwan Science Park Logistics Co., Ltd. ("CTSPL")	-	-
Taskco E-Business Corp. ("Taskco")	-	-
	<u>\$ 235,761</u>	<u>\$ 177,407</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

In June 2020, the Company's board of directors resolved to dispose of its shares in Kerry Freight International Company Ltd. ("KFI") to Taiwan Kerry Investment Company ("TKI"). The shares sold had a fair value of \$15,308 thousand (900 thousands shares at \$17.06 per share) and its related unrealized valuation gain of \$4,398 thousand was transferred from other equity to retained earnings.

In March 2020, the Company's board of directors resolved to dispose of its shares in CTSPL to Chien Shing Harbour Service Co., Ltd. The shares sold had a fair value of \$47,216 thousand (2,700 thousand shares at \$17.54 per share) and its related unrealized valuation gain of \$21,223 thousand was transferred from other equity to retained earnings.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD - CREDIT

Investments accounted for using the equity method

Investee	December 31			
	2021		2020	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Investments in subsidiaries</u>				
Science Park Logistics Co., Ltd. ("SPL")	\$ 990,011	60	\$ 950,536	60
Rong Xing Investment Company ("Rong Xing")	316,507	100	248,586	100
T.Join Transportation Co.,Ltd. ("TJ")	315,658	100	303,235	100
Kerry Express Company Limited ("KE")	268,988	100	196,496	100
Kerry Cold Chain Equipment Company Limited ("KCC")	90,503	64	56,234	64
Kerry Global Trading Company Limited ("KGT")	4,688	100	4,622	100
T-Join (BVI) International Limited ("T-join (BVI)")	<u>-</u>	100	<u>535</u>	100
	<u>1,986,355</u>		<u>1,760,244</u>	
<u>Material associate</u>				
T-Join (HK) International Limited	<u>76,868</u>	49	<u>74,917</u>	49
<u>Associates that are not individually material</u>				
Posh Kerry Renewables Co., Ltd. ("Posh Kerry")	-	40	-	40
Lian He Circulate Co., Ltd. ("Lian He")	<u>-</u>	22	<u>-</u>	22
	<u>-</u>		<u>-</u>	
	<u>\$ 2,063,223</u>		<u>\$ 1,835,161</u>	

Investments accounted for using the equity method - credit

Investee	December 31			
	2021		2020	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Investments in subsidiaries</u>				
T-join (BVI)	(<u>\$ 179</u>)	100	<u>\$ -</u>	-

(Concluded)

For information on the nature of activities, principal places of business and countries of incorporation of the aforementioned associates, please refer to Table 7.

Lian He wound up operations as approved by the competent authority in 2014, and as of the date of the auditors' report, the liquidation procedures have not yet been completed.

11. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2021				
	Balance, Beginning of Year	Additions	Decrease	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 5,761,728	\$ -	\$ -	\$ -	\$ 5,761,728
Buildings	4,263,927	31,067	-	1,431,256	5,726,250
Machinery	435,879	19,368	(33,900)	100,339	521,686
Transportation equipment	4,308,956	6,618	(252,303)	433,465	4,496,736
Lease improvements	788,690	4,517	(1,903)	11,668	802,972
Other equipment	508,124	35,676	(27,438)	18,241	534,603
Construction in progress	<u>1,675,915</u>	<u>964,208</u>	<u>-</u>	(<u>1,417,799</u>)	<u>1,222,324</u>
	<u>17,743,219</u>	<u>\$ 1,061,454</u>	(<u>\$ 315,544</u>)	<u>\$ 577,170</u>	<u>19,066,299</u>
<u>Accumulated depreciation</u>					
Buildings	2,430,160	\$ 190,165	\$ -	\$ -	2,620,325
Machinery	266,429	32,520	(33,900)	-	265,049
Transportation equipment	2,622,598	213,314	(248,060)	-	2,587,852
Lease improvements	674,849	29,238	(1,611)	-	702,476
Other equipment	<u>387,532</u>	<u>51,714</u>	(<u>27,438</u>)	<u>-</u>	<u>411,808</u>
	<u>6,381,568</u>	<u>\$ 516,951</u>	(<u>\$ 311,009</u>)	<u>\$ -</u>	<u>6,587,510</u>
	<u>\$ 11,361,651</u>				<u>\$ 12,478,789</u>

	For the Year Ended December 31, 2020				
	Balance, Beginning of Year	Additions	Decrease	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 5,761,588	\$ 140	\$ -	\$ -	\$ 5,761,728
Buildings	4,266,827	19,848	(40,717)	17,969	4,263,927
Machinery	425,313	6,276	(73)	4,363	435,879
Transportation equipment	4,226,615	13,399	(190,317)	259,259	4,308,956
Lease improvements	765,279	7,099	-	16,312	788,690
Other equipment	485,768	21,069	(30,575)	31,862	508,124
Construction in progress	<u>1,596,186</u>	<u>457,376</u>	<u>-</u>	<u>(377,647)</u>	<u>1,675,915</u>
	<u>17,527,576</u>	<u>\$ 525,207</u>	<u>(\$ 261,682)</u>	<u>(\$ 47,882)</u>	<u>17,743,219</u>
<u>Accumulated depreciation</u>					
Buildings	\$ 2,316,386	\$ 155,343	(\$ 28,009)	(\$ 13,560)	\$ 2,430,160
Machinery	240,922	25,580	(73)	-	266,429
Transportation equipment	2,580,579	230,414	(188,395)	-	2,622,598
Lease improvements	629,548	31,741	-	13,560	674,849
Other equipment	<u>378,805</u>	<u>39,302</u>	<u>(30,575)</u>	<u>-</u>	<u>387,532</u>
	<u>6,146,240</u>	<u>\$ 482,380</u>	<u>(\$ 247,052)</u>	<u>\$ -</u>	<u>6,381,568</u>
<u>Accumulated impairment</u>					
Construction in progress	<u>341,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 341,672)</u>	<u>-</u>
	<u>\$ 11,039,664</u>				<u>\$ 11,361,651</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

<u>Buildings</u>	
Main buildings	25-50 years
Others	3-15 years
<u>Machinery equipment</u>	
Transportation equipment	3-15 years
Lease improvement	3-20 years
Other equipment	3-7 years

In consideration of operational development, in August 2018, the board of directors passed the resolution for the reconstruction of buildings in Chongxin station on their own land. The construction contract, with a total contract price of \$589,481 thousand (including tax), was signed in April 2021; the recognized amount of construction in progress was \$359,303 thousand based on the degree of completion of construction, of which \$359,303 thousand has been paid.

In consideration of operational development, in January 2021, the board of directors passed the resolution for the construction of buildings in Xizhi station on their leased land. The construction contract has a total contract price of \$1,218,000 thousand (including tax), and the recognized amount of construction

in progress was \$348,000 thousand based on the degree of completion of construction, of which \$348,000 thousand has been paid.

As of December 31, 2021, constructions are still in progress; refer to Notes 26 and Table 4.

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest amount	\$ 3,925	\$ -
Capitalization rate	1.02%	-

The Company's property, plant and equipment leased under operating leases as of December 31, 2021 and 2020 are as follows:

	December 31	
	2021	2020
<u>Cost</u>		
Buildings	\$ 252,506	\$ 194,895
Other equipment	<u>3,004</u>	<u>3,004</u>
	<u>255,510</u>	<u>197,899</u>
<u>Accumulated depreciation</u>		
Buildings	134,618	94,599
Other equipment	<u>3,004</u>	<u>3,004</u>
	<u>137,622</u>	<u>97,603</u>
	<u>\$ 117,888</u>	<u>\$ 100,296</u>

Operating leases related to leases of Logistic centers, offices, staff dormitories and car parks, between 1 and 10 years. The leases do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2021	2020
Year 1	\$ 4,732	\$ 20,604
Year 2	2,407	2,649
Year 3	1,107	2,407
Year 4	178	1,107
Year 5	178	178
Year 6 onwards	<u>342</u>	<u>520</u>
	<u>\$ 8,944</u>	<u>\$ 27,465</u>

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

<u>Buildings</u>	
Main buildings	25-50 years
Others	3-15 years

Property, plant and equipment used by the Company and pledged as collateral for bank borrowings are set out in Note 25.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2022
<u>Carrying amount</u>		
Buildings	\$ 2,749,624	\$ 2,007,596
Machinery	72,398	81,866
Transportation equipment	<u>6,754</u>	<u>5,149</u>
	<u>\$ 2,828,776</u>	<u>\$ 2,094,611</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	\$ 1,114,578	\$ 707,258
Depreciation charge for right-of-use asset		
Buildings	\$ 330,657	\$ 325,243
Machinery	43,762	39,615
Transportation equipment	3,795	3,913
	\$ 378,214	\$ 368,771

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount		
Current	\$ 313,116	\$ 331,528
Non-current	\$ 2,254,874	\$ 1,634,336

Ranges of discount rates for lease liabilities were as follows:

	December 31	
	2021	2020
Buildings	1.16%-2.29%	1.16%-2.29%
Machinery	1.16%-2.14%	1.16%-1.37%
Transportation equipment	1.16%-2.14%	1.16%-1.37%

e. Changes in liabilities arising from financing activities

For the year ended December 31, 2021

	Non-cash Changes				
	Opening Balance	Cash Flows	New Leases	Other	Closing Balance
Lease liabilities	\$ 1,965,864	(\$ 504,240)	\$ 1,114,578	(\$ 8,212)	\$ 2,567,990

For the year ended December 31, 2020

	Non-cash Changes				
	Opening Balance	Cash Flows	New Leases	Other	Closing Balance
Lease liabilities	\$ 1,601,413	(\$ 329,783)	\$ 707,258	(\$ 13,024)	\$ 1,965,864

c. Material leasing activities and terms

The Company leases lands and buildings for the use of offices with lease terms of 1 to 50 years. Some of the land lease contracts are subject to lease payment adjustments every two years based on the announced land values.

The Company has the option to purchase or continue leasing the buildings for a nominal amount at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 57,652	\$ 63,544
Total cash outflow for leases	(\$ 603,311)	(\$ 423,084)

The Company's leases of certain buildings, machinery and transportation equipment qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. OTHER NON-CURRENT ASSETS

	December 31	
	2021	2020
Prepayments for equipment	\$ 95,928	\$ 49,629
Refundable deposits	82,912	80,427
Other prepayments	24,840	42,821
Other financial assets (Note 25)	32,576	11,128
	\$ 236,256	\$ 184,005

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured borrowings	\$ 200,000	\$ -
Unsecured borrowings interest rate (%)	0.97	-

b. Long-term borrowings

	December 31	
	2021	2020
Unsecured borrowings	\$ 2,991,000	\$ 2,391,000
Secured borrowings	1,139,000	1,139,000
	\$ 4,130,000	\$ 3,530,000
Unsecured borrowings interest rate (%)	0.88-1.04	0.97-1.04
Secured borrowings interest rate (%)	0.97-0.98	0.97-0.98

The bank loan is secured by the Company's own land, buildings and machinery; refer to Note 25 for the details. Both of Unsecured and Secured borrowings' loan period are 2 years, with monthly interest payments and repayment of principal at maturity.

15. OTHER LIABILITIES

	December 31	
	2021	2020
Payables for salaries or bonuses	\$ 461,815	\$ 465,819
Payables for purchases of equipment	83,694	112,232
Payables for labor and health insurance	63,142	58,618
Payables for annual leave	54,775	52,775
Payables for business and other tax	49,838	46,088
Payables for pension (new system)	41,148	39,096
Payables for directors, supervisors and employees' compensation	33,464	36,975
Payables for accidents	29,959	21,976
Others	129,215	155,502
	\$ 947,050	\$ 989,081

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The Company adopted the defined benefit plan under the Labor Standards Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% to 8% of total monthly salaries and wages to a pension fund

administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 784,774	\$ 843,506
Fair value of plan assets	(510,870)	(532,024)
Net defined benefit liabilities	\$ 273,904	\$ 311,482

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	\$ 843,506	(\$ 532,024)	\$ 311,482
Service cost			
Current service cost	6,611	-	6,611
Net interest expense (income)	3,543	(2,235)	1,308
Recognized in profit or loss	10,154	(2,235)	7,919
Remeasurement			
Actuarial loss - changes in financial assumptions	9,911	-	9,911
Actuarial loss (gain) - experience adjustments	27,152	(7,677)	19,475
Recognized in other comprehensive income	37,063	(7,677)	29,386
Contributions from the employer	-	(74,883)	(74,883)
Benefits paid	(105,949)	105,949	-
	(105,949)	31,066	(74,883)
Balance at December 31, 2021	\$ 784,774	(\$ 510,870)	\$ 273,904

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	\$ 913,896	(\$ 538,285)	\$ 375,611
Service cost			
Current service cost	8,321	-	8,321
Net interest expense (income)	7,494	(4,414)	3,080
Recognized in profit or loss	15,815	(4,414)	11,401
Remeasurement			
Actuarial loss - changes in financial assumptions	23,817	-	23,817
Actuarial loss (gain) - experience adjustments	7,357	(18,773)	(11,416)
Recognized in other comprehensive income	31,174	(18,773)	12,401
Contributions from the employer	-	(87,931)	(87,931)
Benefits paid	(117,379)	117,379	-
	(117,379)	29,448	(87,931)
Balance at December 31, 2020	\$ 843,506	(\$ 532,024)	\$ 311,482

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate(s)	0.59%	0.42%
Expected rate(s) of salary increase	1%	1%

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate(s)		
0.5% increase	(\$ 23,645)	(\$ 29,170)
0.5% decrease	\$ 45,030	\$ 50,756
Expected rate(s) of salary increase		
0.5% increase	\$ 44,608	\$ 50,186
0.5% decrease	(\$ 23,664)	(\$ 29,149)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	\$ 49,172	\$ 87,805
The average duration of the defined benefit obligation	9 years	9 years

17. EQUITY

a. Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	700,000	700,000
Shares authorized	\$ 7,000,000	\$ 7,000,000
Number of shares issued and fully paid (in thousands)	467,000	467,000
Shares issued	\$ 4,670,005	\$ 4,670,005

A holder of issued ordinary shares with a par value of \$10 is entitled to vote and receive dividends.

b. Capital surplus

The capital surplus from shares issued in excess of par (including ordinary shares issued in excess of face value and the difference between the consideration received and the carrying amount of the subsidiaries' equity on acquisition) and donations received may be used to offset a deficit ; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus and once a year.

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on July 20, 2021 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). Under the dividend policy as set forth in the Articles, where the Group made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 19.

The Company's dividends policy shall be made based on the following: the future operational developments, capital budget, the changes and competitions of industry environment, long-term financial capital plans. The interests of shareholders, long-term financial plans, and other factors should also be taken into account. The cumulative distributable earnings shall be allocated not less than 10% of the net profit after tax to shareholders; the distribution of dividends to shareholders shall be allowed by the cash or shares, and the cash dividends shall not be less than 50% of the total dividends. Only when there are sudden major capital expenditures that the cash dividends shall be reduced to 20% of the total dividends.

According to the dividend policy in the Articles before amendments, where the Group made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders.

The distribution of dividends and bonuses to shareholders shall be allowed by cash or shares, and the cash dividends shall not be less than 50% of the total dividends. Only when there are sudden major capital expenditures that the cash dividends shall be reduced to 20% of the total dividends. The actual rates and methods of distribution of dividends shall be based on operating conditions. Retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Group's paid-in capital. The legal reserve may be used to offset deficit. If the Group has no deficit and the legal reserve has exceeded 25% of the Group's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings in July 2021 and June 2020, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2020	2019
Legal reserve	\$ 151,157	\$ 135,231
Special reserve	45,514	(23,218)
Cash dividends	784,561	677,151
Cash dividends per share (NT\$)	1.68	1.45

d. Special reserve

	December 31	
	2021	2020
Special reserve		
Initial application of IFRS	\$ 299,916	\$ 299,916
Debit to other equity items	45,514	-
	\$ 345,430	\$ 299,916

e. Other equity items

- 1) Exchange differences on the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 12,222	\$ 13,482
Share of profit of subsidiaries and associates accounted for using the equity method	(625)	(1,260)
Balance at December 31	\$ 11,597	\$ 12,222

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	(\$ 57,736)	(\$ 9,092)
Recognized for the year		
Unrealized gain/(loss) - equity instruments	95,000	(24,483)
Share of profit of subsidiaries accounted for using the equity method	3,800	1,460
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal (Note 9)	-	(25,621)
Balance at December 31	(\$ 41,064)	(\$ 57,736)

18. REVENUE

	For the Year Ended December 31	
	2021	2020
Main revenue		
Freight transportation	\$ 8,324,602	\$ 9,678,426
Warehouse logistics	2,198,087	412,015
Others	43,000	43,430
	<u>\$ 10,565,689</u>	<u>\$ 10,133,871</u>

a. Contract balances

	For the Year Ended December 31	
	2021	2020
Notes receivable and accounts receivable	<u>\$ 1,684,454</u>	<u>\$ 1,535,848</u>

b. Contracts that have not been fully completed

As of December 31, 2021 and 2020, the Company's contract obligations that have not yet been fully satisfied are customer contracts with an expected duration not exceeding one year.

19. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operations includes the following:

a. Other revenue

	For the Year Ended December 31	
	2021	2020
Dividend revenue	\$ 19,562	\$ 23,432
Fee revenue	6,683	7,071
Others	68,435	111,916
	<u>\$ 94,680</u>	<u>\$ 142,419</u>

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Gain (loss) on disposal of property, plant and equipment (Note 11)	\$ 7,449	(\$ 6,038)
Other	7,393	(6)
	<u>\$ 14,842</u>	<u>(\$ 6,044)</u>

c. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 34,187	\$ 42,071
Interest on lease liabilities	41,420	29,757
	<u>\$ 75,607</u>	<u>\$ 71,828</u>

d. Employee benefits, depreciation and amortization expenses

	Operating cost	Operating expense	Total
<u>2021</u>			
Employee benefits expense			
Salaries and bonuses	\$ 2,872,406	\$ 136,115	\$ 3,008,521
Labor and health insurance	314,689	12,302	326,991
Other insurance expense	-	24,294	24,294
Defined contribution plan	153,145	5,999	159,144
Defined benefit plans	7,775	144	7,919
Remuneration of directors	-	21,232	21,232
Other employee benefits	130,705	4,907	135,612
Depreciation expense	845,554	49,611	895,165
Amortization expense	16,033	1,948	17,981
<u>2020</u>			
Employee benefits expense			
Salaries and bonuses	\$ 2,853,101	\$ 139,842	\$ 2,992,943
Labor and health insurance	297,662	10,257	307,919
Other insurance expense	-	24,365	24,365
Defined contribution plan	151,319	4,990	156,309
Defined benefit plans	11,188	213	11,401
Remuneration of directors	-	21,487	21,487
Other employee benefits	126,788	4,260	131,048
Depreciation expense	808,812	42,339	851,151
Amortization expense	20,659	5,083	25,742

For the years 2021 and 2020, the Company had an average of 4,457 and 4,568 employees, respectively, which included 7 non-employee directors for both years.

The average salary and bonus decreased by 3% year over year.

Average labor costs for the years ended December 31, 2021 and 2020 were \$823 thousand and \$795 thousand, respectively.

Average salaries and bonuses for the years ended December 31, 2021 and 2020 were \$676 thousand and \$656 thousand, respectively.

Compensation policies

Other than the remuneration given to the individual directors, the remuneration of the board of directors is dependent on the Company's operating results, where a reasonable level of remuneration is given in accordance with the Company's Articles. The compensation of employees and managers, on the other hand, is based on the employee's position, responsibilities, future risks faced by the Company and level of contribution to the Company's operating goals.

e. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at the rates 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020, which have been approved by the Company's board of directors in March 2022 and March 2021, respectively, were as follows:

	2021		2020	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	1%	\$ 16,732	1%	\$ 18,487
Remuneration of directors	1%	16,732	1%	18,487

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 234,088	\$ 285,747
Income tax on unappropriated earnings	-	9,922
Adjustment for prior years	(2,408)	(10,103)
	<u>231,680</u>	<u>285,566</u>

	For the Year Ended December 31	
	2021	2020
Deferred tax		
In respect of the current year	13,257	18,666
Adjustments for prior years	-	10,123
	<u>13,257</u>	<u>28,789</u>
Income tax expense recognized in profit or loss	<u>\$ 244,937</u>	<u>\$ 314,355</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2021	2020
Income tax expense calculated at the statutory rate	\$ 327,945	\$ 362,356
Adjustment:		
Permanent differences	(80,600)	(57,943)
Temporary differences	(13,257)	(18,666)
Income tax on unappropriated earnings	<u>-</u>	<u>9,922</u>
Current tax expense	<u>234,088</u>	<u>295,669</u>

For the Year Ended December 31

	2021	2020
Deferred tax expense		
Temporary differences	13,257	18,666
Adjustments for prior years' tax	(2,408)	20
Income tax expense recognized in profit or loss	<u>\$ 244,937</u>	<u>\$ 314,355</u>

b. Deferred tax assets and liabilities

The changes of deferred tax assets and liabilities are as follows:

	For the Year Ended December 31, 2021			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit plans	\$ 62,296	(\$ 13,392)	\$ 5,877	\$ 54,781
Loss on disposal of assets	5,519	(158)	-	5,361
Payable for annual leave	10,556	399	-	10,955
Others	<u>106</u>	(<u>106</u>)	<u>-</u>	<u>-</u>
	<u>\$ 78,477</u>	(<u>\$ 13,257</u>)	<u>\$ 5,877</u>	<u>\$ 71,097</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	<u>\$ 531,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 531,964</u>

	For the year ended December 31, 2020			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit plans	\$ 75,122	(\$ 15,306)	\$ 2,480	\$ 62,296
Loss on disposal of assets	5,666	(147)	-	5,519
Payable for annual leave	8,101	2,455	-	10,556
Right-of-use assets	10,123	(10,123)	-	-
Unrealized loss of disaster loss	5,623	(5,623)	-	-
Other	<u>151</u>	(<u>45</u>)	<u>-</u>	<u>106</u>
	<u>\$ 104,786</u>	(<u>\$ 28,789</u>)	<u>\$ 2,480</u>	<u>\$ 78,477</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	<u>\$ 531,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 531,964</u>

c. Income tax assessments

The income tax returns of the Company through 2019 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Share(NTD)
<u>For the year ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Company	\$ 1,394,789	467,000	<u>\$ 2.99</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>470</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 1,394,789</u>	<u>467,470</u>	<u>\$ 2.98</u>

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Share (NTD)
<u>For the year ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Company	\$ 1,497,426	467,000	<u>\$ 3.21</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>521</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 1,497,426</u>	<u>467,521</u>	<u>\$ 3.20</u>

Since the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares that were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued ordinary shares, reserves, retained earnings and other equity).

Key management personnel of the Company review the capital structure annually. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key

management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

The Company is not subject to any externally imposed capital requirements.

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value
Management of the Company considers the carrying amounts of the Company's financial instruments that are not measured at fair value as close to their fair values or their fair values could not be reasonably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Domestic unlisted shares investments	\$ -	\$ -	\$ 10,925	\$ 10,925
Financial asset at FVTOCI				
Domestic unlisted shares investments	\$ -	\$ -	\$ 235,761	\$ 235,761

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Domestic unlisted shares investments	\$ -	\$ -	\$ 2,961	\$ 2,961
Financial asset at FVTOCI				
Domestic unlisted shares investments	\$ -	\$ -	\$ 177,407	\$ 177,407

There were no transfers between Level 1 and Level 2 in 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

	Financial Assets at FVTPL	Financial Assets at FVTOCI
Financial Assets	Debt Instruments	Equity Instruments
Balance at January 1, 2021	\$ 2,961	\$ 177,407
Unrealized gain on financial assets at FVTPL	7,964	-
Unrealized valuation gain on financial assets at FVTOCI	-	95,000
Capital reduction	-	(36,646)
Balance at December 31, 2021	\$ 10,925	\$ 235,761

For the year ended December 31, 2020

	Financial Assets at FVTPL	Financial Assets at FVTOCI
Financial Assets	Debt Instruments	Equity Instruments
Balance at January 1, 2020	\$ 11,961	\$ 264,414
Unrealized loss on financial assets at FVTPL	(9,000)	-
Unrealized valuation loss on financial assets at FVTOCI	-	(24,483)
Sales	-	(62,524)
Balance at December 31, 2020	\$ 2,961	\$ 177,407

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of non-publicly traded equity investments are mainly determined by using the asset approach and market approach.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 2,609,343	\$ 2,790,796
Investments in equity instruments at FVTOCI	235,761	177,407
Mandatorily classified as at FVTPL	10,925	2,961
<u>Financial liabilities</u>		
Amortized cost (Note 2)	5,155,030	4,371,824

Note 1: The balances include financial assets at amortized cost, which comprise cash, notes receivable, accounts receivable, other receivable, other financial assets and refundable deposits and so on.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term bank loans, accounts payable, other payables, long-term bank loans and guarantee deposits received and so on.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, accounts receivable, accounts payable, borrowings, and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

As the transactions of the Company are mainly in its functional currency, the foreign currency risk is not significant.

b) Interest rate risk

The Company was exposed to interest rate risk because the Company deposits and borrows funds at both fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Lease liabilities	\$ 2,567,990	\$ 1,965,864
Short-term bank loan	200,000	-
Long-term bank loan	1,100,000	-
Cash flow interest rate risk		
Bank deposit (including other financial assets)	659,669	823,641
Long-term bank loan	3,030,000	3,530,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 1 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 basis point higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$237 thousand and \$271 thousand, respectively, which was mainly a result of variable-rate borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation

and financial guarantees provided by the Company, could arise from:

- The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

As the Company's customer base is large and made up of unrelated customers, the concentration of credit risk is not high.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. The Company had available unutilized bank loan facilities set out as follows:

	For the Year Ended December 31	
	2021	2020
Unutilized bank loan limits	\$ 5,476,315	\$ 4,898,364

Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

Non-derivative Financial Liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
December 31, 2021					
Non-interest bearing	\$ 249,833	\$ 323,382	\$ 697	\$ -	\$ -
Lease liabilities	45,221	66,154	252,171	1,018,215	1,894,050
Variable interest rate liabilities	-	-	-	3,030,753	-
Fixed interest rate liabilities	-	200,053	-	1,100,526	-
	<u>\$ 295,054</u>	<u>\$ 589,589</u>	<u>\$ 252,868</u>	<u>\$ 5,149,494</u>	<u>\$ 1,894,050</u>
December 31, 2020					
Non-interest bearing	\$ 224,391	\$ 319,276	\$ -	\$ 697	\$ -
Lease liabilities	48,669	60,435	260,441	938,823	1,201,413
Variable interest rate liabilities	-	-	-	3,530,999	-
	<u>\$ 273,060</u>	<u>\$ 379,711</u>	<u>\$ 260,441</u>	<u>\$ 4,470,519</u>	<u>\$ 1,201,413</u>

Additional information on the maturity analysis for lease liabilities as follow:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
December 31, 2021	\$ 363,546	\$ 1,018,215	\$ 581,857	\$ 154,623	\$ 454,195	\$ 703,375
December 31, 2020	\$ 369,545	\$ 938,823	\$ 595,066	\$ 144,195	\$ 61,147	\$ 401,005

24. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed in the other notes, details of transactions between the Company and its related parties were disclosed as follows:

a. Related party name and category

Related Party Name	Relationship Party Category
KHL	The Company's parent (Note)
KLN	The Company's original parent (Note)
TJ	Subsidiary
KCC	Subsidiary
KE	Subsidiary
SPL	Subsidiary
KGT	Subsidiary
Kerry Pharma Logistics Co., Ltd. ("KP")	Subsidiary
Kerry Fruit Company Limited ("KF")	Subsidiary
Posh Kerry	Associate
TKI	Other related party
KFI	Other related party
Kerry Coffee Company Limited	Other related party
Da Ji International Limited ("DA JI")	Other related party
Tong Li Investment Company ("TONG LI")	Other related party
Kerry Logistics Hong Kong Limited ("KLHK")	Other related party
Kerry Freight Hong Kong Limited ("KFHK")	Other related party
KLN Services SDN.BHD.	Other related party
Kerry ESG (HK) Company Limited	Other related party
HCT Logistics Co., Ltd. ("HCT")	Other related party
Hsieh, Wen-Chien	Other related party

Note: KLN sold all the Company's ordinary shares to KHL on September 27, 2021, so KHL became the parent company of the Company.

b. Operating transactions

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Operating Revenue</u>	\$ 108,380	\$ 101,049
Subsidiary	24,648	6,135
Other related parties	\$ 133,028	\$ 107,184
<u>Operating Cost</u>		
TJOIN	\$ 1,527,265	\$ 1,349,025
Others	696,235	602,459
Other related parties	2,371	-
	\$ 2,225,871	\$ 1,951,484
<u>Operating Expense</u>		
Other related parties	\$ 2,862	\$ 1,876
Subsidiary	176	625
	\$ 3,038	\$ 2,501
<u>Other income</u>		
Subsidiary	\$ 39,988	\$ 28,136
Other related parties	1,886	1,333
Associates	33	34
	\$ 41,907	\$ 29,503

The terms and conditions of transactions with related parties and that of non-related parties were not significantly different.

The balance of accounts receivable from related parties on the balance sheet date is as follows:

Related Party Category/Name	December 31	
	2021	2020
<u>Accounts receivable</u>		
Subsidiary		
KE	\$ 23,728	\$ 18,738
Others	4,017	2,320
Other related parties	2,932	835
	\$ 30,677	\$ 21,893

The balance of accounts payable from related parties on the balance sheet date is as follows:

Related Party Category/Name	December 31	
	2021	2020
<u>Accounts payable</u>		
Subsidiary		
TJOIN	\$ 176,983	\$ 181,024
KE	79,924	70,297
KCC	62,988	68,975
Others	7,677	5,775
Other related parties	855	137
	\$ 328,427	\$ 326,208

c. Loans to related parties (classified as other receivables)

Related Party Category/Name	December 31	
	2021	2020
Subsidiary		
KP	\$ 30,000	\$ 30,000

The interest rate, interest income and interest receivable of the Company's loans to subsidiaries are as follows:

	For the Year Ended December 31	
	2021	2020
Interest rate (%)	0.959	0.985
Interest income	\$ 287	\$ 440

	December 31	
	2021	2020
Interest receivable	\$ 22	\$ 22

d. Other related party transactions

The balance of other receivables from related parties on the balance sheet date is as follows:

Related Party Category/Name	December 31	
	2021	2020
Subsidiary		
SPL	\$ 9,450	\$ 735
KP	8,816	2,756
KE	2,313	1,212
Others	1,420	914
Other related parties		
KFHK	-	859
Others	80	342
	\$ 22,079	\$ 6,818

The balance of construction in progress from related parties on the balance sheet date is as follows:

Related Party Category/Name	December 31	
	2021	2020
Subsidiary		
KCC	\$ 191,407	\$ 189,414

The balance of prepayments for equipment from related parties on the balance sheet date is as follows:

Related Party Category/Name	December 31	
	2021	2020
Subsidiary		
KCC	\$ 8,068	\$ 17,054

The balance of other payables from related parties on the balance sheet date is as follows:

Related Party Category	December 31	
	2021	2020
Other related parties	\$ -	\$ 798

e. Disposal of financial assets

For the year ended December 31, 2020

Related Party Category/ Name	Number of Shares	Underlying Asset	Proceeds	Gain on Disposal (Note 9)
<u>Other related parties</u>				
TKI	900 thousand	KFI	<u>\$ 15,354</u>	<u>\$ 4,398</u>

f. Acquisition of property, plant and equipment

Related Party Category	Purchase Price	
	For the Year Ended December 31	
	2021	2020
KCC	<u>\$ 139,891</u>	<u>\$ 62,668</u>

g. Remuneration of key management personnel

Total remuneration of directors and other key management personnel is as follows:

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	<u>\$ 91,219</u>	<u>\$ 73,695</u>
Termination benefits	<u>2,522</u>	<u>14,477</u>
	<u>\$ 93,741</u>	<u>\$ 88,172</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, goods clearance deposits and performance bonds, etc.

	December 31	
	2021	2020
Property, plant and equipment	<u>\$ 1,956,430</u>	<u>\$ 1,981,512</u>
Other financial assets - non-current (classified as non-current assets)	<u>32,576</u>	<u>11,128</u>
	<u>\$ 1,989,006</u>	<u>\$ 1,992,640</u>

26. SIGNIFICANT UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments were as follows:

	December 31	
	2021	2020
Acquisition of property, plant and equipment	<u>\$ 1,014,107</u>	<u>\$ 628,249</u>

b. Significant unrecognized commitments were as follows:

	Guarantor Bank	Guaranteed Project	Due Date	Amount
<u>December 31, 2021</u>				
The Company	CTBC Bank - Tunnan branch	Operation related business	December 2021 to January 2023	<u>\$ 13,685</u>
<u>December 31, 2020</u>				
The Company	CTBC Bank - Tunnan branch	Operation related business	December 2020 to December 2022	<u>\$ 21,636</u>

27. OTHER ITEMS

The Company continues to evaluate the economic impact caused by COVID-19. As of the report date, there is no significant impact of COVID-19 on the Company. The Company will continue to observe the relevant epidemic situation and evaluate its impact on its operations.

28. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: Table 2.
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 3.
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: Table 4.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6.
- 9) Trading in derivative instruments: None.

b. Information on investees: Table 7.

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward

remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area: Table 8.

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
- c) The amount of property transactions and the amount of the resultant gains or losses: None.
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9.

TABLE 1

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limit (Note)
													Item	Value		
0	KTJ	KP	Receivable from related parties	Yes	\$ 30,000	\$ 30,000	\$ 30,000	0.959%	Short-term financing	\$ -	For working capital	\$ -	-	\$ -	\$ 547,612	\$ 2,190,451
		KE	Receivable from related parties	Yes	30,000	30,000	-	0.959%	Short-term financing	-	For working capital	-	-	-	547,612	2,190,451

Note: According to the Company's "Financing provided to others operation regulations", the total amount of financing shall not exceed 20% of the net assets of the Company based on its latest financial statements. For companies that have short-term financing needs, the amount of financing for each borrower shall not exceed 5% of the net assets of the Company based on its latest financial statements. However, where the Company directly or indirectly holds 100% of the shares of foreign companies, the financing limit is 10% of the net assets of the Company based on its latest financial statements. For financing provided by subsidiaries to individual borrowers, the amount of financing shall not exceed 40% of the subsidiary's paid-in capital, and the loan period shall not exceed 10 years. The aggregate financing limit for loans provided by subsidiaries is 50% of the subsidiary's paid-in capital.

TABLE 2

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	KTJ	KP	1, 2	\$ 2,190,451	\$ 520,000	\$ 385,000	\$ 385,000	Credit	3.52%	\$ 5,476,127	Y	N	N
		KE	1, 2	2,190,451	160,000	110,000	110,000	Credit	1.00%	5,476,127	Y	N	N
		TJ	1, 2	2,190,451	60,000	-	-	Credit	-	5,476,127	Y	N	N
		KCC	1, 2	2,190,451	60,000	60,000	60,000	Credit	0.55%	5,476,127	Y	N	N
		KF	1, 2	2,190,451	35,000	35,000	35,000	Credit	0.32%	5,476,127	Y	N	N

Note 1: The relationship between endorser/guarantor and the endorsee/guarantee can be classified into the following categories:

- 1) A company with a business relationship.
- 2) A company in which KTJ directly and indirectly holds more than 50% of the voting shares.

Note 2: According to the Company's "Financing provided to others operation regulations":

- 1) The total amount of guarantees provided for other companies shall not exceed 50% of the net assets of the Company based on its latest financial statements.
- 2) The endorsement/guarantee amount for each entity shall not exceed 30% of the net assets of the endorsing/guaranteeing company based on its latest financial statements, and 10% of the net assets of the Company based on its latest financial statements.
- 3) The endorsement/guarantee amount for each subsidiary shall not exceed 20% of the net assets of the Company based on its latest financial statements.
- 4) The amount of the endorsement/guarantee provided by the subsidiary for the parent company is not subject to any limit.

TABLE 3

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021				(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)			
Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value
	<u>Shares</u>						
KTJ	Everterminal	None	Financial assets at FVTOCI - non-current	3,664,509	\$ 155,794	8	\$ 156,308
	J.Shine	None	Financial assets at FVTOCI - non-current	3,543,000	69,222	15	69,587
	Chunghwa Express	None	Financial assets at FVTOCI - non-current	700,000	10,392	7	11,017
	Omnihealth	None	Financial assets at FVTOCI - non-current	48,659	353	1	395
	Taskco	None	Financial assets at FVTOCI - non-current	2,500,000	-	4	-
	PKRO	None	Financial assets at FVTPL - non-current	1,224,000	10,925	51	10,631
	Hantek	None	Financial assets at FVTPL - non-current	6,631,775	-	8	-
	<u>Shares</u>						
Rong Xing	Develop Cultural	None	Financial assets at FVTOCI - non-current	733,334	3,826	1	3,467
	Everterminal	None	Financial assets at FVTOCI - non-current	214,400	8,708	-	9,128
	West Lake	None	Financial assets at FVTOCI - non-current	100,000	-	-	-

TABLE 4

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
KTJ	Plant engineering	2018.8.9	\$ 589,481	Payment according to the progress of completion, \$359,303 has been paid as of the balance sheet date	Lihua Construction Company Ltd.	None	-	-	-	\$ -	Construction on company-owned land	Logistic center	-
KTJ	Plant engineering	2021.1.28	1,218,000	Payment according to the progress of completion, \$348,000 has been paid as of the balance sheet date	Lihua Construction Company Ltd.	None	-	-	-	-	Construction on company-leased land	Logistic center	-
KTJ	Right-of-use asset building	2021.10.19	775,670	Payment according to the contract	Taiwan Sugar Corporation	None	-	-	-	-	Market condition	Logistic center	-
SPL	Right-of-use asset building	2021.2.4	290,065	Payment according to the contract	Tung Wei Construction Company Ltd.	None	-	-	-	-	Market condition	Logistic center	-

TABLE 5

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Purchaser or Seller	Related Party	Relationship	Transaction Details			Transaction Details	Abnormal Transaction		Notes/Accounts Receivable (Payable)		
			Purchase / Sale	Amount	%		Unit Price	Payment Terms	Ending Balance	%	Note
KTJ	TJ	Parent to subsidiary	Operating costs	\$ 1,527,265	58	30-60 days	\$ -	-	\$ (176,983)	(31)	
	KCC	Parent to subsidiary	Operating costs	255,519	78	30-60 days	-	-	(62,988)	(11)	
	KE	Parent to subsidiary	Operating costs	403,911	35	30-60 days	-	-	(79,924)	(14)	
TJ	KTJ	Subsidiary to parent	Sale	(1,527,082)	(84)	30-60 days	-	-	177,001	76	
KCC	KTJ	Subsidiary to parent	Sale	(405,410)	(76)	30-60 days	-	-	62,988	71	
KE	KTJ	Subsidiary to parent	Sale	(403,911)	(55)	30-60 days	-	-	79,924	62	

TABLE 6

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
TJ	KTJ	Subsidiary to parent	\$ 177,001	8.53	\$ -	-	\$ 153,392	\$ -

TABLE 7

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount		
KTJ	TJ	Taiwan	Container freight business	\$ 148,350	\$ 148,350	16,425	100	\$ 315,658	\$ 79,797	\$ 79,798
	Rong Xing	Taiwan	Professional investment business	151,131	151,131	14,200,000	100	316,507	64,303	64,099
	KCC	Taiwan	Transportation tools and parts manufacturing	45,000	45,000	6,231,986	64	90,503	70,902	42,541
	KE	Taiwan	Car freight business	278,000	278,000	265,000	100	268,988	73,220	72,492
	T-Join (BVI)	British Virgin Islands	Professional investment business	933,405	933,405	28,185,000	100	(179)	(180)	(180)
	KGT	Taiwan	International trade business	1,000	1,000	100,000	100	4,688	66	66
	SPL	Taiwan	Logistics transportation business	947,124	947,124	43,051,101	60	990,011	223,803	126,598
	T-Join (HK)	Hong Kong	Professional investment business	125,953	125,953	32,594,204	49	76,868	3,982	1,951
	Posh Kerry	Taiwan	Vessel carriers	2,400	2,400	240,000	40	-	(118,552)	-
	Lian He	Taiwan	General merchandise	10,000	10,000	1,000,000	22	-	-	-
RONG XING	KP	Taiwan	Car freight business	82,258	82,258	9,000,000	90	250,720	78,916	71,047
	KCC	Taiwan	Transportation tools and parts manufacturing	25,000	25,000	3,462,214	36	35,020	70,902	23,625
	KF	Taiwan	Fruit and vegetable wholesale	5,100	5,100	510,000	51	6,815	(6,817)	(3,477)
	Lian He	Taiwan	General merchandise	10,320	10,320	1,099,996	24	-	-	-

TABLE 8

KERRY TJ LOGISTICS CO., LIMITED AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
T-Join Transportation Beijing	Warehousing and Automobile Cargo Transportation Business	\$ 133,971 (USD 4,840)	(2)	\$ 139,891	\$ -	\$ -	\$ 139,891	\$ 7,042	49%	\$ 3,451	\$ 98,638	\$ -
T-Join Transportation Wuhan (Note 4)	Warehousing and Automobile Cargo Transportation Business	55,360 (USD 2,000)	(2)	66,727	-	-	66,727	1,887	49%	925	15,010	-
T-Join Transportation Shenyang (Note 4)	Warehousing and Automobile Cargo Transportation Business	55,360 (USD 2,000)	(2)	66,727	-	-	66,727	(5,954)	49%	(2,917)	14,978	-
T-Join Transportation Kunming (Note 4)	Warehousing and Automobile Cargo Transportation Business	58,128 (USD 2,100)	(2)	71,013	-	-	71,013	1,419	49%	695	13,916	-
Datai (Note 5)	Warehousing and Automobile Cargo Transportation Business	8,304 (USD 300)	(1)	8,271	-	-	8,271	-	100%	-	-	-
Cobang Nanjing	Warehousing and Automobile Cargo Transportation Business	78,249 (RMB 18,000)	(1)	20,768	-	-	20,768	10,753	15%	1,615	13,956	-
Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021		Investment Amount Authorized by the Investment Commission, MOEA		Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)								
\$ 611,582 (USD \$ 21,388 and RMB \$ 4,500)		\$ 707,137 (USD \$ 24,369 and RMB \$ 7,500)		\$ 6,571,353								

Note 1: The investments were made as follows:

- 1) The investment was made directly by a subsidiary located in mainland China.
- 2) The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China.
- 3) Others

Note 2: Calculated based on the amounts in the parent company's audited financial statements multiplied by the shareholding ratio.

Note 3: According to the "Regulations of Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, the amount is calculated using 60% of higher net worth or combined net worth.

Note 4: T-Join (BVI) Company has disposed of its shares in T-Join Transportation Wuhan, T-Join Transportation Shenyang and T-Join Transportation Kunming in the amounts of \$12,640 thousand, \$56,534 thousand and \$62,170 thousand, respectively. As of December 31, 2021, the disposal proceeds have not been remitted back to Taiwan.

Note 5: In 2012, Rong Xing Company obtained approval from the Investment Commission, Ministry of Economic Affairs to invest in Datai Company US\$278 thousand.

TABLE 9
KERRY TJ LOGISTICS CO., LIMITED
INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2021

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
TKI	183,276,410	39.25
Tong Li	38,118,000	8.16
Da Ji	27,972,000	5.99

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, including shares that had not yet completed registration and physical delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the Company's financial statements may differ from the number of shares that have been issued but have not yet completed registration and physical delivery due to differences in the basis of preparation.

Note 2: If the above information is related to shareholders who have delivered their shares held to a trust, the information is separately disclosed by each trustor's account opened by the trustee. As for the declaration of insider shareholdings exceeding 10% in accordance with the securities and exchange act, the shareholdings include the shares held by the shareholder as well as those that have been delivered to the trust and for which the shareholder has the right to determine the use of trust property. For information on the declaration of insider shareholdings, refer to the Market Observation Post System website of the TWSE.

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2021 and as of the date of this Annual Report

None.

Financial Position, Financial Performance and Risk Management

Analysis of Financial Status

Analysis of Financial Status in the Last Two Years

Unit: NTD\$ thousands				
Item	Year		Difference	
	2021	2020	Amount	%
Current assets	3,818,502	3,725,922	92,580	2.48%
Property, plant and equipment	14,508,482	13,366,991	1,141,491	8.54%
Intangible assets	360,201	373,601	(13,400)	-3.59%
Right-of-use assets	4,725,748	3,563,856	1,161,892	32.60%
Other assets	749,032	638,534	110,498	17.30%
Total assets	24,161,965	21,668,904	2,493,061	11.51%
Current liabilities	3,383,238	3,228,405	154,833	4.80%
Non-current liabilities	9,245,246	7,617,796	1,627,450	21.36%
Total liabilities	12,628,484	10,846,201	1,782,283	16.43%
Equity attributable to owners of the parent	10,952,255	10,268,269	683,986	6.66%
Capital stock	4,670,005	4,670,005	-	0.00%
Capital surplus	2,308	2,308	-	0.00%
Retained earnings	6,227,281	5,641,470	585,811	10.38%
Other interests	52,661	(45,514)	98,175	-215.70%
Non-controlling interest	581,226	554,434	26,792	4.83%
Total equity	11,533,481	10,822,703	710,778	6.57%

The main reason and analysis of those with a change of more than 20% and a change of NTD\$ 10 million in the company's assets, liabilities and shareholders' equity in the last two years:

(1) Right-of-use assets increase: Due to newly add the right-of-use land lease liabilities on Cianjhen Dist., Kaohsiung City.

(2) Non-current liabilities increase: Due to newly add the land lease liabilities on Cianjhen Dist., Kaohsiung City.

Financial Performance

Review and analysis of financial performance in the Last Two Years

Unit: NTD\$ thousands				
Item	Year		Difference	
	2021	2020	Amount	%
Revenue	13,036,397	12,344,210	692,187	5.61%
Operating costs	10,519,034	9,674,757	844,277	8.73%
Gross profit	2,517,363	2,669,453	(152,090)	-5.70%
Operating expenses	705,238	707,525	(2,287)	-0.32%
Net operating profit	1,812,125	1,961,928	(149,803)	-7.64%
non-operating income and expenses	24,076	6,090	17,986	295.34%
Net income before tax	1,836,201	1,968,018	(131,817)	-6.70%
Income tax expense	352,713	397,624	(44,911)	-11.29%
Net income	1,483,488	1,570,394	(86,906)	-5.53%
Other comprehensive income (loss)	73,082	(36,473)	109,555	-300.37%
Comprehensive income (loss)	1,556,570	1,533,921	22,649	1.48%

The main reason and analysis of those with a change of more than 20% and a change of NTD\$ 10 million) in the company's assets, liabilities and shareholders' equity in the last two years:

(1) Non-operating income and expenses increase due to valuation profit on financial assets at fair value through profit.

(2) Other comprehensive income due to unrealized profit on investments in equity instruments at fair value through other comprehensive income.

Cash Flow

Cash Flow Analysis for the Current Year

Unit: NTD\$ thousands

Cash balance at beginning of year (a)	Net Cash Flow from Operating Activities (b)	Net Cash Inflow (Outflow) from Investing and Financing (c)	Cash Surplus (Deficit) (a)+(b)+(c)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,507,885	2,454,925	(2,456,004)	1,506,806	-	-

Analysis on the cash flow changes:

- (1) Operating activities: The net cash inflow is due to operating income, depreciation and amortization expense for non-cash expenses.
- (2) Investing activities: The net cash outflow is due to the acquisition and disposal of fixed assets.
- (3) Financing activities: The net cash outflow is due to repayment of bank borrowings, payment of cash dividends and repayment of principal of lease liabilities.
- (4) Remedy measure of inadequate liquidity: None.

Cash Flow Analysis for the Coming Year

Unit: NTD\$ thousands

Cash balance at beginning of year (a)	Anticipated Net Cash Flow from Operating Activities (b)	Anticipated Net Cash Inflow (Outflow) from Investing and Financing (c)	Anticipated Cash Surplus (Deficit) (a)+(b)+(c)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,506,806	2,905,915	(2,919,512)	1,493,209	-	-

Effects of Major Capital Expenditures on Financial Operations in the Recent Years

Major Capital Expenditures and Source of Capital

Unit: NTD\$ thousands

Project	Actual or expected source of funds	Total amount of funds required	Actual or Expected Capital Expenditure			
			2021	2020	2019	2018
Buildings	Self-owned funds, Mortgages	3,525,242	1,049,966	468,827	923,752	1,082,697
Freight Equipment	Self-owned funds, Mortgages	401,116	96,405	102,469	128,812	74,430
Other Equipment	Self-owned funds, Mortgages	284,149	94,437	46,838	63,715	79,159

Anticipated Benefits: It is expected to improve operation performance of next year.

Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

The Company is deep-rooted in the field of marketing channel logistics and has constructed a complete and powerful logistics system, heading toward the goal of a comprehensive and professional international logistics company.

The investment strategy of the Company and subsidiaries aims at long-term investment and focuses on the related industries and the core of the investment. In addition, the operation performance of each invested company is also evaluated periodically.

In 2021, the investment gain in affiliated enterprises recognized under equity method was only NT\$5,220 thousand and the dividend income was NT\$19,840 thousand. The Company will continue to increase the investment in the improvement of operational performance of the Company and will perform group resource integration and application, thereby achieving the goal of sustainable operation and stable profit.

Listing of Risks

Impact of interest rate, exchange rate fluctuation and inflation condition on the profit/loss of the company and future countermeasures

The main operation regions of the Company and subsidiaries are within the nation domestically, and the service customers are mostly domestic companies or individuals. In addition, the bank borrowing only accounts for approximately 19% of the total assets. If the interest rate is increased or decreased by 1 base point, then, under the condition where all other variables are maintained unchanged, the 2021 net income before tax of the consolidated company is reduced by NT\$311 thousand. Accordingly, fluctuation of interest rate or exchange rate has no material impacts on the profit/loss of the Company.

Regarding the purchase of the consumables and oils necessary for the operation of the Company, the Company has engaged in annual long-term contracts with suppliers; therefore, the factor of inflation has no material impact on the Company.

Policies on engaging in high risk, high leverage investments, loaning funds to others, endorsement and guarantee as well as derivative transactions, main causes of profit and loss as well as future countermeasures

The Company and subsidiaries have not engaged in any high risk, high leverage investments and financial derivative transactions in the most recent year. In addition, the loaning fund to others and endorsement/guarantee to others have been handled in accordance with relevant laws and regulations.

Future R&D plan and expected investment in R&D budget

- I. Future R&D plan
- (I) Introduce the cloud storage system where a large volume of cold data will be stored to reduce the usage of expensive local storage and the cost of data storage.
- (II) Develop the CRM system for the marketing and operating units to find target customers, prospect and acquire potential clients, retain high-quality customers, increase sales opportunities, and simultaneously improve customer service experience.
- (III) Establish the autonomous WMS system to improve warehouse work efficiency.
- (IV) In order to ensure the security of information and privacy protection, we have introduced and expanded the maintenance of certificates of "ISO/IEC 27001 Information Security Management Systems" and "ISO/IEC 27701 Privacy Information Management".
- (V) With the introduction of autonomous mobile robots (AMRs) in the warehouse, processing or access actions are no longer limited to a single workstation, which can reduce on-site labor costs and improve the efficiency and accuracy of picking.

II. Expected investment in R&D budget

For the system software development and technical education and training, the estimated investment for 2022 is NT\$20 million.

Impacts of domestic/foreign important policies and changes of laws on the financial business of the company and countermeasures

The Company and subsidiaries have performed operations in accordance with relevant domestic laws and regulations, and pay attention to changes in relevant important policies and laws. When it is considered necessary, relevant professionals are also consulted in order to adjust the financial and business performance of the Company and subsidiaries. Accordingly, changes in domestic policies and laws in recent years have not caused any material impacts on the financial and business performance of the Company and subsidiaries.

Impacts of changes in technology (including information and communication risks) and industry on the financial business of the Company and countermeasures

The Company has been providing logistics services for a long time and pursuing sustainable business operations. In order to maintain the Company's competitiveness and keep up with changes in the market environment, our internal technical team observes changes in industry trends, introduces innovative technologies to accelerate the development of information technology, integrates operational development strategies, and establishes the information system that meets the Company's operational goals. As of the publication date of the annual report, the information security incident was controlled and monitored through the information security incident response procedures. The incident was blocked by the security control mechanism of defense-in-depth and did not reach the level of activating the crisis management mechanism and statutory notification to the competent authority.

Impacts of change of corporate image on the corporate crisis management and countermeasures

The Company and subsidiaries have always committed to the principles to establish corporate images of professional, and creating distinction, customer-oriented, and excel for excellence. In addition, social care and public welfare activity participation are also the policies upheld by the Company. All changes and countermeasures of material matters of the Company are uniformly announced by the spokesman. Nevertheless, up to the printing date of the annual report, the Company and subsidiaries have not been subject to any matters or events that are sufficient to affect the corporate image.

Expected benefit, possible risk and countermeasure for merger

None.

Expected benefit, possible risk and countermeasure for expansion of facilities

None.

Risks faced during material incoming or sales concentration and responsive measures

The Company and subsidiaries mainly provide the customer goods consigned delivery and logistics and warehouse services, and there is no one single customer with the operating revenue reaching above 10% of the overall revenue of the Company and subsidiaries. Up to the printing date of the annual report, there has been no risk of centralized material incoming and sales.

Impacts, possible risks and countermeasures of directors, supervisors or shareholders with shareholding percentage exceeding 10%, large equity transfer or change on the company

Up to the printing date of the annual report, the Company and subsidiaries are not subject to any large transfer of equities executed by directors, supervisors or shareholders with shareholding percentage exceeding 10%.

Impacts, possible risks and countermeasures of change in management rights

None.

Impact of litigation or non-litigation events

- I. On July 18, 2017, the Company signed a lump sum contract with BEST GIVING Construction Co., Ltd. (referred to as BEST GIVING) for the "Project of Construction of Kerry TJ Guanyin Logistics Center" (referred to as the Project), and Chuan Hung Construction Co., Ltd. (referred to as Chuan Hung) acts as the joint guarantor for the Project. BEST GIVING Construction Co., Ltd. further subcontracted the mechanical and electrical engineering of the Project to YUNG LONG ELECTRIC EQUIPMENT ENTERPRISE CO., LTD. (referred to as YUNG LONG). A fire broke out at the site of the Project on February 6, 2019. Before the occurrence of the accident BEST GIVING had not completed the acceptance and delivery of all items of the Project, and the fire was attributable to the improper setting of electrical equipment of YUNG LONG and violation of regulations. The above-mentioned situation resulted in the destruction of parts of the Company's "Guanyin Logistics Center" and the loss of other properties. After the accident, BEST GIVING refused to enter the site to clean up and repair the site and the defects of the Project that had been discovered prior to the break out of the fire. After the legal notice being served, BEST GIVING still refused to perform the obligations under contract, which constituted a breach of contract. The Company on May 24, 2019 terminated its lump sum contract with BEST GIVING, and on December 28, 2019 filed a lawsuit for damages against BEST GIVING, YUNG LONG and Chuan Hung, as well as their on-site and legal representatives, to the Taiwan Taipei District Court, claiming an amount of NT\$ 429,247,368, and such lawsuit is pending at present.
- II. The fire broke out at "Guanyin Logistics Center" on February 6, 2019 resulted in the loss of the storage goods of our client SCHWEITZER BIOTECH COMPANY LTD. (referred to as SCHWEITZER). On September 6, 2019, SCHWEITZER filed a lawsuit for damages against the Company to the Taiwan

Taipei District Court, claiming an amount of NT\$ 76,907,313. On June 29, 2020, the Taiwan Taipei District Court ruled that the Company shall indemnify SCHWEITZER NT\$30,639,190 plus the interest calculated based on the annual interest rate of 5% from March 3, 2019 to the date of full settlement. On August 31, 2020, the Company remitted indemnification (including the applicable interest) of NT\$33,208,467 to SCHWEITZER. The loss of goods was covered by Commercial General Liability Insurance of Shinkong Insurance Co., Ltd. On September 28, 2020, Shinkong Insurance paid an amount of NT\$29,887,620 for the indemnification.

- III. The fire broke out at "Guanyin Logistics Center" on February 6, 2019 resulted in the loss of the storage goods of our client HL INTERNATIONAL LTD. (referred to as HL INTERNATIONAL). On January 20, 2020, HL INTERNATIONAL filed a lawsuit for damages against the Company to the Taiwan Taipei District Court, claiming an amount of NT\$ 2,755,011. On January 29, 2021, the Taiwan Taipei District Court ruled that the Company shall indemnify HL INTERNATIONAL NT\$1,828,118 plus the interest calculated based on the annual interest rate of 5% from February 6, 2020 to the date of full settlement. Both the plaintiff and the defendant of this lawsuit made the appeal, and subsequently reached a settlement at the Civil Court of the Taiwan High Court on July 16, 2021, which requested that the Company shall pay NT\$2,004,496 to HL INTERNATIONAL. On August 17, 2021, the Company remitted such amount to HL INTERNATIONAL. The loss of goods was covered by Commercial General Liability Insurance of Shinkong Insurance Co., Ltd. On November 29, 2021, Shinkong Insurance paid an amount of NT\$1,812,658 for the indemnification.

Other significant risks and countermeasures

None.

Other Important Matters

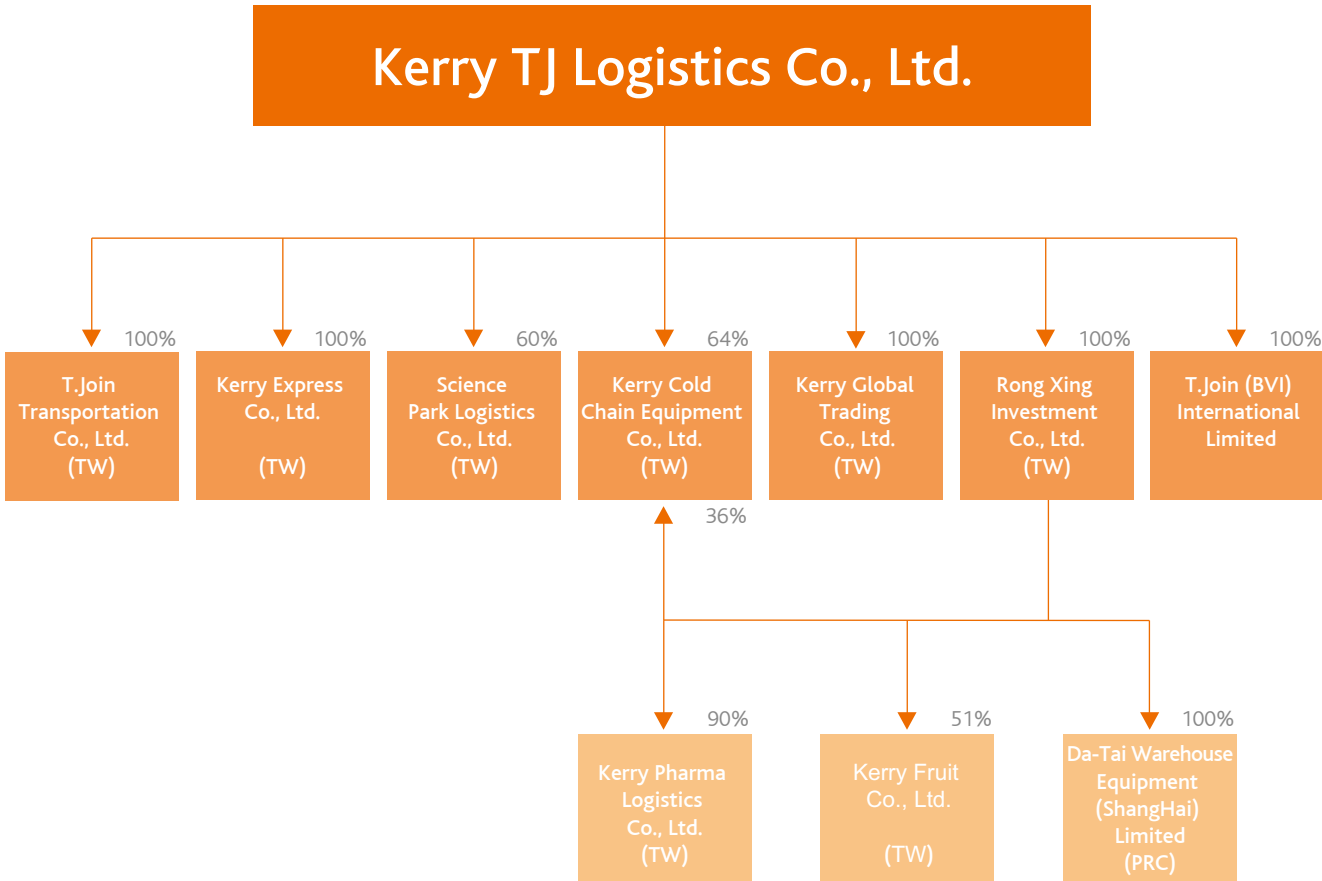
None.

Special Disclosure

Profiles of Affiliates and Subsidiaries

Consolidated Operation Report of Affiliates

1. Affiliate organization chart



2. Basic information of Subsidiaries and affiliated enterprises

Unit: NTD\$ thousands

Company	Date Founded	Address	Total Paid-in Capital	Main Businesses
T. Join Transportation Co., Ltd.	1981.09.01	2F., No. 58, Dinghu Rd., Guishan Dist., Taoyuan City, Taiwan	164,250	Automobile cargo transportation and container truck transportation
Kerry Express Co., Ltd.	1984.09.20	No. 11, Ln. 117, Sec. 2, Anhe Rd., Xindian Dist., New Taipei City, Taiwan	265,000	Automobile cargo transportation within designated route(s)
Science Park Logistics Co., Ltd.	1998.09.09	No. 8, Daye 1st Rd., Xinshi Dist., Tainan City, Taiwan	716,667	Automobile cargo transportation, air freight forwarder and ocean freight forwarder
Kerry Cold Chain Equipment Co., Ltd.	2011.09.07	No. 118-45, Yonghe Rd., Daya Dist., Taichung City, Taiwan	96,942	Production and installment of refrigeration equipment for trucks and warehousing
Kerry Pharma Logistics Co., Ltd.	1997.08.30	No. 299, Gaotie 1st Rd., Wuri Dist., Taichung City, Taiwan	100,000	Automobile cargo transportation
Kerry Global Trading Co., Ltd.	2015.04.07	14F.-2, No. 50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City, Taiwan	1,000	International trade
Kerry Fruit Co., Ltd. ^(Note)	2017.08.30	14F.-2, No. 50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City, Taiwan	10,000	Agricultural products wholesale and agribusiness supply chain service
Rong Xing Investment Co., Ltd.	1998.09.30	14F.-2, No. 50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City, Taiwan	142,000	Investment company
T-Join (BVI) International Limited	2001.06.26	P.O. BOX 957,Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands	789,180	Investment company

Note: The board of directors of Kerry Fruit Co., Ltd. agreed to dissolve on Mar 9, 2022, and the dissolution and liquidation procedures are in progress.

3. For presumption of a relationship of control or subordination, the same shareholder information

None.

4. The industries covered by the business operated by the affiliated company

Automobile cargo transportation within designated route(s), automobile cargo transportation and container truck transportation, warehousing, refrigeration equipment, manufacture of transport equipment, air freight forwarder, investment, agricultural products wholesale and international freight forwarder.

5. The Names of the Directors, Supervisors, and General Manager of Each Affiliate

Unit: shares; %

Affiliate	Title	Name or Representative	Shareholding	
			Shares	%
T. Join Transportation Co., Ltd. ⁽¹⁾	Chairman	Kerry TJ Logistics Co., Ltd. representative: Chen, Jo-Lan	16,425	100.00
	Director	Kerry TJ Logistics Co., Ltd. representative: Hu, Ming-Chang	16,425	100.00
	Director	Kerry TJ Logistics Co., Ltd. representative: Chang, Kuo-Tien	16,425	100.00
	Supervisor	Kerry TJ Logistics Co., Ltd. representative: Juan, Hui-Wen	16,425	100.00
	General Manager	Liao, Wen-Chang	-	-
Kerry Express Co., Ltd. ⁽²⁾	Chairman	Kerry TJ Logistics Co., Ltd. representative: Shen, Chung-Kui	265,000	100.00
	Director	Kerry TJ Logistics Co., Ltd. representative: Li, Yudian	265,000	100.00
	Director	Kerry TJ Logistics Co., Ltd. representative: Chang, Kuo-Tien	265,000	100.00
	Supervisor	Kerry TJ Logistics Co., Ltd. representative: Juan, Hui-Wen	265,000	100.00
	General Manager	Jiang, Guo-Xi	-	-
Science Park Logistics Co., Ltd.	Chairman	Kerry TJ Logistics Co., Ltd. representative: Chen, Jo-Lan	43,051,101	60.07
	Director	Kerry TJ Logistics Co., Ltd. representative: Shen, Chung-Kui	43,051,101	60.07
	Director	Kerry TJ Logistics Co., Ltd. representative: Tong, Shao-Ming	43,051,101	60.07
	Director	Kerry TJ Logistics Co., Ltd. representative: Li, Yudian	43,051,101	60.07
	Director	Kerry TJ Logistics Co., Ltd. representative: Juan, Hui-Wen	43,051,101	60.07
	Director	Taiwan Sugar Co., Ltd. representative: Tseng, Chien-Chan	18,633,937	26.00
	Director	Taiwan Sugar Co., Ltd. representative: Tsung, An-Ping	18,633,937	26.00
	Supervisor	KuangHsin Amusement Development Co., Ltd. representative: Chou, Sui-Chun	720,000	1.00
	Supervisor	Hu, Ming-Chang	-	-
	General Manager	Chen, Jo-Lan	502,886	0.70
Kerry Cold Chain Equipment Co., Ltd.	Chairman	Kerry TJ Logistics Co., Ltd. representative: Shen, Chung-Kui	6,231,986	64.29
	Director	Kerry TJ Logistics Co., Ltd. representative: Juan, Hui-Wen	6,231,986	64.29
	Director	Kerry TJ Logistics Co., Ltd. representative: Lin, Tien-Wei	6,231,986	64.29
	Supervisor	Rong Xing Investment Co., Ltd. representative: Hsu, Tzu-Yi	3,462,214	35.71
	General Manager	Lin, Tien-Wei	-	-
Kerry Pharma Logistics Co., Ltd.	Chairman	Rong Xing Investment Co., Ltd. representative: Shen, Chung-Kui	9,000,000	90.00
	Director	Rong Xing Investment Co., Ltd. representative: Wang, Ju-Peng	9,000,000	90.00
	Director	Lin, Tsung-Nan	737,467	7.37
	Supervisor	Juan, Hui-Wen	-	-
	General Manager	Wang, Ssu-Ting	-	-

Affiliate	Title	Name or Representative	Shareholding	
			Shares	%
Kerry Global Trading Co., Ltd.	Chairman	Kerry TJ Logistics Co., Ltd. representative: Shen, Chung-Kui	100,000	100.00
	Director	Kerry TJ Logistics Co., Ltd. representative: Juan, Hui-Wen	100,000	100.00
	Director	Kerry TJ Logistics Co., Ltd. representative: Chang, Kuo-Tien	100,000	100.00
	Supervisor	Kerry TJ Logistics Co., Ltd. representative: Chang, Chia-Jung	100,000	100.00
Kerry Fruit Co., Ltd.	Chairman	HongLi Marketing Co., Ltd. representative: Kuo, Jung-Tsung	490,000	49.00
	Director	Rong Xing Investment Co., Ltd. representative: Shen, Chung-Kui	510,000	51.00
	Director	Rong Xing Investment Co., Ltd. representative: Chang, Kuo-Tien	510,000	51.00
	Supervisor	Juan, Hui-Wen	-	-
	Supervisor	Kuo, Li-Lun	-	-
Rong Xing Investment Co., Ltd.	General Manager	Huang, Chun-Mei	-	-
	Chairman	Kerry TJ Logistics Co., Ltd. representative: Shen, Chung-Kui	14,200,000	100.00
	Director	Kerry TJ Logistics Co., Ltd. representative: Juan, Hui-Wen	14,200,000	100.00
	Director	Kerry TJ Logistics Co., Ltd. representative: Li, Yudian	14,200,000	100.00
	Supervisor	Kerry TJ Logistics Co., Ltd. representative: Hu, Ming-Chang	14,200,000	100.00
T-Join (BVI) International Limited	Director	Kerry TJ Logistics Co., Ltd. representative: Shen, Chung-Kui	28,185,000	100.00
	Director	Kerry TJ Logistics Co., Ltd. representative: Juan, Hui-Wen	28,185,000	100.00
	Director	Kerry TJ Logistics Co., Ltd. representative: Hu, Ming-Chang	28,185,000	100.00

Note:

(1) Par value per share of T.Join Transportation Co., Ltd. is NTD\$10,000, and 16,425 shares in total.

(2) Par value per share of Kerry Express Co., Ltd. is NTD\$ 1,000 and 265,000 shares in total.

6. Business overview of affiliates

Unit: NTD\$ thousands

Company	Capital	Total Assets	Total Liabilities	Net Value	Revenue	Operating Profits (Loss)	Profit or Loss for the Current Period	Earning (Loss) per Share (Dollar)
T.Join Transportation Co., Ltd.	164,250	657,394	341,749	315,645	1,814,323	136,956	118,077	7,188.86
Kerry Express Co., Ltd.	265,000	394,532	198,475	196,057	728,893	69,118	73,220	276.30
Science Park Logistics Co., Ltd.	716,667	2,986,978	1,833,408	1,153,570	1,234,050	296,829	223,803	3.12
Kerry Cold Chain Equipment Co., Ltd.	96,942	617,355	448,081	169,274	535,167	46,389	70,902	7.31
Kerry Pharma Logistics Co., Ltd.	100,000	1,146,166	882,775	263,391	677,078	110,819	78,916	7.89
Kerry Global Trading Co., Ltd.	1,000	4,710	22	4,688	246	87	66	0.66
Kerry Fruit Co., Ltd.	10,000	37,113	23,750	13,363	99,646	(8,641)	(6,817)	(6.82)
Rong Xing Investment Co., Ltd.	142,000	316,501	27	316,474	95,837	64,270	64,270	4.53
T-Join(BVI) International Limited	933,405	98	277	(179)	-	(179)	(179)	(0.00)

Note:

(1) Par value per share of T.Join Transportation Co., Ltd. is NTD\$10,000, and 16,425 shares in total.

(2) Par value per share of Kerry Express Co., Ltd. is NTD\$1,000 and 265,000 shares in total.

(3) All of the business reports of affiliated companies are based on the financial statements audited by CPA on 2021/12/31.

Consolidated Financial Statement of Affiliated Companies

Please refer to Page 124.

Affiliated Companies Report

None.

Progress of Private Placement of Securities During the Latest Year and Up To the Date of Annual Report Publication

None.

Holding or Disposal of Stocks of The Company by Subsidiaries in the Past Year and Up To the Date of Annual Report Publication

None.

Other Necessary Supplementary Information

None.

Events with Significant Impact on Shareholders' Equity or Stock Prices as Set Forth in Article 36.2.2 of Securities and Exchange Act in the Past Year and Up To the Date of Annual Report Publication

None.

Company Name: Kerry TJ Logistics
Company Limited

Shen, Chung-Kui
Chairman





VOICE

創造價值 Value Creation

開放思想 Openness

堅守忠誠 Integrity

竭盡所能 Commitment

追求卓越 Excellence