



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

**The HKICPA Accounting and  
Business Management  
Case Competition**

**2022-23**

**Secondary School Group  
(Level 1)**

## Case Background

Kerry Logistics Network Limited (KLN), together with its subsidiaries (hereinafter referred to as the “Group”) operates as a leading logistics service provider in Asia. Its principal activities are (i) integrated logistics (IL) services, including storage and value-added services, trucking and distribution, returns management, and various ancillary services, primarily in Asia; and (ii) international freight forwarding (IFF) services intra-Asia and between Asia and Europe to transport cargo using air freight, ocean freight, and cross-border road freight forwarding services. With a global presence across 59 countries and territories, KLN is the largest international logistics company listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code 0636.HK).

The COVID-19 pandemic has severely affected the global supply chain owing to the mismatch between supply and demand, freight capacity chokeholds, port congestions, labour shortages, the shutdown of borders, and lockdowns. Specifically, KLN’s IL business shrank in 2021, mainly due to a weak Asian market with manufacturing and consumption-related activities disrupted by many prolonged lockdowns and other pandemic measures. For example, Hong Kong’s implementation of pandemic-induced social distancing measures caused a depression in particular retail activities and led to a contraction in the Group’s IL business.

On the other hand, the Group’s IFF business extraordinarily expanded with customers relying on the Group’s in-depth industry know-how, its extensive connections to ground operations, and its global network, especially for exports from Asia to North America and Europe. The Group has experienced more urgent fulfilment orders and ever more complex demand to overcome the multifaceted hurdles in the supply chain.

For the year ended 31 December 2021, the Group recorded a revenue of HK\$78,954.7 million from continuing operations, representing a 59.1% increase from the year ended 31 December 2020 (2020: HK\$49,617.2 million, restated). The Group’s profit from continuing operations increased by 182.9%, from HK\$1,507.8 million in 2020 to HK\$4,265.1 million in 2021.

The Group entered a strategic partnership with S.F. Holding in late 2021 to further enhance its overall competitiveness and become S.F. Holding’s platform for international business and international freight forwarding agent for international express services. Such a strategic partnership will give KLN an unparalleled advantage as Asia’s largest 3PL (third party logistics) provider to tackle the uncertain market challenges ahead.

**REQUIRED**

Assume that you are newly employed by **Kerry Logistics Network Limited (KLN)** as a financial analyst. Your supervisor asks you to prepare a report to analyze the Group's financial and business environment. Your report should include the following sections:

- A) A concise overview of (i) **KLN Group's** current business and (ii) the logistics industry's challenges during the COVID-19 pandemic. (5 marks)
- B) A tabular analysis of **KLN Group's** financial ratios with appropriate interpretation.
- Use **KLN Group's 2021 Annual Report** to prepare your answers. The financial statements for 2020 have been restated and shown on the 2021 Annual Report.
  - For all ratios:
    - Refer to the "continuing operations" of the Consolidated Income Statement.
    - Apply "Year-end" (i.e., 31 December) figures on the Consolidated Statement of Financial Position.
    - Show calculation workings and keep two decimal places.

	Formula	Ratios		2021 Annual Report Ref. page
		2021	2020	
<b>Profitability Ratios</b>				
Mark up	Gross Profit / Direct Operating Expenses x 100%	____ %	____ %	p. 96
Gross Profit Margin	Gross Profit / Revenue x 100%	____ %	____ %	p. 96
Net Profit Margin	Profit Before Taxation / Revenue x 100%	____ %	____ %	p. 96
<b>Comments</b>				
<b>Management Efficiency Ratios</b>				
Total Assets Turnover	Revenue / Total Assets	____ times	____ times	p. 96, p. 98
<b>Comments</b>				
<b>Liquidity Ratios</b>				
Current Ratio	Current Assets / Current Liabilities	____ :1	____ :1	p. 98
Cash Ratio	Cash and Bank Balances / Current Liabilities	____ :1	____ :1	p. 98
<b>Comments</b>				
<b>Solvency Ratios</b>				
Debt to Equity Ratio	Total Liabilities / Total Equity x 100%	____ %	____ %	p.98, p. 99
Gearing Ratio	$\frac{\text{Non-current Liabilities}}{\text{Non-current Liabilities} + \text{Total Equity}}$ x 100%	____ %	____ %	p. 99
<b>Comments</b>				
<b>Return on Investment Ratios</b>				
Earnings Per Share (EPS)	$\frac{\text{Profit for the Year from Continuing Operations - attributable to the Company's shareholders}}{\text{Weighted-average No. of Ordinary Shares}}$	\$ ____ /share	\$ ____ /share	p. 96, p. 145
Dividend Cover	$\frac{\text{Profit for the Year from Continuing Operations - attributable to the Company's shareholders}}{\text{Total Dividends}}$	____ times	____ times	p. 96, p. 145
<b>Comments</b>				

(65 marks)

- C) A business analysis for each of the following three areas with reference to **KLN Group's**:
- i. **2021 Annual Report**; and
  - ii. **2021 Sustainability Report**.

Identify at least **four** examples of achievements and make **one** suggestion for improvement.

Environmental Protection	Achievements:
	Improvement:
Corporate Social Responsibility	Achievements:
	Improvement:
Corporate Governance	Achievements:
	Improvement:

(30 marks)  
(Total: 100 marks)

### **Notes**

- (1) In preparing your analysis, you should refer to **KLN's** website for
  - i. 2021 Annual Report at <https://www.kln.com/en/investors/financial-reports-presentations/>, and
  - ii. 2021 Sustainability Report at <https://www.kln.com/en/group/sustainability/sustainability-report/>.
- (2) You are required to carry out a tabular financial analysis for **the past TWO years, for the years ended 31 December 2020 and 2021**.
  - All calculations should be supported by appropriate formulas and workings.
  - Keep two decimal places in your answers.
- (3) Make clear references to all materials used in the analysis.

### **Useful reference**

- (1) **HKICPA Accounting and Business Management Case Competition Website**  
<https://www.hkicpa.org.hk/amcc>
- (2) **Kerry Logistics Network Limited website**  
<https://www.kln.com/en/>

## REPORT FORMAT AND RULES

1. Each participating student or team should submit a report in English or Chinese. The language used depends on the choice indicated on the registration form. The report should contain the following:

1. Cover sheet\* (This page is not counted in the page limit.)
2. Table of contents
3. Contents – A)Financial analysis  
B)Business analysis
4. Appendices/ graphs/ index/ references (if any)

### **Page limit**

English report – 4-6 pages of A4 paper

Chinese report – 3-4 pages of A4 paper

*\* Each report should use a standardized HKICPA cover sheet with the name(s) of the participating students, the school at which they are studying, as well as the contact number and e-mail address of the team leader. The cover sheet is appended at the end of the case question for download.*

2. Font type and size: English report – Arial (12 points). / Chinese report –新細明體 (11 points). 1.5 line spacing. Margin: 1 inch for each side.
3. The content pages SHOULD NOT include the names of team members and the school at which they are studying.
4. Submit the following items in SOFT COPY (PDF format):
  - An analysis report; and
  - An HKICPA cover sheet.
5. Save the analysis report and cover sheet in **TWO separate PDF files** with respective file names being shown as:
  - "Team leader full name\_Team leader mobile phone no.\_Analysis Report"  
(e.g. Chan Tai Man\_98765432\_Analysis Report)
  - "Team leader full name\_Team leader mobile phone no.\_Cover Sheet"  
(e.g. Chan Tai Man\_98765432\_Cover Sheet)
6. Send the TWO PDF files in one email to [amcc@hki CPA.org.hk](mailto:amcc@hki CPA.org.hk), with email subject named as "Level 1\_Team leader full name" (e.g. Level 1\_Chan Tai Man). Multiple submissions will be disqualified.
7. The deadline for submission: **Before 23:59, 14 February 2023** (the email receiving time by the HKICPA's mailbox shall prevail).
8. The HKICPA has the right to disqualify any participant or team if the participant or team is found to have violated the rules of the competition.
9. Please scan the QR code on the right to complete an online questionnaire for the competition.



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(Level 1)**

**Cover Sheet**

Please attach this cover sheet to your analysis report

(Please complete in BLOCK LETTERS)

**School name**

**Format**

\_\_\_\_\_ Team / Individual # (#please delete as appropriate)

**Participant(s) information:**

*\*Please use BLOCK LETTER to fill in below information. The names provided below should be identical to the name of participants' identity card, which will be used for printing certificate.*

Name of Team leader/ Individual participant	
Email address	
Contact number	

Team members (if any)

Name of Team Member 1	
Name of Team Member 2	
Name of Team Member 3	
Name of Team Member 4	

**Document checklist:**

- Email this cover sheet                       An analysis report in PDF format

*^Any missing documents or incomplete analysis may result in the disqualification of your participation.*

***For official use:***

Report received on	
Assigned Team no.	
Total marks	
Handled by	