CN Logistics International Holdings Limited
嘉泓物流國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2130)

2020
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Ngan Tim Wing *(Chief Executive Officer)*
Ms. Chen Nga Man
Mr. Cheung Siu Ming Ringo

NON-EXECUTIVE DIRECTOR
Mr. Lau Shek Yau John *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lam Hing Lun Alain
Mr. Chan Chun Hung Vincent
Mr. Chun Chi Man

COMPANY SECRETARY
Mr. Tsang Chiu Ho, *CPA (practicing)*

AUTHORISED REPRESENTATIVES
(for the purpose of the Listing Rules)
Mr. Ngan Tim Wing
Mr. Tsang Chiu Ho

AUTHORISED REPRESENTATIVES
(for the purpose of the Companies Ordinance)
Mr. Tsang Chiu Ho

AUDIT COMMITTEE
Mr. Lam Hing Lun Alain *(Chairman)*
Mr. Chun Chi Man
Mr. Chan Chun Hung Vincent

REMUNERATION COMMITTEE
Mr. Chan Chun Hung Vincent *(Chairman)*
Mr. Ngan Tim Wing
Mr. Chun Chi Man

NOMINATION COMMITTEE
Mr. Lau Shek Yau John *(Chairman)*
Mr. Lam Hing Lun Alain
Mr. Chan Chun Hung Vincent

CORPORATE GOVERNANCE COMMITTEE
Mr. Chun Chi Man *(Chairman)*
Mr. Ngan Tim Wing
Mr. Lam Hing Lun Alain

RISK AND COMPLIANCE COMMITTEE
Mr. Ngan Tim Wing *(Chairman)*
Mr. Cheung Siu Ming Ringo
Mr. Lam Hing Lun Alain

REGISTERED OFFICE
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit B, 13th Floor, Park Sun Building
97–107 Wo Yi Hop Road
Kwai Chung
New Territories
Hong Kong

COMPANY'S LEGAL ADVISERS
As to Hong Kong law
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Beijing
PRC
100025

COMPLIANCE ADVISER
CMBC International Capital Limited
45th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

COMPANY WEBSITE

www.cnlogistics.com.hk

STOCK CODE

2130

CHAIRMAN'S STATEMENT

Lau Shek Yau John
Chairman

Dear Shareholders,

The Shares of the Company were successfully listed (the "Listing") on the Main Board of the Hong Kong Stock Exchange on October 15, 2020 (the "Listing Date"). The success of the initial public offering (the "IPO") reflected the capital market's confidence in the growth prospects of the Group in markets across the world.

During the year ended December 31, 2020, the Group celebrated its 30th founding anniversary. I am much honoured to have this opportunity, in such a special moment, to report the first audited annual results of the Group after the Listing. Over 30 years of hard work, the Group has developed from a local logistics service provider since its establishment into a well-established international logistics solutions provider with the core business of providing airfreight forwarding services and distribution and logistics services in relation to high-end fashion products and fine wines. Being listed on the Main Board of the Hong Kong Stock Exchange, CN Logistics substantially expanded into the international capital market and tapped into new financing channels to raise funds, thereby opening up a new chapter in the development of the Group.

2020 RESULTS

Despite a severe impact brought by the COVID-19 pandemic sweeping across the globe on economic activities during FY2020, the Group quickly expanded into the Personal Protective Equipment Supplies (the "PPE") market in view of the strong demand for logistics services arising from the pandemic prevention and control. Since the beginning of last year, the Group has successively delivered PPE products, from the PRC to other countries. The Group was contracted to deliver a significant volume of nitrile medical gloves from China and Malaysia to the National Health Service of the U.K. by way of engaging over 100 charter-flights. The Group is confident that these customers will continue to engage us to deliver various PPE supplies from source to destinations, diversifying the Group's business scope.

In addition, with its customers of high-end fashion brands continuously expanding their business in China within the Greater China region, the Group managed to take advantage of the opportunities from the strong growth in sales of luxury fashion products in China and the strong overseas demand for PPE products against the challenging environment this year. As a result, a new height in revenue and net profit for FY2020 was recorded, representing an increase by 36.2% and 84.1% on a year-on-year basis to HK$2,020.6 million and HK$82.0 million, respectively.

The Group will properly capitalize on the funds raised from the Listing to strengthen its existing business and expand its business into a wider spectrum of industries, with an aim of achieving a diversified and sustainable development for the Group.

CHAIRMAN'S STATEMENT

LOOK TO THE FUTURE

Moving ahead, the Group will continue to focus on the pursuit for logistics in respect of high-end fashion products and strengthen its leading position in this market segment. Despite an adverse impact on the global economy by the COVID-19 outbreak last year, sales growth in luxury fashion products in the PRC remained robust, and thus the brand customers' demand for logistics services increased significantly. In Shanghai, the expansion work of our highly automatic distribution centre was completed in February 2021, whereupon the Group will increase its cargo handling capacity to meet the long-term needs of customers. In addition, the COVID-19 outbreak has accelerated the eCommerce development, among which, high-end brands once again focused their attention to online retail. The Group will explore the opportunity on the expansion of the B2C distribution sector. Meanwhile, the Group also approaches a number of fashion brands to explore cooperation opportunities, aiming to expand the customer portfolio and further promote organic growth.

Due to the domestic consumption upgrade and the continuously increasing number of the affluent demographic, China has become a major wine market in thousand. According to market research(Note 1), the wine market in China is taking the lead at a continued growth, which is expected to replace France and become the second largest wine market in the world in 2023. In capturing such opportunities, the Group will launch, in the second-half of the year, two eCommerce platforms of cross-border trading of fine wines from France, Italy, Australia, U.S.A and other parties of the world.

Lastly, the completion of the Listing of CN Logistics depends on the trust and support of Shareholders, business partners, professional associates, all members of the Board, employees and family members. Every ounce of support represents the driving force that advances the progress of the Group. In the future, we will live up to expectations of all of you and lead CN Logistics to reach new heights, bringing sustainable and significant returns to all Shareholders. Thank you.

Lau Shek Yau John
Chairman and Non-executive Director

Hong Kong, March 26, 2021

Note 1: Institutional Forecast: the wine market in China will surpass France to rank second in the world in 2023
http://world.xinhua08.com/a/20200116/1907958.shtml

Management Discussion and Analysis

BUSINESS REVIEW

The Board is pleased to announce the first audited annual results of the Group for FY2020 since the successful Listing of the Shares on the Main Board of the Hong Kong Stock Exchange on the Listing Date. The relevant audited financial figures for FY2019 are set out in this report for comparative purposes. The revenue and net profit of the Group increased significantly despite the outbreak of COVID-19.

The Group's core business is providing comprehensive logistics services, which include air freight forwarding services and distribution and logistics services, in relation to fashion products and fine wine, with a primary focus on high-end fashion (including luxury and affordable luxury) products. Our long-standing customers in the high-end fashion market consist of various international, well-known, premium and luxury brands and other apparel.

The Group has strategically set up a wine department, which is headquartered in Hong Kong, to handle customer services and communications with our customers in relation to wine whereas our operating subsidiary in France liaises with relevant wineries locally.

The Group focuses on developing and maintaining a strong relationship and thorough understanding of our customers. We maintain close and effective 24/7 communication with our customers in order to understand and cater to their different needs, to ensure that we are kept up-to-date with the latest market information as well as to obtain feedback from them on our services. It enables us to provide customised services and review the quality and level of our services in a timely manner, which in turn helps us to retain existing customers as well as to obtain new customers by way of referral.

The Group operates local offices in 14 cities across 8 countries and territories, namely the PRC, Hong Kong, Taiwan, Italy, Japan, Korea, France and Switzerland and works with a network of over 100 freight forwarder business partners, covering over 100 countries around the world. The Group was able to leverage the geographical coverage and presence in various markets to diversify the operational risks and allow the Group to continue to provide services to customers in the event of lockdown due to COVID-19.

Besides, despite the global logistics disruption and cancellation of flights due to COVID-19, with well-established, sound and long-term relationship with airlines, the Group was able to secure cargo space, for the export of goods with higher fees due to the limited supply of cargo space. Further, the Group was also able to provide urgent air freight forwarding services to high-end fashion customers for delivering hygiene products such as masks and sanitizers. These opportunities allowed the Group to further enhance the relationship with these customers which in turn solidify its status as their logistics services provider for their high-end fashion products.

Financial results

The Group recorded revenue of approximately HK$2,020.6 million during FY2020 (FY2019: HK$1,483.8 million), representing an increase of approximately 36.2%. Gross profit amounted to approximately HK$394.3 million during FY2020 (FY2019: HK$306.8 million), representing an increase of 28.5%. The adjusted net profit attributable to equity shareholders of the Company (after adding back the one-off listing expenses) was approximately HK$81.0 million for FY2020 (FY2019: HK$32.1 million), representing an increase of approximately 152.3%.

The increase in revenue and net profit was mainly due to (a) the demand for air freight forwarding services and distribution and logistics services for high-end fashion products in the PRC have increased drastically since April 2020 due to the lock down of some European cities, causing the shift in consumption pattern for high-end fashion products from overseas purchase to domestic purchase in the PRC and a rebound in the sales of luxury products in the PRC; (b) despite the global logistics disruption and cancellation of flights due to COVID-19, with well-established, sound and long-term relationship with airlines, the Group was able to secure cargo space to satisfy its customers demand; (c) the global demand for health care and medical supplies have increased significantly due to the COVID-19 pandemic, including the provision of air freight forwarding services in relation to the shipments of an agreed volume of nitrile medical gloves to the United Kingdom primarily from Shanghai, the PRC in batches. The Group has provided air freight forwarding services for hygiene products since the first quarter of 2020 in response to the significant increase in demand. The Group expects that the business in hygiene products will continue to grow in 2021; and (d) effective cost control measures imposed by the Group and the Group's continuous effort in enhancing work efficiency of its staff.

MANAGEMENT DISCUSSION AND ANALYSIS

Segmental analysis

The Group principally involves in the provision of freight forwarding services, and the provision of distribution and logistics services.

Air freight forwarding services

The air freight forwarding business constituted the largest segment of the Group, representing approximately 70.5% of the Group's total revenue of FY2020 (FY2019: 61.8%). The services include arranging for consignment upon receipt of booking instructions from customers, cargo pick up, obtaining cargo space, preparation of freight documentation, arranging for customs clearance and cargo handling at origin and destination as well as other related logistics services such as supporting transportation for freight forwarding purposes. In addition, we pride ourselves as one of the few specialists in providing freight forwarding services for the export of wine from France and the United Kingdom to Hong Kong. The Group is a member of International Air Transport Association in Hong Kong, Taiwan, Italy and France which provide the access to space procurement for air cargo routes worldwide in these locations and also capable of procuring air cargo space directly from airline carriers in the PRC.

With well-established and sound relationship with airline carriers, the Group was able to secure cargo space by entering into block space agreements at a pre-determined price over a duration of 12 months. During FY2020, the Group had entered into 3 block agreements with airline carriers. The Group focuses on the provision of air freight forwarding services for high-end fashion products and fine wine, mainly in the PRC, Hong Kong, Taiwan and Europe (in particular Italy).

The air freight forwarding business recorded revenue of approximately HK$1,424.1 million for FY2020 (FY2019: HK$917.0 million), representing an increase of approximately 55.3%. Gross profit of the segment also increased from HK$188.0 million for FY2019 to approximately HK$259.3 million for FY2020, representing an increase of approximately 37.9%. The increase was primarily due to a) the shipments of nitrile medical gloves to the United Kingdom primarily from Shanghai. The agreement was entered into on 5 August 2020 with contract sum up to US$27.0 million, calculated based on the actual volume of nitrile medical gloves to be shipped and an agreed shipment fee of US$0.03 per nitrile medical glove, b) the increase in demand for air freight forwarding services for high-end fashion products in the PRC since April 2020 due to the lock down of European cities, causing the shift in the consumption pattern for high-end fashion products from overseas purchase to domestic purchase in the PRC.

Distribution and logistics services

The Group is one of the earliest in PRC and Hong Kong to provide comprehensive and customised B2B distribution and logistics services to meet its customers' warehousing and logistics needs with cost-effective supply chain solutions. The Group is also one of the earliest in the PRC to establish its own semi-automated distribution centre to provide tailor-made logistics solutions for high-end fashion products. The distribution and logistics services operations are primarily located in Hong Kong, the PRC, Italy and Taiwan with the PRC and Hong Kong being the two largest contributors of revenue for this segment. The Group manages and operates 30 distribution centres with a total gross floor area of approximately 858,000 sq.ft. This business segment involves the provision of a wide range of logistics services, such as managing vendor inventory, pick and pack finished goods, delivery, recycling, quality control and various ancillary value-added services such as supply chain management and storage services through the proprietary warehouse management system of the Group.

In addition, as one of the few specialists in providing distribution and logistics services for wine in Hong Kong, the Group's comprehensive logistics services include specialty storage, logistics and other value-added services such as branded packaging, polymorph repacking, same day local door-to-door and temperature-controlled delivery in Hong Kong. We manage a storage and distribution space of approximately 58,000 sq.ft. dedicated to wine storage, of which the temperature and humidity are kept at an optimal level.

For FY2020, the revenue from this segment was approximately HK$345.6 million (FY2019: HK$313.7 million), representing an increase of approximately 10.2% and the gross profit was approximately HK$59.7 million (FY2019: HK$54.5 million), representing an increase approximately of 9.5%. The increase was due to a strong surge in the sales of luxury products in the PRC, driving up the demand for distribution and logistics services.

Ocean freight forwarding services

The holistic logistics solutions of the Group also include the provision of ocean freight forwarding services mainly to its air freight forwarding services customers and other customers in Italy and Taiwan when they require us to ship some of their products by sea incidentally or on a stand-alone basis. The ocean freight forwarding operations of the Group in Italy and Taiwan were the largest revenue contributors of this segment which included the export of electronics, machineries and large equipment from Taiwan and furniture and household and electric appliances which do not have too much time constraint.

For FY2020, the revenue from this segment was approximately HK$250.9 million (FY2019: HK$253.2 million), remain relatively stable, and gross profit was approximately HK$75.3 million (FY2019: HK$64.3 million) representing an increase of approximately 17.1% due to the ability to charge higher price as certain fashion and fine wine customers shifted from air freight forwarding services to ocean freight forwarding services.

Liquidity and financial resources

The Group has adopted a prudent financial and surplus funds management approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that sufficient financial resources are available to meet its funding requirements and commitment timely.

The Group's working capital as at 31 December 2020 was approximately HK$270.4 million, representing an increase of approximately 21.2% from approximately HK$223.1 million as at 31 December 2019. The current ratio of the Group increased from approximately 1.47 times as at 31 December 2019 to approximately 1.56 times as at 31 December 2020. As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately HK$255.3 million, representing an increase of approximately 148.3% from approximately HK$102.8 million as at 31 December 2019. For FY2020, the Group had operating cash inflow of approximately HK$221.1 million (FY2019: operating cash inflow of approximately HK$142.7 million). As at 31 December 2020, the Group's outstanding bank loans and overdrafts amounted to approximately HK$88.8 million (as at 31 December 2019: approximately HK$87.3 million). The gearing ratio of the Group was approximately 52.7% as at 31 December 2020 (as at 31 December 2019: 63.2%). The gearing ratio was calculated as total of bank loans and overdrafts and lease liabilities divided by total equity of the Group. As at 31 December 2020, the Group maintained a net cash position (as at 31 December 2019: net cash position). The Group will continue to secure financing as and when the need arises.

Foreign exchange risk

During FY2020, the Group's operation was mainly financed by funds generated from its operation, borrowings and net proceeds from the Listing. As at 31 December 2020, the borrowings were mainly denominated in Hong Kong dollars, while the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars. The Group's borrowings were floating rate borrowings and were pledged by bank deposits of approximately HK$2.3 million to secure such bank facilities as at FY2020 (FY2019: HK$3.0 million).

In light of the nature of the Group's business, the Group is exposed to certain foreign exchange risks in respect of depreciation or appreciation including EUR, GBP, RMB, TWD and USD among which, RMB and USD are mostly used in our business apart from HKD. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HKD is pegged to USD. We have however not maintained any specific hedging policy or foreign currency forward contracts in respect of such foreign exchange risks. The Group continued to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during FY2020.

Significant investments

During the FY2020, the Group did not hold any material investments.

Capital expenditure commitments

As at 31 December 2020, the Group had capital expenditure commitments of approximately HK$17.7 million (FY2019: Nil) in respect of the expansion of customised distribution centre in Shanghai, which are contracted but not provided for.

Material acquisitions and disposal of subsidiaries and associated companies

Save for the reorganisation of the Group for the purpose of the Listing as set out in the section headed "History, Reorganisation and Corporate Structure – The Reorganisation" in the Prospectus, there were no material acquisition or disposal of subsidiaries or associated companies of the Company during FY2020.

Contingent liabilities

As at 31 December 2020, financial guarantees are given by the Company to the banks for the banking facilities entered by certain subsidiaries of the Group. The directors do not consider it probable that a claim will be made against the Group under the banking facilities. The maximum liability of the Group under the banking facilities as at 31 December 2020 is the amount of the facilities drawn by the Group, being HK$83.4 million.

As at the date of this annual report, the Group was not involved in any current material legal proceeding, nor was the Group aware of any pending or potential material legal proceedings involving the Group. If the Group was involved in such material legal proceedings, the Group would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

Charge on group assets

As at 31 December 2020, certain interest-bearing bank borrowings were secured by pledged bank deposit amounted to approximately HK$2.3 million (FY2019: HK$3.0 million).

FUTURE PLANS AND USE OF PROCEEDS

The Shares were listed on the Hong Kong Stock Exchange on the Listing Date with a total of 53,700,000 offer shares issued and based on the final offer price of HK$2.66, the net proceeds of the global offering, after deducting related underwriting fees and commissions and relevant expenses in connection with the global offering was approximately HK$87.4 million. As at 31 December 2020, net proceeds had been utilized as follows:

	Net proceeds HK$ million	Amount utilized as at 31 December 2020 HK$ million	Amount unutilized as at 31 December 2020 HK$ million
Enhancement and expansion of distribution and logistics business and local presence	63.1	29.4	33.7
Expansion of B2C services	15.6	8.5	7.1
General working capital purpose	8.7	8.7	–
	87.4	46.6	40.8

As at the date of this annual report, the Company does not anticipate any change to the above plan of use of proceeds. The Company anticipates that the remaining unutilised net proceeds as at 31 December 2020 are expected to be fully utilised on or before 31 December 2021.

PROSPECTS

Looking into 2021, the Group will continue to consolidate its high-end fashion and wine businesses, while actively foraying into the fast growing e-commerce and B2C distribution services in recent years, and seeking to expand its business into new areas such as medical, jewellery and watches, so as to further diversify the Group's revenue and expand its business segment.

(i) To establish new companies for the market expansion in the PRC

Recently, the Group and Hainan Provincial Bureau of International Economic Development jointly held the Online Promotion Event on the Development of Hainan Duty-free Market and Industry (海南免稅市場產業發展線上推介會), and signed a memorandum of cooperation to jointly promote the construction of Hainan International Tourism and Consumption Center, providing the best logistics solution for high-end consumer goods at the China International Consumer Products Expo. Furthermore, more than 40 international first- and second-tier brands attended and supported this promotion event, and look forward to jointly exploring opportunities arising from the huge consumption and logistics supply chain business in Hainan.

In light of the domestic promotion of an "internal circulation" development model amid the pandemic raging across overseas markets, it is expected that Hainan Island's tax exemption policy will attract more domestic tourists and encourage spending, which will boost the sales of luxury goods in Hainan Province. Being a partner for high-end brands, we also take note that customers pay a growing attention to the business development in Hainan Island, with their increasing demand for logistics services. In view of this, the Group is actively expanding its service team in Hainan and established regional office and planning to set up a distribution centre, which is expected to enhance the processing capacity to fulfill customer requirements.

The Group will participate in the first China International Consumer Products Expo to be held in Haikou in May 2021 with brand customers, sharing new opportunities brought by Hainan Free Trade Port.

(ii) To provide cross-border wine logistics services between Hong Kong and China by foraying into the e-commerce business and establishing a wine e-commerce platform

During the first quarter of this year, the Group took advantage of enormous business opportunities arising from the cross-border logistics driven by the booming wine market in Hong Kong and China, by launching its wine e-commerce platform and expanding its offline business to an online operation. For a much more efficient development of its e-commerce business, the Group and business partners join forces to introduce the wine e-commerce platform to the PRC market, by tapping into each other's flexible and efficient online marketing solutions. Capitalizing on the existing logistics infrastructure network and service team, the Group will fulfill the logistics and distribution requirements of consumers. The Group anticipates that its presence in the e-commerce sector will expand its market share in the wine sector and further consolidate the Group's leading position in the wine logistics and distribution markets in Hong Kong and China.

(iii) To strengthen cooperation with existing brand customers of high-end fashion by expanding the service scope to B2C services

The Group will continue to join hands with existing well-known brand customers and seize opportunities brought by the fast-growing Chinese luxury goods market in the next few years. According to the forecast by Bain & Company (a global consulting firm), the Chinese luxury goods market will surpass European and American markets by 2025, and Asian consumers will by then account for 70% of global luxury goods consumption. Recently, the Group has extended contracts with some customers and expanded the scope of cooperation. In addition, the Group was previously commissioned by a customer to expand its semi-automatic warehouse in Shanghai, the expansion plan of which is in full swing. Upon completion of the project in February 2021, the distribution center area had expanded by 70,000 sq.ft. with a semi-automatic conveyor belt. By then, the processing volume of goods increased by approximately 67.1% to 1,248,000 pieces to meet the growing logistics and warehousing requirements of customers in the Greater China region.

At the same time, the Group is approaching brand customers to expand the scope from B2B services to B2C services. In recent years, an increasing number of brand customers have begun to market their products through e-commerce channels, and the pandemic outbreak last year has further facilitated the online business development of brand customers. The Group is well positioned to provide customers with B2C distribution services in China and Hong Kong, which on one hand meets the development requirements of customers and on the other hand diversifies the Group's business.

(iv) To continue expanding into areas other than luxury goods, including the newly developed medical segment this year

Other than high-end fashion and wine businesses, the Group will also strive to explore new areas with a view to bring a richer source of income. During the pandemic raging across the globe last year, the Group secured an opportunity to deliver medical supplies through collaboration with a number of overseas medical institutions, and its logistics service quality was well recognised. There will be opportunities to deliver constant medical supplies and drugs to medical institutions in the future, which will therefore create a brand new income channel. In the meantime, we will actively explore potential business opportunities in other segments, such as the jewellery and watch logistics that enjoys a higher profit margin, and the air freight services that import fresh food from Japan, Italy and Thailand to Hong Kong and China, which are expected to inject further growth momentum to the development of the Group.

HUMAN RESOURCES

As at 31 December 2020, the Group employed 595 employees (as at 31 December 2019: 638 employees). Remuneration packages are generally structured to market terms and experiences. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. During FY2020, regular in-house and external trainings have been provided to the Group's employees.

Biographies of Directors and Senior Management

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF DIRECTORS

Executive Directors

Mr. Ngan Tim Wing ("Mr. Ngan"), aged 56, is an executive Director and the chief executive officer of the Group, the chairman of the Risk and Compliance Committee and a member of Remuneration Committee and Corporate Governance Committee of the Company. Mr. Ngan is responsible for the overall strategic development, and leading the business development of the Group. He was appointed as a Director on 16 January 2020 and re-designated as an executive Director on 1 April 2020. Mr. Ngan has over 25 years of experience in management of logistics and freight forwarding business. He first joined the Group on 12 August 1994 as a marketing manager in the airfreight department of CS Airfreight, and was then promoted to deputy managing director of CS Airfreight in January 2000. Mr. Ngan became the chief executive officer of the Group in September 2019. Mr. Ngan is also a director of certain subsidiaries of the Group. Prior to joining the Group, Mr. Ngan acquired knowledge and experiences in marketing and sales in freight forwarding industry by holding the positions of marketing manager and accounting and sales officer in logistic companies from 1989 to 1994. Mr. Ngan obtained a bachelor's degree in science from the University of Waterloo in Canada in May 1990.

As of 31 December 2020, Mr. Ngan was interested in certain Shares. Please refer to the section headed "Directors' Report – Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" for further details.

Ms. Chen Nga Man ("Ms. Chen"), aged 40, is an executive Director of the Group and the assistant managing director of the wine department who is responsible for the overall operational management of the wine department. She was appointed as an executive Director on 1 April 2020. Ms. Chen has more than 18 years of experience in sales and marketing in the freight forwarding industry. She joined the Group on 15 October 2001 as the sales executive of CS Airfreight. She became the assistant managing director of CN Logistics HK in May 2016. Ms. Chen is also a director of certain subsidiaries of the Group. Ms. Chen completed her secondary education in Hong Kong in June 1997.

As of 31 December 2020, Ms. Chen was interested in certain Shares and shares of the associated corporations of the Company. Please refer to the section headed "Directors' Report – Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" for further details.

Mr. Cheung Siu Ming Ringo ("Mr. Cheung"), aged 64, is an executive Director of the Group, a member of Risk and Compliance Committee of the Company and the director of the import, export and co-loading department who is responsible for the overall operational management of the import, export and co-loading department. He was appointed as an executive Director on 1 April 2020. Mr. Cheung has over 22 years of experience in management. He joined the Group on 2 March 1998 as the director of the airfreight department of CS Airfreight and was then promoted to the director of CS Airfreight in January 2000. Mr. Cheung is also a director of certain subsidiaries of the Group.

Mr. Cheung has vast experience in the freight forwarding industry. Mr. Cheung is currently a committee member and the chairman of the Logistics Policy Sub-committee of the Hongkong Association of Freight Forwarding and Logistics Limited (the "HAFFA"). He was appointed as the honorary secretary of HAFFA in April 2019.

Mr. Cheung completed the IATA-FIATA Air Cargo Training Course from International Air Transport Association and International Federation of Freight Forwarders Associations in December 1987. Mr. Cheung completed his secondary education in Hong Kong in June 1977.

As of 31 December 2020, Mr. Cheung was interested in certain shares of an associated corporation of the Company. Please refer to the section headed "Directors' Report – Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" for further details.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Lau Shek Yau John ("Mr. Lau"), aged 73, was appointed as a non-executive Director of the Group and the chairman of the Board and Nomination Committee of the Company. Mr. Lau was appointed as Director on 14 December 2017 and re-designated as non-executive Director on 1 April 2020. Mr. Lau is the founder of the Group and is responsible for providing strategic advice at Board level and a Controlling Shareholder . He joined the Group as a director of CS Airfreight on 23 October 1991.

Mr. Lau was an independent non-executive director of Golden Eagle Retail Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3308) which principally engages in the development and operation of living centre and stylish department store chain, property development and hotel operation in the PRC from February 2006 to May 2011; the independent non-executive director of Nanjing Sample Technology Company Limited* (南京三寶科技股份有限公司), a company first listed on GEM of the Hong Kong Stock Exchange (stock code: 8287) and later transferred to the Main Board of the Hong Kong Stock Exchange (stock code: 1708), which principally engages in the provision of visual identification and radio frequency identification device (RFID) technologies-based full solutions to intelligent transportation, customs logistics and other application areas, from August 2003 to May 2011.

Mr. Lau has over 35 years of experience in trading, shipping and logistics industry in Hong Kong and China. Mr. Lau is the founder and has been the executive chairman and executive director of eCargo Holdings Limited ("eCargo"), a company listed on the Australian Securities Exchange (ASX: ECG) and principally engages in the provision of software development services to its customers to develop their e-commerce platform and trading of food products, since its listing in November 2014. Mr. Lau is also a director of certain subsidiaries of the Group. Mr. Lau obtained a bachelor's degree in social science from The University of Hong Kong in October 1971.

As of 31 December 2020, Mr. Lau was interested in certain Shares and shares of the associated corporations of the Company. Please refer to the section headed "Directors' Report – Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" for further details.

Independent non-executive Directors

Mr. Lam Hing Lun Alain ("Mr. Lam"), aged 61, was appointed as an independent non-executive Director of the Group, the chairman of Audit Committee and a member of Nomination Committee, Corporate Governance Committee and Risk and Compliance Committee of the Company on 17 September 2020. He obtained a master's degree in business administration from The University of Hull in the United Kingdom in June 1997. Mr. Lam has over 27 years of experience in accounting and finance.

Mr. Lam has been an executive director of Oriental Watch Holdings Limited ("Oriental Watch"), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0398) which principally engages in the trading of watches since April 2003. Before he became the executive director and finance director of Oriental Watch in April 2003, he was the financial controller of Oriental Watch during the period from August 1992 to April 2003, and has been the company secretary of Oriental Watch since August 1992.

He was admitted as a fellow of The Association of Chartered Certified Accountants in May 1996 and an associate member of the Hong Kong Institute of Certified Public Accountants in September 1991.

Mr. Chan Chun Hung Vincent ("Mr. Vincent Chan"), aged 57, was appointed as an independent non-executive Director of the Group, the chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Company on 17 September 2020. He obtained a bachelor's degree in arts from The University of Hong Kong in November 1986 and a master's degree in business administration from The Victoria University of Manchester in July 1988. Mr. Vincent Chan has over 25 years of experience in private equity management. Mr. Vincent Chan has been the senior managing director of Samena Capital Hong Kong Limited, which principally engages in private equity investment, since January 2016.

Mr. Vincent Chan has been the independent non-executive director of Evergrande Property Services Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6666), since November 2020. Mr. Vincent Chan has been a member of the Main Board and GEM Listing Review Committees of the Hong Kong Stock Exchange from July 2020 onwards. He has been the non-executive director of Memories Group Limited, a company listed on the Catalist board of Singapore Stock Exchange since February 2019. He was a member of the Main Board and GEM Listing Committee of the Hong Kong Stock Exchange from May 2007 to May 2012 and a member of the Public Shareholders Group of the SFC from July 2005 to March 2011.

He was admitted as a chartered financial analyst of The Institute of Chartered Financial Analysts in September 1993.

Mr. Chun Chi Man ("Mr. Chun"), aged 60, was appointed as an independent non-executive Director of the Group, the chairman of Corporate Governance Committee and a member of Audit Committee and Remuneration Committee of the Company on 17 September 2020. Mr. Chun has over 22 years of experience in property industry in the PRC and Hong Kong. He obtained a bachelor's degree of Science from University of Salford in the United Kingdom in July 1987. Mr. Chun has been the independent non-executive director of Tokyo Chuo Auction Holdings Limited, a company listed on the Main Board of Hong Kong Stock Exchange (stock code: 1939), which principally engages in auctioneering a wide variety of Chinese and Japanese artworks, since September 2018.

He is currently a member of the 1st election of the Chinese People's Political Consultative Conference in Chongming District of Shanghai* (中國人民政治協商會議上海市崇明區委員會).

Senior Management

Mr. Tsang Chiu Ho ("Mr. Tsang"), aged 36, is the chief financial officer of the Group and company secretary of the Company who is responsible for the overall financial management, investor relations management and company secretarial matters of the Group. Mr. Tsang joined the Group on 17 June 2019. He was appointed as the company secretary on 10 March 2020. Mr. Tsang has over 12 years of experience in the finance industry, accounting and general management. Prior to joining the Group, Mr. Tsang worked in Kidsland International Holdings Limited, a company listed in the Main Board of the Hong Kong Stock Exchange (stock code: 2122) which principally engages in toy retailing in Hong Kong and toy and infant product retailing and wholesaling in the PRC from May 2017 to July 2018, where his last position was financial controller. Mr. Tsang was also the senior finance manager of SenseTime Group Limited, which principally engages in the development of artificial intelligence technologies, from November 2016 to May 2017; the finance manager of TCL Communication Limited, which principally engages in distribution of mobile devices, from October 2015 to October 2016. Mr. Tsang also worked in Ernst & Young, which principally engages in the provision of advisory, assurance, tax and transaction services, from December 2010 to August 2014 and his last position was manager of assurance department.

Mr. Tsang was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in January 2011. Mr. Tsang is also a director of a subsidiary of the Company. He obtained a bachelor's degree of business administration from The Chinese University of Hong Kong in December 2007.

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report and the audited consolidated financial statements of the Group for FY2020.

SHARE ISSUANCE

The Shares were listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date, by issuing 53,700,000 ordinary shares, with the offer price of HK$2.66 per Share (excluding brokerage of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005%), which raised net proceeds of approximately HK$87.4 million after deduction of the underwriting fees and commissions and estimated expenses paid and payable by the Company in connection with the Global Offering (as defined in the Prospectus).

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are provision of freight forwarding services and distribution and logistics services. The principal activities of the principal subsidiaries are set out in note 14 to the financial statements.

DEBENTURES ISSUED

The Company did not have any debentures in issue for FY2020.

EQUITY-LINKED AGREEMENTS

Apart from the Share Option Scheme, as set out in the sections headed "Share Option Scheme" of this Directors' Report, the Company has not entered into any equity-linked agreement during FY2020.

RESULTS AND DIVIDEND

The results of the Group for FY2020 are set out in the consolidated statement of profit or loss on page 67.

The Board recommended the payment of a final dividend of HK15 cents per ordinary share, absorbing a total amount of HK$37,500,000, in respect of FY2020, which is subject to the approval of the Shareholders at the forthcoming AGM to be held on Friday, 14 May 2021. The proposed final dividend is expected to be paid on Wednesday, 16 June 2021 to all Shareholders whose names to be appeared on the register of members of the Company on Tuesday, 25 May 2021.

DIVIDEND POLICY

The declaration of dividends is subject to the discretion of the Board and the approval of the Shareholders. The Company considers stable and sustainable returns to the Shareholders to be its goal. In deciding whether to propose a dividend and in determining the dividend amount, the Directors will take into account the Company's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to (i) the Articles, which provide that dividends may be declared by the Company at a general meeting, but no dividend shall be declared in excess of the amount recommended by the Board, and (ii) the applicable laws of the Cayman Islands, which provide that dividends may be paid out of the profits of a company or out of sums standing to the credit of its share premium account and that no dividend may be paid out of the share premium account unless, immediately following the date on which the dividend is paid, the Company is able to pay its debts as they fall due in the ordinary course of business. Any future declarations of dividends may or may not reflect historical declarations of dividends and will be at the absolute discretion of the Directors. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles. The dividend policy of the Company will continue to be reviewed by the Board from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 141. This summary does not form part of the audited consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during FY2020, which includes particulars of important events affecting the Group during FY2020 and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. In addition, an analysis of the Group's performance using financial key performance indicators is included in the section headed "Management Discussion and Analysis" in this annual report and a discussion of the principal risks and uncertainties facing by the Group is included in the section headed "Management Discussion and Analysis" and note 26 to the financial statements in this annual report. The review forms part of this Directors' Report.

RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND EMPLOYEES

Suppliers

The Group maintains solid and long-term business relationships with key service suppliers.

The Group is able to secure cargo space to fulfil customers' demand, which can also derive cost effectiveness and long-term business benefits.

Customers

The Group's customer base mainly includes direct customers and freight forwarder customers. The direct customers cover high-end fashion retailers, brand owners, as well as wholesalers and retailers of wine. The Group has the mission to provide excellent customer service in air freight and sea freight and all range of logistic services whilst maintaining long term profitability, business and asset growth. Various means have been taken to strengthen the communications between customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise high-performing staff by providing a competitive remuneration package and to promote career development and progression by offering appropriate training and providing opportunities within the Group for career advancement. The Group has always maintained a good working relationship with the employees. During FY2020, none of the employees had any labour dispute or claim involving and against the Group.

Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group for FY2020.

COMPETING BUSINESS

The compliance of the Controlling Shareholders of the non-compete undertakings given by the Controlling Shareholders in favour of the Company on 17 September 2020 is set out in the section headed "Corporate Governance Report – Non-Compete Undertakings".

None of the Directors or the Controlling Shareholders or their respective close associates are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the core businesses of the Group.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 17 September 2020. The purpose of the Share Option Scheme is to provide incentives or rewards to selected participants who contribute to the success of the Group's operations. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme. The Share Option Scheme will remain in force for a period of 10 years commencing on its adoption date. The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (the "General Scheme Limit"). As at the date report, the total number of Shares available for issue under the Share Option Scheme was 25,000,000 Shares, representing 10% of the issued share capital of the Company. The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the Shareholders' approval. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time. Unless approved by the shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised. The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of: (i) the closing price of Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; and (ii) the average closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant. No share options have been granted, exercised or cancelled by the Company under the Share Option Scheme since its adoption and up to the date of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital are set out in note 25(c) to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Since the Listing Date and up to 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of the movements in the reserves of the Group and the Company during FY2020 are set out in the consolidated statement of changes in equity on page 72 of this annual report and note 25(a) to the financial statements, respectively.

Distributable reserves of the Company at 31 December 2020 amounted to approximately HK$186.5 million.

DIRECTORS

The Directors during FY2020 and up to the date of this annual report were:

Executive Directors

Mr. Ngan Tim Wing *(Chief Executive Officer)*
Ms. Chen Nga Man
Mr. Cheung Siu Ming Ringo

Non-executive Director

Mr. Lau Shek Yau John *(Chairman)*

Independent non-executive Directors

Mr. Lam Hing Lun Alain
Mr. Chan Chun Hung Vincent
Mr. Chun Chi Man

In accordance the Articles, Mr. Ngan Tim Wing, Ms. Chen Nga Man and Mr. Lau Shek Yau John will retire at the forthcoming AGM and all of them, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as below:

(i) Interest in the Shares

Name of Director/ Chief executive of the Company	Capacity/ nature of interest	Number and class of securities (Note 1)	Percentage of shareholding
Mr. Lau Shek Yau John ("Mr. Lau")	Interest of controlled corporation (Note 2)	164,980,222 Shares (L)	66.0%
Mr. Ngan Tim Wing	Beneficial owner	21,241,203 Shares (L)	8.5%
Ms. Chen Nga Man ("Ms. Chen")	Beneficial owner	1,256,099 Shares (L)	0.5%

Notes:

1. The letter "L" denotes our Directors' long position in the shares of the Company.

2. The 164,980,222 Shares are held by CS Logistics. CS Logistics is owned as to 75.0% by CS Seafreight, which is in turn wholly owned by CS Holdings. CS Holdings is wholly owned by CS Group, which is in turn wholly owned by Hundred Honest Limited. Hundred Honest Limited is owned as to 80.0% by Mr. Lau. By virtue of the SFO, CS Seafreight, CS Holdings, CS Group, Hundred Honest Limited and Mr. Lau are deemed to be interested in the Shares held by CS Logistics.

(ii) Interest in the shares of associated corporations of the Company

Name of Director/ Chief executive of the Company	Name of group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Percentage of shareholding
Mr. Lau	CS Logistics	Interest of a controlled corporation (Note 2)	75 ordinary shares (L)	75%
	CS Seafreight	Interest of a controlled corporation (Note 3)	50,000 ordinary shares (L)	100%
	CS Holdings	Interest of a controlled corporation (Note 4)	20,000,000 ordinary shares (L) 2 preference shares (L)	100%
	CS Group	Interest of a controlled corporation (Note 5)	823,333 ordinary shares (L)	100%
	Hundred Honest Limited	Interest of a controlled corporation (Note 6)	1,000,000 ordinary shares (L)	20%
		Beneficial owner	4,000,000 ordinary shares (L)	80%
Ms. Chen	CN France HK	Interest of a controlled corporation (Note 7)	3,000 ordinary shares (L)	30%
	CN France	Interest of a controlled corporation (Note 8)	6,400 ordinary shares (L)	16%
	CN BVI	Beneficial owner	1,000 ordinary shares (L)	2%
Mr. Cheung Siu Ming Ringo	CN BVI	Beneficial owner	1,500 ordinary shares (L)	3%

Notes:

1. The letter "L" denotes our Directors' long position in the shares of the relevant associated corporation of the Company.

2. These shares are held by CS Seafreight. Please refer to Note 2 of the paragraph headed "(i) Interest in the Shares" above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Logistics in which CS Seafreight is interested.

3. These shares are held by CS Holdings. Please refer to Note 2 of the paragraph headed "(i) Interest in the Shares" above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Seafreight in which CS Holdings is interested.

4. These shares are held by CS Group. Please refer to Note 2 of the paragraph headed "(i) Interest in the Shares" above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Holdings in which CS Group is interested.

5. These shares are held by Hundred Honest Limited. Please refer to Note 2 of the paragraph headed "(i) Interest in the Shares" above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Group in which Hundred Honest Limited is interested.

6. These shares are held by LLEA & Company Limited which is in turn owned as to 99.9% by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of Hundred Honest Limited in which LLEA & Company Limited is interested.

7. The 3,000 shares in CN France HK are held by Wise Pointer Limited, which is wholly owned by Ms. Chen. By virtue of the SFO, Ms. Chen is taken to be interested in the shares held by Wise Pointer Limited.

8. The 6,400 shares in CN France are held by Wise Pointer Limited, which is wholly owned by Ms. Chen. By virtue of the SFO, Ms. Chen is taken to be interested in the shares held by Wise Pointer Limited.

Save as disclosed above, as at 31 December 2020, none of the Directors, chief executives of the Company had any interests and/or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 27 to the financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of FY2020 or at any time during FY2020.

PERMITTED INDEMNITY PROVISION

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors since the Listing Date and as at the date of this annual report, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he/she is involved by reason of being a Director, except in any case where the matter in respect of which indemnification is sought was caused by the fraud or dishonesty of the Directors. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During FY2020, no claims were made against the Directors.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ngan, Ms. Chen and Mr. Cheung, all being the executive Directors, has entered into a service contract with the Company. The Company issued letters of appointment to Mr. Lau, being the non-executive Director, Mr. Lam, Mr. Vincent Chan and Mr. Chun, all being the independent non-executive Directors. The principal particulars of these service contracts and letters of appointment are (i) for a term of three years commencing from the Listing Date, and (ii) subject to termination by not less than three months' notice in writing served by either party on the other. The term of the service contracts and the letters of appointment may be renewed subject to the provisions of the Articles and the applicable Listing Rules.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

RETIREMENT SCHEMES

The Group operates and participates in a number of defined contribution and defined benefit plans. Particulars of these retirement plans are set out in note 23 to the financial statements.

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

As of 31 December 2020, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executives of the Company) had interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
CS Logistics	Beneficial owner	164,980,222 Shares (L)	66.0%
CS Seafreight	Interest of a controlled corporation (Note 2)	164,980,222 Shares (L)	66.0%
CS Holdings	Interest of a controlled corporation (Note 2)	164,980,222 Shares (L)	66.0%
CS Group	Interest of a controlled corporation (Note 2)	164,980,222 Shares (L)	66.0%
Hundred Honest Limited	Interest of a controlled corporation (Note 2)	164,980,222 Shares (L)	66.0%
Ms. Ngan Au Kei Yee	Interest of a controlled corporation (Note 3)	21,241,203 Shares (L)	8.5%

Notes:

1. The letter "L" denotes the shareholder's long position in the Shares.

2. These 164,980,222 Shares are held by CS Logistics. CS Logistics is owned as to 75.0% by CS Seafreight, which is in turn wholly owned by CS Holdings. CS Holdings is wholly owned by CS Group, which is in turn wholly owned by Hundred Honest Limited. Hundred Honest Limited is owned as to 80.0% by Mr. Lau. By virtue of the SFO, CS Seafreight, CS Holdings, CS Group, Hundred Honest Limited and Mr. Lau are deemed to be interested in the Shares held by CS Logistics.

3. Ms. Ngan Au Kei Yee is the spouse of Mr. Ngan. Under the SFO, Ms. Ngan Au Kei Yee is deemed to be interested in the same number of Shares in which Mr. Ngan is interested.

Save as disclosed above, as at 31 December 2020, other than the Directors and the chief executives of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, no person had interest or short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 27 to the financial statements. Save as disclosed in the section headed "Continuing Connected Transactions", none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For further details of the continuing connected transactions, please refer to the section headed "Continuing Connected Transactions" on pages 253 to 271 of the Prospectus.

During FY2020, the Group has conducted the following continuing connected transactions which were required to be disclosed pursuant to the Listing Rules.

Empire Transportation Company Limited ("Empire")

On 17 September 2020, the Company entered into a trucking services agreement (the "Empire Trucking Services Agreement") with Empire, pursuant to which Empire, as a trucking service provider, agreed to provide trucking services to the Group in Hong Kong. The term of the Empire Trucking Services Agreement is for a period from 1 January 2020 to 31 December 2020. Pursuant to the Empire Trucking Services Agreement, the service fees to be paid to Empire will be determined in accordance with the agreed fixed charging rates as set out in the agreement. The charging rates applicable to each service will be determined based on, among others, the customers being served, the number of cartons to be delivered, type of products being delivered, location of pick-up point and delivery destination, and time of delivery (e.g. business days or public holidays). The Empire Trucking Services Agreement had subsequently been renewed on 29 December 2020 for a term of three years commencing from 1 January 2021 to 31 December 2023.

Empire was wholly-owned by the brother of Mr. Ngan. Mr. Ngan is an executive Director and chief executive officer of the Group. As such, Empire is an associate of Mr. Ngan and hence a connected person of the Company under Chapter 14A of the Listing Rules.

The annual caps for the transactions contemplated under the Empire Trucking Services Agreement year ended 31 December 2020 to 2023 are HK$20,994,000, HK$16,330,000, HK$16,980,000 and HK$17,660,000 respectively.

During FY2020, the amount of transaction conducted under the Empire Trucking Services Agreement was HK$12,042,000.

Please refer to the section headed "Continuing Connected Transactions" in the Prospectus and the announcement of the Company dated 29 December 2020 for details of the Empire Trucking Services Agreement and its renewal agreement.

Transway Logistics Company Limited ("Transway")

On 17 September 2020, the Company entered into a trucking services agreement (the "Transway Trucking Services Agreement") with Transway, pursuant to which Transway, as a trucking service provider, agreed to provide trucking services to our Group in Hong Kong. The term of the Transway Trucking Services Agreement is for a period from 1 January 2020 to 31 December 2020. Pursuant to the Transway Trucking Services Agreement, the service fees to be paid to Transway will be determined in accordance with the agreed fixed charging rates as set out in the agreement. The charging rates applicable to each service will be determined based on, among others, the customers being served, the number of cartons to be delivered, type of truck or van being engaged, location of pick-up point and delivery destination, and time of delivery (e.g. business days or public holidays). The Transway Trucking Services Agreement had been subsequently been renewed on 29 December 2020 for a term of three years commencing from 1 January 2021 to 31 December 2023.

Transway was owned as to 50% by the sister of Mr. Ngan and as to 50% by the brother-in-law of Mr. Ngan. By virtue of the relationship of its shareholders with Mr. Ngan, Transway is a deemed connected person of the Company under Rule 14A of the Listing Rules.

The annual caps for the transactions contemplated under the Transway Trucking Services Agreement for the year ended 31 December 2020 to 2023 will be HK$9,226,000, HK$6,950,000, HK$7,230,000 and HK$7,520,000 respectively.

During FY2020, the amount of transaction conducted under the Transway Trucking Services Agreement was HK$5,074,000.

Please refer to the section headed "Continuing Connected Transactions" in the Prospectus and the announcement of the Company dated 29 December 2020 for details of the Transway Trucking Services Agreement and its renewal agreement.

EV Cargo Global Forwarding Limited (formerly known as Allport Cargo Services Limited) ("Allport Services" or "EV Cargo", and together with its associates from time to time (excluding CS Airfreight (Shanghai) Limited, the "EV Cargo Group")

On 17 September 2020, the Company entered into a master agency agreement (the "Allport Master Agency Agreement") with Allport Services, pursuant to which Allport Services and each of CN International, CS International, CN Guangzhou, CN Jiada and CN Logistics HK ("CN CT Group") appoints each other as agent (i.e. business partner) for the provision of air freight forwarding services in relation to shipments with origins or destinations in the PRC (for the purpose of this agreement includes Hong Kong and Macau) and the United Kingdom. The term of the Allport Master Agency Agreement is for a period from the date thereof to 31 December 2022.

Pursuant to the Allport Master Agency Agreement, where the Group acts as the freight forwarding agent, the service fee to be paid by Allport Services in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the CN CT Group with reference to prevailing market rates. The Group implements a pricing policy which is determined by the management from time to time and is generally applicable to the other Independent Third Party customers. Under such pricing policy, the air freight service fee to be offered by the Group to the customers will be determined with reference to the then prevailing air freight cost plus certain percentage of profit margin. Such profit margin will be determined by the management from time to time with reference to, among others, the timetable of air freight carriers, the route, popularity of the route, seasonality, and any other factors in which the management from time to time may consider material. Such profit margin is subject to such discretionary adjustments as may be made available by the Group based on the then prevailing discount rate policies of the Group, such as discounts for high volume orders, which are generally applicable to the other Independent Third Party customers.

Where Allport Services acts as the freight forwarding agent, the service fee to be paid by the relevant member of the CN CT Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with Allport Services with reference to prevailing market rates. The Group will also take into account the freight volume and size, nature and requirements of items on freight, air freight charges otherwise offered by other Independent Third Party freight forwarder service providers of comparable services, the track record and reputation of other Independent Third Party freight forwarder service providers as compared with Allport Services and the budget and financial position.

The annual caps for the cost of services to be charged by Allport Services under the Allport Master Agency Agreement for the three years ending 31 December 2022 will be HK$21,155,000, HK$2,498,000 and HK$746,000 respectively while the annual caps for the revenue to be derived from Allport Services under the Allport Master Agency Agreement for the three years ending 31 December 2022 will be HK$121,455,000, HK$126,314,000 and HK$131,366,000 respectively.

Please refer to the section headed "Continuing Connected Transactions" in the Prospectus for details of the Allport Master Agency Agreement.

On 23 December 2020, the Company entered into another master agency agreement (the "EV Cargo Group Master Agency Agreement") with Allport Services, pursuant to which Allport Services and the Company appoint each other (including their subsidiaries and associates) as the agent for the provision of air freight forwarding services in relation to shipments with origins or destinations in the PRC and the United Kingdom, as well as the countries where CARGO SERVICES AIRFREIGHT LIMITED (嘉宏空運服務有限公司), CS International (Airfreight) Limited, CN International Logistics Limited, CN LOGISTICS LIMITED 嘉宏物流有限公司, MILCA LOGISTICS LIMITED, 廣州市嘉泓國際貨運代理有限公司, 嘉達貨運代理有限公司, 安陽運通股份有限公司, CN Logistics S.R.L, CN LOGISTICS FRANCE SAS, CN Logistics Japan 株式會社, CN LOGISTICS SA and CN Logistics Korea CO., LTD (the "Member of the Company") and ACS Belgium BVBA, ACS Germany, Allport Cargo Services (Middle East) LLC, Allport Hong Kong Limited, Allport Cargo Services Poland Sp.zo.o, CS Freight Solutions France SAS, Allport Cargo Services (Air) Limited, Allport Cargo Services (Ocean) Limited, Mariners Cargo Services Limited, PT Speedmark Transportation Indonesia, Speedmark Transportation (Bangladesh) Limited, Speedmark Transportation (Cambodia) Company Limited, Allport Cargo Services Czech s.r.o, PT Sarana Allport Indonesia, Allport Cargo Services (Korea) Limited, Myanmar Speedmark Transportation Limited, ACS Logistics (M) Sdn Bhd, Speedmark Logistics Limited (Myanmar), Allport Netherlands B.V, Allport Cargo Services (Private) Limited, Speedmark Philippines Inc., Allport Cargo Services (Thailand) Company Limited, Speedmark Logistics Company Limited, ACS Reverse Logistics Limited, ACS Air Freight SAS and PT Speedmark Transportation Indonesia (the "Member of EV Cargo") operate in. The term of the EV Cargo Group Master Agency Agreement is for a period from the date thereof to 31 December 2022.

Pursuant to the EV Cargo Group Master Agency Agreement, where the Group acts as the freight forwarding agent, the service fee to be paid by the relevant member of the EV Cargo Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the Group with reference to prevailing market rates. For the purpose of determining the service fee payable by the relevant member of the EV Cargo Group for each shipment, the Group implements a pricing policy which is determined by its management from time to time and is generally applicable to its customers, including the members of the EV Cargo Group and the other Independent Third Party customers of the Group. Under such pricing policy, the air freight service fee to be offered by the Group to its customers will be determined with reference to the then prevailing air freight cost for the relevant shipment plus certain percentage of profit margin. Such profit margin will be determined by the Group's management from time to time with reference to, among others, the timetable of air freight carriers, the route, popularity of the route, seasonality, and any other factors in which the management from time to time may consider material. Such profit margin is subject to such discretionary adjustments as may be made available by the Group based on the then prevailing discount rate policies of the Group, such as discounts for high volume orders, which are generally applicable to the members of the EV Cargo Group and the other Independent Third Party customers of the Group.

Where the EV Cargo Group acts as the freight forwarding agent, the service fee to be paid by the relevant member of the Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the EV Cargo Group with reference to prevailing market rates. In determining whether the Group should engage the relevant member of the EV Cargo Group or other Independent Third Party freight forwarding service providers as the agent for the provision of air freight forwarding services in a jurisdiction for any particular shipment, and for determining the service fee payable to the relevant member of the EV Cargo Group for such shipment, the Group will also take into account the freight volume and size, nature and requirements of items on freight, air freight charges otherwise offered by other Independent Third Party freight forwarding service providers of comparable services, the track record and reputation of other Independent Third Party freight forwarding service providers as compared with the EV Cargo Group and the Group's own budget and financial position.

The annual caps for the services fees payable to the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the three years ending 31 December 2022 will be HK$37,000,000, HK$42,000,000 and HK$44,000,000 respectively. As disclosed in the announcement of the Company dated 23 December 2020, the original annual caps for the services fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the three years ending 31 December 2022 will be HK$127,000,000, HK$145,000,000 and HK$151,000,000 respectively. As disclosed in the announcement of the Company dated 10 February 2021, the annual caps for the services fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement for each of the two years ending 31 December 2022 are revised to HK$204,000,000 and HK$212,000,000 respectively.

Please refer to the announcements of the Company dated 23 December 2020 and 10 February 2021 for details of the EV Cargo Group Master Agency Agreement and the revision of annual caps for the services fees payable by the EV Cargo Group for the two years ending 31 December 2020.

Allport Services was the holding company (having such meaning as defined in the Listing Rules) of Princetonhall Limited. Princetonhall Limited is a substantial shareholder of CS Shanghai BVI, being a subsidiary of the Company. As such, Allport Services is a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules.

On the basis that Allport Services is a connected person of the Company at subsidiary level only, by virtue of Rule 14A.101 of the Listing Rules, the Allport Master Agency Agreement are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' and the EV Cargo Group Master Agency Agreement approval requirement under Chapter 14A of the Listing Rules.

During FY2020, (i) service fees payable to the EV Cargo Group and (ii) service fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement were HK$36,740,000 and HK$177,772,000 respectively.

CS Group (for itself and as trustee for the benefit of its associates excluding our Group) and CS Far East

On 17 September 2020, the Company entered into a master agency agreement (the "CS Group Master Agency Agreement") with CS Group (for itself and as trustee for the benefit of its associates from time to time (excluding the Group)) ("CS CT Group"), pursuant to which (i) CS Group (for itself and as trustee for the benefit of the relevant member of the CS CT Group) have appointed the Company (for itself and on behalf of the relevant member of the Group) as CS CT Group's agent (i.e. business partner) for the provision of air freight forwarding services in the PRC, Hong Kong, Taiwan, France, Japan, Switzerland, Italy, Korea and other jurisdictions in which the Group has local presence from time to time, and in respect of CS CT Group's air freight forwarding business in the United States for the import of goods into the United States as destination; and (ii) the Company (for itself and on behalf of the relevant member of the Group) have appointed CS Group (for itself and as trustee for the benefit of the relevant member of CS CT Group) as the Group's agent (i.e. business partner) for the provision of air and/or ocean freight forwarding services in the PRC, Hong Kong, the United States, the Philippines, India, South Africa, Singapore and other jurisdictions in which CS CT Group has local presence from time to time. The term of the CS Group Master Agency Agreement is for a period from the date thereof to 31 December 2022.

Pursuant to the CS Group Master Agency Agreement, where the Group acts as the freight forwarding agent, the service fee to be paid by the relevant member of CS CT Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the Group with reference to our pricing policy as determined by the management from time to time which are generally applicable to the other Independent Third Party customers. Under such pricing policy, the air freight service fee to be offered by the Group to the customers will be determined with reference to the then prevailing air freight cost plus certain percentage of profit margin. Such profit margin will be determined by the management from time to time with reference to, among others, the timetable of aircraft carriers, the route, popularity of the route, seasonality, and any other factors in which our management from time to time may consider material. Such profit margin is subject to such profit discretionary adjustments as may be made available by the Group based on the then prevailing discount rate policies of the Group, such as discounts for high volume orders, which are generally applicable to the other Independent Third Party customers.

Where CS CT Group acts as the freight forwarding agent, the service fee to be paid by the relevant member of the Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the CS CT Group with reference to freight volume and size, nature and requirements of items on freight, air freight or ocean freight charges otherwise offered by other Independent Third Party freight forwarder service providers of comparable services, the track record and reputation of other Independent Third Party freight forwarder service providers as compared with the relevant member of CS CT Group, and the budget and financial position.

Pursuant to the terms and conditions of the CS Group Master Agency Agreement, the service fee constituted by an accepted air freight order or ocean freight order shall be on normal and usual commercial terms and (where the Group acts as the agent) such service fee shall be on terms no less favourable to the Group than those then offered by the Group to other Independent Third Party customers for similar services of comparable quality.

In addition, on 5 August 2020, CN Logistics HK (an indirect non-wholly owned subsidiary of the Company) and CS Far East (a member of the Controlling Shareholder Group) entered into an agency agreement (the "Nitrile Gloves Agency Agreement") pursuant to which CS Far East has appointed CN Logistics HK as agent for the provision of air freight forwarding services in relation to shipments of an agreed volume of nitrile medical gloves to the United Kingdom primarily from Shanghai, the PRC in batches on or before 31 March 2021. The term of the Nitrile Gloves Agency Agreement is for a period from 20 June 2020 to 31 March 2021.

The aggregate contract sum paid or payable by CS Far East to CN Logistics HK shall be up to US$27.0 million, to be calculated based on the actual volume of nitrile medical gloves to be shipped and on the basis of US$0.03 per nitrile medical glove. Such contract sum had been determined by reference to, among others, (a) the prevailing air freight forwarding services costs and the actual costs incurred for the shipments completed since June 2020, plus percentage of profit margin by reference to the Group's gross profit margin of air freight forwarding service segment; (b) the prevailing unit rate charged by the Group for the provision of air freight forwarding services for shipment of medical products for shipment from the PRC to Europe; and (c) the quantity of nitrile medical gloves shipped or to be shipped under the Nitrile Gloves Agency Agreement (which was based on the number of nitrile medical gloves ordered by the Controlling Shareholder Group's customer in the United Kingdom).

CS Group is one of the Controlling Shareholders and hence members of the CS CT Group are connected persons of the Company under Chapter 14A of the Listing Rules.

The annual caps for the transactions contemplated under the CS Group Master Agency Agreement and the Nitrile Gloves Agency Agreement of (i) cost of services to be charged by CS CT Group for each of the three financial year ended 31 December 2022 will be HK$56,818,000, HK$59,091,000 and HK$61,454,000 respectively; and (ii) revenue to be derived from CS CT Group for each of the three financial year ended 31 December 2022 will be HK$288,318,000, HK$20,844,000 and HK$3,300,000 respectively.

During FY2020, (i) cost of services to be charged by CS CT Group; and (ii) revenue to be derived from CS CT Group under the CS Group Master Agency Agreement and the Nitrile Gloves Agency Agreement were HK$34,235,000 and HK$287,956,000 respectively.

CN France HK (for itself and as trustee for the benefit of its subsidiary)

On 17 September 2020, the Company entered into a master agency agreement (the "CN France Master Agency Agreement") with CN France HK (for itself and as trustee for the benefit of its subsidiary from time to time) ("CN France Group"), pursuant to which (i) CN France HK (for itself and as trustee for the benefit of the relevant member of the CN France Group) have appointed the Company (for itself and on behalf of the relevant member of the Group (excluding CN France Group)) as CN France Group's agent for the provision of air and/or ocean freight forwarding services in jurisdictions in which the Group has local presence from time to time; and (ii) the Company (for itself and on behalf of the relevant member of the Group (excluding CN France Group)) have appointed CN France HK (for itself and as trustee for the benefit of the relevant member of CN France Group) as the Group's agent for the provision of air and/or ocean freight forwarding services in jurisdictions in which CN France Group has local presence from time to time. The term of the CN France Master Agency Agreement is for a period from the date thereof to 31 December 2022.

Pursuant to the CN France Master Agency Agreement, where our Group acts as the freight forwarding agent, the service fee to be paid by the relevant member of CN France Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the Group with reference to the pricing policy as determined by the management from time to time which are generally applicable to the other Independent Third Party customers. Under such pricing policy, the air freight or ocean freight service fee to be offered by the Group to the customers will be determined with reference to the then prevailing air freight or ocean freight cost plus certain percentage of profit margin. Such profit margin will be determined by the management from time to time with reference to, among others, the timetable of aircraft and/or ocean freight carriers, the route, popularity of the route, seasonality, and any other factors in which the management from time to time may consider material. Such profit margin is subject to such discretionary adjustments as may be made available by the Group based on the then prevailing discount rate policies of the Group, such as discounts for high volume orders, which are generally applicable to the other Independent Third Party customers.

Where CN France Group acts as the freight forwarding agent, the service fee to be paid by the relevant member of the Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the CN France Group with reference to freight volume and size, nature and requirements of items on freight, air freight or ocean freight charges otherwise offered by other Independent Third Party freight forwarder service providers of comparable services, the track record and reputation of other Independent Third Party freight forwarder service providers as compared with the relevant member of CN France Group, and the budget and financial position.

Pursuant to the terms and conditions of the CN France Master Agency Agreement, the service fee constituted by an accepted air freight order or ocean freight order shall be on normal and usual commercial terms and (where the Group acts as the agent) such service fee shall be on terms no less favourable to the Group than those then offered by the Group to other Independent Third Party customers for similar services of comparable quality.

DIRECTORS' REPORT

Throughout the year ended 31 December 2020, CN France HK is a non-wholly owned subsidiary of our Company. Ms. Chen, an executive Director, through her wholly-owned investment holding company, owns 30% of the entire issued share capital of CN France HK. As such, CN France HK and its subsidiary are regarded as connected subsidiaries of the Company and hence members of the CN France Group are connected persons of the Company under Chapter 14A of the Listing Rules.

The annual caps for the transactions contemplated under the CN France Master Agency Agreement of (i) cost of services to be charged by CN France Group for each of the three financial year ended 31 December 2022 will be HK$30,714,000, HK$31,943,000 and HK$33,220,000 respectively; and (ii) revenue to be derived from CN France Group for each of the three financial year ended 31 December 2022 will be HK$1,220,000, HK$1,268,000 and HK$1,319,000 respectively.

During FY2020, (i) cost of services to be charged by CN France Group and (ii) revenue to be derived from CN France Group under the CN France Master Agency Agreement were HK$25,210,000 and HK$942,000 respectively.

Please refer to the Prospectus for further details of the Allport Master Agency Agreement, CS Group Master Agency Agreement and CN France Master Agency Agreement.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions or continuing connected transactions. KPMG, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. KPMG have issued their letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with the Listing Rules. Except for the qualified conclusion issued by KPMG on the service fees payable by the EV Cargo Group have exceeded the annual cap for FY2020, all other matters as stated in Rule 14A.56 have been complied with. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the Prospectus, the section headed "Continuing Connected Transactions" in this annual report and the transactions as disclosed in note 27 to the financial statements, no controlling Shareholder or any of its subsidiaries has any contract of significance with the Company or its subsidiaries during FY2020.

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" in this annual report, at no time during FY2020 were there any arrangements to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate entity.

MANAGEMENT CONTRACTS

Save as disclosed in the Prospectus and the sections headed "Continuing Connected Transactions", no contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during FY2020.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Shares during FY2020.

USE OF NET PROCEEDS FROM THE LISTING

The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date with net proceeds received by the Company from the Listing in the amount of approximately HK$87.4 million after deducting underwriting commissions and all related expenses.

Please refer to the section headed "Management Discussion and Analysis – Future Plans and Use of Proceeds" in this annual report for further details.

ENVIRONMENTAL POLICIES

The Group is committed to environmental protection and values corporate social responsibilities. The Group continues to update internal policies and programs for environmental risk prevention to ensure compliance with requirements of applicable industrial and local standards, laws, regulations and policies. The Group also continues to implement environmental protection, energy saving and emission reduction projects to improve environmental management, setting a solid foundation for better future development.

PRINCIPAL RISKS AND UNCERTAINTIES

Discussion of the principal risks and uncertainties faced by the Group is included in note 26 to the financial statements and such contents form part of this Directors' Report.

MAJOR CUSTOMERS AND SUPPLIERS

Information in respect of the Group's major suppliers and major customers for the year ended 31 December 2020 is as follows:

	As a percentage of the Group's total cost of sales
Total cost of sales (not a capital nature) attributable to the Group's five largest suppliers	24.5%

	As a percentage of the Group's total revenue
Total revenue attributable to the Group's five largest customers	38.93%
Total revenue attributable to the Group's largest customer	14.3%

As at 31 December 2020, save for the Controlling Shareholder Group and the EV Cargo Group, (i) all of our five largest customers and suppliers for FY2020 were Independent Third Parties; and (ii) none of our Directors, their close associates or our Shareholders (whom to the knowledge of our Directors own more than 5% of the issued Shares) had any interest in any of our five largest customers and suppliers for FY2020.

REMUNERATION POLICY

Remuneration policy of the Group is reviewed regularly and the remuneration policy and remuneration packages of the executive Directors and members of the senior management of the Group are recommended by the Remuneration Committee to the Board. The Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, for their contribution to the Group. No share options have been granted since the Listing Date and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 May 2021 to Friday, 14 May 2021 (both days inclusive) for the purpose of determining the right to attend and vote at the forthcoming AGM. In order to be qualified for attending and voting at the forthcoming AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 10 May 2021.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the forthcoming AGM, the register of members of the Company will also be closed from Friday, 21 May 2021 to Tuesday, 25 May 2021 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of FY2020. In order to be qualified for the proposed final dividend (subject to the approval of the Shareholders at the forthcoming AGM), unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. (Hong Kong time) on Thursday, 20 May 2021.

AUDITORS

The consolidated financial statements for FY2020 have been audited by KPMG whose term of office will expire upon the conclusion of the AGM. KPMG will retire, and being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditors of the Company will be proposed at the forthcoming AGM.

There has been no change in the auditors of the Company in the preceding three years.

On behalf of the Board

Mr. Lau Shek Yau John
Chairman

Hong Kong, March 26, 2021

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board has adopted the code provision of the CG Code contained in Appendix 14 to the Listing Rules. The Board has reviewed the Company's corporate governance and is satisfied that the Company has complied with the code provision set out in the CG Code during the period from the Listing Date and up to 31 December 2020. Key corporate governance principles and practices of the Company are summarized below.

A. The Board

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The senior management of the Company are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board for FY2020 and up to the date of this report is as follows:

Executive Directors:

Mr. Ngan Tim Wing	(Chief Executive Officer, Chairman of the Risk and Compliance Committee and Member of the Remuneration Committee and Corporate Governance Committee)
Ms. Chen Nga Man	
Mr. Cheung Siu Ming Ringo	(Member of Risk and Compliance Committee)

Non-executive Director:

Mr. Lau Shek Yau John	(Chairman of the Board)

Independent non-executive Directors:

Mr. Lam Hing Lun Alain	(Chairman of the Audit Committee and Member of the Nomination Committee, the Corporate Governance Committee and the Risk and Compliance Committee)
Mr. Chan Chun Hung Vincent	(Chairman of the Remuneration Committee and Member of the Audit Committee and the Nomination Committee)
Mr. Chun Chi Man	(Chairman of the Corporate Governance Committee and Member of the Audit Committee and Remuneration Committee)

Throughout the period from the Listing Date and up to 31 December 2020, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent nonexecutive directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different business and functional division of the Group in accordance with his/her expertise. The independent non-executive Directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

To the best knowledge of the Directors, the Directors and senior management have no financial, business, family or other material/relevant relationships with one another.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non- executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive

The roles and duties of the chairman of the Board and the chief executive officer are held by separate persons in order to ensure a balance of power and authority and preserve a balanced judgement of views. Currently, Mr. Lau Shek Yau John takes up the role of chairman of the Board and is providing leadership and being responsible for the effective functioning and leadership of the Board, whereas Mr. Ngan Tim Wing is the chief executive officer of the Company, focusing on the Company's business development and daily management and operations generally.

A4. Appointment and Re-election of Directors

Each of Mr. Ngan Tim Wing, Ms. Chen Nga Man and Mr. Cheung Siu Ming Ringo, all being the executive Directors, has entered into a service contract with the Company. The Company issued letters of appointment to Mr. Lau Shek Yau John, being the non-executive Director, Mr. Lam Hing Lun Alain, Mr. Chan Chun Hung Vincent and Mr. Chun Chi Man, all being the independent non-executive Directors. The principal particulars of these service contracts and letters of appointment are (i) for a term of three years commencing from the Listing Date, and (ii) subject to termination by not less than three months' notice in writing served by either party on the other. The term of the service contracts and the letters of appointment may be renewed subject to the provisions of the Articles and the applicable Listing Rules.

According to the Articles, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, any new Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of Shareholders after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

At the forthcoming AGM, Mr. Ngan Tim Wing, Ms. Chen Nga Man and Mr. Lau Shek Yan John shall retire by rotation pursuant to the Articles. All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM. The Board and the Nomination Committee recommended their re-appointment. The circular of the Company, sent together with this report, contains detailed information of the said Directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

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

Under code provision A.6.5, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and reference.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. During the period from the Listing Date and up to 31 December 2020, all the Directors were provided with reading materials or regulatory update on corporate governance matters and responsibilities of the Directors for their reference and perusal.

A6. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the period from the Listing Date and up to 31 December 2020 are set out below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**	**Annual General Meeting**
Executive Directors:						
Mr. Ngan Tim Wing	3/3	1/1	N/A	N/A	N/A	N/A
Ms. Chen Nga Man	3/3	1/1	N/A	N/A	N/A	N/A
Mr. Cheung Siu Ming Ringo	3/3	1/1	N/A	N/A	N/A	N/A
Non-executive Director:						
Mr. Lau Shek Yau John	3/3	1/1	N/A	N/A	N/A	N/A
Independent non-executive Directors:						
Mr. Lam Hing Lun Alain	3/3	1/1	N/A	N/A	N/A	N/A
Mr. Chan Chun Hung Vincent	3/3	1/1	N/A	N/A	N/A	N/A
Mr. Chun Chi Man	3/3	1/1	N/A	N/A	N/A	N/A

A7. Model Code for Securities Transactions

The Company has devised its own code of conduct regarding Directors' and employees' dealings in the Company's securities (the "Securities Dealing Code") on terms no less exacting than the required standard as set out in the Model Code. Each Director has been given a copy of the Securities Dealing Code. Specific enquiry has been made of all Directors and they have confirmed their compliance with the Securities Dealing Code throughout the period from the Listing Date and up to 31 December 2020. In addition, no incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

B. Board Committees

The Board has established five Board committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee, the Corporate Governance Committee and the Risk and Compliance Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Hong Kong Stock Exchange's website and the Company's website (except for the terms of reference of the Risk and Compliance Committee which are available to Shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

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

B1. Remuneration Committee

The members of the Remuneration Committee during FY2020 were as follows:

Executive Director:
Mr. Ngan Tim Wing

Independent non-executive Directors:
Mr. Chan Chun Hung Vincent *(Chairman)*
Mr. Chun Chi Man

Throughout the period from the Listing Date and up to 31 December 2020, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Company as well as market practice and conditions.

As the Remuneration Committee was established on 17 September 2020 and the Shares were listed on the Hong Kong Stock Exchange on the Listing date, the Remuneration Committee did not have any matters that need to be discussed during the period from the Listing Date and up to 31 December 2020 covering less than four months, therefore, the Remuneration Committee did not hold any meeting during the period from the Listing Date and up to 31 December 2020.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for FY2020 is set out below:

Remuneration band (HK$)	**Number of individuals**
5,000,000–5,499,999	–
4,500,000–4,999,999	2
4,000,000–4,499,999	–
3,500,000–3,999,999	–
3,000,000–3,499,999	–
2,500,000–2,999,999	–
2,000,000–2,499,999	1
1,500,000–1,999,999	–
1,000,000–1,499,999	1

Details of the remuneration of each Director for the period from the Listing Date and up to 31 December 2020 are set out in note 7 to the financial statements contained in this report.

B2. Nomination Committee

The members of the Nomination Committee during the period from the Listing Date and up to 31 December 2020 were as follows:

Non-executive Director:
Mr. Lau Shek Yau John *(Chairman)*

Independent non-executive Directors:
Mr. Lam Hing Lun Alain
Mr. Chan Chun Hung Vincent

Throughout the period from the Listing Date and up to 31 December 2020, the Company has met the code provision A.5.1 of the CG Code of having a majority of the Committee members being independent non-executive Directors and having the Committee chaired by the Chairman of the Board.

The principal responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify qualified and suitable individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Company.

For the nomination process of new Director, the Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

The Company has adopted the director nomination policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing better Board effectiveness and diversity as well as in compliance with the applicable rules and regulations.

The Company also recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with Rule 13.92 of the Listing Rules and the code provision A.5.6 of the CG Code, a board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendations to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

As the Nomination Committee was established on 17 September 2020 and the Shares were listed on the Hong Kong Stock Exchange on the Listing date, the Nomination Committee did not have any matters that need to be discussed during the period from the Listing Date and up to 31 December 2020 covering less than four months, therefore, the Nomination Committee did not hold any meeting during the period from the Listing Date and up to 31 December 2020.

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained during FY2020. Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the board diversity policy for FY2020.

B3. *Audit Committee*

The members of the Audit Committee during period from the Listing Date and up to 31 December 2020 were as follows:

Independent non-executive Directors:
Mr. Lam Hing Lun Alain *(Chairman)*
Mr. Chun Chi Man
Mr. Chan Chun Hung Vincent

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the period from the Listing Date and up to 31 December 2020. The majority of the Audit Committee members are independent non-executive directors. Mr. Lam Hing Lun Alain possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control and risk management systems and the effectiveness of the internal audit function.

During the period from the Listing Date and up to 31 December 2020, the Audit Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above). The Audit Committee performed the following major works during the year:

– Reviewed and approved the audit plan of the Company's external auditor, including the nature and scope of audit, remuneration and terms of engagement in respect of the audit on the financial statements for FY2020.

The external auditor has attended the above meeting and discussed with the Audit Committee members on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

B4. *Corporate Governance Committee*

The members of the Corporate Governance Committee during the period from the Listing Date and up to 31 December 2020 and up to the date of this report were as follows:

Executive Director:
Mr. Ngan Tim Wing

Independent non-executive Directors:
Mr. Lam Hing Lun Alain
Mr. Chun Chi Man *(Chairman)*

The Corporate Governance Committee is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code, including developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Securities Dealing Code; and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. The Corporate Governance Committee is also responsible for reviewing the Group's process of disclosure, including assessing and verifying the accuracy and materiality of inside information and determining the form and content of any required disclosure; and reviewing and monitoring the effectiveness of the shareholders' communication policy adopted by the Company.

As the Corporate Governance Committee was established on 17 September 2020 and the Shares were listed on the Hong Kong Stock Exchange on the Listing date, the Corporate Governance Committee did not have any matters that need to be discussed during the period from the Listing Date and up to 31 December 2020 covering less than four months, therefore, the Corporate Governance Committee did not hold any meeting during the period from the Listing Date and up to 31 December 2020.

B5. *Risk and Compliance Committee*

The members of the Corporate Governance Committee during the period from the Listing Date and up to 31 December 2020 and up to the date of this report were as follows:

Executive Directors:
Mr. Ngan Tim Wing *(Chairman)*
Mr. Cheung Siu Ming Ringo

Independent non-executive Director:
Mr. Lam Hing Lun Alain

The Risk and Compliance Committee is responsible for monitoring the exposure to sanctions risks and the implementation of the related internal control procedures.

As the Risk and Compliance Committee was established on 17 September 2020 and the Shares were listed on the Hong Kong Stock Exchange on the Listing date, the Risk and Compliance Committee did not have any matters that need to be discussed during the period from the Listing Date and up to 31 December 2020 covering less than four months, therefore, the Risk and Compliance Committee did not hold any meeting during the period from the Listing Date and up to 31 December 2020.

C. Non-compete Undertakings

Reference is made to the non-compete undertakings given by the Controlling Shareholders in favour of the Company disclosed in the section headed "Relationship with our Controlling Shareholders – Non-compete Undertakings" of the Prospectus. Each of the Controlling Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertakings during the period from the Listing Date and up to 31 December 2020. The independent non-executive Directors have conducted such review for the year and also reviewed the relevant undertakings and are satisfied that such undertakings have been complied with.

D. Directors' Responsibilities for Financial Reporting in Respect of the Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the period from the Listing Date and up to 31 December 2020.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. Management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

E. Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board reviews the effectiveness of the risk management and internal control systems as well as the internal audit function of the Company on an annual basis through the Audit Committee.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including air freight, sea freight, trade lane, corporate management, human resources, finance and information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Management, in coordination with department heads, assesses the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress. Management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for FY2020.

The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

During the period from the Listing Date and up to 31 December 2020, the Board, as supported by the Audit Committee as well as the report from management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed a policy for handling and dissemination of inside information. The policy provides a general guide to the Company's Directors, officers and relevant employees in handling confidential information and monitoring information disclosure.

F. Company Secretary

The Company Secretary is Mr. Tsang Chiu Ho, who fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Mr. Tsang Chiu Ho are set out in the section headed "Biographies of Directors and Senior Management" of this report. During the period from the Listing Date and up to 31 December 2020, Mr. Tsang Chiu Ho has taken not less than 15 hours of relevant professional training.

G. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for FY2020 is set out in the section headed "Independent Auditor's Report" in this report.

The fees paid/payable to KPMG, the Company's auditor, in respect of audit services and non-audit services for FY2020 are analysed below:

Type of services provided by the external auditor	**Fees paid/payable** HK$
Audit services – audit fee for FY2020	4,206,000
Non-audit services	
– review of continuing connected transactions for FY2020	30,000
– review of annual results announcement for FY2020	24,000
– tax services	487,000
TOTAL	4,747,000

H. Communications with Shareholders and Investors

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparent and timely disclosure of corporate information, which enables Shareholders and investors to make the best investment decision.

The Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company maintains a website at www.cnlogistics.com.hk as a communication platform with its Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors of the Company may send written enquiries or requests to the Company via the following contact details:

Attention: Company Secretary
Address: Unit B, 13/F, Park Sun Building, 97–107 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong
Email: angustsang@cnlogistics.com.hk
Tel: 2943 2068
Fax: 2754 2234

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. Board members and senior staff will be available to answer questions raised by the Shareholders at general meetings of the Company. In addition, the Company will invite representatives of the auditor to attend its AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, if any.

I. Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company "www.cnlogistics.com.hk" and the Hong Kong Stock Exchange after each Shareholders' meeting.

Pursuant to the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

J. Constitutional Documents

During the period from the Listing Date and up to 31 December 2020, the Company has not made any changes to the Articles. An up-to-date version of the Articles is available on the websites of the Company and the Hong Kong Stock Exchange. Shareholders may refer to the Articles for further details of the rights of Shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the first Environmental, Social and Governance Report ("Report") published by the Company. The Report presents the environmental, social and governance ("ESG") performance of the Group complying with the mandatory disclosure requirements by the Hong Kong Stock Exchange, as well as the description of the policies, management approaches, internal control, etc. adopted by the Group. This Report also aims to facilitate our stakeholders to better understand the Company's progress on ESG performance. This Report includes the key performance indicators ("KPIs") of the operations within the reporting boundary from 1 January 2020 to 31 December 2020 ("FY2020"). The Report is reviewed and approved by the Board on 26 March 2021. This Report is available in both Chinese and English, and can be downloaded from the Group's website (https://www.cnlogistics.com.hk) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk). In case of any discrepancies between the two versions, the English version shall prevail.

ESG GOVERNANCE STRUCTURE

The Group has established an ESG working taskforce (the "Taskforce") comprising full-time staff from various departments responsible for data collection and the compilation of the Report. The Taskforce also reports to the Board periodically, assisting in the assessment and identification of the risks of the Group on ESG aspects. The Board set the direction of the Group on the ESG strategies, including environmental, labour practices, and other ESG aspects. They are also responsible for overseeing the works of the Group and ensuring risk management and internal controls are applied effectively.

SCOPE OF REPORTING

The scope of this Report focuses on the operations of core business of the Group which include air freight forwarding services and distribution and logistics services in relation to fashion products and fine wine for FY2020 in Hong Kong and the PRC.

REPORTING FRAMEWORK

This Report is prepared in accordance with the "comply or explain" provision of the "Environmental, Social and Governance Reporting Guide" in Appendix 27 to the Listing Rules.

BASIS OF REPORTING

This Report is prepared and presented in accordance with the reporting principles according to Appendix 27 to the Listing Rules, including materiality, quantitative, balance and consistency.

Materiality

We evaluate the importance of the material issues based on the communication and understanding of different stakeholders of the Group. Materiality assessment was conducted in order to provide accurate and detailed insights to the Company on the issues that the stakeholders are most concerned to the Group and disclose them accordingly in the Report. Material topics will also be utilised as a reference basis for the ESG strategies formulation in the future.

Quantitative

A data collection platform was developed to collect, calculate, and manage our KPIs. This enabled the Company to keep track of its performances by conducting valid, objective, and quantitative comparisons under the appropriate conditions in the future. The KPIs established must be quantified so as to allow the evaluation of the effectiveness of the ESG policies.

Balance
The information provided in this Report is unbiased and we avoid misleading our readers inappropriately. We provide a description of the performance of the Group on achievements, room for improvement and challenges in ESG.

Consistency
A consistent quantification methodology is adopted in this Report to allow for meaningful data comparisons being made over time. If there are any future changes in methodology, it shall be indicated in the Report.

STAKEHOLDER ENGAGEMENT
We treasure every stakeholder of the Group. Maintaining ongoing dialogue and engaging with stakeholders are crucial to facilitate the business growth of the Company, improve the ESG performance, design more comprehensive sustainable development strategies, and understand stakeholders' expectations and needs. During FY2020, we have identified three internal stakeholders and three external stakeholders, including the Board, Shareholders, employees, customers, suppliers and the government (collectively, "Stakeholder(s)"). We have established various ways to communicate with the Stakeholders regularly. Expectations and demands of the Stakeholders and the communication channels are presented in table 1 and 2 respectively.

Table 1. Expectations and Demands of the Stakeholders

	Stakeholders	Expectations and demands
Internal	The Board	– Financial sustainability – Integrity and accountability – Risk and crisis management
	Shareholders	– Profit level – Distribution of cash dividend – Corporate governance – Information disclosure – Community investment
	Employees	– Work arrangements during the Coronavirus Disease 2019 ("COVID-19") – Pay and remuneration – Workplace safety – Career development – Education and training
External	Customers	– Quality of service – Protection of customer privacy
	Suppliers	– Open tender – Fairness and justice – Emissions and fuel consumption pollutions – Waste from transport packaging – Sourcing and procurement
	Government	– Abide by law

Table 2. Communication Channels to Stakeholders

	Meeting	Training	Email	Telephone	Letter
The Board	✔	✔	✔	✔	
Shareholders	✔		✔	✔	✔
Employees	✔	✔	✔	✔	
Customers	✔		✔	✔	
Suppliers	✔		✔	✔	✔
Government			✔	✔	✔

MATERIALITY ASSESSMENT

In order to identify relevant ESG issues and assess the importance of the related matters to the business of the Group and the Stakeholders, a list of environmental, social, governance and economic issues were come up for the preparation of the first materiality assessment. Possible ESG topics are raised for discussion among the Taskforce, such as air pollution during operation, management and communication between suppliers and contractors, employee's health and safety, data privacy, customer service, transparency, etc.

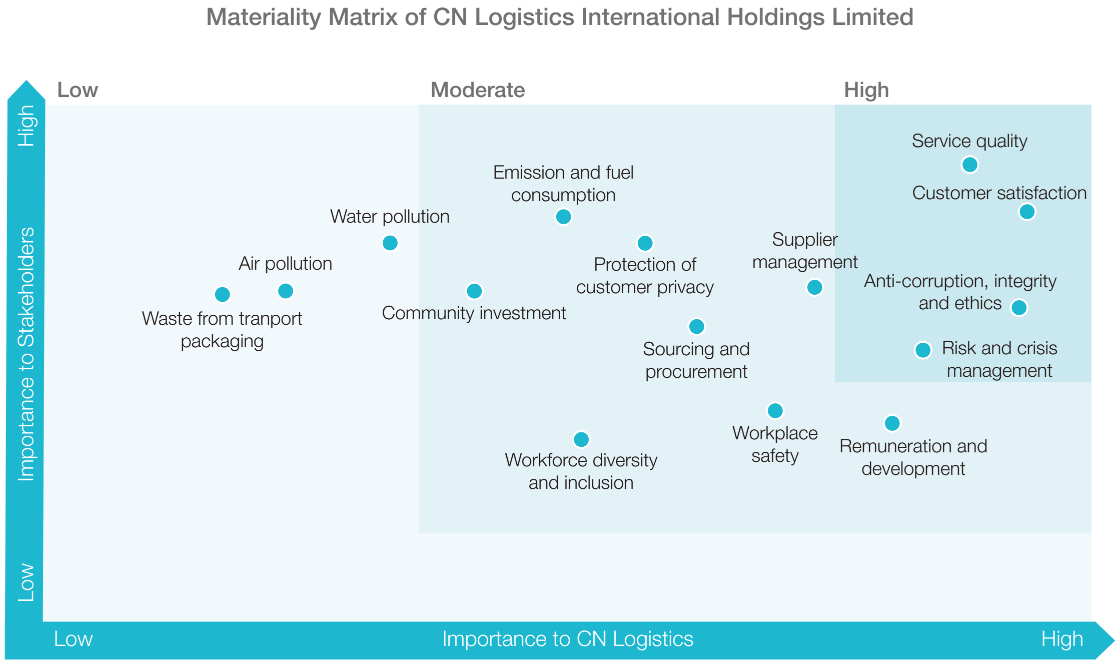
After discussion among the Taskforce, 15 material topics were shortlisted. Based on those issues, we have prepared a materiality assessment survey. The survey was distributed to the management level of the relevant departments of the Group. They are experienced staff who know the Stakeholders well. Therefore, the results of the survey would be a good reference of the viewpoints of the Stakeholders' opinions on the material topics. The topics were ranked based on the importance to the respective Stakeholder from an ESG perspective.

A weighting was given to each Stakeholder group in the calculation of the result of the materiality assessment. The rates were decided based on their impact on the company and the interest of that individual Stakeholder group. This enables a better illustration of the priority of the material issues to the Company in its operation.

The result of the materiality assessment was analysed and the result is shown in Figure 1. The x-axis is the importance of the material topics to the Company. This is determined by the survey responses from the internal stakeholders, i.e. the Board, the Shareholders, and employees. The y-axis is the importance of the material topics to external stakeholders, i.e. suppliers, customers, and the government. The material topics on the top right corner are the issues that are relatively important among all 15 material topics. The degree of importance and significance decrease along the axis towards the lower left-hand corner on the graph. The graph was divided into regions showing the significance of the results. The material topics fall into the "High Priority" region are topics that are relatively more important to the Group. They are service quality, customer satisfaction, corruption, integrity and ethics, and risk and crisis management. Also, there are eight material topics categorised in the "Moderate Priority" region. This result reflected the focus of the Group and provided guidance to better plan and define the ESG strategies and priorities of the Group in the future.

We ensure an effective communication and engagement between the Stakeholders and the Group in order to better understand their views on the ESG development of the Company.

Figure 1 Materiality Matrix of CN Logistics International Holdings Limited



STAKEHOLDERS' FEEDBACK TO THIS REPORT

We value the opinions of the Stakeholders. The Taskforce has been established to facilitate the preparation of this Report by ensuring the disclosed data are as authentic and accurate as possible.

To improve our ESG disclosure and the sustainability initiatives of the Group, you are welcome to provide your valuable feedback and comments concerning any aspects in this Report our Company Secretary via email (angustsang@cnlogistics.com.hk) or our address at Unit B, 13/F., Park Sun Building, 97–107 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.

A. ENVIRONMENTAL

The Group aims to actively promote environmental protection and efficient use of resources in its business operation. We adopted four basic principles, which are "Reduction, Reuse, Recycling and Replacement". Out of the four elements, the Company put significant focus on extending the coverage of the recycling business. We provide solutions for multinational high-street fashion brands by helping them to recycle materials that are usually being dumped to landfills in the production chain, for example, paper. We believe that it may help closing the loop of the enormous paper usage among the industry and also contribute to reserving the natural resources. We commit to pursue more on promotion of recycling globally in the future (Please refer to the section headed "Waste Management Policy" for further details).

The Company provides a series of "CNL Green Solutions Service", which targets at satisfying wide ranges of demand from customers. Our company not only takes sustainability as a responsible approach to reserve the finite resource on the earth, but also treats it as an important business strategy in attracting customer and brand building. We have observed a trend that customers are more willing to pay additional cost for sustainable products and services. Thus, expanding our reach to sustainability is undoubtedly a wise move so as to occupy a share in the market ahead of other competitors.

The Group took reference from the sustainable development goals ("SDGs") from the United Nations regarding sustainable development. The five major targets and concerns of the Group include: "Sustainable Cities and Communities" (Goal 11), "Responsible Consumption and Production" (Goal 12), "Climate Action" (Goal 13), "Life Below Water" (Goal 14) and "Life on Land" (Goal 15). Apart from the SDGs, the Group proposed a 'Go Green' policy which targeted on working hand in hand for a greener earth.

A1. Emissions

We are pleased to disclose all of our emissions generated in the past year. We were not aware of any material non-compliance of relevant local environmental laws and regulations in relation to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group, under but not limited to the Environmental Protection Law of the PRC, Water Pollution Prevention and Control Law of the PRC, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on Prevention and Control of Pollution From Environmental Noise, and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

Exhaust Gas Emissions

Major emission on exhaust gas by the Group operation mainly include nitrogen oxides (NO_x), sulphur oxides (SO_x), particulate matter (PM), the major source of which is vehicle exhaust gas.

Exhaust gas category	2020	Unit
Nitrogen Oxides (NO_x)	70.862	kg
Sulphur Oxides (SO_x)	10.105	kg
Particulate Matter (PM)	5.234	kg

Greenhouse Gases Emissions

The major sources of emission on greenhouse gas of the Group include direct GHG emissions resulted from combustion of diesel and gasoline for transportation and machinery, and natural gas consumption (Scope 1), energy indirect GHG emissions resulted from purchased electricity (Scope 2), and other indirect GHG emissions resulted from water consumption and paper disposal (Scope 3).

	GHG emissions amount	Unit
Direct GHG emissions (Scope 1)	114.262	tCO_2e
Energy indirect GHG emissions (Scope 2)	5,511.483	tCO_2e
Other indirect GHG emissions (Scope 3)	311.193	tCO_2e
Total GHG emissions (Scope 1, 2 and 3)	5,936.939	tCO_2e
Intensity per floor area	0.0786	tCO_2e/m^2

Carbon Offset Program is another field we are trying to help the fashion industry. The Company is certified by United Nations Framework Convention on Climate Change, which allows us to assist our customers in tracking, neutralising canceling carbon emission and committing to contribute to climate actions through the Clean Development Mechanism (CDM) projects. CDM projects are accredited climate-friendly projects under the United Nation Carbon Offset Platform. In 2020, our Company has cancelled 3,042 Carbon Emission Reductions (CERs), which is equivalent to 1,242 tonnes of CO_2e. Together with the customers of the Group, we are working hard towards this pathway to tackle climate change brought by greenhouse gas emission.

Emission Mitigation

During the pandemic of COVID-19, air transportation across countries is significantly disrupted. Therefore, we adopted online video conferences to communicate with our overseas business partners. Such an innovative practice has significantly diminished much of the carbon footprint induced by business travels and reduced other indirect GHG emissions (Scope 3). Besides, we also put much effort on optimizing operation flow in our warehouse by phasing out low energy-efficiency equipment. We will keep on monitoring the operation process and replacing obsolescent machines whenever possible.

Waste Management Policy

Waste management is an inevitable part of daily operation of the Group. Aside from the practice of disposing waste via licensed waste collectors, we have also provided waste management service to the customers. Due to the business nature of the Group, the amount of hazardous waste is minimal and possibly be negligible. For non-hazardous waste, our major source of waste comes from daily business operation which includes domestic wastes and food waste. Waste is collected by the property management team and sent to the landfill sites. Since our office only produces slight amount of non-hazardous waste, the figure is insignificant to report.

We understand that reducing waste at source is the most critical way to conserve the valuable resources. Therefore, we adopt various policies to reduce waste at source, such as encouraging the employees to use electronic copies instead of printing hard copies for internal meetings. Also, we would consider the distribution of personal electrical appliances to each employee carefully for better utilization of resources and avoidance of idling resources. Within the Group, resources and materials are reused and recycled whenever possible. Also, we place a number of recycling bins in the offices in order to emphasise the importance of recycling. For those non-recyclable residues, we would try our best to handle them in an environmentally responsible manner before sending to the landfill site.

Our Professional Waste Solution

In recent years, we have noticed that the fashion industry has been paying more attention to the environment and starting to seek ways to better utilize resources uphold. As a pioneer in promoting one-stop green logistics solutions, we believe we are capable to share our knowledge and experience on energy conservation, waste reduction and resource recycling with our business partners. Meanwhile, our customers from the world's largest manufacturer of garment retail products has delivered a welcoming response to participate in our recycle program which provides us with a precious collaboration opportunity. We hope to reduce the cost of operation of the customers and assist them in earning additional green revenue and benefit through brand building. Starting from the preliminary stage of the program, we have set the below objectives for the program:

- Provision of sustainable solution in line with local regulation and customers' 3 pillars sustainability strategy for managing surplus products and unwanted materials.

- Provision of secured solution to protect the intellectual property and brand image owned by customers for managing surplus products and unwanted materials.

- Provision of quantifiable and measurable solutions to facilitate customers in managing the surplus products and unwanted materials.

Our programmes combine the three elements of "People, Process and Technology" and implement these programmes in both Mainland China and Hong Kong.

One of our programmes regarding recycling deals with materials, which include paper, glass, plastic, garment, wood, scrap metal and leather. As company brand security is concerned by the customers, especially on clothing items from fashion brands, for our recycling project in China. We offer a collection of recycling process for fashion brands that prevent the brand logo from illegal use. The Group understands the concern of its customers such that we carry out a 3-step process in handling the security management, including logo protection, transportation, and operation. For each categories of waste that we are dealing with, the Group tailored a set of systematic procedures in order to maximise the recycling rate. On the other hand, the Group also provides consultation service for better optimization of business under national certified channels. It helps the customers to review their existing practice on solid waste then further enhance the operation process.

Alongside with the recycling project mentioned above, the Group also works closely with Hong Kong waste collecting firms and other collection points in China focusing on the packaging materials in the supply chain. These materials such as hangers, plastics, paper products and waste garments usually end up in the landfills after delivery to stores. Under our program, these materials can be recycled and sent back to the supplier for further use. The program contains five steps: collection, sorting, processing, delivery and reporting. With the support from recycler partners, we have set up five collection points in China. After preliminary sorting, all of these resources will be sent to Shanghai for further sorting. Brands and item details are removed in advance by accredited workers as security issues are of the top priority, especially to protect the intellectual property of our customers. Hangers are scrapped and pelletized. Paper products are pulped and become the raw material of cartons. For waste garments, they will be washed, maximizing the value through reuse and recycling.

This program has contributed to the conservation and protection of natural resources. For example, paper is one of the most common materials collected from the supply chain. After collecting a large amount of papers, we would powder the paper into paper pulp, and to make cartons from it. The cartons are then being used in transporting goods within the fashion industry. The recycling of paper has a positive influence on wood logging and even deforestation. Paper products consume large amounts of wood during the process. Wood logging and deforestation would severely harm the natural environment and access to natural resources. This provided a win-win solution in reducing the use of logged wood for carton production in packaging as well as closing the loop in the huge resource usage and wastage in the industry. The program would continue with a growing trend by inviting more customers to join with the positive impacts that this program brings.

For FY2020, the Group has received 369,532 kg of materials for recycling under the "CNL Green Solutions Service". It is an encouraging number as the number has nearly tripled compared with 2018–2019 (138,158.6 kg).

Location	Hangers (kg)	Polybags (kg)	Cardboard (kg)	Beauty glass/ plastics (kg)	Electronics (kg)	Clothing (kg)
Hong Kong	33,910	19,134	95,200	146	984	28.5
Shanghai	820.8	1,150.5	213,252	0	0	0
Beijing	117	155.4	1,172	0	0	0
Chengdu	154.9	307.9	2,999	0	0	0
Total	35,002.7	20,747.8	312,623	146	984	28.5

A2. Use of Resources

The Group stresses on promoting the wise use of resources. "Reduce, Reuse, and Recycle" waste hierarchy is adopted and the aim is to extract the maximum practical benefits from products and to generate the minimum amount of waste.

Energy Consumption

Energy usage occupies a large proportion of input in our operation, which involves in powering the electrical appliances in our office, warehouse and driving vehicle engines, etc. The Group is aware of the importance on reducing greenhouse gas emission through energy conservation. Despite of necessities that requires all-day electricity supply, we encourage our employees to switch off all idling electronic appliances, lighting, and air conditioning. The following table sums up our consumption on various type of energy.

Type of energy	Consumption	Unit
Non-renewable fuel consumption	583.625	kWh
Electricity purchased	8,145.274	kWh
Total consumption	8,728.899	kWh
Intensity per floor area	0.116	kWh/m^2

Water Consumption & Efficient Water Usage

Water usage is another essential element in our daily operations, such as sanitation and cleaning. Within our offices, we have labels with water saving tips in our office. During FY2020, the water consumption of the Group and its intensity were as follows:

Water consumption	Consumption amount	Unit
Total consumption	15,108.260	m^3
Intensity per floor area	0.135	m^3/m^2

Although our water consumption is low, we understand that we can still do better to reserve fresh water resources. The Company will review the water usage regularly and response whenever necessary. During FY2020, the Group did not involve any violation of laws and regulations regarding water sourcing and usage.

Adoption of Packaging Materials

As a logistic company, it is unavoidable to use packaging materials for the operation. However, as previously mentioned, we have developed a program to close the loop inside the recycling supply chain. The Group will keep pursuing and work closely with the industry in the future.

Types of packaging materials	Consumption amount	Unit
Plastics	0	Tonnes
Paper	569.9	Tonnes
Metal	0	Tonnes
Intensity	0.00754	Tonnes/m^2

A3. The Environment and Natural Resources and KPIs

In light of the uprising environmentally conscious trend, our major clients in the fashion industry demand for better usage of the resources owned. We and our business partners are holding our hands to get rid of conventional waste disposal. To cope with the issue, we decide to uphold one of important elements of the modern waste hierarchy "Recycling" and integrate it into our 'state of the art' solution. As a third-party logistics management and recycling solution provider, the Group offers diversifying services including reducing resources consumption and wastage processing. The underlying principle in supporting the campaign is a 3 pillars waste management strategy, namely environmental, security and data driven approach. Adopting the strategy allows the customers to monitor and improve the environmental performance, so that our customers can stretch their arm for better utilization of natural resources.

No major violation in laws and regulations concerning environment and natural resources is reported during FY2020.

A4. Confronting Climate Change

The Group concerns about the rising challenge brought by global climate change. As a company running business across the globe, we are very aware of the carbon footprint generated behind each of our business decisions. We will continue reviewing our policy on combating climate change and minimizing our impacts brought to our valuable environment. Under the pandemic, part of our greenhouse gas emission is lessened by the restriction on business travel. In FY2020, the Group has no signs on breaching any regulations and law enforcement.

B. SOCIAL

B1. Employment

The Group believes that employees are fundamental to the business operation and development, therefore, has dedicated to creating a favourable working environment for employees. To create a safe, fair and socially responsible working environment, the Group complies with the labour legislations and related regulations in Hong Kong and the PRC and has relevant commitments as follows:

1. Employment is freely chosen;
2. Freedom of association and the right to collective bargaining are respected;
3. Working conditions are safe and hygienic;
4. Child labour shall not be used;
5. Living wages are paid;
6. Working hours are not excessive;
7. No discrimination is practised;
8. Regular employment is provided; and
9. No harsh or inhumane treatment is allowed.

The Group is also complying with the Ethical Trading Initiative ("ETI")'s requirements and introduced, which is a program of independent audits to measure ethical and social compliance within our global network. Both our employees and the actual case happened under the ETI base code will determine how the program evolves.

The relevant internal policies, laws and regulations are reviewed and revised half-yearly and the latest version is updated on 31 December 2020. During FY2020, the Group is not aware of any non-compliance with laws and regulations that have a significant impact in respect of recruitment, remuneration, promotion, career development, communication channels, working hours, rest periods, compensation, dismissal and retirement, diversity, equal opportunity and anti-discrimination and employee benefits.

As of 31 December 2020, the Group's total number of employees in Hong Kong and PRC offices was 409, which comprises of 183 male and 226 female staff. The following table sets forth the total number and distribution of the Group's employees during FY2020:

	Total workforce
Gender	
Male	183
Female	226
Type of employment	
General manager or above	13
Senior manager	29
Officer, clerk	349
Contract	18
Age group	
19 or below	0
20–29	42
30–39	171
40–49	108
50 or above	88
Geographical regions	
Hong Kong	172
China	237
Total	409

In addition, the staff turnover was 91, of whom, 47 were male and 44 were female. The following table sets forth the employee turnover during FY2020:

	Employee turnover
Gender	
Male	47
Female	44
Age group	
19 or below	0
20–29	22
30–39	25
40–49	16
50 or above	28
Geographical regions	
Hong Kong	40
China	51
Total	91

Recruitment and Remuneration

Our Recruitment and Hiring Policy guides the employment process and ensures consistency. Talent recruitment is conducted openly and fairly, seeking to employ outstanding candidates based solely upon their qualifications, experience and ability to perform the particular responsibilities. Clear conditions and restrictions are applicable to relatives of employees who apply for a position. Declaration must also be made in such cases to avoid preferential selection.

Promotion and Career Development

Offering excellent prospects and career development opportunities to our employees, we prioritise internal transfers when filling vacant positions to the extent whenever possible. We assess and evaluate the performance of employees on a regular basis, providing a basis for salary adjustment and promotion plans, as well as encouraging the discussion and communication between employees and the management regarding job requirements and performance to improve work efficiency.

Communication Channels

We understand that an effective employees' communication with one another is a crucial part in the operation and continuous development of the Group. Therefore, we encourage exchange of idea, insight, innovation and information by providing various communication channels, including but not limited to the followings:

1. Meeting;
2. Social activities;
3. Seminars;
4. Assessment; and
5. Training.

Daily and open communication ensures that there is no missing or ignorance of idea, comments and feedbacks from our employees. At the same time, our employees are being informed of the latest information through the above communication channels.

Working Hours and Rest Periods

The Group considers employees as valuable assets. Therefore, we aim at providing work-life balance to our employees with highest overall operational efficiency. We safeguard the normal working hours with the schedule of the alternative Saturday for certain positions to promote our "Customer-Centric" value. For the overtime work, we strictly follow our policy of overtime payment and overtime transportation allowance.

Compensation, Dismissal and Retirement Arrangement

The Group provides guidelines to ensure a fair and justifiable process for termination of employment. The human resources department conducts exit interviews for employees who resign, in order to understand the reasons of resignation and collect valuable feedback. Involuntary termination of employment occurs only in case of serious misconduct or violation of the Group's policy. During FY2020, we did not note any non-compliance relating to compensation, dismissal, and retirement arrangement.

Diversity, Equal Opportunity, and Anti-discrimination

The Group is focusing on eliminating any forms of discrimination, on the grounds of gender, race, age, or religion. All unfair and discriminating employment practices are prohibited. To maintain the diversity in workplace, we have in place a board diversity policy which particularly assesses the Board composition under diversified perspectives including gender, age, cultural and educational background, and professional experience. We will expand our relevant policy towards our employees in the future, and keep promoting diversity and inclusion in the Group, ensuring we adopt fair and ethical labour practices respecting fundamental human rights of all employees.

Employee Benefits and Welfare

The Group provides a market-competitive benefit and welfare to our employees, we offer performance bonus to recognize employees' contribution and motivate the work spirit of our valuable employees. We also grant to all permanent employees in compliance with local business practice, a discretionary Chinese New Year end bonus.

Paid annual leave and birthday holiday are granted to all eligible employees, to provide our valued employees a sufficient time for rest and relaxation apart from the work routines. In accordance with the labour legislations and related regulations in Hong Kong and the PRC, we provide maternity leave and sick leave pay to our female employees who is pregnant or who has given birth to a child. For the employees who work overnight or on Sunday or public holiday, we offer compensation leave instead of overtime payment.

Besides, we provide petty cash claims, which includes all personal and administration expenses, such as travel expenses, overtime transportation allowance, data sim charges, team building expenses and administration's purchasing goods, etc., with the approval of our individual department head. We also offer inpatient and outpatient group medical schemes to all our permanent employees to take care of their personal health, Mandatory Provident Fund Scheme which ensure a financially sound retirement for our employees, celebratory money for marriage or new-born baby, and compassionate money for death of immediate family.

B2. Health and Safety

The Group has compliance with the Labor Law of the PRC, the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and other relevant labour laws and regulations in Hong Kong in providing a safe working environment and protecting employees from occupational hazard. To raise employees' safety awareness, the Group provides front line staff in warehouse operations with occupational health and safety guidelines.

We install appropriate equipment to prevent employees from occupational injuries and prepare a first aid kit for simple first aid. Annual fire drill is also conducted for all operations. Inspection of fire facilities and fire exit conditions is carried out half yearly. In general, the Group inspects the workplaces and safety equipment quarterly and the latest update was on 31 December 2020.

During FY2020, the Group was not aware of any material non-compliance with relevant laws and regulations related to providing a safe working environment and protecting employees from occupational hazard, safeguarding the health and safety, in the last year.

Under the impact of COVID-19, the Group implemented work arrangement with Group A/B roster, off-peak hours commute, and distribution of protection equipment for employees, including medical masks and hand sanitizer.

The Group is committed to responding promptly to any situations that could be damaging to the Group or cause harm to others such as emergencies, accidents, irregularities, or other unexpected events. Our employees are also required to notify their supervisor or higher management of these situations and take reasonable action to prevent damage or harm. Situations covered are those that may result in injury, illness or loss of life, damage to property or the environment, violation of the law or other applicable regulations, interruptions of service, and failure to meet the Group's obligations.

During FY2020, the Group did not record any accidents that resulted in serious physical injury or death, and no claims or compensation were paid to its employees due to such events.

	Number
Rate of fatalities due to employees' work injuries	0
Number of working days lost due to employees' work injuries	0

B3. Development and Training

Mandatory training is provided in form of the new employee orientation for all newly hired regular full-time staff to facilitate the development of our staff, which determines the growth of our business. The orientation enables new employees to get an overall view on the Company and the job position, with the contents including the history of the Group, the structure of the local station and own department, introduction to all departments and the employee's job responsibility.

The Group also provides on-the-job training offered by related department and led by department heads to maximise our staff's skills, passion and initiative for work. The learning progress, such as quality and quantity of work, familiarity with in-house systems is supervised by senior staff.

During FY2020, training hours completed by employees in Hong Kong and PRC amounted to approximately 6,135 hours. The following table sets forth the average training hours per employee in terms of gender and employee category:

	Total employees trained	Average training hours per employee (Hour/ employee)
Gender		
Male	183	15
Female	226	15
Employee Category		
General manager or above	13	15
Senior manager	29	15
Officer, clerk	349	15
Contract	18	15

Focus on Employee Development

The Group respects the right of employees to engage in outside activities, including business interests but they must declare the interests and obtain pre-approval from senior management. We have also organised various team building activities each year, such as camping, to enhance our team bonding.

B4. Labour Standards

The Group strictly complies with the Labor Law of the PRC, the Labor Contract Law of the PRC, the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and other relevant labour laws and regulations in Hong Kong in the prevention of child and forced labour. During FY2020, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations.

Prevention of Child Labour and Forced Labour

According to the background check policy, the human resources department performs a background check for job applicants to verify their identity and age during the recruitment process to prevent hiring of child labour. We also ensure the terms and conditions laid out in the employment contracts are following legal requirements.

During FY2020, the Group was not aware of any material non-compliance with relevant laws and regulations relating to preventing child labour and forced labour.

B5. Supply Chain Management

The Group values and treasures our long-term and well-established relationship with suppliers. We aim at maintaining this close bonding with our business partners. During FY2020, the Group had a total of 1,333 suppliers, located in Hong Kong, PRC, Japan, Korea, Italy, and Taiwan.

The following table sets forth the number of the Group's suppliers and their geographical locations during FY2020:

	Number of suppliers
Hong Kong	308
China	263
Japan	68
Korea	13
Italy	417
Taiwan	264
Total	1,333

Environmental and Social Responsibility of Suppliers

The Group expresses a passion for sustainability by providing our waste solution and promote community participation, including the business sector, in waste reducing, reusing and recycling. We keep striving for reducing waste and encouraging the circular economy, starting from our business partners. We receive waste material, like wastepaper, plastic hangers, etc., from our customers, then send the materials to our regional distribution centre to recycle instead of the landfill sites. In China, we have five local warehouses are designated as collection points to receive the recyclable items, including Hong Kong, Shanghai, Beijing, Chengdu, and Guangzhou. Then, the collected material will be delivered to Shanghai warehouse for recycling. We have built up a recycle and reverse logistics as the recycled materials can eventually be used in retail stores, and the loop process is formed.

B6. Product Responsibility

Ensuring customer satisfaction with our services is a priority for the Group. We place importance on the quality standard of our services to achieve sustainable growth of our business. We are committed to ensure compliance with the laws and regulations relating to product health and safety, labelling and privacy matters including the Product Quality Law of the PRC and the Personal Data (Privacy) Ordinance of the laws of Hong Kong. During FY2020, we are not aware of any incidents of non-compliance with laws and regulation in health and safety, advertising, labelling, and privacy matters related to services provided, and methods of redress.

Quality and Safety of Services

For health and safety reason, the Group checks carefully if there are any hidden dangerous cargoes, ensuring that we observe the strict limitations and control on dangerous goods and prevent any danger to public safety. During FY2020, none of the product shipped by us were subject to recalls for safety or health reason, and we received no complaint related to our services.

Customer Privacy Protection

All the collected information from customers and companies is kept confidential. Such document copies are shredded before they are disposed. The use of backside of document copies is not allowed for use outside the Group.

Advertising and Labelling

Proper labelling on incoming cargoes is required for easy identification and locating. We use different types of labels to display important information of the goods, such as quantity, origin, and destination. These labels must be placed on a visible location and must not cover customer's labels or markings on the cartons.

Protection of Intellectual Property Rights

The corporate human resources department provides guidelines on protection of our intellectual property rights in respect of assets including logos, patents, trademarks and service marks, domain names, copyrights for both hardware and software. The use of all copyrighted materials of the Group should be authorised. Employees who have the right to access or control proprietary information are required to carry out adequate protection measures to prevent any abuse or misuse.

B7. Anti-corruption

Anti-corruption

The Group realizes that the importance of having every decision made with objectivity, which is based on the needs of the Group but not on personal interests or relationships. We take a zero-tolerance approach to bribery and corruption with our "Anti-Bribery & Anti-Corruption Policy" and we are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate.

The Group is committed to abiding by all laws and regulations, including the Anti-Money Laundering Law of the PRC, the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and other national or regional laws and regulations, and to prevent bribery wherever we do business. We forbid paying, offering, asking for, proposing terms for, or accepting, bribes directly or with the assistance of any organisation or individual. We are also strictly prohibited from discussing terms with people who ask for or offer bribes.

We must decline entertainment, gifts, or other benefits, including personal favours, or preferential treatment, that could in any way influence, or appear to influence, business decisions in favour of any person or organisation with which the Group may have business dealings. We are also under an obligation to ensure agents or others providing gifts or entertainment on the Group's behalf follow our guidelines of "Anti-Bribery & Anti-Corruption Policy".

At the same time, the Group gathers information fairly and legally and never by dubious means such as theft, illegal entry, bribery, misrepresentation of anyone or electronic eavesdropping.

During FY2020, we are not aware of any incidents of material non-compliance with laws and regulation in bribery, extortion, fraud, and money laundering.

Whistle-blowing System

The employees are required to report any suspected cases of ethical or legal misconduct related to anyone working on behalf of the Group to their direct manager, or the Chief Financial Officer promptly, as mentioned in our "Code of Conduct".

Each of us has an obligation to fully comply with its provisions and promptly report ethical concerns and potential or actual violations of the Code, whether it is known who may be responsible for the violation or how it may have occurred. We have no tolerance in any assistance or authorising others in activities that breach the Code or concealing or failing to report any known or suspected breaches by others. All the above behaviours are also counted as breach of the Code.

Any types of potential actual violations of the Code must be reported to the Chief Financial Officer. Alternatively, one may prefer to initially report to his/her manager or local Human Resources representatives who must in turn report to the Chief Financial Officer. Business partners, suppliers and other third parties are encouraged to report any violations directly to the Chief Financial Officer.

As the Group takes this reporting seriously and wants to fully investigate both potential and actual violations, it is preferred that these reports not be made anonymously. All reports and inquiries will be handled confidentially to the extent possible under the circumstances to preserve anonymity. We value the help of employees who identify potential problems that we need to address and will ensure that reports are kept confidential, including the identity of the reporter.

B8. Community Investment and Participation

The Group makes charitable donations from time to time, normally in the form of sponsorship to support someone's endeavours and is donated via "just giving" in activities. We often match sums raised by staff. However, we do not make contributions to political parties, and only make charitable donations that are legal and ethical under local laws and practices.

APPENDIX

1. Appendix 1 – Overview of Key Performance Indicator

Environmental Performance

Key Environmental Performance Indicators		2020	Unit
Aspect A1 Emission			
KPI A1.1	Types of emissions and respective emission data		
	Nitrogen oxides (NO_x)	70.9	kg
	Sulphur oxides (SO_x)	10.1	kg
	Particulate matters (PM)	5.2	kg
KPI A1.2	Greenhouse gas emissions		
	Scope 1 Direct greenhouse gas emission	114.3	tonnes
	Scope 2 Indirect greenhouse gas emission	5,511.5	tonnes
	Scope 3 Other indirect greenhouse gas emission	311.2	tonnes
	Total greenhouse gas emission	5,936.9	tonnes
	Intensity per floor area	0.0786	tonnes/m^2
KPI A1.3	Hazardous waste		
	Total hazardous waste	negligible	tonnes
	Intensity per floor area	negligible	tonnes/m^2
KPI A1.4	Non-hazardous waste		
	Total non-hazardous waste	negligible	tonnes
	Intensity per floor area	negligible	tonnes/m^2
Aspect A2 Use of Resources			
KPI A2.1	Energy consumption		
	Total energy consumption	8,728.899	(000')kWh
	Intensity	0.116	(000')kWh/m^2
KPI A2.2	Water consumption		
	Total consumption	15,108.3	m^3
	Intensity	0.135	m^3/m^2
KPI A2.3	Total packaging materials		
	Plastic	0	tonnes
	Paper	569.9	tonnes
	Metal	0	tonnes
	Total packaging materials	569.9	tonnes
	Packaging material intensity	0.0075	tonnes/m^2

Social Performance

Key Social Performance Indicators			**2020**
Aspect B1 Employment			
KPI B1.1	Total workforce		
	Gender	Female	226
		Male	183
	Employment type	General manager or above	13
		Senior manager	29
		Officer, clerk	349
		Contract	18
	Age group	19 or below	0
		20–29	42
		30–39	171
		40–49	108
		50 or above	88
	Geographical region	Hong Kong	237
		China	172
KPI B1.2	Employee turnover rate		
	Gender	Female	44
		Male	47
	Age group	19 or below	0
		20–29	22
		30–39	25
		40–49	16
		50 or above	28
	Geographical region	Hong Kong	51
		China	40
Aspect B2 Health and Safety			
KPI B2.1	Work-related fatalities		0
KPI B2.2	Lost days due to work injury		0

Key Social Performance Indicators			**2020**
Aspect B3 Development and Training			
KPI B3.1	Number of trained employees		
	Gender	Female	226
		Male	183
	Employee category	General manager or above	13
		Senior manager	29
		Officer, clerk	349
		Contract	18
KPI B3.2	Average training hours completed		
	Gender	Male	15
		Female	15
	Employee category	General manager or above	15
		Senior manager	15
		Officer, clerk	15
		Contract	15
KPI B5.1	Supply Chain Management		
	Number of suppliers by geographical regions	China	263
		Hong Kong	308
		Korea	13
		Italy	417
		Japan	68
		Taiwan	264
	Total number of suppliers		1,333
Aspect B6 Product Responsibility			
KPI B6.1	Total products sold or shipped subject to recalls		0
KPI B6.2	Number of complaints		0
Aspect B7 Anti-corruption			
KPI B7.1	Number of legal cases		0

2. Appendix 2 – The ESG Reporting Guide Content Index of HKEX

Aspects, General Disclosures and KPIs	Description	Compliance Level	Section
Aspect A1: Emission			
General Disclosure	Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer Relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Comply	A. Environmental, A1. Emissions
KPI A1.1	The types of emissions and respective emissions data	Comply	Exhaust Gas Emissions
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Comply	Greenhouse Gases Emissions
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	Explain	Waste Management Policy
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	Explain	Waste Management Policy
KPI A1.5	Description of measures to mitigate emissions and results achieved	Comply	Emission Mitigation
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set, and steps taken to achieve them	Comply	Waste Management Policy, Our Professional Waste Solution
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Comply	A2. Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Comply	Energy Consumption
KPI A2.2	Water consumption in total and intensity	Comply	Waste Consumption & Efficient Water Usage
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Comply	Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water comply efficiency initiatives and results achieved	Comply	Waste Consumption & Efficient Water Usage
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Comply	Adoption of Packaging Materials
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Comply	A3. The Environment and Natural Resources and KPIs
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Comply	A3. The Environment and Natural Resources and KPIs

Aspects, General Disclosures and KPIs	Description	Compliance Level	Section
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Comply	B1. Employment
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Comply	B2. Health and Safety
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Comply	B3. Development and Training
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Comply	B4. Labour Standards
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Comply	B5. Supply Chain Management
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Comply	B6. Product Responsibility
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Comply	B7. Anti-corruption
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Comply	B8. Community Investment and Participation

To the shareholders of CN Logistics International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CN Logistics International Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 67 to 140, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31 December 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of the consolidated financial performance and the consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Expected credit loss allowance for trade receivables

Refer to note 26(a) to the consolidated financial statements and the accounting policies on note 1(k)(i).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2020, the Group's gross trade receivables amounted to HK$328,788,000, against which a loss allowance of HK$2,018,000 for expected credit losses was recorded. Management measures the loss allowance at an amount equal to lifetime expected credit loss based on estimated loss rates of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers, current market conditions, customer-specific conditions and forward-looking information. Such assessment involves significant management judgement and estimation. We identified the expected credit loss allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the expected credit loss allowance for trade receivables included the following: – obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance; – assessing whether items in the trade receivables ageing report were categorised in the appropriate ageing bracket by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis; – assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and – re-performing the calculation of the loss allowance as at 31 December 2020 based on the Group's credit loss allowance policies.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financials statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sylvene Fong.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 $'000
Revenue	3	**2,020,562**	1,483,849
Cost of services		**(1,626,254)**	(1,177,061)
Gross profit		**394,308**	306,788
Other income	4(a)	**15,384**	1,272
Other net (loss)/gain	4(b)	**(2,810)**	327
Administrative and other operating expenses		**(279,021)**	(231,946)
Profit from operations		**127,861**	76,441
Finance costs	5(a)	**(11,751)**	(9,447)
Share of profits of associates	15	**594**	934
Profit before taxation	5	**116,704**	67,928
Income tax	6(a)	**(34,693)**	(23,378)
Profit for the year		**82,011**	44,550
Attributable to:			
Equity shareholders of the Company		**55,521**	23,614
Non-controlling interests		**26,490**	20,936
Profit for the year		**82,011**	44,550
Earnings per share (Hong Kong cents)	10		
Basic and diluted		**41.2**	N/A

The notes on pages 74 to 140 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020** **$'000**	2019 $'000
Profit for the year		**82,011**	44,550
Other comprehensive income for the year (after tax)	9		
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit retirement obligations		**(2,089)**	(1,136)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**12,559**	(564)
Total comprehensive income for the year		**92,481**	42,850
Attributable to:			
Equity shareholders of the Company		**63,751**	22,515
Non-controlling interests		**28,730**	20,335
Total comprehensive income for the year		**92,481**	42,850

The notes on pages 74 to 140 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 $'000
Non-current assets			
Property, plant and equipment	11	**235,197**	235,499
Prepayment for acquisition of property, plant and equipment	11(c)	**25,167**	–
Intangible assets	12	**576**	222
Goodwill	13	**24,633**	23,202
Interests in associates	15	**2,676**	2,023
Other financial assets	16	**404**	403
Deferred tax assets	24(b)	**2,551**	1,532
		291,204	262,881
Current assets			
Trade and other receivables and contract assets	17	**374,395**	300,712
Amount due from a director	27(b)	**–**	11,500
Amounts due from Cargo Services Group	27(b)	**36,729**	260,249
Amounts due from EV Cargo Group	27(b)	**84,113**	18,634
Amounts due from associates	27(b)	**513**	1,111
Pledged bank deposits	18	**2,323**	3,022
Cash and cash equivalents	19	**255,323**	102,794
		753,396	698,022
Current liabilities			
Trade and other payables and contract liabilities	20	**316,781**	203,915
Amounts due to Cargo Services Group	27(b)	**6,000**	107,227
Amounts due to EV Cargo Group	27(b)	**100**	3,601
Amounts due to associates	27(b)	**873**	2,284
Bank loans and overdrafts	21	**87,845**	83,866
Lease liabilities	22	**54,761**	58,888
Current taxation	24(a)	**16,601**	15,126
		482,961	474,907
Net current assets		**270,435**	223,115
Total assets less current liabilities		**561,639**	485,996

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 $'000
Non-current liabilities			
Bank loans	21	**908**	3,389
Lease liabilities	22	**93,078**	93,081
Defined benefit retirement obligations	23	**12,808**	7,395
Deferred tax liabilities	24(b)	**5,645**	3,710
		112,439	107,575
NET ASSETS		**449,200**	378,421
CAPITAL AND RESERVES	25		
Share capital		**1,950**	780
Reserves		**350,707**	271,817
Total equity attributable to equity shareholders of the Company		**352,657**	272,597
Non-controlling interests		**96,543**	105,824
TOTAL EQUITY		**449,200**	378,421

Approval and authorised for issue by the board of directors on 26 March 2021.

Ngan Tim Wing
Director

Cheung Siu Ming Ringo
Director

The notes on pages 74 to 140 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Reserve fund $'000	Exchange reserve $'000	Net parent investment $'000	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019		390	–	37	13,785	(273)	48,064	172,580	234,583	122,642	357,225
Changes in equity for 2019:											
Profit for the year		–	–	–	–	–	1,848	21,766	23,614	20,936	44,550
Other comprehensive income	9	–	–	–	–	(453)	–	(646)	(1,099)	(601)	(1,700)
Total comprehensive income		–	–	–	–	(453)	1,848	21,120	22,515	20,335	42,850
Dividend paid to non-controlling interests	25(b)	–	–	–	–	–	–	–	–	(5,883)	(5,883)
Transfer to reserve fund	25(d)(iii)	–	–	–	1,157	–	–	(1,157)	–	–	–
Capitalisation issue of shares	25(c)	296	(296)	–	–	–	–	–	–	–	–
Issuance of shares for acquisition of non-controlling interests	25(c)	94	61,466	–	–	–	–	(30,290)	31,270	(31,270)	–
Deemed distribution to the Parent Company	25(d)(v)	–	–	–	–	–	(15,771)	–	(15,771)	–	(15,771)
Balance at 31 December 2019		780	61,170	37	14,942	(726)	34,141	162,253	272,597	105,824	378,421

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Reserve fund $'000	Exchange reserve $'000	Net parent investment $'000	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2020		780	61,170	37	14,942	(726)	34,141	162,253	272,597	105,824	378,421
Changes in equity for 2020:											
Profit for the year		-	-	-	-	-	-	55,521	55,521	26,490	82,011
Other comprehensive income	9	-	-	-	-	9,692	-	(1,462)	8,230	2,240	10,470
Total comprehensive income		-	-	-	-	9,692	-	54,059	63,751	28,730	92,481
Dividend paid to shareholders	25(b)	-	-	-	-	-	-	(85,344)	(85,344)	-	(85,344)
Dividend paid to non-controlling interests	25(b)	-	-	-	-	-	-	-	-	(37,757)	(37,757)
Transfer to reserve fund	25(d)(iii)	-	-	-	496	-	-	(496)	-	-	-
Capitalisation issue of shares	25(c)	714	(714)	-	-	-	-	-	-	-	-
Issuance of shares to pre-public offering investors	25(c)	37	19,963	-	-	-	-	-	20,000	-	20,000
Issuance of shares upon public offering and international placing	25(c)	419	142,858	-	-	-	-	-	143,277	-	143,277
Expenses incurred in connection with public offering and international placing		-	(28,812)	-	-	-	-	-	(28,812)	-	(28,812)
Deemed acquisition of shares of non-controlling interests		-	-	254	-	-	-	-	254	(254)	-
Deemed distribution to the Parent Company	25(d)(v)	-	-	-	-	-	(34,141)	1,075	(33,066)	-	(33,066)
Balance at 31 December 2020		1,950	194,465	291	15,438	8,966	-	131,547	352,657	96,543	449,200

The notes on pages 74 to 140 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 $'000
Operating activities			
Cash generated from operations	19(b)	**253,676**	164,733
Hong Kong Profits Tax paid		**(12,082)**	(2,042)
Tax paid outside Hong Kong		**(20,476)**	(19,980)
Net cash generated from operating activities		**221,118**	142,711
Investing activities			
Payment for purchase of property, plant and equipment		**(14,243)**	(20,818)
Payment for prepayment for acquisition of property, plant and equipment		**(25,167)**	–
Proceeds from disposal of property, plant and equipment		**215**	1,514
Payment for purchase of intangible assets		**(570)**	(48)
Decrease/(increase) in pledged bank deposits		**783**	(297)
Interest received		**338**	439
Net increase in amounts due from Cargo Services Group		**–**	(16,570)
Net increase in amounts due from associates		**–**	(596)
Decrease in amount due from a director		**1,831**	16
Dividend income received from other financial assets		**41**	26
Proceeds from disposal of a subsidiary	19(e)	**–**	5,392
Net cash used in investing activities		**(36,772)**	(30,942)
Financing activities			
Capital element of lease rentals paid	19(c)	**(71,940)**	(83,691)
Interest element of lease rentals paid	19(c)	**(7,635)**	(5,632)
Proceeds from new bank loans	19(c)	**252,901**	271,618
Repayment of bank loans	19(c)	**(251,773)**	(263,052)
Net proceeds from Cargo Services Group	19(c)	**–**	161
Net (decrease)/increase in amounts due to Cargo Services Group	19(c)	**(17,194)**	9,343
Interest paid	19(c)	**(4,116)**	(3,815)
Dividend paid to shareholders prior to listing	25(b)	**(572)**	–
Dividend paid to non-controlling interests	25(b)	**(37,757)**	(5,883)
Proceeds from issuance of shares to pre-public offering investors		**20,000**	–
Issuance of shares upon public offer and international placing		**143,277**	–
Payment of listing expenses		**(28,812)**	(2,527)
Deemed cash distribution to the Parent Company	25(d)(v)	**(33,066)**	(15,771)
Net cash used in financing activities		**(36,687)**	(99,249)
Net increase in cash and cash equivalents		**147,659**	12,520
Cash and cash equivalents at the beginning of the year		**101,477**	89,515
Effect of foreign exchange rate changes		**6,151**	(558)
Cash and cash equivalents at the end of the year	19(a)	**255,287**	101,477

Material non-cash transaction:

During the year ended 31 December 2020, the Company declared a dividend of $85,344,000 to the Shareholders, among which the payment of $84,772,000 was settled by way of setting off with amount due from a director and Cargo Services Group. See note 25(b).

The notes on pages 74 to 140 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investments in equity securities which are stated at their fair values as explained in the accounting policy note 1(g).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

– Amendments to HKFRS 3, *Definition of a Business*

– Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of the amended HKFRSs is discussed below:

Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 11(b)). There is no impact on the opening balance of equity at 1 January 2020.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(o) or 1(p) depending on the nature of the liability.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and 1(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 1(k)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(e). These investments are subsequently accounted for as follows.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(t)(iv).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(j)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Furniture and fixtures	5 years
–	Leasehold improvements	Over the unexpired lease term
–	Right-of-use assets	Over the unexpired lease term
–	Motor vehicles	4–8 years
–	Office equipment and machinery	2–5 years
–	Computer equipment	3–5 years
–	Warehouse equipment	3–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Software	1–3 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(k)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position. The current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables and contract assets as defined in HKFRS 15 (see note 1(l)).

Other financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(t)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill;

– investments in subsidiaries in the Company's statement of financial position; and

– investments in associates.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(t)(iii)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(k)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(v)).

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(ii) Defined benefit retirement plan obligations (Continued)

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "administrative and other operating expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained profits. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions, contingent liabilities and onerous contracts (Continued)

(ii) ***Onerous contracts***

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) ***Freight forwarding services***

Freight forwarding services include air freight forwarding services and ocean freight forwarding services. Revenue from freight forwarding services is recognised over time.

(ii) ***Distribution and logistics services***

Revenue from distribution and logistics services is recognised when the services are rendered.

(iii) ***Interest income***

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(k)(i)).

(iv) ***Dividends***

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) ***Government grants***

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising from acquisition of foreign operations on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 13 and 23 contain information about the assumptions and their risk factors relating to goodwill impairment and defined benefit retirement obligations.

In addition, in the process of applying the Group's accounting policies, management has made the following accounting judgements and estimates which have the most significant effect on the amounts recognised in the financial statements:

Expected credit loss allowance for trade receivables

The Group's recognises the expected credit loss allowance for trade receivables subsequent to initial recognition of these assets based on information about past events, current conditions and forecast future economic conditions. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, management considers available reasonable and supportable information such as actual or expected significant changes in the operating results of customers and actual or expected significant adverse changes in business and customers' financial position. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are provisions of air freight forwarding services, ocean freight forwarding services and distribution and logistics services. Further details regarding the Group's principal activities are disclosed in note 3(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2020 **$'000**	2019 $'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Provision of air freight forwarding services	**1,424,147**	916,951
– Provision of ocean freight forwarding services	**250,851**	253,229
– Provision of distribution and logistics services	**345,564**	313,669
	2,020,562	1,483,849

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

Disaggregation of revenue from contracts with customers by geographic locations is disclosed in note 3(b)(ii).

Revenue arising from the provisions of air freight forwarding services and ocean freight forwarding services is recognised over time as customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. The revenue is recognised using output method based on either time lapse or units processed.

Revenue arising from the provision of distribution and logistics services is recognised at a point in time when the relevant services are rendered.

All of the Group's revenue either have contracts with an original expected duration of one year or less or is recognised in the amount to which the Group has a right to invoice by applying the practical expedient in paragraph B16 of HKFRS 15. Accordingly, the Group has elected to apply the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the aggregate amount of transaction price allocated to the unsatisfied performance obligations in these contracts.

The Group's customer base is diversified. Revenue from the provision of services to the customers with whom transactions have exceeded 10% of the Group's revenue during the years ended 31 December 2020 and 2019, including provision of services to entities which are known to the Group to be under common control with these customers is set out below.

	2020 **$'000**	2019 $'000
EV Cargo Group (note 27(c))	**N/A***	154,518
Cargo Services Group (note 27(c))	**287,956**	N/A*

* Less than 10% of the Group's revenue in the respective years.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Air freight: this segment provides freight forwarding services by air
- Ocean freight: this segment provides freight forwarding services by sea
- Distribution and logistics: this segment provides cost-effective supply chain solutions

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and costs of services are allocated to the reportable segments with reference to service income generated by those segments and the direct costs incurred by those segments, including the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Year ended 31 December 2020			
	Air freight $'000	**Ocean freight $'000**	**Distribution and logistics $'000**	**Total $'000**
Reportable segment revenue – external sales	**1,424,147**	**250,851**	**345,564**	**2,020,562**
Reportable segment gross profit	**259,315**	**75,309**	**59,684**	**394,308**
Other income				**15,384**
Other net loss				**(2,810)**
Administrative and other operating expenses				**(279,021)**
Finance costs				**(11,751)**
Share of profits of associates				**594**
Profit before taxation				**116,704**

	Year ended 31 December 2019			
	Air freight $'000	Ocean freight $'000	Distribution and logistics $'000	Total $'000
Reportable segment revenue – external sales	916,951	253,229	313,669	1,483,849
Reportable segment gross profit	187,978	64,311	54,499	306,788
Other income				1,272
Other net gain				327
Administrative and other operating expenses				(231,946)
Finance costs				(9,447)
Share of profits of associates				934
Profit before taxation				67,928

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Geographic information

The following table sets out information about the geographical locations of the Group's revenue from external customers and the amounts of specified non-current assets (other than deferred tax assets and other financial assets). The geographical locations of revenue from customers are based on the locations at which the services are provided. The geographical locations of the non-current assets are based on the physical locations of the assets, in the case of property, plant and equipment, the locations of the operations to which they are allocated, in the case of goodwill and intangible assets, and the locations of operations, in the case of interests in associates.

Revenue from external customers:

	2020	2019
	$'000	$'000
Hong Kong	**822,637**	502,939
Mainland China	**684,323**	532,604
Italy	**326,987**	277,069
Taiwan	**96,213**	89,492
Other countries	**90,402**	81,745
	2,020,562	1,483,849

Specified non-current assets:

	2020	2019
	$'000	$'000
Hong Kong	**101,808**	123,510
Mainland China	**92,362**	47,731
Italy	**66,495**	63,552
Taiwan	**26,449**	25,540
Other countries	**1,135**	613
	288,249	260,946

4 OTHER INCOME AND OTHER NET (LOSS)/GAIN

		2020 **$'000**	2019 $'000
(a)	***Other income***		
	Interest income	**338**	439
	Government grants (note)	**13,120**	164
	Dividend income from unlisted equity securities (note 16)	**41**	26
	Others	**1,885**	643
		15,384	1,272
(b)	***Other net (loss)/gain***		
	Gain on disposal of property, plant and equipment	**87**	60
	Net foreign exchange loss	**(4,125)**	(298)
	Others	**1,228**	565
		(2,810)	327

Note: During the year ended 31 December 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set by the HKSAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2020 $'000	2019 $'000
(a)	***Finance costs***		
	Interest on bank loans and overdrafts (note 19(c))	**3,869**	3,265
	Interest on amounts due to Cargo Services Group (note 19(c))	**247**	550
	Interest on lease liabilities (note 19(c))	**7,635**	5,632
		11,751	9,447
(b)	***Staff costs***		
	Contribution to defined contribution retirement plans	**15,299**	21,353
	Expenses recognised in respect of defined benefit retirement plans (note 23(a)(iii))	**2,279**	1,568
	Salaries, wages and other benefits	**228,941**	226,335
		246,519	249,256
(c)	***Other operating expenses (note (i))***		
	Auditors' remuneration	**4,260**	1,937
	Listing expenses	**25,492**	8,450
	Net provision for/(reversal of) impairment loss on trade receivables (note 26(a))	**1,844**	(175)
	Bad debts written off	**1,519**	–
	Communication expenses	**2,710**	2,655
	Repair and maintenance expenses	**1,997**	2,029
	Management fee expenses		
	– related parties	**2,861**	5,292
	– other party (note (ii))	**1,288**	3,276
	Others	**5,911**	4,628
		47,882	28,092
(d)	***Other items***		
	Depreciation charge of owned property, plant and equipment (note 11)	**15,876**	15,095
	Depreciation charge of right-of-use assets (note 11)	**75,287**	83,513
	Amortisation cost of intangible assets (note 12)	**214**	363

Notes:

(i) Other operating expenses are included in "administrative and other operating expenses" in the consolidated statement of profit or loss.

(ii) Management fee expense is paid to non-controlling interests (without significant influence) of a subsidiary.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2020 $'000	2019 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**7,376**	3,612
Under-provision in respect of prior years	**33**	–
	7,409	3,612
Current tax – Outside Hong Kong		
Provision for the year	**23,487**	17,155
Under-provision in respect of prior years	**1**	20
	23,488	17,175
Withholding tax on distributed profits		
Italy withholding tax	**168**	166
Taiwan withholding tax	**2,086**	2,262
France withholding tax	**75**	41
Japan withholding tax	**82**	–
	2,411	2,469
Deferred tax		
Origination and reversal of temporary differences	**1,385**	122
	34,693	23,378

The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year ended 31 December 2020.

Under the Law of the People's Republic of China ("PRC") on EIT ("the EIT Law") and Implementation of the EIT Law, the PRC subsidiaries of the Group are taxed at 25% (2019: 25%) during the year ended 31 December 2020.

In accordance with the relevant tax laws of Italy, the provision for Corporate Income Tax is calculated at 28.8% (2019: 27.9%) for the year ended 31 December 2020.

In accordance with the relevant tax laws of Taiwan, the provision for Corporate Income Tax is calculated at 20% (2019: 20%) for the year ended 31 December 2020.

Taxation for subsidiaries incorporated in other jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant countries.

Withholding tax is charged by tax authorities of Italy, Taiwan, France and Japan in respect of dividend income received from subsidiaries incorporated in respective countries, at rates of 10% (2019: 10%), 21% (2019: 21%), 10% (2019: 10%) and 5% (2019: 5%) for the year ended 31 December 2020.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(b) Reconciliation between tax expense and accounting profits at applicable tax rates:

	2020 $'000	2019 $'000
Profit before taxation	**116,704**	67,928
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**27,051**	16,915
Tax effect of non-deductible expenses	**5,945**	1,969
Tax effect of non-taxable income	**(242)**	(150)
Tax effect of unused tax losses not recognised	**1,126**	1,524
Tax effect of other temporary differences not recognised	**238**	394
Tax effect of utilisation of unused tax losses previously not recognised	**(3,329)**	–
Withholding tax on the distributable and distributed profits of subsidiaries	**3,965**	2,718
Under-provision in respect of prior years	**34**	20
Others	**(95)**	(12)
Actual tax expense	**34,693**	23,378

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2020				
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
Chairman and non-executive director					
Lau Shek Yau John (note (i))	–	–	–	–	–
Executive directors					
Ngan Tim Wing (note (ii))	87	5,028	–	67	5,182
Cheung Siu Ming Ringo (note (ii))	87	915	–	50	1,052
Chen Nga Man (note (ii))	87	3,499	–	18	3,604
Independent non-executive directors					
Lam Hing Lun Alain (note (iii))	87	–	–	–	87
Chan Chun Hung Vincent (note (iii))	87	–	–	–	87
Chun Chi Man (note (iii))	87	–	–	–	87
	522	9,442	–	135	10,099

7 DIRECTORS' EMOLUMENTS (Continued)

	Year ended 31 December 2019				
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
Lau Shek Yau John (note (i))	–	–	–	–	–
Ngan Tim Wing (note (ii))	–	3,374	46	67	3,487
Cheung Siu Ming Ringo (note (ii))	–	758	35	50	843
Chen Nga Man (note (ii))	–	3,694	37	18	3,749
	–	7,826	118	135	8,079

Notes:

(i) Mr. Lau Shek Yau John was appointed as a director of the Company on 14 December 2017 and re-designated as a non-executive director on 1 April 2020. No remuneration was paid by the Group to Mr. Lau Shek Yau John during the years ended 31 December 2020 and 2019. Mr. Lau Shek Yau John received remuneration from a fellow subsidiary of the Group in respect of his services to the larger group which includes the Group. No apportionment has been made for his services to the Group as they are incidental to his responsibilities to the larger group.

(ii) Mr. Ngan Tim Wing was first appointed as a director of the Company on 16 January 2020 and re-designated as an executive director on 1 April 2020. Mr. Cheung Siu Ming Ringo and Ms. Chen Nga Man were appointed as executive directors of the Company on 1 April 2020. For the year ended 31 December 2020, the emoluments shown above include salaries, allowances and benefits in kind of $131,000, $217,000 and $980,000 and retirement scheme contributions of $3,000, $13,000 and $5,000, respectively, paid by the Group to them in their capacity as employees of the Group. For the year ended 31 December 2019, the emoluments shown above represent remuneration paid by the Group to them in their capacity as employees of the Group.

(iii) Mr. Lam Hing Lun Alain, Mr. Chan Chun Hung Vincent and Mr. Chun Chi Man were appointed as independent non-executive directors of the Company on 17 September 2020. For the year ended 31 December 2020, the emoluments shown above represent remuneration paid by the Group for their services as directors of the Company.

During the years ended 31 December 2020 and 2019, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals as set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 December 2020 and 2019.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: two) of them are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2020 **$'000**	2019 $'000
Salaries and other emoluments	**8,299**	9,421
Discretionary bonuses	**3,041**	2,668
Retirement scheme contributions	**609**	469
	11,949	12,558

The emoluments of the above individuals with the highest emoluments other than the directors as disclosed in note 7 are within the following bands:

	2020 **Number of individuals**	2019 Number of individuals
$Nil – $1,000,000	**–**	–
$1,000,001 – $1,500,000	**–**	–
$1,500,001 – $2,000,000	**–**	–
$2,000,001 – $2,500,000	**1**	1
$2,500,001 – $3,000,000	**–**	–
$3,500,001 – $4,000,000	**–**	–
$4,000,001 – $4,500,000	**–**	–
$4,500,001 – $5,000,000	**2**	1
$5,000,001 – $5,500,000	**–**	1

Note: The comparative figures are revised to include the senior management personnel of overseas subsidiaries.

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are set out below.

	2020			2019		
	Before-tax amount $'000	**Tax benefit $'000**	**Net-of-tax amount $'000**	Before-tax amount $'000	Tax benefit $'000	Net-of-tax amount $'000
Remeasurement of defined benefit retirement obligations (note 23)	**(2,934)**	**845**	**(2,089)**	(1,611)	475	(1,136)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**12,559**	**–**	**12,559**	(564)	–	(564)
Other comprehensive income	**9,625**	**845**	**10,470**	(2,175)	475	(1,700)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $55,521,000 and the weighted average of 134,886,000 ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020 '000
Issued ordinary shares at 1 January	**100,000**
Issuance of shares to pre-public offering investors	**3,922**
Capitalisation issue of shares	**19,520**
Issuance of shares upon public offering and international placing	**11,444**
Weighted average number of ordinary shares at 31 December	**134,886**

For the year ended 31 December 2019, the information on earnings per share is not presented as its inclusion for the purpose of these financial statements is not considered meaningful due to reorganisation underwent by the Group prior to its listing.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the year ended 31 December 2020, and therefore, diluted earnings per share are the same as basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvements $'000	Furniture and fixtures $'000	Motor vehicles $'000	Office equipment and machinery $'000	Computer equipment $'000	Warehouse equipment $'000	Sub-total $'000	Right-of-use assets $'000	Total $'000
Cost:									
As at 1 January 2019	42,161	2,208	4,664	18,637	5,964	60,809	134,443	233,115	367,558
Exchange adjustments	(317)	(37)	(2)	(168)	(22)	(921)	(1,467)	(777)	(2,244)
Additions	13,467	347	110	2,431	828	3,635	20,818	126,837	147,655
Disposals	(604)	(57)	(655)	(3,161)	(335)	(2,119)	(6,931)	(115,184)	(122,115)
As at 31 December 2019	54,707	2,461	4,117	17,739	6,435	61,404	146,863	243,991	390,854
As at 1 January 2020	54,707	2,461	4,117	17,739	6,435	61,404	146,863	243,991	390,854
Exchange adjustments	(1,375)	(13)	(413)	233	(147)	3,002	1,287	7,608	8,895
Additions	1,140	47	533	371	314	11,838	14,243	37,897	52,140
Adjustment due to modifications	–	–	–	–	–	–	–	26,906	26,906
Disposals	–	(30)	–	(1,744)	(205)	–	(1,979)	(41,529)	(43,508)
As at 31 December 2020	54,472	2,465	4,237	16,599	6,397	76,244	160,414	274,873	435,287
Accumulated depreciation:									
As at 1 January 2019	24,868	742	3,263	14,487	5,399	17,719	66,478	110,097	176,575
Exchange adjustments	(252)	(6)	66	(268)	(130)	(59)	(649)	650	1
Charge for the year	6,623	282	428	1,593	642	5,527	15,095	83,513	98,608
Written back on disposals	(596)	(7)	(608)	(2,531)	(251)	(1,484)	(5,477)	(114,352)	(119,829)
As at 31 December 2019	30,643	1,011	3,149	13,281	5,660	21,703	75,447	79,908	155,355
As at 1 January 2020	30,643	1,011	3,149	13,281	5,660	21,703	75,447	79,908	155,355
Exchange adjustments	(1,888)	(116)	(369)	22	(271)	(3,703)	(6,325)	3,277	(3,048)
Charge for the year	6,762	331	384	1,390	497	6,512	15,876	75,287	91,163
Written back on disposals	–	(16)	–	(1,639)	(196)	–	(1,851)	(41,529)	(43,380)
As at 31 December 2020	35,517	1,210	3,164	13,054	5,690	24,512	83,147	116,943	200,090
Net book value:									
As at 31 December 2020	18,955	1,255	1,073	3,545	707	51,732	77,267	157,930	235,197
As at 31 December 2019	24,064	1,450	968	4,458	775	39,701	71,416	164,083	235,499

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	**2020 $'000**	2019 $'000
Properties leased for own use, carried at depreciated cost	(i)	**156,510**	162,738
Motor vehicles, carried at depreciated cost	(ii)	**1,420**	1,345
		157,930	164,083

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 $'000	2019 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Properties leased for own use, carried at depreciated cost	**74,538**	82,939
– Motor vehicles, carried at depreciated cost	**749**	574
	75,287	83,513
Interest on lease liabilities (note 5(a))	**7,635**	5,632
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**179**	18
Rent concessions	**(2,051)**	–

During the year ended 31 December 2020, additions to right-of-use assets and adjustment to right-of-use assets due to modifications were $37,897,000 (2019: $126,837,000) and $26,906,000 (2019: $Nil) respectively. These amounts were primarily related to the capitalised lease payments payable under new rental agreements relating to properties and motor vehicles and adjustment made to existing capitalised lease payments due to lease modifications.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(d) and 22, respectively.

As disclosed in note 1(c), the Group has early adopted the Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*, and applies the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the year. Further details are disclosed in (i) below.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets (Continued)

(i) Properties leased for own use

The Group has obtained the right to use certain properties as its warehouses and offices through tenancy agreements. The leases typically run for an initial period of 2 to 6 years.

The leases into which the Group entered do not include options to renew. All of the leases are re-negotiated after expiry.

During the year ended 31 December 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the year is summarised below:

	2020			
	Fixed payments $'000	**Variable payments $'000**	**COVID-19 rent concessions $'000**	**Total payments $'000**
Warehouse – Hong Kong	**23,734**	**–**	**(2,051)**	**21,683**

	2019		
	Fixed payments $'000	Variable payments $'000	Total payments $'000
Warehouse – Hong Kong	23,254	–	23,254

(ii) Motor vehicles

The Group leases certain motor vehicles under leases expiring from 3 to 5 years. None of the leases include an option to renew or to purchase the leased motor vehicles at the end of the lease terms at a price deemed to be a bargain purchase option nor variable lease payments.

(c) Prepayment for acquisition of property, plant and equipment

All of the prepayment for acquisition of property, plant and equipment as at 31 December 2020 are expected to be transferred to property, plant and equipment within one year.

12 INTANGIBLE ASSETS

	Software $'000
Cost:	
At 1 January 2019	1,745
Exchange adjustments	(20)
Additions	48
Disposals	(321)
At 31 December 2019	1,452
At 1 January 2020	1,452
Exchange adjustments	86
Additions	570
At 31 December 2020	2,108
Accumulated amortisation:	
At 1 January 2019	1,032
Exchange adjustments	(17)
Charge for the year	363
Written back on disposals	(148)
At 31 December 2019	1,230
At 1 January 2020	1,230
Exchange adjustments	88
Charge for the year	214
At 31 December 2020	1,532
Net book value:	
At 31 December 2020	576
At 31 December 2019	222

The amortisation charge for the year is included in "administrative and other operating expenses" in the consolidated statement of profit or loss.

13 GOODWILL

	2020 $'000	2019 $'000
Cost:		
At the beginning of the year	**23,202**	22,782
Exchange adjustments	**1,431**	420
At the end of the year	**24,633**	23,202

Goodwill is allocated to the Group's cash-generating units ("CGU") in the following business segment:

	2020 $'000	2019 $'000
Air freight forwarding business – Taiwan	**24,633**	23,202

On 12 March 2016, the Group entered into a sale and purchase agreement with each of the original shareholders, all of which were the then shareholders of Global Freight Forwarding Co., Limited ("Global Freight Forwarding"), pursuant to which the Group agreed to acquire in aggregate 2,450,000 shares of Global Freight Forwarding, representing 70% of its then entire issued shares by installments, at an aggregate consideration of HK$35,000,000. A goodwill arising on acquisition was recorded and carried at cost less accumulated impairment losses.

The recoverable amount of the CGU is determined based on the value-in-use calculation. The calculation uses a cash flow projection based on financial budget approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated average growth rate of 3% (2019: 3%), which is consistent with the forecasts included in industry reports. The growth rate used does not exceed the long-term average growth rate for the business in which the CGU operates. The cash flows are discounted using a discount rate of 13% (2019: 12%). The discount rate reflects specific risks relating to the relevant segment. Based on the impairment assessment conducted by the Group, no impairment has been identified in respect of goodwill as at 31 December 2020 and 2019.

As at 31 December 2020, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately $26.2 million (2019: $72.0 million) ("the headroom").

The following table indicates how the amount of the headroom would have changed if certain key assumptions during the forecast period had changed, assuming all other assumptions remained constant:

	Decrease in the headroom	
	2020 $'000	2019 $'000
Discount rate increases by 100 basis point	**6,163**	10,277
Revenue growth rate decreases by 100 basis point	**8,643**	9,040

13 GOODWILL (Continued)

The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

In addition, had certain key assumptions during the forecast period been changed as below, while holding all other assumptions constant, the recoverable amount of the CGU would be approximately equal to its carrying amount.

	2020 **$'000**	2019 $'000
Discount rate increases to	**19.3%**	31.6%
Revenue growth rate decreases to	**–0.2%**	–6.8%

14 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of subsidiary	**Place of incorporation/ establishment**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiaries**	**Principal activities**
CN Investment Limited	Marshall Islands ("MI")	HKD1,425,000	100%	100%	–	Investment holding
CN Logistics Limited	British Virgin Islands ("BVI")	USD50,000	95%	–	95%	Investment holding
CN International Logistics Limited	Hong Kong	HKD1	95%	–	100%	Provision of air freight forwarding services
CN Logistics Limited	Hong Kong	HKD1,500,000	95%	–	100%	Provision of air freight forwarding services
Milca Logistics Limited	Hong Kong	HKD2	95%	–	100%	Provision of air freight forwarding services
Guangzhou Jiahong International Freight Forwarding Co., Ltd. (廣州市嘉泓國際貨運代理有限公司)	PRC	RMB8,000,000	95%	–	100%	Provision of air freight forwarding services
Siyan Baopin Supply Chain Management (Shanghai) Co., Ltd. (思顏寶品供應鏈管理(上海)有限公司)	PRC	RMB41,500,000	95%	–	100%	Provision of logistics and distribution services
CN Investment Limited	Hong Kong	HKD1	100%	–	100%	Investment holding
Global Freight Forwarding Co., Limited (安陽運通股份有限公司)	Taiwan	NTD35,000,000	70%	–	70%	Provision of air freight forwarding services, ocean freight forwarding services and logistics and distribution services

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
CN France (Hong Kong) Limited	Hong Kong	HKD10,000	70%	–	70%	Investment holding
CN Logistics France S.A.S.	France	EUR40,000	35.7%	–	51%	Provision of air freight forwarding services
CN Logistics (Japan) Limited	Japan	JPY50,000,000	98.1%	–	98.1%	Provision of air freight forwarding services
CN Logistics SA	Switzerland	CHF100,000	60%	–	60%	Provision of air freight forwarding services
CN Logistics S.R.L.	Italy	EUR100,000	70%	–	70%	Provision of air freight forwarding services, ocean freight forwarding services and logistics and distribution services
CN Logistics Korea Co., Limited	South Korea	KRW150,000,000	60%	–	60%	Sales Coordination in air freight business
CS Airfreight (Shanghai) Limited	BVI	USD50,000	51%	51%	–	Investment holding
CS International (Airfreight) Limited	Hong Kong	HKD1	51%	–	100%	Provision of air freight forwarding services
Cargo Services Airfreight Limited	Hong Kong	HKD1,500,000	51%	–	100%	Provision of air freight forwarding services
Jiada Freight Forwarding Co., Ltd (嘉達貨運代理有限公司)	PRC	USD1,220,000	51%	–	100%	Provision of air freight forwarding services

14 INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to CS Airfreight (Shanghai) Limited and its subsidiaries, which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	CS Airfreight (Shanghai) Limited and its subsidiaries	
	2020	2019
	$'000	$'000
NCI percentage of the sub-group	**49%**	49%
Current assets	**304,305**	277,296
Non-current assets	**10,642**	6,729
Current liabilities	**(185,406)**	(121,042)
Non-current liabilities	**(2,921)**	(410)
NET ASSETS	**126,620**	162,573
Equity attributable to		
– Equity shareholders of holding company of the sub-group	**126,620**	162,573
– NCI of the subsidiaries of the sub-group	**–**	–
	126,620	162,573
Carrying amount of total NCI of the sub-group (note)	**62,044**	79,660
Revenue	**595,191**	355,037
Profit for the year	**20,496**	8,768
Total comprehensive income	**23,081**	8,242
Profit allocated to NCI	**10,043**	4,293
Dividend paid to NCI	**28,958**	–
Cash flows from operating activities	**38,446**	4,554
Cash flows from investing activities	**(227)**	360
Cash flows from financing activities	**(49,551)**	(2,807)

Note: There are no material non-controlling interests in any of the subsidiaries of the above sub-group.

15 INTERESTS IN ASSOCIATES

The following list contains the particulars of associates of the Group, all of which are unlisted corporate entities whose quoted market price is not available.

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
CN Logistics (Macau) Limited	Macau	MOP25,000	47.5%	–	50%	Provision of freight forwarding services
CN Logistics (Thailand) Co., Limited	Thailand	THB1,000,000	49%	–	49%	Provision of freight forwarding services
CN Logistics Israel Limited	Israel	NIS10,000	49%	–	49%	Provision of freight forwarding services

Summarised financial information of the associates

All of the above associates are accounted for using the equity method in the consolidated financial statements and are not individually material.

Aggregate information of the associates is disclosed below.

	2020 **$'000**	2019 $'000
Aggregate carrying amount of associates in the consolidated statement of financial position	**2,676**	2,023
Aggregate amounts of the Group's share of these associates		
– Profit from operations	**594**	934
– Other comprehensive income	**115**	7
– Total comprehensive income	**709**	941

16 OTHER FINANCIAL ASSETS

	2020 **$'000**	2019 $'000
Equity securities measured at FVPL		
Unlisted equity securities	**404**	403

The unlisted equity securities are shares in Allport Korea Limited and 上海國際經貿報關行有限公司, incorporated in South Korea and established in the PRC respectively. Both companies are engaged in the provision of freight forwarding related services. Apart from a dividend of $41,000 (2019: $26,000) received from Allport Korea Limited for the year ended 31 December 2020, no other dividends were received from these investments.

17 TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2020 $'000	2019 $'000
Trade and other receivables		
Trade receivables, net of loss allowance	**326,770**	250,632
Other receivables, prepayments and deposits	**45,962**	50,080
	372,732	300,712
Contract assets		
Arising from performance under freight forwarding contracts	**1,663**	–
	374,395	300,712

(a) Trade and other receivables

As at 31 December 2020, the portion of the Company's listing expenses that is of a nature which qualifies for charging against equity upon the listing and has been capitalised as prepayment amounted to $Nil (2019: $2,527,000). Apart from the foregoing, the remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

Ageing analysis

The ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	2020 $'000	2019 $'000
Within 1 month	**153,303**	162,109
1 to 2 months	**93,440**	59,576
2 to 3 months	**71,869**	18,217
Over 3 months	**8,158**	10,730
	326,770	250,632

Trade receivables are normally due within 30–60 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 26(a).

(b) Contract assets

Contract assets represent unbilled amounts from certain freight forwarding contracts, resulted from revenue recognised on these contracts using output method exceeding the amounts billed to the customers as at the end of the reporting period.

All of the contract assets are expected to be recovered or recognised as expenses within one year.

18 PLEDGED BANK DEPOSITS

The deposits are either pledged to secure certain banking facilities for guarantees on payment to certain airline suppliers and performance bonds to customers of the Group or bank borrowings granted to the Group.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2020	2019
	$'000	$'000
Cash at bank and on hand and cash and cash equivalents in the consolidated statement of financial position (note)	**255,323**	102,794
Bank overdrafts (note 21)	**(36)**	(1,317)
Cash and cash equivalents in the consolidated cash flow statement	**255,287**	101,477

Note: RMB maintained in the PRC is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Central Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign business in the PRC. The carrying amounts of cash and cash equivalents to which these restrictions applies amounted to $37,319,000 (2019: $40,716,000) at 31 December 2020.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations

	Note	2020 $'000	2019 $'000
Profit before taxation		**116,704**	67,928
Adjustments for:			
Depreciation	5(d)	**91,163**	98,608
Amortisation of intangible assets	5(d)	**214**	363
Gain on disposal of property, plant and equipment	4(b)	**(87)**	(60)
Share of profits of associates		**(594)**	(934)
Rent concessions	11(b)	**(2,051)**	–
Interest income	4(a)	**(338)**	(439)
Finance costs	5(a)	**11,751**	9,447
Net provision for/(reversal of) impairment losses on trade receivables	26(a)	**1,844**	(175)
Dividend income from other financial assets	16	**(41)**	(26)
Foreign exchange loss/(gain)		**4,263**	(2,572)
Changes in working capital:			
Increase in trade and other receivables and contract assets		**(68,321)**	(20,999)
Decrease/(increase) in amounts due from associates		**598**	(175)
Decrease/(increase) in amounts due from Cargo Services Group		**79,373**	(18,088)
(Increase)/decrease in amounts due from EV Cargo Group		**(65,479)**	27,501
Increase/(decrease) in trade and other payables and contract liabilities		**100,010**	(14,379)
(Decrease)/increase in amounts due to Cargo Services Group		**(14,989)**	16,950
Decrease in amounts due to EV Cargo Group		**(3,501)**	(3,210)
(Decrease)/increase in amounts due to associates		**(1,411)**	2,249
Increase in defined benefit retirement obligations		**4,568**	2,744
Cash generated from operations		**253,676**	164,733

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated cash flow statement as cash flows from financing activities.

	Bank loans (note 21) $'000	Lease liabilities (note 22) $'000	Amounts due to Cargo Services Group (note 27(b)) $'000	Total $'000
At 1 January 2019	78,177	110,777	76,734	265,688
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(83,691)	–	(83,691)
Interest element of lease rentals paid	–	(5,632)	–	(5,632)
Proceeds from new bank loans	271,618	–	–	271,618
Repayment of bank loans	(263,052)	–	–	(263,052)
Net proceeds from Cargo Services Group	–	–	161	161
Net increase in amounts due to Cargo Services Group	–	–	9,343	9,343
Interest paid	(3,265)	–	(550)	(3,815)
Total changes from financing cash flows	5,301	(89,323)	8,954	(75,068)
Exchange adjustments	(805)	(1,954)	–	(2,759)
Other changes:				
Increase in lease liabilities from entering into new leases or renewal of existing leases during the year	–	126,837	–	126,837
Interest expenses (note 5(a))	3,265	5,632	550	9,447
Total other changes	3,265	132,469	550	136,284
At 31 December 2019	85,938	151,969	86,238	324,145

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans (note 21) $'000	Lease liabilities (note 22) $'000	Amounts due to Cargo Services Group (note 27(b)) $'000	Total $'000
At 1 January 2020	85,938	151,969	86,238	324,145
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(71,940)	–	(71,940)
Interest element of lease rentals paid	–	(7,635)	–	(7,635)
Proceeds from new bank loans	252,901	–	–	252,901
Repayment of bank loans	(251,773)	–	–	(251,773)
Net decrease in amounts due to Cargo Services Group	–	–	(17,194)	(17,194)
Interest paid	(3,869)	–	(247)	(4,116)
Total changes from financing cash flows	(2,741)	(79,575)	(17,441)	(99,757)
Exchange adjustments	1,651	5,058	–	6,709
Other changes:				
Increase in lease liabilities from entering into new leases or renewal of existing leases during the year	–	37,897	–	37,897
Increase in lease liabilities from modifications of existing leases during the year	–	26,906	–	26,906
Net decrease in amounts due to Cargo Services Group	–	–	(69,044)	(69,044)
Rent concessions	–	(2,051)	–	(2,051)
Interest expenses (note 5(a))	3,869	7,635	247	11,751
Total other changes	3,869	70,387	(68,797)	5,459
At 31 December 2020	88,717	147,839	–	236,556

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2020 $'000	2019 $'000
Within operating cash flows	**179**	18
Within financing cash flows	**79,575**	89,323
	79,754	89,341

These amounts relate to the following:

	2020 $'000	2019 $'000
Lease rentals paid	**79,754**	89,341
	79,754	89,341

(e) Effect of disposal of a subsidiary on the financial position of the Group

On 31 December 2019, the Group disposed of CN Logistics USA Inc. ("CN US"), which engaged in provisions of freight forwarding services and distribution and logistics services in the United States of America.

Details of the carrying amounts of net assets of CN US over which control was lost are as follows:

	At 31 December 2019 $'000
Property, plant and equipment	298
Intangible assets	152
Trade and other receivables	944
Amounts due from fellow subsidiaries	5,739
Cash and cash equivalents	617
Trade and other payables	(1,741)
NET ASSETS	6,009
Net cash inflows arising on disposal	
Consideration received, satisfied in cash	6,009
Cash and cash equivalents disposed of	(617)
Proceeds from disposal of a subsidiary	5,392

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2020 **$'000**	2019 $'000
Trade and other payables		
Trade payables	**255,553**	159,707
Other payables and accrued charges	**59,495**	44,208
	315,048	203,915
Contract liabilities		
Billings in advance of performance under freight forwarding contracts	**1,733**	–
	316,781	203,915

(a) Trade and other payables

All of the trade and other payables are expected to be settled or recognised as income within one year.

The ageing analysis of trade creditors, based on the invoice date, is as follows:

	2020 **$'000**	2019 $'000
Within 1 month	**187,726**	113,861
1 to 3 months	**64,000**	42,679
Over 3 months	**3,827**	3,167
	255,553	159,707

(b) Contract liabilities

Contract liabilities represent amounts billed to customers in advance of the service performance under certain freight forwarding contracts as at the end of the reporting period.

All of the contract liabilities are expected to be recognsied as income within one year.

21 BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts are repayable as follows:

	2020 $'000	2019 $'000
Within 1 year or on demand	**87,845**	83,866
After 1 year but within 2 years	**908**	–
After 2 years but within 5 years	**–**	3,389
	908	3,389
	88,753	87,255

The bank loans and overdrafts are analysed as follows:

	2020 $'000	2019 $'000
Unsecured bank overdrafts (note 19(a))	**36**	1,317
Unsecured bank loans (note)	**88,717**	85,938
	88,753	87,255

Note: At 31 December 2019, certain banking facilities were jointly entered by certain subsidiaries of the Group and certain entities controlled by Cargo Services Group ("the Joint Facilities"). The maximum limit of the Joint Facilities was $234,000,000 of which $212,230,000 had been utilised by the Group and certain entities controlled by Cargo Services Group. The Joint Facilities were unsecured, guaranteed by the Company's director, certain subsidiaries of the Group and certain entities controlled by Cargo Services Group. The Joint Facilities were cancelled upon the listing of the Company on 15 October 2020.

For the year ended 31 December 2020, separate banking facilities are entered by certain subsidiaries of the Group with banks directly, and are guaranteed by the Company. At 31 December 2020, the maximum limit of the banking facilities is $142,000,000, of which $83,432,000 has been utilised by the Group.

At 31 December 2020, the interest rates of bank loans are in the range of 2.40%–3.18% per annum (2019: 0.40%–4.96% per annum).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 26(b). As at 31 December 2020 and 2019, none of the covenants relating to drawn down facilities had been breached.

22 LEASE LIABILITIES

The lease liabilities are repayable as follows:

	2020 **$'000**	2019 $'000
Within 1 year	**54,761**	58,888
After 1 year but within 2 years	**39,258**	29,414
After 2 years but within 5 years	**28,977**	37,541
After 5 years	**24,843**	26,126
	93,078	93,081
	147,839	151,969

23 EMPLOYEE RETIREMENT BENEFITS

The Group operates and participates in a number of defined contribution and defined benefit plans.

(a) Defined benefit retirement plan

Defined Benefit Scheme

The Group is legally required to make severance pay to its employees in Italy in any case of termination.

Italian law provides that, on the date upon termination of employment for any reason, employers have to pay a termination indemnity ("Trattamento di fine Rapporto" or TFR) to all employees. The TFR is calculated based on annual salary (ordinary salary, excluding bonuses, travel allowance and one-off items) divided by 13.5 (which corresponds, at approximately 7.41%), revalued on the basis of 75% of the inflation rate plus a fixed rate of 1.5% on every 31 December.

The legislation also provides for the possibility of employees requesting a partial withdrawal of TFR in advance when the employment relationship is still ongoing. The partial withdrawal can be requested by employees with at least 8 years of employment. Eligible employees can request an advance for an amount of up to 70% of TFR. The advance can be obtained only once during the employment relationship.

The independent actuarial valuations of the TFR at 31 December 2020 and 2019 were prepared by independent professionally qualified actuaries at Olivieri Associati, who is a registered actuarial specialist in Italy, using the projected unit credit method.

The scheme exposes the Group to actuarial risks, such as interest rate risk and longevity risk.

23 EMPLOYEE RETIREMENT BENEFITS (Continued)

(a) Defined benefit retirement plan (Continued)

Defined Benefit Scheme (Continued)

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2020 **$'000**	2019 $'000
Present value of wholly or partly funded obligations	**12,808**	7,395

A portion of the above liabilities is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amount payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay approximately $118,000 in contributions to defined benefit retirement plans in 2021.

(ii) Movements in the present value of the defined benefit retirement obligations:

	2020 **$'000**	2019 $'000
At the beginning of the year	**7,395**	4,651
Remeasurements:		
– Actuarial losses/(gains) arising from changes in demographic assumptions	**7**	(3)
– Actuarial losses arising from changes in financial assumptions	**1,923**	806
– Other actuarial losses	**1,004**	808
Exchange adjustments	**797**	(126)
	11,126	6,136
Benefits paid by the scheme	**(597)**	(309)
Current service cost	**2,298**	1,576
Interest cost	**(19)**	(8)
At the end of the year	**12,808**	7,395

The weighted average duration of the defined benefit retirement obligations is 28.8 years (2019: 28.4 years).

23 EMPLOYEE RETIREMENT BENEFITS (Continued)

(a) Defined benefit retirement plan (Continued)

Defined Benefit Scheme (Continued)

(iii) The amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2020 **$'000**	2019 $'000
Current service cost	**2,298**	1,576
Net interest on defined benefit retirement obligations	**(19)**	(8)
Total amounts recognised in profit or loss	**2,279**	1,568
Actuarial losses	**2,934**	1,611
Total amounts recognised in other comprehensive income	**2,934**	1,611
Total defined benefit costs	**5,213**	3,179

The current service cost and net interest on defined benefit retirement obligations are recognised in "administrative and other operating expenses" in the consolidated statement of profit or loss.

(iv) Significant actuarial assumption (expressed as weighted average) and sensitivity analysis are as follows:

	2020	2019
Discount rate	**1.39%**	1.94%

The below analysis shows how the defined benefit retirement obligations would have increased or decreased as a result of 0.5% change in the significant actuarial assumption:

	Discount rate increase by 0.5%		**Discount rate decrease by 0.5%**	
	2020 **$'000**	2019 $'000	**2020** **$'000**	2019 $'000
Increase/(decrease) in defined benefit retirement obligations	**11,464**	(6,636)	**14,361**	8,272

23 EMPLOYEE RETIREMENT BENEFITS (Continued)

(b) Defined contribution retirement plans

(i) The Group operates a Mandatory Provident Fund scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by an independent corporate trustee. Under the MPF scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000. Contributions to the MPF scheme vest immediately.

(ii) Pursuant to the relevant labour rules and regulations in the PRC, employees of the subsidiaries in the PRC are members of the central pension scheme operated by the PRC municipal government authorities. The Group is required to contribute a certain percentage of employees' remuneration to the central pension scheme to fund the benefits. The only obligation for the Group with respect to the central pension scheme is the associated contribution under the central pension scheme. Contributions to the scheme vest immediately.

(iii) In Taiwan, the Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2020 **$'000**	2019 $'000
Provision for Hong Kong Profits Tax for the year	**7,376**	3,612
Provisional Hong Kong Profits Tax paid	**(2,767)**	–
	4,609	3,612
Balance of Hong Kong Profits Tax provision relating to prior years	**–**	5,672
	4,609	9,284
Tax outside Hong Kong		
– Corporate Income Tax	**11,992**	5,842
	16,601	15,126

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assests and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Differences between depreciation allowances and related depreciation $'000	Depreciation charge of right-of-use assets $'000	Undistributed profits of subsidiaries outside Hong Kong $'000	Defined benefit retirement obligations $'000	Credit loss allowance $'000	Total $'000
At 1 January 2019	120	571	(3,463)	243	–	(2,529)
Exchange adjustments	(2)	–	2	(2)	–	(2)
Credited/(charged) to profit or loss	115	12	(249)	–	–	(122)
Credited to reserves	–	–	–	475	–	475
At 31 December 2019	233	583	(3,710)	716	–	(2,178)
At 1 January 2020	**233**	**583**	**(3,710)**	**716**	**–**	**(2,178)**
Exchange adjustments	**4**	**1**	**(381)**	**–**	**–**	**(376)**
Credited/(charged) to profit or loss	**3**	**4**	**(1,554)**	**–**	**162**	**(1,385)**
Credited to reserves	**–**	**–**	**–**	**845**	**–**	**845**
At 31 December 2020	**240**	**588**	**(5,645)**	**1,561**	**162**	**(3,094)**

(ii) Reconciliation to the consolidated statement of financial position

	2020 $'000	2019 $'000
Deferred tax assets	**2,551**	1,532
Deferred tax liabilities	**(5,645)**	(3,710)
	(3,094)	(2,178)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses and other temporary differences of $4,692,000 (2019: $6,657,000), as it is not probable that future taxable profits against which the losses and other temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses do not expire under current tax legislations.

(d) Deferred tax liabilities not recognised

At 31 December 2020, deferred tax liabilities of $3,867,000 (2019: $2,253,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of retained profits of certain subsidiaries as the Company controls the dividend policy of these subsidiaries and the Company determines that it is probable that these profits will not be distributed in the foreseeable future.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital $'000	Share premium $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2019		390	–	(15)	375
Changes in equity for 2019:					
Total comprehensive income for the year		–	–	(7,903)	(7,903)
Capitalisation issue of shares	25(c)	296	(296)	–	–
Issuance of shares for acquisition of non–controlling interests	25(c)	94	61,466	–	61,560
Balance at 31 December 2019	30	780	61,170	(7,918)	54,032
Balance at 1 January 2020		**780**	**61,170**	**(7,918)**	**54,032**
Changes in equity for 2020:					
Total comprehensive income for the year		**–**	**–**	**85,289**	**85,289**
Dividend paid to Parent Company	25(b)	**–**	**–**	**(85,344)**	**(85,344)**
Capitalisation issue of shares	25(c)	**714**	**(714)**	**–**	**–**
Issuance of shares to pre-public offering investors	25(c)	**37**	**19,963**	**–**	**20,000**
Issuance of shares upon public offering and international placing	25(c)	**419**	**142,858**	**–**	**143,277**
Expenses incurred in connection with public offering and international placing		**–**	**(28,812)**	**–**	**(28,812)**
Balance at 31 December 2020	30	**1,950**	**194,465**	**(7,973)**	**188,442**

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

During the year ended 31 December 2020, the Group's subsidiaries declared and paid dividends of $37,757,000 (2019: $5,883,000) to non-controlling interests.

On 11 September 2020, the Company declared a dividend of HK$85,344,000 to the Shareholders, among which the payment of $84,772,000 was settled by way of setting off with amounts due from a director and Cargo Services Group, had been made on the same date.

After the end of the reporting period, the directors propose the payment of a final dividend of HK15 cents per ordinary share in respect of the year ended 31 December 2020. Such dividend has not been recognised as a liability at the end of the reporting period.

(c) Share capital

Authorised and issued share capital

	2020		2019	
	No. of shares	**Amount $'000**	No. of shares	Amount $'000
Authorised:				
Ordinary shares of US$0.001 each	**50,000,000,000**	**390,000**	500,000,000	3,900
Ordinary shares, issued and fully paid:				
At the beginning of the year	**100,000,000**	**780**	50,000	390
Share subdivision	**–**	**–**	49,950,000	–
Capitalisation issue of shares	**91,594,116**	**714**	38,000,000	296
Issuance of shares for acquisition of non-controlling interests	**–**	**–**	12,000,000	94
Issuance of shares to pre-public offering investors	**4,705,884**	**37**	–	–
Issuance of shares upon public offering and international placing	**53,700,000**	**419**	–	–
At the end of the year	**250,000,000**	**1,950**	100,000,000	780

On 16 December 2019, the authorised share capital of the Company was sub-divided from US$50,000 divided into 50,000 shares with par value of US$1 each to US$50,000 divided into 50,000,000 shares with par value of US$0.001 each. On the same date, the authorised share capital of the Company was increased from US$50,000 (equivalent to HK$390,000) to US$500,000 (equivalent to HK$3,900,000) divided into 500,000,000 shares with par value of US$0.001 each.

On 31 December 2019, the Company capitalised US$38,000 (equivalent to HK$296,000) standing to the credit of the share premium of the Company by applying that sum in paying up in full at par 38,000,000 shares for allotment and issue to the immediate holding company. On the same date, the Company acquired 18.95% shareholdings of a subsidiary from non-controlling interests by allotment of 12,000,000 shares to the non-controlling interests with a fair value of HK$5.13 per share as consideration, the excess of the issue price over the par value of the shares was credited to the share premium of the Company.

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

Authorised and issued share capital (Continued)

On 2 March 2020, the Company issued 4,705,884 shares to the pre-public offering investors for cash consideration of HK$20,000,000. The par value was credited to the share capital of the Company, while the excess of the proceeds over the par value was credited to the share premium of the Company.

On 17 September 2020, the authorised share capital of the Company was increased from US$500,000 (equivalent to HK$3,900,000) to US$50,000,000 (equivalent to HK$390,000,000) divided into 50,000,000,000 shares with par value of US$0.001 each.

On 15 October 2020, the Company capitalised US$91,594 (equivalent to HK$714,000) standing to the credit of the share premium of the Company by applying that sum in paying up in full at par 91,594,116 shares for allotment and issue to the immediate holding company. On the same date, the Company issued 53,700,000 shares to the general public upon initial public offering of the Company with an issue price of HK$2.66 per share, the excess of the issue price over the par value of the shares was credited to the share premium of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (2020 Revision) of the Cayman Islands, the share premium of the Company is available for distributions or paying dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the payment of distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The share premium is attributable to the acquisition of non-controlling interests and capitalisation issue and issuance of shares of the Company during the years ended 31 December 2020 and 2019 (see note 25(c)).

(ii) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(iii) Reserve fund

The Articles of Association of certain PRC subsidiaries require the appropriation of 10% of their profit after tax each year, based on their statutory audited financial statements, to the reserve fund until the balance reaches 50% of the registered capital of the respective PRC subsidiaries. The reserve fund may be capitalised as the paid-in capital of these subsidiaries.

In accordance with the local laws in Taiwan, Taiwan subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as reserve fund until such reserve reaches 100% of those subsidiaries' share capital.

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(v) Net parent investment

The net parent investment represents the interest in net assets of the Group which were held by an entity under common control outside the Group. In addition, the transactions between the Group and the entity under common control outside the Group for the operations and the transfer of net assets of the Group were reflected as deemed contribution from/distribution to CS Logistics Holding Ltd. ("the Parent Company") within equity in the consolidated financial statements.

For the year ended 31 December 2019, the deemed distribution to Parent Company mainly represents the discharge of working capital of the Group operated by the entity outside of the Group when the Group has legally taken up the operations as part of the reorganisation of the Group.

For the year ended 31 December 2020, the deemed distribution to Parent Company mainly represents the consideration paid for the property, plant and equipment located at customised distribution center in Shanghai as part of the reorganisation of the Group.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited as the counterparties are banks and financial institutions with sound credit ratings, for which the Group considers to have low credit risk.

Except for the financial guarantees given by certain subsidiaries of the Group as set out in note 29, the Group does not provide any other guarantee which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 29.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables

The Group's exposure to credit risk is not significantly influenced by the individual characteristics of each customer as the Group does not have significant exposure to individual customers. At the end of the reporting period, 9% (2019: 5%) and 28% (2019: 19%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 30–60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2020		
	Expected loss rate	**Gross carrying amount $'000**	**Loss allowance $'000**
Current (not past due)	**0.33%**	**153,809**	**506**
1 to 30 days past due	**0.54%**	**93,945**	**505**
31 to 60 days past due	**0.50%**	**72,228**	**359**
61 to 90 days past due	**7.28%**	**3,255**	**237**
More than 90 days past due	**7.40%**	**5,551**	**411**
		328,788	**2,018**

	2019		
	Expected loss rate	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	–*	162,109	–
1 to 30 days past due	–*	59,576	–
31 to 60 days past due	–*	18,217	–
61 to 90 days past due	–*	9,775	–
More than 90 days past due	15.41%	1,129	174
		250,806	174

* As at 31 December 2019, the Group assessed the expected credit loss rates for the trade receivables in these categories. However, in view of the overall low historical default rates and immaterial forward-looking adjustments, the expected credit losses for these categories of trade receivables were insignificant that they were rounded down to nil in thousand dollars scale.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

Movement in the loss allowance account in respect of trade receivables is as follows:

	2020	2019
	$'000	$'000
At the beginning of the year	**174**	349
Impairment losses recognised during the year	**1,852**	–
Reversal of impairment losses during the year	**(8)**	(175)
At the end of the year	**2,018**	174

Contract assets

The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are reasonable approximations of the loss rates for contract assets.

The Group assesses the ECLs for contract assets to be insignificant and no loss allowance has been recognised.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount at the end of the year $'000
Trade and other payables	315,048	–	–	–	315,048	315,048
Amounts due to Cargo Services Group	6,000	–	–	–	6,000	6,000
Amounts due to EV Cargo Group	100	–	–	–	100	100
Amounts due to associates	873	–	–	–	873	873
Bank loans and overdrafts	88,215	920	–	–	89,135	88,753
Lease liabilities	59,808	42,253	31,470	26,179	159,710	147,839
	470,044	43,173	31,470	26,179	570,866	558,613

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

	2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount at the end of the year $'000
Trade and other payables	203,915	–	–	–	203,915	203,915
Amounts due to Cargo Services Group	107,227	–	–	–	107,227	107,227
Amounts due to EV Cargo Group	3,601	–	–	–	3,601	3,601
Amounts due to associates	2,284	–	–	–	2,284	2,284
Bank loans and overdrafts	87,179	–	3,410	–	90,589	87,255
Lease liabilities	65,350	33,819	46,018	27,777	172,964	151,969
	469,556	33,819	49,428	27,777	580,580	556,251

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2020		2019	
	Effective interest rate %	**Amount $'000**	Effective interest rate %	Amount $'000
Fixed rate borrowings:				
Lease liabilities	**5.09**	**147,839**	4.83	151,969
Amounts due to Cargo Services Group	**–**	**–**	5.10	38,748
		147,839		190,717
Variable rate borrowings:				
Bank overdrafts	**–***	**36**	0.42	1,317
Bank loans	**4.36**	**88,717**	4.63	85,938
		88,753		87,255
Net exposure		**236,592**		277,972

* As at 31 December 2020, the effective interest rate for bank overdrafts is insignificant and rounded down to nil.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate borrowings, a change in interest rate at the end of the reporting period would not affect profit or loss.

In respect of the exposure to cash flow interest rate risk arising from variable rate borrowings held by the Group at the end of the reporting period, the impact on the Group's profit before taxation is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2019. At 31 December 2020, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before taxation by approximately $444,000 (2019: $436,000).

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

	2020								
	Exposure to foreign currencies (expressed in Hong Kong dollars)								
	AUD	CHF	EUR	GBP	JPY	RMB	TWD	HKD	USD
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables and contract assets	4	6	5,209	1,475	440	25,571	83	-	36,011
Amounts due from Cargo Services Group	-	-	-	-	-	-	-	887	48,654
Amounts due from EV Cargo Group	-	-	371	-	-	40	-	-	82,032
Amounts due from associates	-	-	-	-	-	-	-	-	608
Cash and cash equivalents	3	45	9,731	784	2,821	11,631	-	533	56,286
Trade and other payables and contract liabilities	(1,569)	(402)	(7,587)	(7,264)	(804)	(144)	-	(67)	(15,627)
Amounts due to Cargo Services Group	-	-	-	-	-	(5)	-	(37)	(555)
Amounts due to EV Cargo Group	-	-	-	(56)	-	-	-	-	(44)
Amounts due to associates	-	-	-	-	-	-	-	-	(866)
Net exposure arising from recognised assets and liabilities	(1,562)	(351)	7,724	(5,061)	2,457	37,093	83	1,316	206,499

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

	2019								
	Exposure to foreign currencies (expressed in Hong Kong dollars)								
	AUD $'000	CHF $'000	EUR $'000	GBP $'000	JPY $'000	RMB $'000	TWD $'000	HKD $'000	USD $'000
Trade and other receivables and contract assets	–	84	5,614	1,336	714	12,741	116	109	11,021
Amounts due from Cargo Services Group	–	8	42	–	84	6,639	–	141,339	9,730
Amounts due from EV Cargo Group	–	–	–	–	–	34	–	–	9,735
Cash and cash equivalents	5	29	1,252	1,000	134	64	1	789	13,582
Trade and other payables and contract liabilities	(1,185)	(401)	(5,768)	(1,296)	(872)	(69)	–	(77)	(5,769)
Amounts due to Cargo Services Group	(243)	–	(6,186)	(256)	(4)	(237)	–	(28,497)	(10,454)
Amounts due to EV Cargo Group	–	–	(507)	(392)	–	–	–	–	(2,321)
Amounts due to associates	–	–	–	–	–	–	–	–	(2,321)
Net exposure arising from recognised assets and liabilities	(1,423)	(280)	(5,553)	392	56	19,172	117	113,663	23,203

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit before taxation that would arise if foreign exchange rates to which the entity has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2020		2019	
	Increase in foreign exchange rates %	**Increase/ (decrease) on profit before taxation $'000**	Increase in foreign exchange rates %	Increase/ (decrease) on profit before taxation $'000
AUD	**5**	**(78)**	5	(72)
CHF	**5**	**(18)**	5	(14)
EUR	**5**	**386**	5	(278)
GBP	**5**	**(253)**	5	20
JPY	**5**	**123**	5	3
RMB	**5**	**1,855**	5	959
TWD	**5**	**4**	5	6
HKD	**5**	**66**	5	(4)
USD	**5**	**10,325**	5	334

The effect on profit before taxation by decreasing the foreign exchange rates by 5% is in the same magnitude yet opposite direction with the above table.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit before taxation in the respective functional currencies, translated into Hong Kong dollar at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2019.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) *Financial assets measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2020	**Fair value measurements as at 31 December 2020 categorised into**		
		Level 1	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Recurring fair value measurement				
Unlisted equity securities	**404**	**–**	**–**	**404**

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Unlisted equity securities	403	–	–	403

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of the unlisted equity securities are estimated as being the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus an adequate constant credit spread, adjusted for the Group's own credit risk.

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2020 and 2019.

(Expressed in Hong Kong dollars unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS

The following individuals and companies are significant related parties of the Group that had transactions and/or balances with the Group during the years ended 31 December 2020 and 2019.

Name of party	Relationship
Cargo Services Group	Cargo Services Group consists of Cargo Services Group Limited, a company incorporated in the Cayman Islands, CS Logistics Holdings Ltd., a company incorporated in British Virgin Islands, and their subsidiaries and associates (excluding EV Cargo Group defined below and the Group). Cargo Services Group Limited, CS Logistics Holding Ltd. and the Group are members of the same group throughout the years ended 31 December 2020 and 2019.
EV Cargo Group	EV Cargo Group consists of EV Cargo Global Forwarding Limited ("EV Cargo") (formerly known as Allport Cargo Services Limited), a company incorporated in the United Kingdom, and its subsidiaries and associates. EV Cargo was a subsidiary of Cargo Services Group until 3 October 2018. On 3 October 2018, Cargo Services Group disposed of its control in EV Cargo and it became an associate of Cargo Services Group. Starting from 9 December 2019, Cargo Services Group lost its significant influence on EV Cargo Group. EV Cargo Group is a non-controlling interest of a subsidiary of the Group throughout the years ended 31 December 2020 and 2019.
CN Logistics (Thailand) Co., Limited	An associate of the Group
CS Logistics (Macau) Limited	An associate of the Group
CN Logistics Israel Limited	An associate of the Group
Prolinair SAS	Non-controlling interests of a subsidiary
Hansaeng Express Co., Ltd	Non-controlling interests of a subsidiary
Blue Bird System	Non-controlling interests of a subsidiary
Mr. Lau Shek Yau John	Non-executive director of the Company and ultimate controlling party of the Group
Mr. Ngan Tim Wing	Executive director of the Company
Yuval Perlman	A director of a subsidiary, namely CN Logistics USA Inc., which had been disposed on 31 December 2019
Empire Transportation Company Limited	A company wholly owned by Mr. Ngan Tim Ming, the brother of Mr. Ngan Tim Wing
Transway Logistics Company Limited	A company owned as to 50% by Ms. Ngan Yuk Chu, the sister of Mr. Ngan Tim Wing, and as to 50% by Mr. Li Man Chiu, the brother-in-law of Mr. Ngan Tim Wing

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group entered into the following material transactions with its related parties during the years ended 31 December 2020 and 2019.

27 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Key management personnel remuneration

All members of key management personnel are the directors of the Company and their remuneration is disclosed in note 7.

(b) Balances with related parties

	Note	Amounts owed to the Group by related parties		Amounts owed by the Group to related parties	
		2020 **$'000**	2019 $'000	**2020** **$'000**	2019 $'000
Amounts due from Cargo Services Group	(i), (v)	**36,729**	260,249	**–**	–
Amounts due from EV Cargo Group	(iv), (v)	**84,113**	18,634	**–**	–
Amounts due from associates	(ii), (v)	**513**	1,111	**–**	–
Amount due from a director	(iii), (v)	**–**	11,500	**–**	–
Amounts due to Cargo Services Group	(vi)	**–**	–	**6,000**	107,227
Amounts due to EV Cargo Group	(iv)	**–**	–	**100**	3,601
Amounts due to associates	(iv)	**–**	–	**873**	2,284
Lease liabilities due to Cargo Services Group	(vii)	**–**	–	**11,326**	1,943

Notes:

(i) As at 31 December 2020, the amounts due from Cargo Services Group are unsecured, interest-free and due within 30–60 days from the date of billing. All non-trade related balances have been settled during the year ended 31 December 2020.

As at 31 December 2019, included in the amounts due from Cargo Services Group are trade related balances of $16,624,000, which are unsecured, interest-free and due within 30–60 days from the date of billing. The remaining balances are non-trade related. Apart from an amount of $38,609,000 which bears interest at 5.1% per annum, the amounts are unsecured, interest-free and recoverable on demand.

(ii) As at 31 December 2020, the amounts due from associates include a trade-related balance of $513,000 (2019: $175,000), which is unsecured, interest-free and due within 30–60 days from the date of billing. The remaining balances are non-trade related and are unsecured, interest-free and recoverable on demand.

(iii) As at 31 December 2019, the amount is non-trade related, interest-free, unsecured and recoverable on demand, which has been settled during the year ended 31 December 2020.

(iv) These amounts are trade related balances, which are unsecured, interest-free and due within 30–60 days from the date of billing.

(v) No loss allowances have been recognised in respect of these balances as the credit risk is assessed to be insignificant according to the accounting policy on note 1(k)(i).

27 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

Notes: (Continued)

(vi) As at 31 December 2020, the amounts due to Cargo Services Group are unsecured, interest-free and due within 30–60 days from the date of billing. All non-trade related balances have been settled during the year ended 31 December 2020.

As at 31 December 2019, included in the amounts due to Cargo Services Group are trade related balances of $20,989,000, which are unsecured, interest-free and due within 30–60 days from the date of billing. The remaining balances are non-trade related. Apart from an amount of $38,748,000 which bears interest at 5.1% per annum, the amounts are unsecured, interest-free and repayable on demand.

(vii) The Group entered into lease arrangements in respect of certain leasehold properties from Cargo Services Group for provision of distribution and logistics services. The related additions of right of use assets and lease liabilities during the year ended 31 December 2020 were $11,583,000 (2019: $6,185,000). The duration of the leases falls within the range of 2–4 years. The rent payable to Cargo Services Group were $2,822,000 (2019: $7,462,000) for the year ended 31 December 2020. The amount of rent payable by the Group under the lease arrangements were determined with reference to amounts charged by the Cargo Services Group to third parties.

(viii) The amounts due from/to subsidiaries of the Company are non-trade related, unsecured, interest-free and recoverable/repayable on demand.

27 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties

	2020 $'000	2019 $'000
Cargo Services Group:		
– Freight forwarding services income received	**287,956**	65,796
– Freight forwarding services fee paid	**(34,235)**	(23,678)
– Management fee paid	**(425)**	(2,198)
– Interest expenses paid on amounts due to Cargo Services Group	**(247)**	(550)
– Interest expenses on lease liabilities	**(357)**	(354)
EV Cargo Group:		
– Freight forwarding services income received	**177,772**	154,518
– Freight forwarding services fee paid	**(36,740)**	(20,462)
Associates:		
– Freight forwarding services income received	**471**	196
– Freight forwarding services fee paid	**(63,028)**	(6,004)
Non-controlling interests of subsidiaries:		
– Freight forwarding services income received	**1,595**	968
– Freight forwarding services fee paid	**(2,523)**	(1,830)
– Management fee paid	**(2,436)**	(3,094)
Empire Transportation Company Limited:		
– Trucking service expenses	**12,042**	18,351
Transway Logistics Company Limited:		
– Trucking service expenses	**5,074**	8,065

28 COMMITMENTS

Capital commitments outstanding not provided for in the financial statements are as follows:

	2020 $'000	2019 $'000
Contracted for	**17,653**	–

29 CONTINGENT LIABILITIES

As at 31 December 2019, joint financial guarantees were given by certain subsidiaries of the Group together with certain entities controlled by Cargo Services Group to the bank for the Joint Facilities (see note 21). The joint financial guarantees were not relevant upon the listing of the Company on 15 October 2020.

As at 31 December 2020, financial guarantees are given by the Company to the banks for the banking facilities entered by certain subsidiaries of the Group (see note 21). The directors do not consider it probable that a claim will be made against the Group under the banking facilities. The maximum liability of the Group under the banking facilities as at 31 December 2020 is the amount of the facilities drawn down by the Group, being HK$83.4 million.

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2020** **$'000**	2019 $'000
Non-current asset			
Investments in subsidiaries	14	**62,914**	62,914
Current assets			
Amounts due from subsidiaries	27(b)(viii)	**223,372**	–
Other receivables		**977**	2,635
Cash and cash equivalents		**19,900**	–
		244,249	2,635
Current liabilities			
Other payables and accrued charges		**4,677**	–
Amounts due to subsidiaries	27(b)(viii)	**114,007**	10,516
Amounts due to Cargo Services Group	27(b)(vi)	**37**	1,001
		118,721	11,517
Net current assets/(liabilities)		**125,528**	(8,882)
NET ASSETS		**188,442**	54,032
CAPITAL AND RESERVES	25(a)		
Share capital		**1,950**	780
Reserves		**186,492**	53,252
TOTAL EQUITY		**188,442**	54,032

Approval and authorised for issue by the board of directors on 26 March 2021.

Ngan Tim Wing *Director*	**Cheung Siu Ming Ringo** *Director*

(Expressed in Hong Kong dollars unless otherwise indicated)

31 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Dividend declaration

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 25(b).

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2020, the directors consider the immediate parent and ultimate controlling party of the Group to be Cargo Services (Logistics) Limited, which is incorporated in British Virgin Island, and Mr. Lau Shek Yan John, respectively. This entity does not produce financial statements available for public use.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16, *Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements.

RESULTS

	Year ended 31 December			
	2020	2019	2018	2017
	$'000	$'000	$'000	$'000
Revenue	**2,020,562**	1,483,849	1,538,695	1,523,903
Profit before taxation	**116,704**	67,928	62,012	64,580
Income tax	**34,693**	23,378	20,886	16,718
Profit attributable to equity shareholders of the Company	**55,521**	23,614	23,004	27,936
Profit attributable to non-controlling interests	**26,490**	20,936	18,122	19,926

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December			
	2020	2019	2018	2017
	$'000	$'000	$'000	$'000
Non-current assets	**291,204**	262,881	216,887	131,784
Current assets	**753,396**	698,022	663,542	685,359
Total assets	**1,044,600**	960,903	880,429	817,143
Current liabilities	**482,961**	474,907	444,129	487,148
Total assets less current liabilities	**561,639**	485,996	436,300	329,995
Non-current liabilities	**112,439**	107,575	79,075	42,117
NET ASSETS	**449,200**	378,421	357,225	287,878
Equity				
Share capital	**1,950**	780	390	390
Reserves	**350,707**	271,817	234,193	174,586
Total equity attributable to equity shareholders of the Company	**352,657**	272,597	234,583	174,976
Non-controlling interests	**96,543**	105,824	122,642	112,902
TOTAL EQUITY	**449,200**	378,421	357,225	287,878

GLOSSARY

"AGM"	annual general meeting of the Company
"Articles"	the amended and restated articles of association of the Company, adopted on 17 September 2020, as amended, supplemented or otherwise modified from time to time
"B2B"	Business to Business
"B2C"	Business to Consumer
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	Corporate Governance Code
"CN BVI"	CN Logistics Limited, a company incorporated in the BVI with limited liability on 29 October 2014 and an indirect non-wholly owned subsidiary of the Company
"CN France"	CN LOGISTICS FRANCE SAS, a simplified joint-stock company incorporated in France with limited liability on 13 July 2017 and an indirect non-wholly owned subsidiary of the Company
"CN France HK"	CN FRANCE (HONG KONG) LIMITED, a company incorporated in Hong Kong with limited liability on 28 May 2019 and an indirect non-wholly owned subsidiary of the Company
"CN Guangzhou"	Guangzhou Jiahong International Freight Forwarding Co., Ltd.* (廣州市嘉泓國際貨運代理有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 26 November 2007 and an indirect non-wholly owned subsidiary of the Company
"CN International"	CN International Logistics Limited (formerly known as CN International (Airfreight) Limited), a company incorporated in Hong Kong with limited liability on 12 November 2014 and an indirect non-wholly owned subsidiary of the Company
"CN Jiada"	Jiada Freight Forwarding Co., Ltd.* (嘉達貨運代理有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 15 July 2005 and an indirect non-wholly owned subsidiary of the Company
"CN Logistics HK"	CN LOGISTICS LIMITED (嘉宏物流有限公司) (formerly known as CN AIRFREIGHT LIMITED, LLEA INTERNATIONAL LIMITED and GOLD FLAVOUR GROUP LIMITED), a company incorporated in Hong Kong with limited liability on 19 March 2004 and an indirect non-wholly owned subsidiary of the Company
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "CN Logistics"	CN Logistics International Holdings Limited (嘉泓物流國際控股有限公司) (formerly known as CARGO SERVICES AIRFREIGHT LIMITED), an exempted company limited by shares incorporated in the Cayman Islands on 14 December 2017 under the Companies Laws, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands with limited liability
"Controlling Shareholder(s)"	Mr. Lau, Ms. Cynthia Lau, LLEA & Company Limited, Hundred Honest Limited, CS Group, CS Holdings, CS Seafreight and CS Logistics, individually and as a group of persons
"Controlling Shareholder Group"	a group of companies consisted of CS Group together with its subsidiaries, CS Holdings Group, CS Seafreight Group and CS Logistics Group, which for the purpose of this annual report, excludes the Group
"CS Airfreight"	CARGO SERVICES AIRFREIGHT LIMITED (嘉宏空運服務有限公司) (formerly known as CARGO SERVICES AIRFREIGHT LIMITED and CHAMPION YEAR CARGO LIMITED (冠年貨運有限公司)), a company incorporated in Hong Kong with limited liability on 25 September 1990 and an indirect non-wholly owned subsidiary of the Company
"CS Group"	Cargo Services Group Limited, an exempted company limited by shares incorporated in the Cayman Islands on 11 February 2015 under the Companies Law and wholly-owned by Hundred Honest Limited, being one of the Controlling Shareholders
"CS Holdings"	CS Logistics Holdings Ltd., a company incorporated in the BVI with limited liability on 10 November 2004 and wholly-owned by CS Group, being one of the Controlling Shareholders
"CS International"	CS International (Airfreight) Limited, a company incorporated in Hong Kong with limited liability on 12 November 2014 and an indirect non-wholly owned subsidiary of the Company
"CS Logistics"	Cargo Services (Logistics) Limited (formerly known as Clova Profits Limited), a company incorporated in the BVI with limited liability on 29 April 1997 and owned as to 25% by Toll and 75% by CS Seafreight, being one of the Controlling Shareholders
"CS Seafreight"	CARGO SERVICES SEAFREIGHT LIMITED, an exempted company limited by shares incorporated in the Cayman Islands on 11 January 2018 under the Companies Law, and wholly-owned by CS Holdings, being one of the Controlling Shareholders
"CS Shanghai BVI"	CS Airfreight (Shanghai) Limited, a company incorporated in the BVI with limited liability on 29 October 2014 and a direct non-wholly owned subsidiary of the Company
"Directors"	directors of the Company
"EUR"	Euro, the lawful currency of the member countries of the European Union
"FY2019"	the year ended 31 December 2019
"FY2020"	the year ended 31 December 2020
"GBP"	British pound sterling, the lawful currency of the United Kingdom

GLOSSARY

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) not connected person(s) (as defined in the Listing Rules) of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Mr. Lau"	Mr. Lau Shek Yau John (劉石佑), the founder of the Group, chairman of the Board, a non-executive Director and one of the Controlling Shareholders. He is the father of Ms. Cynthia Lau
"Ms. Cynthia Lau"	Ms. Lau Ying Cynthia, one of the Controlling Shareholders. She is the daughter of Mr. Lau
"PRC" or "China"	the People's Republic of China which, for the purposes of this annual report excludes Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 30 September 2020
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of US$0.001 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 17 September 2020
"sq. ft."	square feet
"TWD"	New Taiwan dollar, the lawful currency of Taiwan
"US$"	United States dollars, the lawful currency of U.S.
"U.S.A." or "United States"	the United States of America
"%"	per cent

Terms marked with "" are English translations of the original names in Chinese and are included in this annual report for identification purpose only. In the event of any inconsistency, the Chinese name(s) shall prevail.*