

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)

2021 Interim
Report



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

HEADQUARTER 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 ADVISER

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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 (the “Reporting Period”). The relevant financial figures for the corresponding period in 2020 (the “1H2020”) or other dates/periods are also set out in this report for comparative purposes.

The Group’s core business is the provision of comprehensive logistics services, which primarily focus on air freight forwarding services and distribution and logistics services, in relation to fashion products and wine. The long-standing customers of the Group in the fashion market consist of various international, well-known, premium and luxury brands and other apparels. The Group operates local offices in 18 cities across 9 countries and territories, namely the People’s Republic of China (“PRC”), Hong Kong, Taiwan, Italy, Japan, Malaysia, Thailand, Macau, 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 focuses on developing and maintaining a strong relationship with and thorough understanding of its customers. The Group maintains close and effective 24/7 communication with its customers in order to understand and cater to their different needs, to ensure that the Group is kept up-to-date with the latest market information as well as to obtain feedback from them on its services. It enables the Group to provide customised services and review the quality and level of its services in a timely manner, which in turn helps to retain existing customers as well as to obtain new customers by way of referral.

After successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 October 2020 (the “Listing Date”), the Group’s development has entered into a new chapter with more business opportunities and recognitions from the industry. The Group was appointed as the exclusive logistic service provider for over 30 internationally renowned high-end consumer brands and cosmetics brands in the first China International Consumer Products Expo held in Hainan Province, which enabled the Group to explore new business opportunities with brand customers. Furthermore, the Group reached a strategic cooperation agreement with JD Logistics, one of the leading logistics service providers in the PRC, to generate business synergies by integrating our logistics resources overseas and their all-rounded logistics infrastructure in the PRC. The Group expects such collaboration would bring in more opportunities in the air-freight services between Europe and the PRC for e-commerce platforms.

Although the outbreak of COVID-19 pandemic has casted shadow to the global economy, with its 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, especially in Italy. Further, with well-developed local presence in Asia and European regions since the establishment of overseas offices in these regions, the Group was able to enhance and expand its customer base by sourcing new sizeable customers from different sectors. While the Group is able to maintain its customers from high-end fashion industry, it is also able to source sizeable customers from sectors such as tire market and tableware market. These opportunities allowed the Group to further broaden its customer base which significantly improved its operational and financial performance. Besides, the Group is able to achieve risk diversification with a more balanced customer profile. On the other hand, the sales of luxury products in the PRC remained robust due to the lock down of some European cities, causing the shift in consumption pattern for high-end fashion products from overseas purchase to domestics purchase in the PRC, therefore resulting in a strong demand for air freight forwarding services and distribution and logistics services. The Group has witnessed such market trend and thus accelerated its development in the PRC, including the expansion of its highly automated distribution and logistics centre in Shanghai, as well as the establishment of its first office in the Hainan Province. Recently, the Group has also enhanced its strategic layout in the Southeast Asia by setting up its office in Malaysia.

Since its establishment, the Group has been aware of the importance of maintaining environmental quality and social co-prosperity and has therefore embedded the concept of sustainable development in its corporate culture. As sustainable development becomes increasingly popular among brand customers, the Group has introduced green logistics solution to international luxury and high-end fashion brands, in order to play a part in the promotion of sustainable development and green logistics. Since the launch of the service, the Group has received overwhelming responses from more than 30 brand customers. In addition, the Group also partnered with Redress, a Hong Kong non-profit organization, to provide integrated logistics services for its fashion product recycling program in the PRC, Hong Kong and Macau.



MANAGEMENT DISCUSSION AND ANALYSIS

Throughout its development journey, the Group's service quality and contributions to the society has been well-recognized by the public and the capital market, receiving multiple awards such as *Hong Kong Outstanding Enterprise 2020*, *Outstanding Listed Companies Award 2020*, *Hong Kong's Most Outstanding Leaders Awards 2021* and *ESG Committee Prize 2021*. Furthermore, the Group has also been included into MSCI and FTSE Russel index in May 2021 and June 2021 respectively, which enables the Group to enjoy greater support from a wider spectrum of international investors, giving new impetus to the Group's future development.

FINANCIAL RESULTS

The Group recorded revenue of approximately HK\$1,017.2 million during the Reporting Period (1H2020: HK\$782.1 million), representing a period-on-period increase of approximately 30.1%. Gross profit amounted to approximately HK\$214.1 million during the Reporting Period (1H2020: HK\$171.5 million), representing a period-on-period increase of 24.8%. The net profit attributable to equity shareholders of the Company was approximately HK\$35.2 million during the Reporting Period (1H2020: HK\$23.7 million), representing a period-on-period increase of approximately 48.5%.

The increase in revenue and net profit were mainly due to (a) significant growth in revenue of overseas offices given the gradual recovery in global economy, in particular, in Italy. With the sound reputation and strong network of the Group's Italy office in the European and Asian regions, it was able to source new sizeable customers; (b) the demand for air freight forwarding services and distribution and logistics services for high-end fashion in Europe and Asia (including the PRC) increased drastically as the sales growth in luxury products remained robust in these two regions; (c) the Group's ability to obtain cargo space from airlines to satisfy its customers demand despite the limited supply of cargo space worldwide under the COVID-19 pandemic, which enable the Group to charge higher freight rate to its customers; (d) the ability to source additional fashion logistics' orders due to the significant increase in the handling capacity of the Group after the completion of the expansion of the highly automatic distribution centre in Shanghai in February 2021; and (e) one-off listing expenses recognised during 1H2020.

SEGMENTAL ANALYSIS

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

Air freight forwarding services

The air freight forwarding business constituted the largest segment of the Group, representing approximately 58.3% of the Group's total revenue during the Reporting Period (1H2020: 66.7%). 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, the Group is 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, France and Japan 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.

During the Reporting Period, the air freight forwarding business recorded revenue of approximately HK\$593.2 million (1H2020: HK\$521.4 million), representing an increase of approximately 13.8% as compared to the corresponding period of 2020. Gross profit of the segment also increased from HK\$104.4 million in the corresponding period of 2020 to approximately HK\$129.1 million during the Reporting Period, representing a period-on-period increase of approximately 23.7%. The increase were primarily due to (a) the drastic increase in the demand for air freight forwarding services for high-end fashion in Europe and Asia (including the PRC); and (b) the Group's ability to obtain cargo space from airlines to satisfy its customers demand despite the limited supply of cargo space worldwide under COVID-19 pandemic, which enable the Group to charge higher freight rate to its customers.



MANAGEMENT DISCUSSION AND ANALYSIS

Distribution and logistics services

The distribution and logistics segment contributed approximately 18.9% of the total revenue of the Group during the Reporting Period (1H2020: 17.5%). The Group is one of the pioneers in PRC and Hong Kong to provide comprehensive and customised business to business 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 pioneers in the PRC to establish its own highly-automated distribution centre to provide tailor-made logistics solutions for high-end fashion products. The distribution and logistics services operations of the Group are primarily located in Hong Kong, the PRC, Italy, Taiwan and Korea with the PRC and Hong Kong being the two largest contributors of revenue for this segment. The Group manages and operates 28 distribution centres with a total gross floor area of approximately 830,000 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.

During the Reporting Period, the revenue from this segment was approximately HK\$192.5 million (1H2020: HK\$137.2 million), representing an increase of approximately 40.3% as compared with the corresponding period of 2020 and the gross profit was approximately HK\$38.2 million (1H2020: HK\$30.4 million), representing an increase of approximately 25.7% as compared with the corresponding period of 2020. The increase was due to the ability to source additional fashion logistics' orders due to a significant increase in the handling capacity of our Group after the completion of the expansion of its highly automatic distribution centre in Shanghai in February 2021.

Ocean freight forwarding services

The ocean freight forwarding business contributed approximately 22.8% of the total revenue of the Group during the Reporting Period (1H2020: 15.8%). 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.

During the Reporting Period, the revenue from this segment was approximately HK\$231.5 million (1H2020: HK\$123.4 million), representing an increase of approximately 87.4% as compared with the corresponding period of 2020 and gross profit was approximately HK\$46.8 million (1H2020: HK\$36.7 million) representing an increase of approximately 27.5% as compared with the corresponding period of 2020 due to (a) significant growth in overseas offices given the gradual recovery in global economy, in particular in Italy. With the sound reputation and strong network of the Group's Italy office in European and Asian regions, it was able to source new sizeable customers from different sectors, including leading companies from tire market and tableware market; and (b) the increasing demand for cruise logistics after the recovery of economy in Europe.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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 slightly increased from approximately HK\$270.4 million as at 31 December 2020 to HK\$273.1 million as at 30 June 2021. The current ratio of the Group slightly increased from approximately 1.56 times as at 31 December 2020 to approximately 1.61 times as at 30 June 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately HK\$235.6 million, representing a decrease of approximately 7.7% from approximately HK\$255.3 million as at 31 December 2020. During the Reporting Period, the Group had operating cash inflow of approximately HK\$67.9 million (1H2020: operating cash inflow of approximately HK\$43.9 million). As at 30 June 2021, the Group's outstanding bank loans and overdrafts amounted to approximately HK\$100.6 million (as at 31 December 2020: approximately HK\$88.8 million). The gearing ratio of the Group was approximately 50.9% as at 30 June 2021 (as at 31 December 2020: 52.7%). The gearing ratio was calculated as total of bank loans and overdrafts and lease liabilities divided by total equity of the Group. As at 30 June 2021, the Group maintained a net cash position (as at 31 December 2020: net cash position). The Group will continue to secure financing as and when the need arises.

FOREIGN EXCHANGE RISK

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 the Reporting Period.

SIGNIFICANT INVESTMENT

During the Reporting Period, the Group did not hold any material investments.

CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2021, the Group did not have capital expenditure commitments (as at 31 December 2020: HK\$17.7 million).

CONTINGENT LIABILITIES

As at 30 June 2021, 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 30 June 2021 is the amount of the facilities drawn by the Group, being HK\$93.0 million (as at 31 December 2020: HK\$83.4 million).

CHARGE ON GROUP ASSETS

As at 30 June 2021, certain interest-bearing bank borrowings and bank guarantees were secured by pledged bank deposit amounted to approximately HK\$5.8 million (as at 31 December 2020: HK\$2.3 million).

EVENTS AFTER THE REPORTING PERIOD

The Board has been informed by Cargo Services (Logistics) Limited, the controlling shareholder of the Company, that on 9 July 2021, it has sold 2,500,000 shares, representing approximately 0.98% of the issued share capital of the Company as at 30 June 2021, to an independent third party. For details, please refer to the announcement of the Company dated 9 July 2021.

Save as disclosed, there are no events causing material impact on the Group from the end of the Reporting Period to the date of this report.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.



MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

Use of net proceeds from the listing

The shares of the Company (the “Shares”) were listed on the Main Board of the Stock Exchange on the Listing Date with the offering of a total of 53,700,000 Shares at the final offer price of HK\$2.66 per Share (the “Global Offering”). The net proceeds of the Global Offering, after deducting related underwriting fees and commissions and relevant expense in connection with the Global Offering, was approximately HK\$87.4 million. An analysis of the utilization of the net proceeds from the Listing Date up to 30 June 2021 is set out below:

Use of net proceeds	Net proceeds HK\$ million	Amount utilized as at 30 June 2021 HK\$ million	Amount unutilized as at 30 June 2021 HK\$ million
Enhancement and expansion of distribution and logistics business and local presence	63.1	51.6	11.5
Expansion of Business to Consumer (“B2C”) services	15.6	12.0	3.6
General working capital purpose	8.7	8.7	–
	87.4	72.3	15.1

As at the date of this report, the Company does not anticipate any change to the above plan for use of proceeds from the Global Offering. The Company anticipates that the remaining unutilized net proceeds as at 30 June 2021 will be fully utilised on or before 31 December 2021.

Use of net proceeds from the Subscription

On 18 May 2021, the Company entered into a subscription agreement with an independent third party (the “Subscriber”), pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe for 5,000,000 Shares at a subscription price of HK\$7.23 per Share (the “Subscription”). The Subscription was completed on 3 June 2021. The net proceeds raised from the Subscription, after deduction of professional fees and other related expenses, are approximately HK\$35.6 million, which are intended to be fully used as the initial capital for the expansion of the business and local presence of the Group in Hainan Province in the PRC, Southeast Asia and the United Kingdom. Details of the Subscription are set out in the Company’s announcements dated 18 May 2021 and 3 June 2021 respectively. As at 30 June 2021, the Company had not utilized any net proceeds from the Subscription. The Company anticipated to use up the unutilised net proceeds from the Subscription within 3 years from the completion date of the Subscription.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Since January 2020, the outbreak of COVID-19 has brought a negative impact on the global and local business environment but nevertheless also brought about unprecedented opportunities on the operation and financial performance of the Group. Looking into second half of 2021 and onwards, the pandemic was largely put under control and economic revival is progressing at a fast pace. Together with the mass rollout of vaccination program, the Group is generally optimistic about the recovery as a catalyst to its business development and plans to further expand its business in the following aspects:

1. To further penetrate wine-related business by foraying into e-commerce market

After the long-planned efforts and test trial, the Group has finally announced the official launch of its cross-border e-commerce platform for wine, which will be mainly focusing on the PRC market, and through social media to promote consigned high-quality wines to customers and provide one-stop logistics solutions. Leveraging the booming wine market in the PRC and the Group's significant progress in the wine sector over the past few years, the Group is confident that the e-commerce wine platform will further expand its presence in the wine e-commerce sector and create new income streams in addition to its traditional offline business. In addition, the Group also reached strategic cooperation with JD Logistics to generate business synergies and enhance overall logistics service capabilities across China through the parties' strengths and resources. Specifically, the Group will capitalise on JD Logistics' domestic resources, including warehouse and distribution centres in the PRC to sell the consigned wine on their platform, in which the Group will be responsible for the cross-border distribution, and our partner will be responsible for the domestic last-mile distribution. The Group anticipates that these moves will further consolidate the Group's leading position in the wine logistics and distribution markets in Hong Kong and the PRC, while exploring the opportunities in the e-commerce sector.

2. To strengthen strategic position in Europe to capture post-COVID opportunities

On 23 June 2021, the Group entered into a memorandum of understanding with the substantial shareholders and directors ("Vendors") of CN Logistics SA ("CN Switzerland") and CN Logistics S.R.L. ("CN Italy"), each of which is a non-wholly owned subsidiary of the Company as at the date of this report, in relation to the proposed acquisition of the remaining issued shares (the "Proposed Acquisition") in CN Switzerland and CN Italy. Upon completion of the Proposed Acquisitions, the Group intends to turn Italy into its European headquarter, which is of significant strategic value. The Group expects that such move will strengthen its network in the European and Asian regions with expected strong growth in its business. Moreover, the Group intends to integrate valuable resources of its European business partners, including infrastructure, customer portfolios, industry talents, in order to seek more development opportunities and provide logistics services for more high-end brands and fine-wine companies, as well as B2C businesses in Asia to facilitate Europe e-commerce dealings on the PRC e-commerce platforms. The proposed allotment and issue of Shares as part of the consideration also incentivizes the Vendors in enhancing the value of the Shares by making valuable contribution to the Group on global coordination and further enhance the development of the Group. Furthermore, the Proposed Acquisitions will further strengthen the financial performance of the Group as CN Switzerland and CN Italy will become indirect wholly owned subsidiaries of the Company and the financial results of CN Italy and CN Switzerland will be fully consolidated in the consolidated profit or loss. As the vaccination rate in Europe continues to increase, we expect that the region's economy will start to gradually recover in the second half of this year, and the demand for luxury goods will gradually rise. In view of this anticipated growing demand for logistics services, the Group plans to set up new office in Germany to capture the opportunities arise from post-COVID recovery.



MANAGEMENT DISCUSSION AND ANALYSIS

3. To further expand the green logistics solutions

As a logistics solutions provider focusing on high-end fashion and luxury goods, the Group fully comprehends that each process along the supply chain often wastes resources with rich recyclable value, including cartons, plastic bags and hangers. The Group has been committed to promote waste reduction and resource regeneration in daily operations. To answer the growing call for the advocacy of sustainable development and environmental protection, the Group launched one-stop green logistics solutions in early 2021 to a number of international luxury and high-end fashion brand customers, focusing on resources recycling and distribution services with new energy vehicles. The Group has obtained the “United Nations Framework Convention on Climate Change” certificate to assist customers in tracking and neutralizing their carbon footprint. In addition, the Group also work with local recycling contractors, for instances, Redress, to further promote effective resources utilization and reduce waste generation in daily operations and provide professional and tailor-made suggestions for customers. With the continuous rise of public awareness on environmental protection in recent years, fashion brands have increasingly valued corporate social responsibility and pursued the sustainable development of all processes within the supply chain. This will again reinforce the Group’s position as the pioneer in tailor-made logistics solutions. While green logistics services are currently only available in Hong Kong and China, the Group have been receiving more customers’ requests for green logistics cooperation in other overseas regions. In the future, we will actively promote the development of this area, and strive to become a total solution provider integrating commercial logistics and environmental solutions.

4. Actively explore business opportunities with high-end fashion and luxury brands, as well as other product types such as watch and jewellery

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. Other than high-end fashion and wine businesses, the Group continue to strive to explore new areas with a view to bring a richer source of income. The Group has been actively exploring 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 the PRC, which are expected to inject further growth momentum to the development of the Group and bring sustainable growth in long-term.

To summarize, the Group will continue to adopt prudent measures in its operation while cautiously planning for the long run. Regardless of the macro environment, the Group will always maintain a healthy financial position by improving its product mix and adopting a stringent cost control policy. Looking ahead, the Group will maintain prudent and act cautiously according to the aforesaid strategies, delivering long-term values to its stakeholders and shareholders under such challenging environment.

HUMAN RESOURCES

As at 30 June 2021, the Group employed 612 employees (as at 30 June 2020: 596 employees). Remuneration packages are generally structured to market terms, individual employee performance, qualification and experiences. The Company has also adopted share option scheme and share award 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 the Reporting Period, regular in-house and external trainings have been provided to the Group’s employees.



CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, save for the Subscription as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK9 cents per ordinary Share absorbing a total amount of HK\$22,950,000, in respect of the Reporting Period. The proposed interim dividend is expected to be paid on Thursday, 30 September 2021 to all Shareholders whose names to be appeared on the register of members of the Company on Thursday, 16 September 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 14 September 2021 to Thursday, 16 September 2021 (both days inclusive) during which period no transfer of shares will be registered. In order to be qualified for the interim dividend, 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, 13 September 2021.

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 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, were as follows:

(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)	64.7%
Mr. Ngan Tim Wing ("Mr. Ngan")	Beneficial owner	21,241,203 Shares (L)	8.3%
Ms. Chen Nga Man ("Ms. Chen")	Beneficial owner	1,256,099 Shares (L)	0.5%

Notes:

- The letter "L" denotes our Directors' long position in the shares of the Company or the relevant associated corporation.
- The 164,980,222 Shares are held by Cargo Services (Logistics) Limited ("CS Logistics"). CS Logistics is owned as to 75.0% by CARGO SERVICES SEAFREIGHT LIMITED ("CS Seafreight"), which is in turn wholly owned by CS Logistics Holdings Ltd ("CS Holdings"). CS Holdings is wholly owned by Cargo Services Group Limited ("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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

(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%



CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. The letter “L” denotes our Directors’ long position in the shares of the Company or the relevant associated corporation.
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 30 June 2021, 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 Stock Exchange pursuant to the Model Code.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of 30 June 2021, 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)	64.7%
CS Seafreight	Interest of a controlled corporation (Note 2)	164,980,222 Shares (L)	64.7%
CS Holdings	Interest of a controlled corporation (Note 2)	164,980,222 Shares (L)	64.7%
CS Group	Interest of a controlled corporation (Note 2)	164,980,222 Shares (L)	64.7%
Hundred Honest Limited	Interest of a controlled corporation (Note 2)	164,980,222 Shares (L)	64.7%
Ms. Ngan Au Kei Yee	Interest of a controlled corporation (Note 3)	21,241,203 Shares (L)	8.3%

Notes:

- The letter "L" denotes the shareholder's long position in the Shares.
- 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.
- 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 30 June 2021, 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) pursuant to Chapter 17 of the Listing Rules 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. During the Reporting Period, no share options have been outstanding, granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 6 May 2021 (the “Share Award Scheme”). The purposes of the Share Award Scheme are (i) to recognise and motivate the contributions of the eligible persons; (ii) to align the interests of the eligible persons with those of the Company and strive for the future development and expansion of the Group; and (iii) to attract suitable personnel for further development of the Group through the grant of award to the selected participants. Details of the Share Award Scheme were disclosed in the Company’s announcements dated 6 May 2021. As at 30 June 2021, no Shares have been granted to any eligible person under the Share Award Scheme.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules. The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing Directors’ securities transactions throughout the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee which comprises Mr. Lam Hing Lun Alain, Mr. Chan Chun Hung Vincent and Mr. Chun Chi Man, all being independent non-executive Directors. Mr. Lam Hing Lun Alain is the Chairman of the audit committee. The audit committee of the Company has reviewed and discussed with the management of the Group on the unaudited consolidated financial statements of the Group for the Reporting Period, including the accounting treatment, principles and practices adopted by the Group, and discussed financial related matters, with no disagreement.

By order of the Board

CN Logistics International Holdings Limited

Lau Shek Yau John

Chairman

Hong Kong, 30 August 2021



REPORT ON REVIEW OF INTERIM FINANCIAL REPORT



To the Board of Directors of CN Logistics International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 17 to 36, which comprises the consolidated statement of financial position of CN Logistics International Holdings Limited (“the Company”) and its subsidiaries (“the Group”) as at 30 June 2021 and the related 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 condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with HKAS 34.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
30 August 2021



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
Note	2021	2020	
	\$'000	\$'000	
Revenue	1,017,227	782,053	
Cost of services	(803,119)	(610,584)	
Gross profit	214,108	171,469	
Other income	2,238	3,738	
Other net gain/(loss)	1,555	(1,091)	
Administrative and other operating expenses	(147,329)	(119,951)	
Profit from operations	70,572	54,165	
Finance costs	(4,063)	(5,803)	
Share of profits of associates	195	515	
Profit before taxation	66,704	48,877	
Income tax	(19,389)	(15,842)	
Profit for the period	47,315	33,035	
Attributable to:			
Equity shareholders of the Company	35,161	23,719	
Non-controlling interests	12,154	9,316	
Profit for the period	47,315	33,035	
Earnings per share (Hong Kong cents)			
Basic and diluted	14.0	N/A	

The notes on pages 24 to 36 form part of this interim financial report.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

Six months ended 30 June

	2021 \$'000	2020 \$'000
Profit for the period	47,315	33,035
Other comprehensive income for the period (after taxation)		
<i>Item that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit retirement obligations	1,276	733
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(1,847)	(1,356)
Total comprehensive income for the period	46,744	32,412
Attributable to:		
Equity shareholders of the Company	35,336	23,025
Non-controlling interests	11,408	9,387
Total comprehensive income for the period	46,744	32,412

The notes on pages 24 to 36 form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2021 \$'000	31 December 2020 \$'000
Non-current assets			
Property, plant and equipment	7	254,471	235,197
Prepayment for acquisition of property, plant and equipment		–	25,167
Intangible assets		2,203	576
Goodwill		24,759	24,633
Interests in associates		2,472	2,676
Interests in joint ventures		1	–
Other financial assets		406	404
Deferred tax assets		1,975	2,551
		286,287	291,204
Current assets			
Trade and other receivables and contract assets	8	422,230	374,395
Amounts due from Cargo Services Group		39,360	36,729
Amounts due from EV Cargo Group		13,176	84,113
Amounts due from associates		366	513
Amounts due from joint ventures		1,499	–
Pledged bank deposits	9	5,845	2,323
Cash and cash equivalents	10	235,601	255,323
		718,077	753,396
Current liabilities			
Trade and other payables and contract liabilities	11	271,756	316,781
Amounts due to Cargo Services Group		7,487	6,000
Amounts due to EV Cargo Group		2,132	100
Amounts due to associates		395	873
Bank loans and overdrafts	12	99,718	87,845
Lease liabilities		52,615	54,761
Current taxation		10,846	16,601
		444,949	482,961
Net current assets		273,128	270,435
Total assets less current liabilities		559,415	561,639



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2021 \$'000	31 December 2020 \$'000
Non-current liabilities			
Bank loans	12	876	908
Lease liabilities		80,649	93,078
Defined benefit retirement obligations		11,050	12,808
Deferred tax liabilities		7,793	5,645
		100,368	112,439
NET ASSETS			
		459,047	449,200
CAPITAL AND RESERVES			
Share capital	13	1,989	1,950
Reserves		366,646	350,707
Total equity attributable to equity shareholders of the Company		368,635	352,657
Non-controlling interests		90,412	96,543
TOTAL EQUITY		459,047	449,200

The notes on pages 24 to 36 form part of this interim financial report.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Sub-total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Reserve fund \$'000	Exchange reserve \$'000	Net parent investment \$'000	Retained profits \$'000			
	Balance at 1 January 2020	780	61,170	37	14,942	(726)	34,141			
Changes in equity for the six months ended 30 June 2020:										
Profit for the period	-	-	-	-	-	-	23,719	23,719	9,316	33,035
Other comprehensive income	-	-	-	-	(1,207)	-	513	(694)	71	(623)
Total comprehensive income	-	-	-	-	(1,207)	-	24,232	23,025	9,387	32,412
Transfer to reserve fund	-	-	-	335	-	-	(335)	-	-	-
Issuance of shares to pre-public offering investors	37	19,963	-	-	-	-	-	20,000	-	20,000
Deemed distribution to the Parent Company	-	-	-	-	-	(34,141)	1,075	(33,066)	-	(33,066)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,088)	(1,088)
Balance at 30 June 2020 and 1 July 2020	817	81,133	37	15,277	(1,933)	-	187,225	282,556	114,123	396,679
Changes in equity for the six months ended 31 December 2020:										
Profit for the period	-	-	-	-	-	-	31,802	31,802	17,174	48,976
Other comprehensive income	-	-	-	-	10,899	-	(1,975)	8,924	2,169	11,093
Total comprehensive income	-	-	-	-	10,899	-	29,827	40,726	19,343	60,069
Dividend paid to shareholders (note 13(b))	-	-	-	-	-	-	(85,344)	(85,344)	-	(85,344)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(36,669)	(36,669)
Transfer to reserve fund	-	-	-	161	-	-	(161)	-	-	-
Capitalisation issue of shares	714	(714)	-	-	-	-	-	-	-	-
Issuance of shares upon public offering and international placing	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)	-
Balance at 31 December 2020	1,950	194,465	291	15,438	8,966	-	131,547	352,657	96,543	449,200



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						Sub-total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Reserve fund \$'000	Exchange reserve \$'000	Retained profits \$'000			
Balance at 1 January 2021	1,950	194,465	291	15,438	8,966	131,547	352,657	96,543	449,200
Changes in equity for the six months ended 30 June 2021:									
Profit for the period	-	-	-	-	-	35,161	35,161	12,154	47,315
Other comprehensive income	-	-	-	-	(718)	893	175	(746)	(571)
Total comprehensive income	-	-	-	-	(718)	36,054	35,336	11,408	46,744
Dividend paid to shareholders (note 13(b))	-	-	-	-	-	(37,500)	(37,500)	-	(37,500)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(17,539)	(17,539)
Shares purchased in respect of the Share Award Scheme (note 13(c))	-	-	(18,008)	-	-	-	(18,008)	-	(18,008)
Issuance of shares (note 13(a))	39	36,111	-	-	-	-	36,150	-	36,150
Balance at 30 June 2021	1,989	230,576	(17,717)	15,438	8,248	130,101	368,635	90,412	459,047

The notes on pages 24 to 36 form part of this interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
Note	2021	2020	
	\$'000	\$'000	
Operating activities			
Cash generated from operations	88,736	59,781	
Hong Kong Profits Tax paid	–	(11,604)	
Tax paid outside Hong Kong	(20,871)	(4,276)	
Net cash generated from operating activities	67,865	43,901	
Investing activities			
Payment for the purchase of property, plant and equipment	(21,193)	(4,681)	
Payment for the purchase of intangible assets	(1,713)	(22)	
Proceeds from disposals of property, plant and equipment	135	129	
Other cash flows arising from investing activities	(4,773)	14,096	
Net cash (used in)/generated from investing activities	(27,544)	9,522	
Financing activities			
Dividend paid to shareholders	(37,500)	–	
Dividend paid to non-controlling interests	(17,539)	(1,088)	
Proceeds from issuance of shares to pre-public offering investors	–	20,000	
Payment for Shares purchased in respect of the Share Award Scheme	(18,008)	–	
Proceeds from issuance of shares	36,150	–	
Payment of listing expenses	–	(12,004)	
Other cash flows arising from financing activities	(22,840)	(31,584)	
Net cash used in financing activities	(59,737)	(24,676)	
Net (decrease)/increase in cash and cash equivalents	(19,416)	28,747	
Cash and cash equivalents at 1 January	255,287	101,477	
Effect of foreign exchange rate changes	(270)	(4,501)	
Cash and cash equivalents at 30 June	235,601	125,723	
	10		

The notes on pages 24 to 36 form part of this interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of CN Logistics International Holdings Limited (“the Company”) and its subsidiaries (“together referred to as “the Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements of the Group for the year ended 31 December 2020, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 December 2021. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2020. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Group’s annual consolidated financial statements for that financial year, but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Provision of air freight forwarding services	593,233	521,437
– Provision of ocean freight forwarding services	231,499	123,440
– Provision of distribution and logistics services	192,495	137,176
	1,017,227	782,053

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.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(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 ocean
- Distribution and logistics: this segment provides cost-effective supply chain solutions

(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.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

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 six months ended 30 June 2021 and 2020 is set out below.

	Six months ended 30 June 2021			
	Air freight \$'000	Ocean freight \$'000	Distribution and logistics \$'000	Total \$'000
Reportable segment revenue – external sales	593,233	231,499	192,495	1,017,227
Reportable segment gross profit	129,112	46,820	38,176	214,108
Other income				2,238
Other net gain				1,555
Administrative and other operating expenses				(147,329)
Finance costs				(4,063)
Share of profits of associates				195
Profit before taxation				66,704
	Six months ended 30 June 2020			
	Air freight \$'000	Ocean freight \$'000	Distribution and logistics \$'000	Total \$'000
Reportable segment revenue – external sales	521,437	123,440	137,176	782,053
Reportable segment gross profit	104,358	36,728	30,383	171,469
Other income				3,738
Other net loss				(1,091)
Administrative and other operating expenses				(119,951)
Finance costs				(5,803)
Share of profits of associates				515
Profit before taxation				48,877



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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. The geographical locations of revenue from customers are based on the locations at which the services are provided.

Revenue from external customers:

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Hong Kong	300,263	297,622
Mainland China	325,392	243,404
Italy	261,975	158,603
Taiwan	65,356	43,513
Other countries	64,241	38,911
	1,017,227	782,053

(iii) Segment assets and liabilities

No analysis of the Group's assets and liabilities by operating and reportable segment is disclosed as it is not regularly provided to the chief operating decision maker for review.

4 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
(a) Finance costs		
Interest on bank loans and overdrafts	1,159	2,309
Interest on amounts due to Cargo Services Group	–	77
Interest on lease liabilities	2,904	3,417
	4,063	5,803
(b) Other items		
Depreciation charge		
– owned property, plant and equipment	9,863	7,258
– right-of-use assets	33,638	38,877
Amortisation cost of intangible assets	81	117
Net (reversal of)/provision for impairment loss on trade receivables	(718)	1,939



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Current tax – Hong Kong Profits Tax	2,554	3,929
Current tax – Outside Hong Kong	14,303	9,886
Withholding tax on distributable profits of subsidiaries	395	251
Deferred tax	2,137	1,776
	19,389	15,842

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2020: 16.5%) of the estimated assessable profits for the six months ended 30 June 2021.

Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable 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% (six months ended 30 June 2020: 10%), 21% (six months ended 30 June 2020: 21%), 10% (six months ended 30 June 2020: 10%) and 5% (six months ended 30 June 2020: 5%), respectively, for the six months ended 30 June 2021.

6 EARNINGS PER SHARE

(a) Basic earnings per share

For the six months ended 30 June 2021, the calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$35,161,000 and the weighted average of 250,600,195 ordinary shares in issue during the interim period.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2021, and therefore, diluted earnings per share is the same as basic earnings per share.

For the six months ended 30 June 2021, the information on earnings per share is not presented as its inclusion is not considered meaningful due to reorganisation underwent by the Group prior to its listing on 15 October 2020.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROPERTY, PLANT AND EQUIPMENT

(a) Owned property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with costs of \$46,360,000 (six months ended 30 June 2020: \$4,686,000). Items of property, plant and equipment with a net book value of \$72,000 (six months ended 30 June 2020: \$54,000) were disposed of during the six months ended 30 June 2021, resulting in a net gain on disposals of \$63,000 (six months ended 30 June 2020: \$75,000).

(b) Right-of-use assets

During the six months ended 30 June 2021, the Group entered into a number of new rental agreements relating to properties and motor vehicles, and therefore recognised the additions to right-of-use assets of \$18,167,000 (six months ended 30 June 2020: \$70,781,000).

During the six months ended 30 June 2021, the Group received rent concessions of \$250,000 (six months ended 30 June 2020: \$910,000) 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.

8 TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

The ageing analysis of trade debtors (which are included in trade and other receivables and contract assets), based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 \$'000	31 December 2020 \$'000
Within 1 month	232,316	153,303
1 to 2 months	98,493	93,440
2 to 3 months	26,544	71,869
Over 3 months	7,344	8,158
Trade receivables, net of loss allowance	364,697	326,770
Other receivables, prepayments and deposits	54,981	45,962
	419,678	372,732
Contract assets	2,552	1,663
	422,230	374,395

Trade receivables are normally due within 30–60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

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.



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(Expressed in Hong Kong dollars unless otherwise indicated)

9 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.

10 CASH AND CASH EQUIVALENTS

	30 June 2021 \$'000	31 December 2020 \$'000
Cash at bank and on hand and cash and cash equivalents in the consolidated statement of financial position	235,601	255,323
Bank overdrafts (note 12)	–	(36)
Cash and cash equivalents in the condensed consolidated cash flow statement	235,601	255,287

11 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

The ageing analysis of trade creditors (which are included in trade and other payables and contract liabilities), based on the invoice date, is as follows:

	30 June 2021 \$'000	31 December 2020 \$'000
Within 1 month	142,558	187,726
1 to 3 months	68,891	64,000
Over 3 months	5,372	3,827
Trade payables	216,821	255,553
Other payables and accrued charges	52,291	59,495
	269,112	315,048
Contract liabilities	2,644	1,733
	271,756	316,781

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.



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(Expressed in Hong Kong dollars unless otherwise indicated)

12 BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts are repayable as follows:

	30 June 2021 \$'000	31 December 2020 \$'000
Within 1 year or on demand	99,718	87,845
After 1 year but within 2 years	876	908
	100,594	88,753

The bank loans and overdrafts are analysed as follows:

	30 June 2021 \$'000	31 December 2020 \$'000
Unsecured bank overdrafts (note 10)	–	36
Unsecured bank loans	100,594	88,717
	100,594	88,753

As at 30 June 2021, the interest rates of bank loans are in the range of 0.35%–2.71% per annum (31 December 2020: 2.40%–3.18% 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. As at 30 June 2021 and 31 December 2020, none of the covenants relating to drawn down facilities had been breached.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

As at 30 June 2021 and 31 December 2020, 50,000,000,000 ordinary shares, with par value of US\$0.001 each, are authorised for issue.

As at 30 June 2021, the Company has 255,000,000 ordinary shares (31 December 2020: 250,000,000 ordinary shares) in issue.

On 3 June 2021, the Company issued 5,000,000 ordinary shares to an independent third party, with a cash consideration of \$36,150,000.

(b) Dividends

During the six months ended 30 June 2021, the Group's subsidiaries declared and paid dividends of \$17,539,000 (six months ended 30 June 2020: \$1,088,000) to non-controlling interests.

On 11 September 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 amounts due from a director and Cargo Services Group, had been made on the same date.

On 14 May 2021, the Company declared a final dividend of HK15 cents per ordinary share in respect of the year ended 31 December 2020 to the equity shareholders. The final dividend of \$37,500,000 was approved and paid on 16 June 2021.

On 30 August 2021, the Company declared an interim dividend of HK9 cents per ordinary share in respect of the period ended 30 June 2021. Such dividend has not been recognised as a liability at the end of the reporting period.

(c) Purchase of shares under the Share Award Scheme

A share award scheme was adopted on 6 May 2021 ("the Share Award Scheme"). The Share Award Scheme is to recognise and motivate the contributions of the eligible participants to align the interests of the eligible participants with those of the Company and strive for the future development and expansion of the Group and to attract suitable personnel for further development of the Group through the Share Award Scheme to the selected participants.

The awarded shares will be subscribed for and/or purchased by an independent trustee ("the Trustee") from the open market by utilising the funds to be allocated by the Directors and/or authorised person of the Company out of the Company's resources. The maximum number of awarded shares to be subscribed for and/or purchased by the Trustee for the purpose of the Share Award Scheme shall not exceed 10% of the total number of issued share capital from time to time.

The Share Awarded Scheme shall be valid and effective for a period of 10 years commencing from 6 May 2021 or may be terminated earlier as determined by the Board of Directors.

During the six months ended 30 June 2021, the Trustee has purchased 2,307,000 shares of the Company on the Stock Exchange, with an aggregate amount of approximately \$18,008,000. As at 30 June 2021, no shares were granted to any person under the Share Award Scheme.



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(Expressed in Hong Kong dollars unless otherwise indicated)

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) 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 30 June 2021 \$'000	Fair value measurements as at 30 June 2021 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Unlisted equity securities	406	–	–	406
	Fair value at 31 December 2020 \$'000	Fair value measurements as at 31 December 2020 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Unlisted equity securities	404	–	–	404

During the six months ended 30 June 2021 and 2020, 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.

(b) 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 30 June 2021 and 31 December 2020.



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(Expressed in Hong Kong dollars unless otherwise indicated)

15 MATERIAL RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Cargo Services Group (note (i))		
– Freight forwarding service income received	16,657	70,279
– Freight forwarding service fee paid	10,932	17,611
EV Cargo Group (note (ii))		
– Freight forwarding service income received	64,618	34,118
– Freight forwarding service fee paid	17,254	15,112
Associates		
– Freight forwarding service income received	62	125
– Freight forwarding service fee paid	1,128	34,036
Non-controlling interests of subsidiaries		
– Freight forwarding service income received	98	308
– Freight forwarding service fee paid	–	65
Empire Transportation Company Limited		
– Trucking service expenses	3,584	6,125
Transway Logistics Company Limited		
– Trucking service expenses	1,095	2,836

Notes:

- (i) 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 and the Group). Cargo Services Group Limited, CS Logistics Holding Ltd. and the Group are members of the same group throughout the periods ended 30 June 2021, 31 December 2020 and 30 June 2020.
- (ii) EV Cargo Group consists of EV Cargo Global Forwarding Limited, a company incorporated in the United Kingdom, and its subsidiaries and associates. EV Cargo Group is a non-controlling interest of a subsidiary of the Group throughout the periods ended 30 June 2021, 31 December 2020 and 30 June 2020.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

16 COMMITMENTS

Capital commitments outstanding not provided for in the interim financial report are as follows:

	30 June 2021 \$'000	31 December 2020 \$'000
Contracted for	–	17,653
Authorised but not contracted for	–	–
	–	17,653

17 CONTINGENT LIABILITIES

As at 30 June 2021, financial guarantees are given by the Company to the banks for the banking facilities entered by certain subsidiaries of the Group (see note 12). 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 30 June 2021 is the amount of the facilities drawn down by the Group, being \$93,012,000 (31 December 2020: \$83,432,000).

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Interim dividend

Subsequent to the end of the reporting period, the directors declared an interim dividend. Further details are disclosed in note 13(b).

(b) Transfer of shares by the immediate parent

Subsequent to the end of the reporting period, Cargo Services (Logistics) Limited, the immediate parent of the Group, has transferred 2,500,000 shares to an independent third party, with a cash consideration of \$19,000,000. There is no change in immediate parent and ultimate controlling party of the Group following such share transfer.

