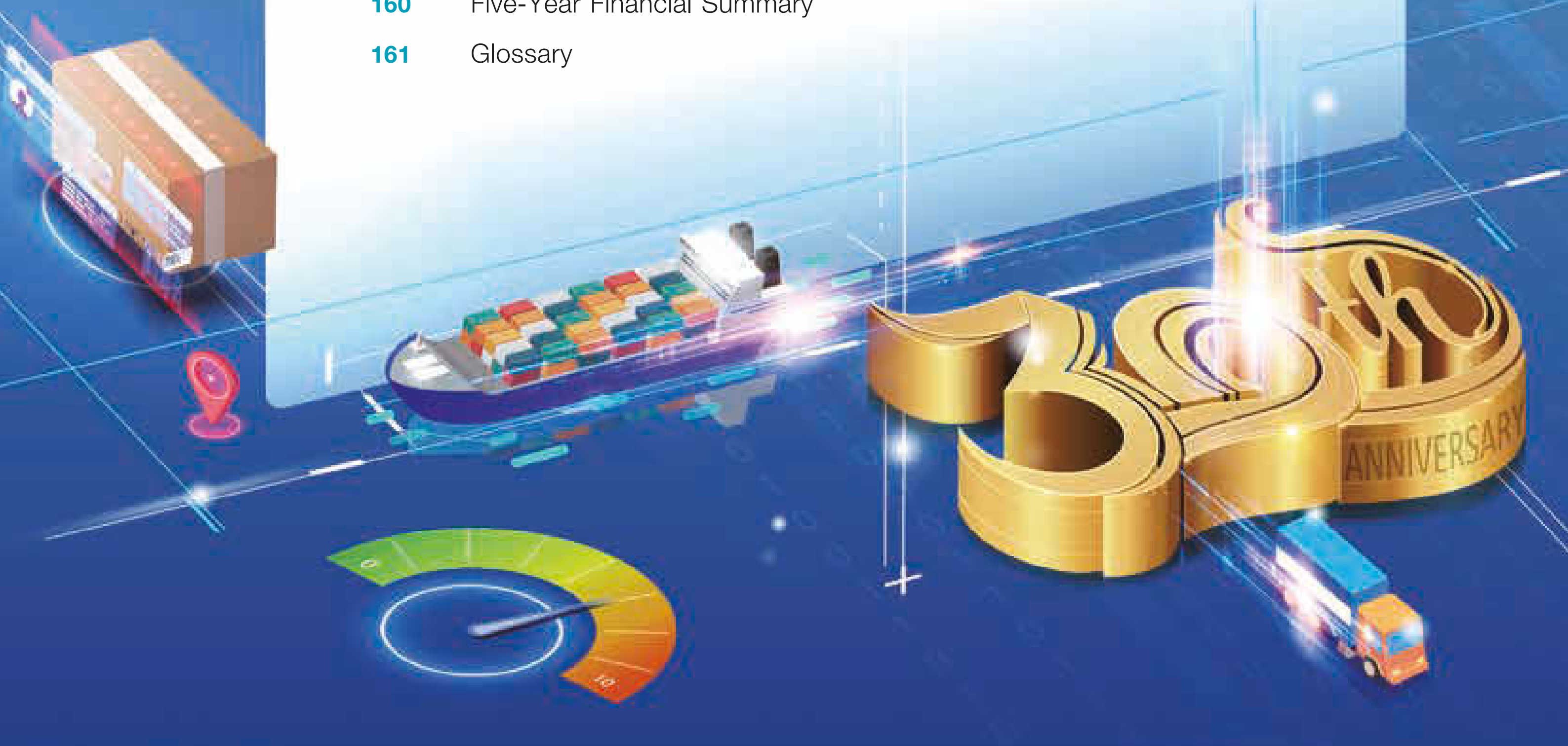
CN Logistics International Holdings Limited
嘉泓物流國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2130)

CONTENTS



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ngan Tim Wing *(Chief Executive Officer)*
Ms. Chen Nga Man
Ms. Augusta Morandin
Mr. Fabio Di Nello

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 REPRESENTATIVE

(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)*
Ms. Augusta Morandin
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

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

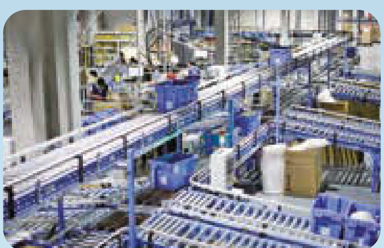
30 YEARS OF MILESTONES AND AWARDS

1991

- Headquartered in Hong Kong with a vision as the World's leading integrated logistics solutions provider

2005

- Established the 1st China office in Shanghai



2007-2010

- Established regional offices in Guangzhou, Macau and Taipei

2012-2014

- Established regional offices in Chengdu and Milan

2017-2018

- Established regional offices in Bangkok, Chiasso , Paris, Seoul and Tokyo

2020

- Successfully listed on the Main Board of the Hong Kong Stock Exchange in October

AWARDS AND CERTIFICATIONS

- **Hong Kong's Most Outstanding Logistics Solutions of the Year** (HKMOL Awards 2021) by Corphub
- **Most Valuable Companies in Hong Kong Awards 2021** under "The Most Innovative Logistics Solutions" and, "Excellence China Logistics, Value Added Solutions, and Customer Services"
- **APCSC CRE Awards**: Corporate Service of the Year (Logistics), Best Corporate Brand of the Year (Logistics)

30 YEARS OF MILESTONES AND AWARDS

2021

- 30th Anniversary of Establishment

- Becomes a constituent stock of Morgan Stanley Capital International (MSCI) Hong Kong Micro Cap Index, and the Financial Times Stock Exchange (FTSE) Global Equity Index Series (GEIS)

- The Group distributes to more than 50 countries, with more than 600 employees, over 100 partners, 1,200 distribution points and 4 million square meters of storage area

- Established regional office in Hainan Island and Kuala Lumpur

- Launching the First China Cross border eCommerce Platform for Wine

- **"Outstanding Listed Companies Award 2021"** by the Hong Kong Institute of Financial Analysts and Professional Commentators Limited (IFAPC)
- **ListCo Excellence Award 2021** by am730, ifeng.com, Deloitte China and other media and institutions
- Selected by **Sina Finance** as one of the **Best New Stocks in Hong Kong 2021**

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of CN Logistics International Holdings Limited (CN Logistics, the "Company", together with its subsidiaries, the "Group"), I am pleased to present you the annual report for the year ended 31 December 2021 (the "FY2021").

FY2021 marked the 1st anniversary of successful listing of the Group on the Main Board of Hong Kong Stock Exchange. Ever since, CN Logistics has achieved remarkable business progress, successfully transformed from a local offline logistics and warehousing service provider, to an international integrated service provider with competitive offerings in wine eCommerce and green logistics. Our devotion to sharing fruitful returns with the community has also been well-recognised by the public as well as the capital market, as the Group is now a constituent stock of MSCI Hong Kong Micro Cap Index and FTSE GEIS Micro Cap Index.

2021 PERFORMANCE

Despite the resurgence of COVID-19 in 2021, the general economic condition in China has stabilized and has been improving, as reflected in the strong GDP growth of 8.1%, supported by the growing vaccination rate as well as the increasing effectiveness of epidemic control measures. There was also a strong rebound in the sales of luxury fashion and wine products in both overseas and China markets, with high-end fashion brands continued to ride on the sentiment recovery, and expanded their businesses in the Greater China region. As a result, leveraging the Group's unique market positioning, we were able to hit a new high in both revenue and net profit, increasing by 32.3% and 50.4% compared to FY2020, reaching HK$2,673.4 million and HK$123.3 million, respectively.

To better grasp the growing opportunities from the regional economic rebound, the Group has acquired the remaining shares in the two non-wholly owned subsidiaries in Italy and Switzerland during the FY2021, in an attempt to forge Italy as its European business hub after consolidating the ample resources in the region, such as business network and rich logistics infrastructures. In addition, we understand the responsibility of being one of the leaders in the freight forwarding industry in Hong Kong and China, that sustainability and green supply chain have to be the building block of our core strategy. During the first half of FY2021, CN Logistic joined the Business Environment Committee (BEC) to further its commitment to decarbonisation. On the other hand, the Group was highly-recognized by industry experts and the capital market for its dedication to outstanding corporate governance and contributions to the society, receiving awards and accreditations such as the "InnoESG Prize 2021" by Society Next Foundation, "Hong Kong's Most Outstanding Logistics Solutions of the FY2021", "The Most Innovative Logistics Solutions", as well as "Excellence China Logistics, Value Added Solutions, and Customer Services" by Most Valuable Companies in Hong Kong Awards 2021.

OUTLOOK

Challenges bring opportunities. Looking into 2022, while the global operating environment remains unpredictable, particularly as the new Omicron variant of COVID-19 is leading to new spikes in confirmed cases across different countries, the Group will continue to solidify its leading position in high-end fashion logistics. To do so, the Group has approached a number of fashion brands to explore further cooperation opportunities, with the aim to expand customer portfolio and drive further organic growth. The COVID-19 outbreak has also inevitably accelerated eCommerce development, with high-end brands once again turning their attention to online retail. Hence, the Group is looking at the opportunity to expand its B2C distribution services, in order to better serve its branded clients. Apart from its core businesses, the Group has also launched two eCommerce platforms in the second-half of FY2021 for the cross-border trading of fine wines from France, Italy, Australia, U.S.A and other parts of the world. The move would allow the Group to further diversify its revenue stream, and monetize its well-established relationships and network with wine merchants.

The Group is also thrilled as it has recently completed the acquisition of Allport Cruise Group, an air and ocean freight forwarding service provider for global cruise operators, including the provision of shipments of suppliers for drydocks on a project basis and cruise replenishment. The business of Allport Cruise Group spans multiple cities in the PRC, Europe, Australia, U.S.A and Asia. Through such horizontal expansion, the Group will begin its journey in cruise logistics as well as to create a synergy with the Group's air and ocean freight forwarding services as the Group would be able to, on one hand, offer more comprehensive services covering the delivery from other countries to the U.S.A and on the other hand, leverage the Group's reputation in the global logistics industry in expanding the customer base and open up a new stream of revenue-generating operation for the Group. Being one of the very few Hong Kong listed companies in the market, this marks yet another milestone despite its relatively short history as a listed company. The new acquisition is also expected to bring in fruitful returns in the future.

Lastly, other than the exciting collaborations and achievements, CN logistics will continue to embrace its role as a leading logistics solution provider, constantly raising the bar and exploring market opportunities in order to bring the best services to our customers.

I would like to take this opportunity to thank our customers, business partners, suppliers, colleagues and their families and friends, for your long-term support to CN Logistics. Every one of you represents the meaning, as well as the driving force that pushes us to improve and evolve. In the future, we will live up to your expectations, as we continue to reach new heights, be sustainable, and generate fruitful returns for all stakeholders. Thank you!

Lau Shek Yau John
Chairman and Non-executive Director

Hong Kong, March 28, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group primarily engages in the provision of comprehensive logistics services, comprising air freight forwarding services, distribution and logistics services as well as ocean freight forwarding services, with a primary focus on high-end fashion (including luxury and affordable luxury) and fine wine products. Our long-standing customers in the high-end fashion market include various international, well-known, premium and luxury brands and other apparel.

The Group operates local offices in 18 cities across 10 countries and/or regions, namely the PRC, Hong Kong, Taiwan, Italy, Japan, Korea, France, Switzerland, Thailand, Vietnam and Malaysia. The Group also works with a network of over 100 freight forwarder business partners, covering over 100 countries around the world.

During 2021, the COVID-19 pandemic continued to drag the global economy. Despite the unfavourable circumstances, global demand in logistics services, particularly those in relation to luxury and fashion products, continued to gain momentum. To seize opportunities across different countries, the Group has expanded its network and achieved notable results particularly in the PRC and Italy. Such office expansion was able to strengthen the Group's presence in regional markets, while opening up new channels to gain new customers from other industries. For example, the Group was able to engage various sizeable customers specializing in car tires and tableware. The addition of new customers did not only effectively expand the Group's customer base, but also achieved risk diversification, and subsequently improved the sustainability of the operational and financial performances of the Group.

Throughout the FY2021, the Group's air freight and ocean freight business continued to benefit from the global disruption and shortage of flights and container ships. Leveraging its long-standing relationships with airlines and carriers, the Group was able to secure cargo space and in turn, provide services at a higher rate. For its PRC business, the Group enhanced its overall capability through the first phase expansion of its flagship distribution and logistics centre located in Shanghai. In addition, the Group has strengthened its foothold in Hainan by establishing its first regional office and partnering with duty-free groups in the area, laying a solid foundation to capture future opportunities from the development of Free Trade Port.

Riding on the recovery in the post-lockdown period, the Group also observed a rising trend in the demand of both air freight and ocean freight services in Europe. To benefit from the regional economic rebound in the years ahead, in FY2021, the Group acquired the remaining shares of two non-wholly owned subsidiaries in Italy and Switzerland namely, CN Italy and CN Switzerland, as a part of its plan to forge Italy as its European business hub after consolidating the ample resources in the region, such as business network and rich logistics infrastructures.

On the other hand, Southeast Asia, another important overseas market for the Group, is expected to enjoy abundant opportunities arising from Regional Comprehensive Economic Partnership ("RCEP"), a recently signed trade agreement which targets to turn the region into the largest free trade zone in the world. Hence, the Group has established its first regional office in Malaysia in May 2021 to tap into the local market. Seeing its rapid growth after the establishment, the Group expanded its local presence to Vietnam by setting up regional office in January 2022, and is actively exploring customers for shipments in the region.

In addition to expanding its logistics services, the Group has also entered the eCommerce arena, which represents a great platform to consolidate its existing resources and create significant synergies. For instance, leveraging its extensive experience in the logistics business as well as close relationships with wine merchants, the Group launched its own cross-border eCommerce platform, providing wine lovers in China with consigned high-quality products through various channels. Facing a rather expansive target market, the platform is expected to become an important growth driver in the future. In addition, the Group has strategically partnered with YesAsia Holdings Limited, a leading online retailer which focuses on Asian fashion and cosmetic products, and JD Logistics, Inc., the logistics arm of the eCommerce giant JD.com in China, respectively, so as to expand the Group's product coverage to electronics, clothing and other eCommerce products, while gaining valuable experiences in e-fulfillment.

Since its establishment in 1990s, the Group has been devoted to the promotion of sustainable development and environmental protection. As the global awareness on environmental, social and governance continue to rise, the Group has launched its green logistics services, comprising the recycling and reverse logistics services for tens of brand customers, in order to create a greener supply chain and increase customers' stickiness. The Group also partnered with Redress, a non-profit organization in Hong Kong, to further promote sustainability.

Financial results

The Group recorded revenue of approximately HK$2,673.4 million during FY2021 (FY2020: HK$2,020.6 million), representing an increase of approximately 32.3%. Gross profit amounted to approximately HK$502.7 million during FY2021 (FY2020: HK$394.3 million), representing an increase of 27.5%. The net profit attributable to the equity shareholders of the Company was approximately HK$83.4 million for FY2021 (FY2020: HK$55.5 million), representing an increase of approximately 50.2%.

The increase in revenue and net profit was mainly due to 1) significant growth in revenue of overseas offices given the gradual recovery in global economy, in particular, the office of the Group 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, 2) the elimination of certain non-controlling interests after the completion of the acquisition of the remaining shares in CN Switzerland and CN Italy in November 2021, 3) increase in the demand for air freight forwarding services and distribution and logistics services for high-end fashion in Europe and Asia (including the PRC) due to the strong sales growth in luxury products in these regions, 4) increase in the freight rates due to limited supply of cargo space worldwide under COVID-19 pandemic and the Group's ability to obtain cargo space from airlines to satisfy its customers demand and charge at higher rate and 5) the one-off listing expenses recognised for FY2020 and no listing expenses were recognised during FY2021.

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 60.8% of the Group's total revenue of FY2021 (FY2020: 70.5%). 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 the International Air Transport Association in Hong Kong, Taiwan, Italy, France and Japan which provide access to space procurement for air cargo routes worldwide in these locations and are also capable of procuring air cargo space directly from airline carriers in the PRC.

With our well-established and sound relationships 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 FY2021, 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$1,623.6 million for FY2021 (FY2020: HK$1,424.1million), representing an increase of approximately 14.0% as compared to FY2020. Gross profit of the segment also increased from HK$259.3 million for FY2020 to approximately HK$262.3 million for FY2021, representing an increase of approximately 1.2%. The increase was primarily due to 1) increase in the demand for air freight forwarding services and distribution and logistics services for high-end fashion in Europe and Asia (including the PRC) due to the strong sales growth in luxury products in these regions and 2) increase in the freight rates due to limited supply of cargo space worldwide under COVID-19 pandemic and the Group's ability to obtain cargo space from airlines to satisfy its customers demand and charge at higher rate.

Distribution and logistics services

The Group is one of the earliest in the 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 highly-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 24 distribution centres with a total gross floor area of approximately 1,235,000 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 to charge its customers. 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 FY2021, the revenue from this segment was approximately HK$390.0 million (FY2020: HK$345.6 million), representing an increase of approximately 12.8% as compared to FY2020 and the gross profit remained relatively stable at approximately HK$58.6 million (FY2020: HK$59.7 million). The increase in revenue was primarily due to the ability of the Group 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 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 in FY2021, which included the export of electronics, machineries and large equipment from Taiwan and delivery of furniture and household and electric appliances which normally has a relatively flexible schedule.

For FY2021, the revenue from this segment was approximately HK$659.8 million (FY2020: HK$250.9 million), representing an increase of approximately 163.0% as compared to FY2020, and gross profit was approximately HK$181.8 million (FY2020: HK$75.3 million) representing an increase of approximately 141.4% as compared to FY2020 due to significant growth in the revenue and gross profit generated from the Group's Italy office, in particular for the import shipment due to 1) the continuous increase in the ocean freight rate throughout FY2021 and the ability of the Italy office to charge its customers at a similar margin, 2) the ability of the Italy office to source sizeable customers from different sectors such as tyre market and tableware market and 3) the strong demand on luxury products due to travel restriction and Italy as a famous city of producing luxury brands, there were significant growth on the import shipment of raw materials for high-end fashion products from the PRC and South East Asia ("SEA").

MANAGEMENT DISCUSSION AND ANALYSIS

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 risks by performing ongoing credit assessments and evaluations on the financial status of its customers. To manage liquidity risks, 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 2021 was approximately HK$262.3 million, representing a decrease of approximately 3.0% from approximately HK$270.4 million as at 31 December 2020. The current ratio of the Group decreased from approximately 1.56 times as at 31 December 2020 to approximately 1.36 times as at 31 December 2021. As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately HK$295.1 million, representing an increase of approximately 15.6% from approximately HK$255.3 million as at 31 December 2020. For FY2021, the Group had operating cash inflow of approximately HK$190.8 million (FY2020: operating cash inflow of approximately HK$221.1 million). As at 31 December 2021, the Group's outstanding bank loans and overdrafts amounted to approximately HK$161.6 million (as at 31 December 2020: approximately HK$88.8 million). The gearing ratio of the Group, calculated as the amounts of bank loans and overdrafts and lease liabilities divided by total equity of the Group, was approximately 59.0% as at 31 December 2021 (as at 31 December 2020: 52.7%). As at 31 December 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 risks

During FY2021, the Group's operation was mainly financed by funds generated from its operation, borrowings and net proceeds from the Listing. As at 31 December 2021, both the borrowings and the cash and cash equivalents held by the Group were mainly denominated in RMB, USD, HKD and EUR. The Group's borrowings were floating rate borrowings, and bank deposits of approximately HK$5.8 million were pledged to secure such bank facilities as at FY2021 (FY2020: HK$2.3 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 FY2021.

Significant investments

During FY2021, the Group did not hold any material investment.

Capital expenditure commitments

As at 31 December 2021, the Group had capital expenditure commitments of approximately HK$34.2 million (FY2020: HK$17.7 million) in respect of the expansion of customised distribution centre in Shanghai, which are contracted but not provided for.

Save for the aforesaid, the Group had no other material capital commitment as at 31 December 2021 which were not provided for.

Material acquisitions and disposal of subsidiaries and associated companies

On 16 September 2021, CN Investment Limited ("CN HK"), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company, entered into each of the two share purchase agreements, with Mr. Fabio Di Nello and Ms. Augusta Morandin (collectively, "Vendors") pursuant to which CN HK has conditionally agreed to acquire from the Vendors, (i) 40% of the entire issued shares in CN Switzerland ("CN Switzerland Sale Shares") at the aggregate consideration of EUR1,800,000; and (ii) 30% of the entire issued corporate capital in CN Italy ("CN Italy Sale Shares") at the aggregate consideration of EUR16,200,000. The consideration for the acquisition of the CN Switzerland Sale Shares shall be settled by the allotment and issue of the aggregate of 2,050,000 new Shares at the issue price of HK$8.0 per Share, while the consideration for the acquisition of the CN Italy Sale Shares shall be settled partly by cash of EUR500,000 and partly by the allotment and issue of the aggregate of 17,950,000 new Shares at the issue price of HK$8.0 per Share. The acquisition of the CN Switzerland Sale Shares and CN Italy Sale Shares were completed in November 2021 at which time the fair value of the Shares in HK$9.2. As a result, each of CN Switzerland and CN Italy has become an indirect wholly owned subsidiary of the Company.

Save as disclosed above, there were no material acquisition or disposal of subsidiaries or associated companies of the Company during FY2021.

Contingent liabilities

As at 31 December 2021, financial guarantees were 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 2021 was HK$152.3 million (as at 31 December 2020: HK$83.4 million), being the amount of the facilities drawn by the Group as at 31 December 2021.

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 2021, certain interest-bearing bank borrowings of the Group were secured by pledged bank deposit amounted to approximately HK$5.8 million (FY2020: HK$2.3 million).

USE OF PROCEEDS

Use of net proceeds from the initial public offering

The Shares were listed on the Main Board of the Hong Kong 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 expenses in connection with the Global Offering, were approximately HK$87.4 million (the "Net Proceeds"). An analysis of the utilization of the Net Proceeds up to 31 December 2021 is set out below:

	Intended use of Net Proceeds as set out in the Prospectus HK$ million	**Amount utilised during FY2021** HK$ million	**Amount utilised as at 31 December 2021** HK$ million	**Amount unutilised as at 31 December 2021** HK$ million
Enhancement and expansion of distribution and logistics business and local presence	63.1	25.4	54.8	8.3
Expansion of B2C services	15.6	7.1	15.6	–
General working capital purpose	8.7	–	8.7	–
	87.4	32.5	79.1	8.3

MANAGEMENT DISCUSSION AND ANALYSIS

As at the date of this annual report, the Company does not anticipate any change to the above plan of use of the Net Proceeds. The Company anticipates that the remaining unutilised Net Proceeds as at 31 December 2021 are expected to be fully utilised on or before 31 December 2022.

Use of net proceeds from subscription of Shares

(i) On 18 May 2021, the Company entered into a subscription agreement (the "First Subscription Agreement") with Mr. Chan Wing Luk, being an Independent Third Party. Pursuant to the First Subscription Agreement, the Company agreed to allot and issue and Mr. Chan Wing Luk agreed to subscribe for 5,000,000 Shares, with a nominal value of US$5,000, at a subscription price of HK$7.23 per Share (the "First Subscription"), representing a discount of approximately 3.0% to the closing price of HK$7.45 per Share on the date of the First Subscription Agreement. The Directors consider that the First Subscription allowed the Company to broaden its shareholder base and represented an opportunity for the Company to strengthen its capital base and financial position without any interest burden, within a relatively short time frame and at lower costs when compared with other means of fund raising.

The First Subscription was completed on 3 June 2021. The net proceeds raised from the First Subscription, after deduction of professional fees and other related expenses, were approximately HK$35.6 million and accordingly, the net price for the First Subscription was HK$7.12 per Share. The net proceeds from the First Subscription were intended to be fully used as the initial capital for the expansion of business and local presence of the Group in Hainan Province in the PRC, Southeast Asia and the United Kingdom. As at 31 December 2021, the Company had utilized HK$2 million of net proceeds from the First Subscription. The Company anticipates to use up the unutilised net proceeds from the First Subscription within three years from the completion date of the First Subscription. For further details of the First Subscription, please refer to the Company's announcements dated 18 May and 3 June 2021.

(ii) On 29 November 2021, the Company entered into a subscription agreement (the "Second Subscription Agreement") with YesAsia Holdings Limited ("YesAsia"), a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code:2209) and an Independent Third Party, pursuant to which the Company agreed to allot and issue and YesAsia agreed to subscribe 1,100,000 Shares, with a nominal value of US$1,100, at a subscription price of HK$9.2 per Share (the "Second Subscription"), representing a discount of approximately 2.7% to the closing price of HK$9.46 per Share on the date of the Second Subscription Agreement. YesAsia, together with its subsidiaries, are principally engaged in trading of fashion wear, cosmetics and accessories and entertainment products through its own e-commerce platforms (including websites and mobile application). The Directors consider that the Second Subscription would foster a closer business relationship between the Group and YesAsia which in turn strengthen the Group's market position in the B2C business.

The Second Subscription was completed on 8 December 2021. The net proceeds raised from the Second Subscription, after deduction of professional fees and other related expenses, were approximately HK$10.0 million and accordingly, the net price for the Second Subscription was HK$9.09 per Share. The net proceeds raised from the Second Subscription were intended to be fully used to further expand and develop the Group's B2C business, including enhancing its e-commerce platform, which provides one-stop sale and logistics solutions to consumers, and recruiting expertise for the day-to-day operation management. As at 31 December 2021, the Company had not utilized any net proceeds from the Second Subscription. The Company anticipates to use up the unutilised net proceeds from the Second Subscription within three years from the completion date of the Second Subscription. For further details of the Second Subscription, please refer to the Company's announcements dated 29 November and 8 December 2021.

PROSPECTS

The Group has achieved remarkable results in a difficult environment in 2021. Looking forward, the logistics industry is expected to have a brighter outlook in 2022, as the world gradually recovers from the pandemic. To grasp the post-pandemic opportunities, the Group plans to further expand its business in several aspects.

1. To further enhance our extensive logistics network in China

In view of the growing demand of logistics services, the Group plans to strengthen its strategic position in China in order to better seize the opportunities. Following the completion of the first phase expansion of its flagship distribution centre in Shanghai, the Group will pursue a second phase expansion in the first half of 2022, further expanding its handling capacity. In addition, the Group targets to leverage its strategic partnership with JD Logistics to further expand its logistics network in the PRC.

2. To strengthen our capabilities in Europe and SEA to seize the opportunities in post-COVID era

As the European economy is expected to continue its recovery from the COVID-19 pandemic, and having seen a significant growth in overseas market in 2021, in particular in Italy, the Group intends to develop its Italy office as European hub for further business expansion. Furthermore, the Group plans to expand its Central and Eastern European coverage, and is expecting its first office in Germany in the first half of 2022. Regarding the Southeast Asia market, shortly after the establishment of the Group's office in Malaysia, the Group also expanded its local presence to Vietnam by setting up regional office in January 2022, and is actively exploring customers for the shipments in the regions, especially among the countries/regions under the RCEP. The Group is expanding its ocean freight forwarding division in order to provide more comprehensive services to its customers.

3. To expand revenue stream by tapping into B2C and cruise logistics

In order to diversify its business coverage and revenue stream, the Group will further expand its B2C business and launch its B2C groupage platform in the first half of 2022. The new platform, together with its existing eCommerce development, will help to expand the Group's service scope to more regions and products.

Apart from its existing business segments, the Group has recently completed the acquisition of Allport Cruise Group, an air and ocean freight forwarding service provider for global cruise operators, including the provision of shipments of suppliers for drydocks on a project basis and cruise replenishment. The business of Allport Cruise Group spans multiple cities in the PRC, Europe, Australia, U.S.A and Asia. Through such horizontal expansion, the Group will begin its journey in cruise logistics as well as to create a synergy with the Group's air and ocean freight forwarding services as the Group would be able to, on one hand, offer more comprehensive services covering the delivery from other countries to the U.S.A and on the other hand, leverage the Group's reputation in the global logistics industry in expanding the customer base and open up a new stream of revenue generating operation for the Group. The new acquisition is also expected to bring in fruitful returns in the future. The Group will continue to seek opportunities for expansion in its operation and local presence through potential acquisition of business from its Controlling Shareholders or external parties.

HUMAN RESOURCES

As at 31 December 2021, the Group employed 622 employees (as at 31 December 2020: 595 employees). Remuneration packages are generally structured to market terms and experiences. The Company has also adopted the Share Option Scheme and the 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 FY2021, regular in-house and external trainings have been provided to the Group's employees.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF DIRECTORS

Executive Directors

Mr. Ngan Tim Wing ("Mr. Ngan"), aged 57, 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 the 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 2021, 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 41, is an executive Director and deputy chief executive officer of the Group, the head 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 2021, 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.

Ms. Augusta Morandin ("Ms. Morandin,"), aged 63, is an executive Director of the Group, a member of the Risk and Compliance Committee of the Company and the management director of the import, export and co-loading department in Switzerland and Italy, responsible for the day-to-day operational management of the import, export and co-loading department in CN Switzerland and CN Italy. She was appointed as an executive Director on 22 December 2021. Ms. Morandin has more than 40 years of experience in the freight forwarding industry in Italy. Prior to joining the Group, Ms. Morandin has served as the overseas division management of Italsempione S.p.A., a private Italian freight forwarding company, from May 1992 to August 2012. From October 1987 to April 1992, Ms. Morandin worked as a seafreight trade manager in LDS International Freight Forwarders. Ms. Morandin has served as the export seafreight manager and area manager in SGS Società Generale di Sorveglianza S.p.A from March 1979 to September 1987. From July 1977 to February 1979, Ms. Morandin has worked in the OPS Roadfreight department of Deugro International Freight Forwarders S.p.A.. Since September 2012, Ms. Morandin has joined the Group and has been a management director of CN Switzerland and CN Italy. Ms. Morandin graduated from high school in Italy in July 1977.

As of 31 December 2021, Ms. Morandin 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.

Mr. Fabio Di Nello ("Mr. Di Nello"), aged 49, is an executive Director of the Group and the management director of the import, export and co-loading department in Switzerland and Italy, responsible for the day-to-day operational management of the import, export and co-loading department in CN Switzerland and CN Italy. He was appointed as an executive Director on 22 December 2021. Mr. Di Nello has over 25 years of experience in the freight forwarding industry in Italy. Prior to joining the Group, Mr. Di Nello worked in Italsempione S.p.A. a private Italian freight forwarding company, from May 1995 to April 2012, with his last position as the overseas division manager. Since May 2012, Mr. Di Nello has joined the Group and has been a management director of CN Switzerland and CN Italy. Mr. Di Nello graduated from high school in Italy in July 1991.

As of 31 December 2021, Mr. Di Nello 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.

Non-executive Director

Mr. Lau Shek Yau John ("Mr. Lau"), aged 74, is 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 eCommerce 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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 62, 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 28 years of experience in accounting and finance.

Mr. Lam has been an executive director and financial 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 58, 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 28 years of experience in private equity management. He has been the director of Samena Capital, which principally engages in private equity investment, since March 2021, and was the senior managing director and head of Asia of Samena Capital Hong Kong Limited from January 2016 to March 2021.

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 an 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), from November 2020 to February 2022.

Mr. Chan is currently the president and an executive director of the Hong Kong Venture Capital and Private Equity Association. He is currently a committee member of the 15th election of the Chinese People's Political Consultative Conference in Chengdu* (中國人民政治協商會議成都市委員會). 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 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 Securities and Futures Commission of Hong Kong 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 61, 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 23 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 37, 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 13 years of experience in the finance, accounting and general management. Prior to joining the Group, Mr. Tsang worked in Kidsland International Holdings Limited, a company listed on 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 FY2021.

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 FY2021.

EQUITY-LINKED AGREEMENTS

The following equity-linked agreements of the Group were entered into during FY2021 and/or subsisting as at 31 December 2021:

(i) two subscription agreements in connection with the issue of Shares for cash, the details of which are set out in the paragraph headed "Management Discussion and Analysis – Use of Proceeds – Use of net proceeds from subscription of Shares" above;

(ii) the share purchase agreements in connection with the acquisition of the remaining shares in CN Switzerland and CN Italy in consideration of, among other things, the issue and allotment of 20,000,000 Shares, the details of which are set out in the paragraph headed "Management Discussion and Analysis – Business Review – Major acquisitions and disposal of subsidiaries and associated companies" above;

(iii) the share purchase agreement in connection with the acquisition of Allport Cruise in consideration of the issue and allotment of new Shares in accordance with the terms of the share purchase agreement, the details of which are set out in the paragraph headed "Directors' Report – Interests of Directors and Controlling Shareholders in competing business" below; and

(iv) the Share Option Scheme and the Share Award Scheme, the details of which are set out in the paragraph headed "Directors' Report – Share Option Scheme" and "- Share Award Scheme" below.

Save as abovementioned, at no time during FY2021 or as at 31 December 2021 was the Company a party to any equity-linked agreement.

RESULTS AND DIVIDEND

The results of the Group for FY2021 are set out in the consolidated statement of profit or loss on page 80.

The Board recommended the payment of a final dividend of HK12 cents per ordinary Share for FY2021 (FY2020: HK15 cents per ordinary Share). In addition to the final dividend, the Board also recommended the payment of a special dividend of HK9 cents per ordinary Share to the Shareholders. The payment of the final dividend and the special dividend is subject to the approval of the Shareholders at the forthcoming AGM to be held on Friday, 27 May 2022. Subject to the approval by the Shareholders, the proposed final dividend and special dividend are expected to be paid on Wednesday, 29 June 2022 to all Shareholders whose names to be appeared on the register of members of the Company on Wednesday, 8 June 2022.

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 conditions, contractual restrictions, capital expenditures 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 five financial years is set out on page 160. This summary does not form part of the audited consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during FY2021, which includes particulars of important events affecting the Group during FY2021 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 27 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 derives 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 FY2021, none of the employees had any labour dispute or claim involving and against the Group.

DIRECTORS' REPORT

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 FY2021.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN COMPETING BUSINESS

During FY2021, none of the Directors or Controlling Shareholders or their respective associates was considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Set out below are details of Directors' and Controlling Shareholders' interests in competing business as at the date of this annual report disclosed pursuant to Rule 8.10 of the Listing Rules.

On 31 December 2021, CN HK entered into a share purchase agreement with CS Seafreight, pursuant to which CN HK agreed to acquire from CS Seafreight the entire issued share capital in Allport Cruise at the consideration of HK$185,840,000 (subject to adjustment) which is expected to be settled by the allotment and issue of new Shares by the Company. Immediately prior to the Allport Cruise Acquisition, Allport Cruise was wholly-owned by CS Seafreight, being one of the Controlling Shareholders and ultimately controlled by Mr. Lau, the chairman of the Board and a non-executive Director. For details of the acquisition, please refer to the announcement and circular of the Company dated 31 December 2021 and 31 January 2022, respectively. Allport Cruise Group is principally engaged in the provision of air and ocean freight forwarding services to cruise operators on a global basis including, particularly, the United States. Following the completion of the Allport Cruise Acquisition in March 2022, the Group had expanded into the provision of air and ocean freight forwarding business in the United States.

The Controlling Shareholder Group was principally engaged in, amongst others, the provision of (i) ocean freight forwarding services on a global basis; and (ii) local services for air freight forwarding with destinations in the United States. In accordance with the Non-compete Undertakings, the Controlling Shareholder Group had ceased to engage in air freight forwarding in the United States after the completion of the Allport Cruise Acquisition. Nevertheless, as the Controlling Shareholder Group would continue to provide ocean freight forwarding services in the United States, Mr. Lau and the other Controlling Shareholders were, by virtue of their shareholdings in the Controlling Shareholder Group, considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the Group's ocean freight forwarding business in the United States.

On the basis that, (i) the business of the Group has been led by the executive Directors of the Company and members of senior management of the Group, all of which are independent of the Controlling Shareholder Group; (ii) Mr. Lau, as a non-executive Director, is mainly responsible for providing strategic advice to the Board and is not involved in the daily operation and management of the Group; and (iii) the Group has adequate experience and resources in the provision of ocean freight forwarding business, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of the Controlling Shareholder Group.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 17 September 2020 for the purpose of providing incentives or rewards to selected participants who contribute to the success of the Group's operations. All directors, employees, suppliers of goods or services and customers of the Group, 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 and will expire on 17 September 2030. 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 25,000,000 Shares (the "General Scheme Limit"), being 10% of the Shares in issue on the Listing Date. The General Scheme Limit represented approximately 9.1% of the total number of Shares in issue as at the date of this report. 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, 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 quoted on the Hong Kong Stock Exchange on the date of the offer of grant, which must be a business day; and (ii) the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the five business days immediately preceding the date of the offer for the grant. No share option has 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.

SHARE AWARD SCHEME

The Board adopted the Share Award Scheme on 6 May 2021. The purposes of the Share Award Scheme are to (i) to recognise and motivate 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 eligible persons. Pursuant to the Share Award Scheme, eligible persons may include any Directors, senior managers, employees, suppliers and customers of the Group and employees of the controlling Shareholders.

Unless terminated earlier by the Board in accordance with the scheme rules, the Share Award Scheme shall be valid and effective for a term of ten years commencing on its adoption date and will expire on 6 May 2031. Such termination of the Share Award Scheme, either earlier by the Board or upon expiry of the award period, shall not affect any subsisting rights of any selected participant in respect of any award made to him prior to such termination.

The Share Award Scheme shall be subject to the administration of the Board in accordance with the scheme rules and, where applicable, the trust deed. The terms of any award made under the Share Award Scheme, including (if any) the amount and payment period of any consideration payable on acceptance or vesting of the awarded Shares, the period within which the awarded Shares must be taken up and the time and conditions of vesting of the awarded Shares.

DIRECTORS' REPORT

The total number of Shares to be awarded under the Share Award Scheme shall not exceed 10% of the total number of issued Shares from time to time. The maximum number of awarded shares which may be granted to a selected participant but unvested under the Share Award Scheme shall not exceed 1% of the total number of issued Shares from time to time. The Board shall regularly review the limit of the Share Award Scheme and may resolve, as it sees fit, to amend the limit of the Share Award Scheme. Any amendment of the limit of the Share Award Scheme will be promptly announced by the Company. As at the date of this report, the maximum number of Shares may be awarded under the Share Award Scheme was 27,610,000 Shares, representing 10% of the total number of Shares in issue as at the date of this report.

Details of the Share Award Scheme were disclosed in the Company's announcements dated 6 May 2021.

During FY2021, no Share has been granted to any eligible person under the Share Award Scheme.

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 26 (c) to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During FY2021, 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 FY2021 are set out in the consolidated statement of changes in equity on page 85 of this annual report and note 26(a) to the financial statements, respectively.

Distributable reserves of the Company at 31 December 2021 amounted to approximately HK$377.8 million.

DIRECTORS

The Directors during FY2021 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 *(resigned on 22 December 2021)*
Ms. Augusta Morandin *(appointed on 22 December 2021)*
Mr. Fabio Di Nello *(appointed on 22 December 2021)*

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 105(a), Mr. Lam Hing Lun Alain and Mr. Chan Chun Hung Vincent will retire at the forthcoming AGM and all of them, being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance the Articles 109, Ms. Augusta Morandin and Mr. Fabio Di Nello, being Director appointed after 2021 AGM 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 2021, 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), which were required to be: (a) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) as recorded in the register required to be kept under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Hong Kong Stock Exchange, pursuant to the Model Code, 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	Interest of controlled corporation (Note 2)	158,480,222 Shares (L)	57.4%
Mr. Ngan Tim Wing	Beneficial owner	21,241,203 Shares (L)	7.7%
Ms. Chen Nga Man ("Ms. Chen")	Beneficial owner	1,256,099 Shares (L)	0.5%
Ms. Augusta Morandin	Beneficial owner	10,000,000 Shares (L)	3.6%
Mr. Fabio Di Nello	Beneficial owner	10,000,000 Shares (L)	3.6%

Notes:

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

2. The 158,480,222 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%

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 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), which were required to be: (a) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) as recorded in the register to be kept under section 352 of the SFO; or (c) as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 31 December 2021, the Group entered into a share purchase agreement with CS Seafreight, a company which is ultimately controlled by Mr. Lau (the chairman of the Board and a non-executive Director) in respect of the Allport Cruise Acquisition. For details of the Allport Cruise Acquisition, please refer to the announcement and circular of the Company dated 31 December 2021 and 31 January 2022, respectively. Save as the aforementioned and transactions disclosed in the section headed "Connected Transactions" below and in note 28 to the financial statements, no transaction, arrangement and contract 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 FY2021 or at any time during FY2021.

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 throughout FY2021 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 FY2021, no claim was made against the Directors.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ngan Tim Wing and Ms. Chen, 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 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.

Each of Ms. Augusta Morandin and Mr. Fabio Di Nello, both being the executive Directors, has entered into a service contract with the Company. The principal particulars of these service contracts are (i) for a term of two years commencing from 22 December 2021, 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 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 24 to the financial statements.

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

As of 31 December 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	158,480,222 Shares (L)	57.4%
CS Seafreight	Interest of a controlled corporation (Note 2)	158,480,222 Shares (L)	57.4%
CS Holdings	Interest of a controlled corporation (Note 2)	158,480,222 Shares (L)	57.4%
CS Group	Interest of a controlled corporation (Note 2)	158,480,222 Shares (L)	57.4%
Hundred Honest Limited	Interest of a controlled corporation (Note 2)	158,480,222 Shares (L)	57.4%
Ms. Ngan Au Kei Yee	Interest of spouse (Note 3)	21,241,203 Shares (L)	7.7%

Notes:

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

2. These 158,480,222 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 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.

RELATED PARTY TRANSACTIONS

During FY2021, the Group conducted certain transactions with parties regarded as "related parties" under the applicable accounting standards, details of which are set out in note 28 to the financial statements. Save as disclosed in the section headed "Continuing Connected Transactions", the other related party transactions were either not regarded as connected transactions or were exempt from reporting, announcement, and shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

During FY2021, the Group has conducted the following connected transaction.

Acquisition of the Remaining Issued Shares in CN Switzerland and CN Italy

On 16 September 2021, CN Investment Limited, an indirect wholly owned subsidiary of the Company, entered into two sale and purchase agreements with Mr. Fabio Di Nello and Ms. Augusta Morandin (collectively, the "Vendors") pursuant to which CN Investment Limited has conditionally agreed to acquire from the Vendors, (i) 40% of the entire issued shares in CN Switzerland ("CN Switzerland Sale Shares") at the aggregate consideration of EUR1,800,000; and (ii) 30% of the entire issued corporate capital in CN Italy ("CN Italy Sale Shares") at the aggregate consideration of EUR16,200,000 (the "Acquisitions"). The consideration for the acquisition of the CN Switzerland Sale Shares shall be settled by the allotment and issue of the aggregate of 2,050,000 new Shares at the issue price of HK$8.0 per Share, while the consideration for the acquisition of the CN Italy Sale Shares shall be settled partly by cash and partly by the allotment and issue of the aggregate of 17,950,000 new Shares at the issue price of HK$8.0 per Share. The Acquisitions were completed in November 2021, following which each of CN Switzerland and CN Italy has become an indirect wholly owned subsidiary of the Company.

As at the date of the transaction, each of the Vendors is a director and substantial shareholder of CN Switzerland and CN Italy and each an executive of CN Italy, and therefore each a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

The Directors consider that, among other things, the Acquisitions would allow the Group to strengthen its network in European and Asian regions with expected strong growth in its business, which would in turn facilitate the Group's strategy to turn Italy into its European headquarter. For further details of the Acquisitions, please refer to the annoucements of the Company dated 16 September 2021 and 17 November 2021 and the circular of the Company dated 18 October 2021.

CONTINUING CONNECTED TRANSACTIONS

During FY2021, the Group has conducted the following continuing connected transactions (the "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 initial term of the Empire Trucking Services Agreement was one year commencing from 1 January 2020, which was subsequently renewed on 29 December 2020 for a term of three years commencing from 1 January 2021. Pursuant to the Empire Trucking Services Agreement, the service fees payable 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).

Empire was wholly-owned by the brother of Mr. Ngan, 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 for each year ended/ending 31 December 2021, 2022 and 2023 are HK$16,330,000, HK$16,980,000 and HK$17,660,000 respectively.

During FY2021, the amount of transaction conducted under the Empire Trucking Services Agreement was HK$12,342,000.

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 initial term of the Transway Trucking Services Agreement was one year commencing from 1 January 2020, which was subsequently renewed on 29 December 2020 for a term of three years commencing from 1 January 2021. 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).

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 each of the year ended/ending 31 December 2021, 2022 and 2023 are HK$6,950,000, HK$7,230,000 and HK$7,520,000 respectively.

During FY2021, the amount of transaction conducted under the Transway Trucking Services Agreement was HK$4,055,000.

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 Group

On 23 December 2020, the Company entered into a master agency agreement (the "EV Cargo Group Master Agency Agreement") with EV Cargo, pursuant to which EV Cargo and the Company agreed to 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 and/or regions where the relevant members of the Group and the relevant members of the EV Cargo Group operate in. The term of the EV Cargo Group Master Agency Agreement commenced on 23 December 2020 and will expire on 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 and based on the pricing policy of the Group (the "Group's Pricing Policy"), pursuant to which, the services fee for air freight or ocean freight services to be charged by the Group should be determined with reference to the then prevailing air freight and/or ocean freight cost for the relevant shipment plus certain percentage of profit margin determined by the Group's management from time to time with reference to, among others, the timetable of aircraft and/or ocean freight carriers, the route, seasonality, the then prevailing discount rate policies of the Group and any other factors in which the management from time to time may consider material. The Group's Pricing Policy is generally applicable to its customers, including the members of the EV Cargo Group and other customers of the Group who are Independent Third Parties.

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 EV Cargo Group has been one of the business partners of the Group's freight forwarding businesses. The Directors are of the view that, by entering into the EV Cargo Group Master Agency Agreement, the Group will benefit from the freight forwarding business brought in by the EV Cargo Group and the freight forwarding services it could provide to the Group in jurisdictions in which the Group does not have local presence.

The annual caps for the services fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the year ended 31 December 2021 and the year ending 31 December 2022 are HK$350,000,000 and HK$455,000,000, respectively. The annual caps for the services fees payable to the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the year ended 31 December 2021 and the year ending 31 December 2022 are HK$60,000,000 and HK$78,000,000 respectively.

As a result of, among other things, the significant increase in the prevailing air freight cost due to shortage of cargo spaces under the COVID-19 pandemic, the annual caps for the transaction amounts under the EV Cargo Group Master Agency Agreement have been revised. For further details, please refer to the announcements of the Company dated 23 December 2020, 10 February 2021, 5 October 2021 and 15 November 2021.

EV Cargo is the indirect holding company of Princetonhall Limited, a substantial shareholder of CS Shanghai BVI, which is a subsidiary of the Company. As such, EV Cargo is a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the EV Cargo Group Master Agency Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. On the basis that EV Cargo is a connected person of the Company at subsidiary level only, by virtue of Rule 14A.101 of the Listing Rules, the EV Cargo Group Master Agency Agreement is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During FY2021, (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$59,911,000 and HK$330,818,000 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) 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 the period from 17 September 2020 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 the Group's Pricing Policy. For details of the Group's Pricing Policy, please refer to the paragraph headed "Continuing Connected Transactions – EV Cargo Group" above. Such pricing policy is generally applicable to the Group's customers, including the members of the CS CT Group and other customers of the Group who are Independent Third Parties.

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 of the Group.

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.

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 for each of the financial year ended/ending 31 December 2021 and 2022 are (i) as to the cost of services to be charged by CS CT Group, HK$59,091,000 and HK$61,454,000 respectively; and (ii) as to the revenue to be derived from CS CT Group, HK$20,844,000 and HK$3,300,000 respectively.

During FY2021, (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 were HK$19,257,000 and HK$43,087,000 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 the period from 17 September 2020 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 Group's Pricing Policy. For details of the Group's Pricing Policy, please refer to the paragraph headed "Continuing Connected Transactions – EV Cargo Group" above. Such pricing policy is generally applicable to its customers, including the members of the CN France Group and other customers of the Group who are Independent Third Parties.

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 of the Group.

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.

Throughout FY2021, 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 (i) as to the service fees payable to CN France Group for each of the financial year ended/ending 31 December 2021 and 2022 are HK$31,943,000 and HK$33,220,000 respectively; and (ii) as to the service fees payable by CN France Group for each of the financial year ended/ending 31 December 2021 and 2022 are HK$1,268,000 and HK$1,319,000 respectively.

During FY2021, (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$769,000 and HK$30,067,000 respectively.

For further details of the Continuing Connected Transactions, please refer to the section headed "Continuing Connected Transactions" in the Prospectus.

Confirmation by independent non-executive Directors

The independent non-executive Directors have reviewed and confirmed that the Continuing Connected Transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) 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 as a whole.

Confirmation by the auditor of the Company

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 the Continuing Connected Transactions pursuant to Rule 14A.56 of the Listing Rules, in particular, KPMG has confirmed that nothing has come to their attention that cause them to believe that the Continuing Connected Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transaction involving the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) have exceeded the annual caps as set by the Company. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

CONTRACT OF SIGNIFICANCE

Save for the Allport Cruise Acquisition and the transactions disclosed in the section headed "Continuing Connected Transactions" in this annual report and the transactions as disclosed in note 28 to the financial statements, no controlling Shareholder or any of its subsidiaries has any contract of significance with the Company or its subsidiaries during FY2021.

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 FY2021 was there any arrangement 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 spouses 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 was entered into or subsisted during FY2021.

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 FY2021.

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 27 to the financial statements and such contents form part of this Directors' Report.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2021, purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

Information in respect of the Group's major customers for FY2021 is as follows:

	As a percentage of the Group's total revenue
Total revenue attributable to the Group's five largest customers	32.2%
Total revenue attributable to the Group's largest customer	12.4%

As at 31 December 2021, save for the Controlling Shareholder Group and the EV Cargo Group, (i) all of our five largest customers for FY2021 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 for FY2021.

REMUNERATION POLICY

Remuneration of the employees of the Group is determined with reference to various factors, including but not limited to, the job responsibilities, qualifications and experience of the employees, as well as the prevailing market rates. The Group also makes contributions to pension schemes and provides other employees benefits in accordance with the applicable laws and regulations. Further, the Company has adopted the Share Option Scheme and the Share Award Scheme with an aim to provide incentives and rewards to selected participants, including selected employees of the Group.

Remuneration of Directors and members of the senior management of the Group are recommended by the Remuneration Committee with reference to, among other things, their qualifications, experience, duties and responsibilities and performance, as well as the performance of the Group and the prevailing market conditions. The Remuneration Committee also conducts regular review of the remuneration of Directors and members of the senior management.

PRE-EMPTIVE RIGHTS

There is 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, 24 May 2022 to Friday, 27 May 2022 (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, 23 May 2022.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend and special dividend at the forthcoming AGM, the register of members of the Company will also be closed from Monday, 6 June 2022 to Wednesday, 8 June 2022 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend and special dividend in respect of FY2021. In order to be qualified for the proposed final dividend and special 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, 2 June 2022.

AUDITORS

The consolidated financial statements for FY2021 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 28, 2022

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 FY2021. 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 FY2021 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	
Ms. Augusta Morandin	(Member of Risk and Compliance Committee)
Mr. Fabio Di Nello	

Non-executive Director:

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

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 FY2021, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive 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. Executive Directors are 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

Throughout FY2021, the roles and duties of the chairman of the Board and the chief executive officer of the Group 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 and Ms. Chen Nga Man, 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 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.

Each of Ms. Augusta Morandin and Mr. Fabio Di Nello, both being the executive Directors, has entered into a service contract with the Company. The principal particulars of these service contracts are (i) for a term of two years commencing from 22 December 2021, 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 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. Lam Hing Lun Alain and Mr. Chan Chun Hung Vincent shall retire by rotation and Ms. Augusta Morandin and Mr. Fabio Di Nello shall be subject to re-election 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.

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 FY2021, the Directors participated in the following continuous professional development:

Directors	**Types of training** *(Note)*
Executive Directors	
Mr. Ngan Tim Wing	B
Ms. Chen Nga Man	B
Mr. Cheung Siu Ming Ringo (resigned on 22 December 2022)	B
Ms. Augusta Morandin (appointed on 22 December 2022)	B
Mr. Fabio Di Nello (appointed on 22 December 2022)	B
Non-executive Director	
Mr. Lau Shek Yau John	B
Independent non-executive Directors	
Mr. Lam Hing Lun Alain	B
Mr. Chan Chung Hung Vincent	B
Mr. Chun Chi Man	B

Note:

A: attending seminars, conferences and/or briefings on directors' duties and corporate governance, regulatory updates, and/or financial and economic development

B: reading regulatory updates, newspapers, journals and/or other business, financial and economic publications

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 FY2021 are set out below:

	Number of meetings Attended/Held during FY2021 *(Note 1)*						
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**	**Risk and Compliance Committee**	**General Meeting**
Executive Directors:							
Mr. Ngan Tim Wing	14/14	N/A	2/2	N/A	1/1	1/1	2/2
Ms. Chen Nga Man	14/14	N/A	N/A	N/A	N/A	N/A	1/2
Mr. Cheung Siu Ming Ringo *(note 2)*	14/14	N/A	N/A	N/A	N/A	1/1	1/2
Ms. Augusta Morandin *(note 3)*	0/0	N/A	N/A	N/A	N/A	0/0	0/0
Mr. Fabio Di Nello *(note 4)*	0/0	N/A	N/A	N/A	N/A	N/A	0/0
Non-executive Director:							
Mr. Lau Shek Yau John	14/14	N/A	N/A	2/2	N/A	N/A	2/2
Independent non-executive Directors:							
Mr. Lam Hing Lun Alain	14/14	3/3	N/A	2/2	1/1	1/1	1/2
Mr. Chan Chun Hung Vincent	14/14	3/3	2/2	2/2	N/A	N/A	1/2
Mr. Chun Chi Man	14/14	3/3	2/2	N/A	1/1	N/A	1/2

Notes:

1. For any Director who was appointed or resigned part way during FY2021, the total number of meetings is stated by reference to the number of meetings held during such Director's tenure.

2. With effect from 22 December 2021, Mr. Cheung Siu Ming Ringo resigned as an executive Director and a member of the Risk and Compliance Committee;

3. With effect from 22 December 2021, Ms. Augusta Morandin was appointed as an executive Director and a member of the Risk and Compliance Committee; and

4. With effect from 22 December 2021, Mr. Fabio Di Nello was appointed as an executive Director.

A7. *Model Code for Securities Transactions*

The Company has devised its own code of conduct regarding Directors' 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 FY2021.

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

A8. Changes in Information of Directors

Save as disclosed in this annual report, there is no other change in the Directors' information required to be disclosed under Rule 13.51B of the Listing Rules.

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 FY2021 were as follows:

Executive Director:
Mr. Ngan Tim Wing

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

Throughout FY2021, 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. 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.

During FY2021, the Remuneration Committee has held two meetings (the attendance records of each Committee member are set out in section A6 above). The Remuneration Committee performed the following major works during the year:

– General review and discussion of the remuneration packages, policy and structure of the Directors and the senior management of the Group, and make recommendation to the Board; and

– Consideration of and recommendation to the Board on the remuneration packages for the newly appointed Directors during the year.

Pursuant to the CG Code, the annual remuneration of the members of the senior management by band for FY2021 is set out below:

Remuneration band (HK$)	Number of individuals
10,500,000-10,999,999	2
2,500,000-2,999,999	1
1,500,000-1,999,999	1
1,000,000-1,499,999	1

Details of the remuneration of each Director for FY2021 are set out in note 7 to the financial statements contained in this report.

B2. Nomination Committee

The members of the Nomination Committee during FY2021 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 FY2021, the Company has met 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 a director nomination policy which sets out the criteria and process of selection and performance evaluation and 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 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.

During FY2021, the Nomination Committee has held two meetings (the attendance records of each Committee member are set out in section A6 above). The Nomination Committee performed the following major works during the year:

– Review of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Consideration of and recommendation to the Board on the re-election of the retiring Directors at the Company's AGM held on 14 May 2021; and

– Assessment of the independence of the three independent non-executive Directors.

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained during FY2021 in accordance with the board diversity policy. Accordingly, the Nomination Committee considered that no measurable objectives shall be set for implementing the board diversity policy. The Nomination Committee will continue to monitor and review the diversity and composition of the Board.

B3. Audit Committee

The members of the Audit Committee during FY2021 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 FY2021. All members of the Audit Committee 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 FY2021, the Audit Committee has held three meetings (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 discussed the annual financial statements, results announcement and annual report for the FY2021, the relevant audit findings of the Company's external auditor;

– Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2021 and the relevant review findings of the Company's external auditor;

– Reviewed the Group's continuing connected transactions conducted during FY2021 and the revision of annual caps of the continuing connected transactions during FY2021;

– 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 FY2021;

– Reviewed the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards; Discussed and reviewed the remuneration (including audit and non-audit services) and terms of engagement of the external auditor; and recommendation of the reappointment of the external auditor;

– Reviewed the financial controls, risk management and internal control systems; discussed with the management regarding the effectiveness of the risk management and internal control systems; and

– Reviewed the arrangements for employees of the Group to raise concerns about possible improprieties in the Group's financial reporting, internal control or other matters and the investigation process on the reported cases.

The external auditor has attended the above meetings 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 FY2021 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 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.

During the FY2021, the Corporate Governance Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above). The Corporate Governance Committee performed the following major works during the year:

– Reviewed the policies and practices on corporate governance of the Group;

– Reviewed the training and continuous professional development received by the Directors and senior management;

– Reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

– Reviewed the compliance of the Securities Dealing Code;

– Reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;

– Reviewed the Group's process of disclosure, including assessing and verifying the accuracy and materiality of inside information and determined the form and content of certain required disclosures; and

– Reviewed the effectiveness of the shareholders' communication policy.

B5. Risk and Compliance Committee

The members of the Corporate Governance Committee FY2021 were as follows:

Executive Directors:
Mr. Ngan Tim Wing *(Chairman)*
Ms. Augusta Morandin (Appointed as a member on 22 December 2021)

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.

During the FY2021, the Risk and Compliance Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above). The Corporate Governance Committee performed the following major works during the year:

– Reviewed the annual risk assessment of the Company and the Group's exposure to sanctions law risks for FY2021 and review the effectiveness of the Company's internal control policies and procedures with respect to sanctions law matters; and

– Reviewed the effectiveness of the global sanctions policy of the Group.

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 FY2021. 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 FY2021.

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 the management and overseeing the 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 FY2021.

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 FY2021, 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 of the Company 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 FY2021, 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 FY2021 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 FY2021 are analysed below:

Type of services provided by the external auditor	**Fees paid/payable** HK$
Audit services – audit fee for FY2021	4,128,000
Non-audit services	
– review of continuing connected transactions for FY2021	30,000
– review of annual results announcement for FY2021	23,000
– tax services	289,000
TOTAL	4,470,000

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.

CORPORATE GOVERNANCE REPORT

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 FY2021, 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 second Environmental, Social and Governance Report ("Report") of the Group, covering its management approach and performance on environmental and social aspect.

The Report ensures full compliance with the mandatory disclosures and requirements by the Hong Kong Stock Exchange covering the Group's environmental, social and governance performance ("ESG") as well as the Group policies, management approaches, internal controls, and more. Also, this Report allows our stakeholders to overview the Company's progress on ESG performance. In this Report, the content is categorised in terms of the key performance indicators ("KPIs") of the operations within the reporting boundary from 1 January 2021 to 31 December 2021 ("FY2021").

The report is reviewed and approved by the Board on 28 March 2022. Both the Chinese and English versions of the Report are available on 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 discrepancy between the two versions, the English version shall prevail.

ESG GOVERNANCE STRUCTURE

The Group understand the rising importance on ESG matter in the daily operation. An ESG working taskforce (the "Taskforce") comprising senior management is set up to control and formulate ESG-related strategies and policies The Taskforce regularly report to the Board and the Board is responsible to make decisions on the Group's ESG strategies, including environmental, labour practices, and other ESG aspects accordingly.

SCOPE OF REPORTING

The scope of this Report is centered on the operations of the core business of the Group including air freight forwarding services, ocean freight forwarding services and distribution and logistics services for FY2021 in Hong Kong and the PRC.

REPORTING FRAMEWORK

This Report is made 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 made and presented in accordance with the reporting principles conforming 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 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 included as a reference basis for the ESG strategies formulation in the future.

Quantitative

A data collection platform, initiated to collect, calculate, and manage our KPIs, 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 for the evaluation of the effectiveness of the ESG policies.

Balance

The information provided in this Report is unbiased, thus 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 considering meaningful data comparisons being made over time. In case of 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 FY2021, 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
	The Shareholders	– Profit level – Distribution of cash dividend – Corporate governance – Information disclosure – Community investment
	Employees	– Work arrangements during the pandemic – 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 pollution – Waste from transport packaging – Sourcing and procurement
	Government	– Abide by law

Table 2. Communication Channels to stakeholders

	Meeting	Training	Email	Telephone	Letter
The Board	✓	✓	✓	✓	
The 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.

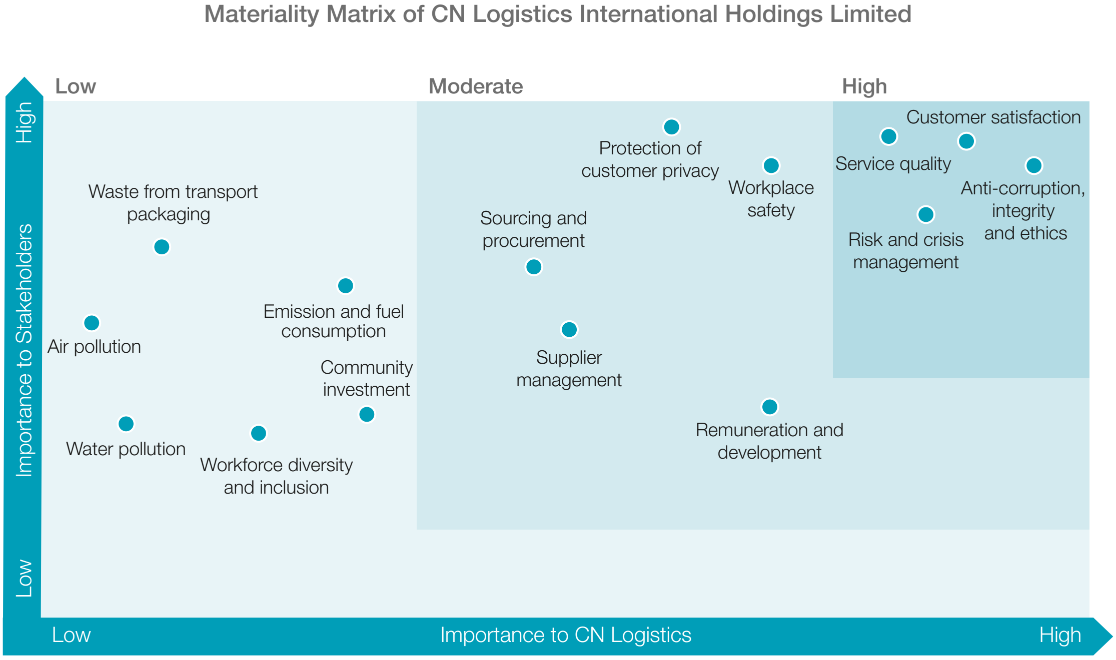
A weighting was given to each Stakeholder group in the calculation of the result of the materiality assessment. The rates were decided based on their impact on the company and the interest of that individual Stakeholder group. This enables a better illustration of the priority of the material issues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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 that the disclosed data are as authentic and accurate as possible.

We would be delighted to hear from you so we may improve on the ESG disclosure and the business development of the Group. You are welcome to provide your valuable feedback and comments concerning any aspects in this Report to 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

Under the most up-to-date ESG Reporting Guidance, target setting has become one of the mandatory requirements in the ESG report. The Group knows that the implementation of target setting is vital to our future ESG development. Targets enlighten an enterprise to focus on what should be done next and to what extent should it achieve. Without clear emission targets, it is impossible for an enterprise to set up strategies and for Stakeholders to follow. From FY2021, Our Group will set the emission targets and conduct reviews on a regular basis. In the recent Policy Address, the Hong Kong government advocates to achieve carbon neutrality before 2050. Our Group supports the advocacy from the government and takes actions seriously in order to achieve a more sustainable future for our next generation.

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 are "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 aimed at working hand in hand for a greener earth.

A1. Emissions

The Group is pleased to disclose all the emissions generated for FY2021. No material lawsuit or corresponding penalty occurred to the Group during FY2021 due to environmental violations. The Group strictly obeys 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 emissions on exhaust gas by the Group's operation mainly include nitrogen oxides (NO_x), sulphur oxides (SO_x), particulate matter (PM), the major source of which is vehicle exhaust gas. This year, the Company has extended the scope. The increase of NO_x is mainly related to vehicular emission.

Exhaust gas category	2021	2020	Unit
Nitrogen Oxides (NO_x)	9.218	70.862	kg
Sulphur Oxides (SO_x)	0.257	10.105	kg
Particulate Matter (PM)	0.698	5.234	kg

Greenhouse Gases Emissions

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

	2021	2020	Unit
Direct GHG emissions (Scope 1)	41.6	114.262	tCO_2e
Energy indirect GHG emissions (Scope 2)	2,383.2	5,511.483	tCO_2e
Other indirect GHG emissions (Scope 3)	181.5	311.193	tCO_2e
Total GHG emissions (Scopes 1, 2 and 3)	2,606.3	5,936.938	tCO_2e
Intensity per floor area	0.037	0.0786	tCO_2e/m^2

The Carbon Offset Program is another field we are trying to help in the fashion industry. The Company is recognised by the United Nations Framework Convention on Climate Change, which allows us to assist our customers in tracking, neutralizing carbon emission and contributing to climate actions by virtue of the Clean Development Mechanism (CDM) projects. CDM projects are accredited climate-friendly projects under the United Nation Carbon Offset Platform. From 1st April, 2020 to 31st March, 2021, the Company has earned 6,403 Carbon Emission Reductions (CERs) through CDM projects, which is equivalent to 6,403 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 Reduction

Our Group is working towards a more sustainable future. Our Group plans to reduce 30% of our Scope 1 & 2 emissions by 2030 ahead of the 2020 baseline. We also decided to set the target on Scope 3 as 20% reduction ahead of the 2020 baseline. To achieve the targets, Our Group will push forward by adopting carbon reduction measures. We will also review and discuss our target and progress regularly to ensure a progressive change towards our own carbon footprint.

The COVID-19 pandemic disrupts the air transportation across countries. The pandemic has shed light on alternative digital options, as opposed to 'business as usual' conference set-ups. Our Group communicates with our business partners overseas by online video conferences, which has significantly diminished much of the carbon footprint induced by business travels and reduced other indirect GHG emissions (Scope 3). Meanwhile, we also strive for optimizing operation flow in our warehouse by phasing out low energy-efficiency equipment, 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. Apart from the waste disposing practice via licensed waste collectors, waste management services are also provided to the customers. The amount of hazardous waste is minimal and possibly negligible in view of the business nature of the Group. Our major source of waste in terms of non-hazardous waste includes domestic waste and food waste from our daily business operations. Property management team is assigned for waste collection and landfill sites disposal. As the quantity of non-hazardous waste is minimal, the figure is insignificant to report.

The Group realises that reducing waste at source is the most critical way to conserve 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 appliance 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 highlight the importance of recycling by placing recycling bins in offices. For those that are non-recyclable, we would try our best to handle them in an environmentally-responsible manner before moving them to the landfill site.

At this current stage, operational waste is not a material issue for us, as there is negligible waste generated from our operations. As such, for the target setting on waste reduction, we have not been able to set a target in this report. However, we do realise the importance of waste and achieving circular economy, and we are now reviewing our Company policy on waste management strategies. Meanwhile, we are exploring initiating waste audits in the future.

A2. Use of Resources

The Group highlights the promotion of sensible resources usage. The waste hierarchy "Reduce, Reuse, and Recycle" is applied, which is targeted to maximise practical benefits from products and to minimise the amount of waste.

Energy Consumption

A large scale of input is occupied by energy usage in our operation, including powering the electrical appliances in our office, warehouse and driving vehicle engines. The Group is aware of the importance of minimizing greenhouse gas emission by energy conservation. Excluding electrical appliances requiring whole-day operation, we support our employees to turn off all unoccupied electronic appliances, lighting and air conditioning. The following table sums up our consumption of various sorts of energy.

Type of Energy	2021	2020	Unit
Non-Renewable Fuel Consumption	192.641	583.625	kWh
Electricity Purchased	5,214.063	8,145.274	kWh
Total consumption	5,406.704	8,728.899	kWh
Intensity per floor area	0.076	0.116	kWh/m^2

From the above table, our Group's total energy consumption has dropped significantly. To further pursue a greener operation, Our Group plans to reduce energy consumption by 30% by 2030 based on the 2020 baseline.

Water Consumption & Efficient Water Usage

Another indispensable component in our daily operations is water consumption, such as hygiene and cleaning. Within our offices, saving tips have been labelled. Water consumption of the Group and its intensity during FY2021 were as follows:

Water consumption	2021	2020	Unit
Total consumption	4,644	15,108.260	m^3
Intensity per floor area	0.066	0.135	m^3/m^2

Despite that our water consumption has reduced significantly compared to that of last year, we understand that we are capable of enhancing our ability to preserve fresh water resources. The Group will investigate the water consumption periodically and respond whenever necessary. Our Group plans to reduce water usage by 20% before 2030 ahead of the 2020 baseline. The Group did not involve any violation of laws and regulations regarding water sourcing and usage during FY2021.

Adoption of Packaging Materials

As a logistics company, the use of packaging materials is inevitable during operation. As previously mentioned, a program, however, has been developed to close the loop inside the recycling supply chain. The Group will keep pursuing and work closely in the industry in the future.

Types of Packaging Materials	2021	2020	Unit
Plastics	14.1	0	Tonnes
Paper	12.64	569.9	Tonnes
Metal	4.11	0	Tonnes
Intensity	Negligible	0.00754	Tonnes/m^2

A3. The Environment and Natural Resources and KPIs

Given the uprising environmentally conscious trend, our major clients in the fashion industry demand better usage of the resources owned. We, together with our business partners, are holding our hands to eliminate conventional waste disposal. To cope with the issue, we decided to uphold one of the 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 three-pillar waste management strategy, namely environmental, security and data driven approach. This strategy allows the customers to monitor and improve the environmental performance, so that our customers can gain better utilization of natural resources.

No major violation in laws and regulations concerning environment and natural resources is reported during FY2021.

A4. Confronting Climate Change

The Group is aware and expresses concern about the rising challenge caused by global climate change. As an international company, we are very aware of the carbon footprint generated behind each of our business decisions. We will keep on 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. Within FY2021, the Group has no signs of breaching any regulations and law enforcement.

To determine whether the Group is suffering from climate change, the following parameters are to be reviewed:

- Operational Impact: Any operational impact related to climate disaster such as damaging of company properties and disruption of workforce.
- Cost and Shortage of Resources: Whether resources are hazarded, include but not limited to food, water, energy and raw material.
- Uncertainty of Regulations and Politics: Whether the Company is impacted by the change of regulatory and political environments which are result from climate change.
- Increase in Insurance Cost/Loss of Insurance Availability: Whether insurance cost and availability of the Company is impacted by climate change.
- Damage of Reputation: Whether the reputation of the Company is affected regarding environmental sustainability issues.

Our Contributions to the Earth

The Group adheres to the principle of "Reduction, Reuse, Recycling and Replacement" in its business operation. Through promotion on environmental protection and efficient use of resources, the Group put significant focus on extending the coverage of the recycling business. The Group provides 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. The Group commits to aim for promotion of global recycling in the future. (Please refer to the section headed "Waste Management Policy" for further details).

Our group provides a series of "CNL Green Solutions Service", which aim for satisfying a large number of demands from customers, by developing customised solutions for our clients to streamline sustainable implementation at different steps of the supply chain. By taking sustainability as a responsible approach in our company to reserve the finite resource on the earth, it is also an important business strategy on customer attraction and brand development. Knowing trends in customers on pursuing a more sustainable lifestyle, they are willing to buy sustainable products and services by paying additional cost. Thus, our company is expanding our reach to sustainability which is undoubtedly an informed step so as to occupy a share in the market ahead of other competitors.

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 utilise resources. As a pioneer in promoting one-stop green logistics solutions, we believe that we are capable of sharing our knowledge and experience with our business partners on energy conservation, waste reduction and resource recycling. Meanwhile, our customers from the world's largest manufacturer of garment retail products have 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 solutions in line with local regulation and customers' 3 pillars sustainability strategy for managing surplus products and unwanted materials.
- Provision of secured solutions 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 namely 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 processes 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 category 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 and destruction project mentioned above, the Group also works closely with Hong Kong 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 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.

In the year of 2021, the Group has received 543.55 tons of materials in Hong Kong. Detailed information is recorded in the following table.

Unit: Ton(s)	2018	2019	2020	2021 (Jan-Dec)
Customer	5.00	13.00	15.00	25.00
Plastic Hangers	3.71	5.87	35.62	25.60
Polybags	1.26	14.8	24.06	30.05
Cardboard/Paper	32.55	253.44	350.75	423.32
Others	N/A	0.90	1.84	39.58
Total	37.52	275.01	412.27	518.55

Besides, the Group also tapped into the recycling market in Mainland China. In 2021, the Group avoided 34.61 tons of materials from being sent to landfill.

Unit: Ton(s)	2021 (Jan-Dec)
Brand	5.00
Plastics	0.96
Metal	2.19
Cardboard/Paper	7.86
Others	18.60
Total	34.61

Partnership with Business Environment Council

During the first half of the FY2021, Our Group has pledged to the Hong Kong Business Environment Council Low Carbon Charter signatories to set and achieve decarbonization within the company. Being a BEC member will help progress Hong Kong's transition to a low carbon economy. This BEC membership will expose our group to more opportunities, such as events and training sessions that will educate encourage and advocate for environmental protection and build a more sustainable community for all. We will learn to build more innovative solutions for our clients.

Sustainable Logistics by CNL Green Solution

The programme, launched in Hong Kong and China since March 2021, has three main objectives to achieve. First, the Group aims to offer green solutions to brand customers, especially the luxury and high-end fashion sector. Second, from the programme, clients' needs in fostering ESG performance to enhance their stickiness can be satisfied. The Group's value-added services are hence benefit from the new opportunities arise. Third, to minimise waste and reutilize the materials, the Group collaborates with vendors to recycle plastics bags, paper products and plastic hangers. In 2021, the Group has 22 clients onboard with a total of 519 tons of recyclable materials processed and 2,699 tons of carbon footprint reduced. Continue with the success, The Group is expecting a 30% growth of number of clients and recyclable material processed in 2022. To further eliminate the carbon footprint produced by the business, new electric trucks and electric vans will soon come into operation to cope with the hiking amount of recyclable material collected in the future.

CN Logistics also partners with Redress, a Hong Kong non-profit organisation with a mission to prevent and transform textile waste to catalyse a circular economy. The partnership provides integrated logistics services, ranging from warehousing and delivery services, to sorting recycled clothing, for fashion product recycling program in Mainland China, Hong Kong, and Macau. With 196 tonnes of clothing entering Hong Kong's landfills daily, our Group has provided strong logistics solutions for Redress, which has expanded its collection capabilities. We can connect our customers with sustainable partners and develop customised green supply chains.

B. SOCIAL

B1. Employment

The Group regards employees as the Company's greatest assets and believes that employees are fundamental to the business operation and development. To create a favourable working environment, Our Group has devoted to creating a safe, fair and socially-responsible working atmosphere for employees. The Group, complying with the labour legislations and related regulations in Hong Kong and the PRC, 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 also abides by the Ethical Trading Initiative ("ETI")'s requirements and introduces independent audits to measure ethical and social compliance within our global network. Our employees and the actual case that 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 update is on 31 December 2021. During FY2021, the Group didn't encounter 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of 31 December 2021, the Group's total number of employees in Hong Kong and PRC offices was 434, including 189 male and 245 female staff. The following table sets forth the total number and distribution of the Group's employees during FY2021:

Employee data	**2021**	**2020**
Gender		
Male	189	183
Female	245	226
Type of employment		
General Manager or Above	16	13
Senior Manager	59	29
Officer, Clerk	236	349
Contract	123	18
Age group		
19 or below	0	0
20-29	40	42
30-39	192	171
40-49	109	108
50 or above	93	88
Geographical regions		
Hong Kong	233	172
China	201	237
Total	434	409

What's more, the staff turnover was 80, of whom, 37 were male and 43 were female. The following table sets forth the employee turnover during the FY2021:

Employee Turnover	**2021**	**2020**
Gender		
Male	37	47
Female	43	44
Age group		
19 or below	0	0
20-29	15	22
30-39	31	25
40-49	16	16
50 or above	18	28
Geographical regions		
Hong Kong	47	40
China	33	51
Total	80	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

Knowing that communication between employees is the crucial part in the operation and continuous development of the Group, we support exchange of idea, insight, innovation, information by providing various communication channels, including but not limited to the followings:

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

During FY2021, there is no missing or ignorance of ideas, comments, and feedback from our employees with active daily and open communication. At the same time, our employees are being informed of the latest information through the above communication channels.

Working Hours and Rest Periods

Considering employees as valuable assets, 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. In view of 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 resigning employees, in order to know the reasons for resignation and collect valuable feedback. Involuntary termination of employment occurs only in case of serious misconduct or violation of the Group’s policy. During FY2021, 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, depending on gender, race, age, or religion. All unfair and discriminating employment practices are prohibited. To maintain the diversity in the 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 extend 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 offers a market-competitive benefit and welfare to our employees, as well as performance bonuses to recognise employees' contribution, motivating 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, which is to give 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 are pregnant or who have 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.

Also, we provide petty cash claims, which include all personal and administration expenses, such as travel expenses, overtime transportation allowance, data sim charges, team building expenses and administration's purchasing goods, 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 ensures a financially sound retirement for our employees, celebratory money for marriage or new-born babies, and compassionate money for the 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 frontline staff in warehouse operations with occupational health and safety guidelines.

Appropriate equipment is installed to prevent employees from occupational injuries. A first-aid kit is also prepared for simple first aid. Annual fire drill and half-yearly inspection of fire facilities and fire exit conditions are conducted for all operations. To maintain a reasonable working environment and protect customer assets, Warehouse Management Policy, based on the Fire Safety (Buildings) Ordinance Cap. 572 and Building Ordinance Cap. 123, is established for all personnel working in the warehouse. In general, the Group inspects the workplaces and safety equipment quarterly and the latest update was on 31 December 2021.

During FY2021, the Group didn't encounter 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 COVID-19 pandemic, the Group implemented work arrangement with Group A/B roster for operation department who are not able to work off-site, work from home arrangement for back office staff, 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 FY2021, the Group did not record any accidents resulting in serious physical injury or death, and no claims or compensation were paid to employees due to such events.

	2021	2020
Rate of fatalities due to employees' work injuries	**0**	0
Number of working days lost due to employees' work injuries	**0**	0

B3. Development and Training

For the development of our staff, mandatory training is provided in the form of the new employee orientation for all newly hired regular full-time staff, which 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 departments and led by department heads, in an effort 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.

The following table sets forth the average training hours per employee during FY2021 in terms of gender and employee category:

	Total Employees Trained		**Average training hours per employee (Hour/employee)**	
	2021	**2020**	**2021**	**2020**
Gender				
Male	245	183	15	15
Female	189	226	15	15
Employee Category				
General Manager or Above	16	13	15	15
Senior Manager	59	29	15	15
Officer, Clerk	236	349	15	15
Contract	123	18	15	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 such as camping each year 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 FY2021, the Group didn't encounter any material non-compliance with child and forced labour-related laws and regulations.

Prevention of Child Labour and Forced Labour

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

During FY2021, the Group didn't encounter any material non-compliance with relevant laws and regulations relating to preventing child labour and forced labour.

B5. Supply Chain Management

Long-term and well-established relationships with suppliers are cherished by the Group. We set out to maintain this close bond with our collaborators. The Group has a total of 2,436 suppliers, located in Hong Kong, PRC, Japan, Korea, Italy, Taiwan, France and Switzerland.

The following table shows the number of the Group's suppliers and their geographical locations during FY2021:

Number of suppliers	2021	2020
Hong Kong	430	308
China	555	263
Japan	147	68
Korea	24	13
Italy	647	417
Taiwan	476	264
France	93	0
Switzerland	64	0
Total	2,436	1,333

Environmental and Social Responsibility of Suppliers

The Group presents an enthusiasm for being sustainable by adopting our waste solution and promoting community participation, including the business sector, facilitating waste reduction, reusing and recycling. We keep putting efforts into waste reduction and circular economy promotion, starting from our collaborators. Other than sending waste material to the landfill areas, we collect waste material such as waste paper and plastic hangers from our customers, then recycle in our regional distribution centre. We have located five local warehouses in China to collect recyclable items, including Hong Kong, Shanghai, Beijing, Chengdu, and Guangzhou. Hereafter, the collected materials will be delivered to the Shanghai warehouse for recycling. We have developed a recycle and reverse logistics while the recycled materials can eventually be used in retail stores, and the sustainable operating cycle is initiated.

B6. Product Responsibility

Satisfying customer's needs with our services is a priority for the Group. We value the quality standard of our services to achieve sustainable development of our business. We are consented to assure 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. We are not aware of any incidents of non-compliance with laws and regulation in health and safety, advertising, labelling, and privacy matters regarding services provided, and methods of redress during FY2021.

Quality and Safety of Services

Considering health and safety, the Group inspects cautiously if there are any potential dangerous cargoes, ensures that we follow the strict limitations and control on dangerous goods and avoids any risk to public health. None of the products shipped by us were subject to recalls for safety or health reasons, and we have received no complaint related to our services during FY2021.

Customer Privacy Protection

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

Advertising and Labelling

To identify and locate incoming cargoes advisably, proper labelling on those cargoes is required. Various types of labels are used to display important information about goods, such as quantity, origin, and destination. It is required to place the labels 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. Warrant is required for using all copyrighted materials of the Group. To avoid any abuse or misuse, employees entitled the access right or control proprietary information are required to carry out adequate protection measures.

B7. Anti-corruption

Anti-corruption

The Group realises the importance of having every decision made with objectivity, which is based on the needs of the Group instead of personal interests or relationships. A zero-tolerance strategy is adopted to prevent 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 dedicated 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 organization or individual. We also strictly prohibit 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 that agents or others providing gifts or entertainment on the Group's behalf follow our guidelines of "Anti-Bribery & Anti-Corruption Policy".

Moreover, 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 FY2021, we didn't encounter any incidents of material non-compliance with laws and regulation in bribery, extortion, fraud, and money laundering.

Whistle-blowing System

The employees are demanded to report any suspected cases of ethical or legal misconduct concerning 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 is obliged 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 authorizing 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 considered 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 supported to report any violations directly to the Chief Financial Officer.

As the Group takes this reporting seriously and intends 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 to be addressed by us and will ensure that reports are kept confidential, including the identity of the reporter.

B8. Community Investment and Participation

The Group makes charitable donations constantly, normally in the form of sponsorship to support someone's endeavours. We do not make contributions to political parties, and instead, we only make charitable donations that are legal and ethical under local laws and practices. This year, our Group has donated HKD$473,060 for charity. Our staff also contributed 90 hours on voluntary work under 3 activities co-organised with other non-government organizations.

The following table indicates the amount of donations in cash by focus area during FY2021:

Focus Area	2021	2020	Unit
Education	268,060	Nil	HKD
Miscellaneous	205,000	Nil	HKD
Total	473,060	Nil	HKD

The following table shows the contribution of voluntary hours by focus area during FY2021:

Focus Area	2021	2020	Unit
Miscellaneous	90	Nil	Hour
Total	90	Nil	Hour

Besides, we are pleased to announce that Our Group has received the following certificates and recognitions in FY2021:

- InnoESG Prize 2021 by Society Next Foundation
- HKB National Business Awards by the Hong Kong Business Magazine (Charlton Media Group)
- Hong Kong Awards for Environmental Excellence (HKAEE) “Transport and Logistics – Bronze Award
- ISO 14064-3 on the emissions methodologies, account and reporting standards for logistics
- ISO 14001 on the efficient use of resources and minimizing damage to the environment
- Hong Kong Green Organisation with Wastewi$e Certificate (Excellent level) and Energywi$e Certificate (Good level)
- APCSC CRE Awards: Corporate Environmental Leadership of the Year (Logistics)

APPENDIX

1. Appendix 1 – Overview of Key Performance Indicator

Environmental Performance

Key Environmental Performance Indicators		2021	2020	Unit
Aspect A1 Emission				
KPI A1.1	Types of emissions and respective emission data			
	Nitrogen oxides (NO_x)	9.218	70.9	kg
	Sulphur oxides (SO_x)	0.257	10.1	kg
	Particulate matters (PM)	0.698	5.2	kg
KPI A1.2	Greenhouse gas emissions			
	Scope 1 Direct greenhouse gas emission	41.6	114.3	tonnes
	Scope 2 Indirect greenhouse gas emission	2,383.2	5,511.5	tonnes
	Scope 3 Other indirect greenhouse gas emission	181.6	311.2	tonnes
	Total greenhouse gas emission	2,606.4	5,937	tonnes
	Intensity per floor area	0.0368	0.0786	tonnes/m^2
KPI A1.3	Hazardous waste			
	Total hazardous Waste	Negligible	Negligible	tonnes
	Intensity per floor area	Negligible	Negligible	tonnes/m^2
KPI A1.4	Non-hazardous waste			
	Total non-hazardous waste	Negligible	Negligible	tonnes
	Intensity per floor area	Negligible	Negligible	tonnes/m^2
Aspect A2 Use of resources				
KPI A2.1	Energy consumption			
	Total energy consumption	5,406.704	8,733.201	(000')kWh
	Intensity	0.0764	0.116	(000')kWh/m^2
KPI A2.2	Water consumption			
	Total Consumption	4,644	10,203.71	m^3
	Intensity	0.0656	0.135	m^3/m^2
KPI A2.5	Total packaging materials			
	Plastic	14.100	0	tonnes
	Paper	12.640	569.9	tonnes
	Metal	4.110	0	tonnes
	Total packaging materials	30.850	569.9	tonnes
	Packaging material intensity	Negligible	0.0075	tonnes/m^2

Social Performance

Key Social Performance Indicators			**2021**	**2020**
Aspect B1 Employment				
KPI B1.1	Total workforce			
	Gender	Female	245	226
		Male	189	183
	Employment type	General Manager or Above	16	13
		Senior Manager	59	29
		Officer, Clerk	236	349
		Contract	123	18
	Age group	19 or Below	0	0
		20-29	40	42
		30-39	192	171
		40-49	109	108
		50 or above	93	88
	Geographical region	Hong Kong	233	237
		China	201	172
KPI B1.2	Employee turnover rate			
	Gender	Female	37	44
		Male	43	47
	Age group	19 or Below	0	0
		20-29	15	22
		30-39	31	25
		40-49	16	16
		50 or Above	18	28
	Geographical region	Hong Kong	47	51
		China	33	40
Aspect B2 Health and safety				
KPI B2.1	Work-related Fatalities		0	0
KPI B2.2	Lost days due to work injury		0	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Social Performance Indicators			**2021**	**2020**
Aspect B3 Development and Training				
KPI B3.1	Number of trained employees			
	Gender	Female	245	226
		Male	189	183
	Employee category	General Manager or Above	16	13
		Senior Manager	59	29
		Officer, Clerk	236	349
		Contract	123	18
KPI B3.2	Average training hours completed			
	Gender	Male	15	15
		Female	15	15
	Employee category	General Manager or Above	15	15
		Senior Manager	15	15
		Officer, Clerk	15	15
		Contract	15	15
Aspect B5 Supply Chain Management				
KPI B5.1	Supply Chain Management			
	Number of suppliers by geographical regions	China	555	263
		Hong Kong	430	308
		Korea	24	13
		Italy	647	417
		Japan	147	68
		Taiwan	476	264
		France	93	0
		Switzerland	64	0
	Total number of suppliers		2,436	1,333
Aspect B6 Product Responsibility				
KPI B6.1	Total products sold or shipped subject to recalls		0	0
KPI B6.2	Number of Complaints		0	0
Aspect B7 Anti-corruption				
KPI B7.1	Number of legal cases		0	0
KPI B7.3	Training Hours of Anti-corruption Training Sessions	Directors	9	0
		Staff members	12	0
Aspect B8 Community Investment				
KPI B8.2	Resources contributed to the focus area (By donation in cash)(In HKD)			
		Education	268,060	
		Miscellaneous	205,000	
	Resources contributed to the focus area (By voluntary hours)			
		Miscellaneous	90	

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 emission target(s) set and steps taken to achieve it.	Comply	Emission Reduction
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.	Explain	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 target(s) set and steps taken to achieve them.	Comply	Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	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 minimizing 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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Compliance Level	Section
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Comply	A4. Confronting Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Comply	A4. Confronting Climate Change
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
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Comply	B1. Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	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
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Comply	B2. Health and Safety
KPI B2.2	Lost days due to work injury.	Comply	B2. Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	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
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Comply	B3. Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Comply	B3. Development and Training

Aspects, General Disclosures and KPIs	Description	Compliance Level	Section
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
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Comply	B4. Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	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
KPI B5.1	Number of suppliers by geographical region.	Comply	B5. Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Comply	B5. Supply Chain Management
KPI B5.3	Description of practices employed to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Comply	B5. Supply Chain Management
KPI B5.4	Description of practices employed to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	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
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Comply	B6. Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Comply	B6. Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Comply	B6. Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Comply	B6. Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Comply	B6. Product Responsibility

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Aspects, General Disclosures and KPIs	Description	Compliance Level	Section
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
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during FY2021 and the outcomes of the cases.	Comply	B7. Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Comply	B7. Anti-corruption
KPI B7.3	Description of anti-corruption training offered to directors and staff.	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 that its activities cover the communities' interests.	Comply	B8. Community Investment and Participation
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Comply	B8. Community Investment and Participation
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Comply	B8. Community Investment and Participation

KPMG

To the shareholders of CN Logistics International Holdings Limied
(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 80 to 159, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 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 2021 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.

INDEPENDENT AUDITOR'S REPORT

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 27(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 2021, the Group's gross trade receivables amounted to HK$501.6 million, against which a loss allowance of HK$0.8 million 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 2021 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.

– 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.

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

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

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

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.

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

28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	**2021** **$'000**	2020 $'000
Revenue	3	**2,673,424**	2,020,562
Cost of services		**(2,170,696)**	(1,626,254)
Gross profit		**502,728**	394,308
Other income	4(a)	**1,316**	15,384
Other net gain/(loss)	4(b)	**2,643**	(2,810)
Administrative and other operating expenses		**(329,690)**	(279,021)
Profit from operations		**176,997**	127,861
Finance costs	5(a)	**(7,969)**	(11,751)
Share of profits of associates and joint ventures		**956**	594
Profit before taxation	5	**169,984**	116,704
Income tax	6(a)	**(46,635)**	(34,693)
Profit for the year		**123,349**	82,011
Attributable to:			
Equity shareholders of the Company		**83,413**	55,521
Non-controlling interests		**39,936**	26,490
Profit for the year		**123,349**	82,011
Earnings per share (Hong Kong cents)	10		
Basic		**32.9**	41.2
Diluted		**32.9**	41.2

The notes on pages 88 to 159 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	**2021 $'000**	2020 $'000
Profit for the year		**123,349**	82,011
Other comprehensive income for the year (after taxation)	9		
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit retirement obligations		**846**	(2,089)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(5,096)**	12,559
Total comprehensive income for the year		**119,099**	92,481
Attributable to:			
Equity shareholders of the Company		**77,296**	63,751
Non-controlling interests		**41,803**	28,730
Total comprehensive income for the year		**119,099**	92,481

The notes on pages 88 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Non-current assets			
Property, plant and equipment	11	**226,667**	235,197
Prepayment for acquisition of property, plant and equipment	11(c)	**14,485**	25,167
Intangible assets	12	**2,222**	576
Goodwill	13	**25,142**	24,633
Interests in associates	15	**8,856**	2,676
Interests in joint ventures	16	**2,219**	–
Other financial assets	17	**408**	404
Deferred tax assets	25(b)	**2,622**	2,551
		282,621	291,204
Current assets			
Trade and other receivables and contract assets	18	**578,677**	374,395
Amounts due from Cargo Services Group	28(b)	**8,109**	36,729
Amounts due from EV Cargo Group	28(b)	**98,632**	84,113
Amounts due from associates	28(b)	**354**	513
Amounts due from joint ventures	28(b)	**1,508**	–
Pledged bank deposits	19	**5,827**	2,323
Cash and cash equivalents	20	**295,143**	255,323
		988,250	753,396
Current liabilities			
Trade and other payables and contract liabilities	21	**472,673**	316,781
Amounts due to Cargo Services Group	28(b)	**8,147**	6,000
Amounts due to EV Cargo Group	28(b)	**9,416**	100
Amounts due to associates	28(b)	**187**	873
Amounts due to joint ventures	28(b)	**623**	–
Bank loans and overdrafts	22	**158,948**	87,845
Lease liabilities	23	**50,049**	54,761
Current taxation	25(a)	**25,954**	16,601
		725,997	482,961
Net current assets		**262,253**	270,435
Total assets less current liabilities		**544,874**	561,639

At 31 December 2021
(Expressed in Hong Kong dollars)

	Note	**2021** **$'000**	2020 $'000
Non-current liabilities			
Bank loans	22	**2,648**	908
Lease liabilities	23	**62,472**	93,078
Defined benefit retirement obligations	24	**12,249**	12,808
Deferred tax liabilities	25(b)	**2,990**	5,645
		80,359	112,439
NET ASSETS		**464,515**	449,200
CAPITAL AND RESERVES	26		
Share capital		**2,154**	1,950
Reserves		**400,953**	350,707
Total equity attributable to equity shareholders of the Company		**403,107**	352,657
Non-controlling interests		**61,408**	96,543
TOTAL EQUITY		**464,515**	449,200

Approved and authorised for issue by the board of directors on 28 March 2022.

Mr. Ngan Tim Wing
Director

Ms. Chen Nga Man
Director

The notes on pages 88 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(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	26(b)(i)	–	–	–	–	–	–	(85,344)	(85,344)	–	(85,344)
Dividend paid to non-controlling interests	26(b)(iii)	–	–	–	–	–	–	–	–	(37,757)	(37,757)
Transfer to reserve fund	26(d)(iii)	–	–	–	496	–	–	(496)	–	–	–
Capitalisation issue of shares	26(c)(i)	714	(714)	–	–	–	–	–	–	–	–
Issuance of shares to pre-public offering investors	26(c)(i)	37	19,963	–	–	–	–	–	20,000	–	20,000
Issuance of shares upon public offering and international placing	26(c)(i)	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 non-controlling interests		–	–	254	–	–	–	–	254	(254)	–
Deemed distribution to the Parent Company	26(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company								
		Share capital $'000	Share premium $'000	Capital reserve $'000	Reserve fund $'000	Exchange reserve $'000	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'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 2021:										
Profit for the year		-	-	-	-	-	83,413	83,413	39,936	123,349
Other comprehensive income	9	-	-	-	68	(6,665)	480	(6,117)	1,867	(4,250)
Total comprehensive income		-	-	-	68	(6,665)	83,893	77,296	41,803	119,099
Dividend paid to shareholders	26(b)(i)	-	(59,993)	-	-	-	-	(59,993)	-	(59,993)
Dividend paid to non-controlling interests	26(b)(iii)	-	-	-	-	-	-	-	(44,290)	(44,290)
Transfer to reserve fund		-	-	-	482	-	(482)	-	-	-
Issuance of shares	26(c)(i)	48	46,222	-	-	-	-	46,270	-	46,270
Shares purchased in respect of the Share Award Scheme	26(c)(ii)	-	-	(38,986)	-	-	-	(38,986)	-	(38,986)
Acquisition of non-controlling interests	26(c)(i)	156	184,044	-	-	-	(158,337)	25,863	(32,648)	(6,785)
Balance at 31 December 2021		2,154	364,738	(38,695)	15,988	2,301	56,621	403,107	61,408	464,515

The notes on pages 88 to 159 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	**2021 $'000**	2020 $'000
Operating activities			
Cash generated from operations	20(b)	**230,575**	253,676
Hong Kong Profits Tax paid		**(8,714)**	(12,082)
Tax paid outside Hong Kong		**(31,072)**	(20,476)
Net cash generated from operating activities		**190,789**	221,118
Investing activities			
Payment for purchase of property, plant and equipment		**(25,431)**	(14,243)
Proceeds from disposals of property, plant and equipment		**533**	215
Payment for prepayment for acquisition of property, plant and equipment		**(14,485)**	(25,167)
Payment for purchase of intangible assets		**(1,898)**	(570)
Payment for acquisition of non-controlling interests		**(6,786)**	–
Payment for capital injection of associates	15	**(5,891)**	–
Payment for capital injection of joint ventures	16	**(1,875)**	–
Decrease in amount due from a director		**–**	1,831
(Increase)/decrease in pledged bank deposits		**(3,479)**	783
Interest received		**556**	338
Dividend income from unlisted equity securities	17	**44**	41
Net cash used in investing activities		**(58,712)**	(36,772)

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Financing activities			
Decrease in amounts due to Cargo Services Group	20(c)	–	(17,194)
Proceeds from new bank loans	20(c)	365,121	252,901
Repayment of bank loans	20(c)	(291,880)	(251,773)
Capital element of lease rentals paid	20(c)	(61,207)	(71,940)
Interest element of lease rentals paid	20(c)	(5,400)	(7,635)
Interest paid	20(c)	(2,569)	(4,116)
Dividend paid to shareholders	26(b)(i)	(59,993)	(572)
Dividend paid to non-controlling interests	26(b)(iii)	(44,290)	(37,757)
Proceeds from issuance of shares	26(c)(i)	46,270	–
Proceeds from issuance of shares to pre-public offering investors	26(c)(i)	–	20,000
Issuance of shares upon public offer and international placing	26(c)(i)	–	143,277
Payment for shares purchased in respect of the Share Award Scheme	26(c)(ii)	(38,986)	–
Payment of listing expenses		–	(28,812)
Deemed cash distribution to the Parent Company	26(d)(v)	–	(33,066)
Net cash used in financing activities		**(92,934)**	(36,687)
Net increase in cash and cash equivalents		**39,143**	147,659
Cash and cash equivalents at 1 January		**255,287**	101,477
Effect of foreign exchange rate changes		**690**	6,151
Cash and cash equivalents at 31 December	20(a)	**295,120**	255,287

Material non-cash transactions:

(i) In November 2021, CN Investment Limited acquired the remaining equity interest in CN Logistics S.R.L. and CN Logistics SA at a total consideration of approximately HK$188,736,000 by way of issuing 20,000,000 ordinary shares by the Company at fair value of HK$9.2 per share at the completion date as consideration, plus a cash consideration of Euro 500,000 (equivalent to HK$4,536,000).

The notes on pages 88 to 159 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 2021 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investments in unlisted 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

– Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021*

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. Impacts of the adoption of the amended HKFRS are discussed below:

Amendment to HKFRS 16, COVID-19-related rent concessions beyond 30 June 2021 ("2021 amendment")

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 1(j)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are 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 balances of equity at 1 January 2021.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 or joint venture (see note 1(e)).

(e) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures (Continued)

An investment in an associate or a joint venture 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 or joint venture 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)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. 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 or the joint venture, the Group's interest is reduced to zero 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 or the joint venture (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 and joint ventures 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 or vice versa, 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 or joint control over a joint venture, 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, associates and joint ventures, 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 27(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:

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

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill) (Continued)

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.

(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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

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 rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16, Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including trade and other receivables, amounts due from related parties, amounts due from associates and joint ventures and cash and cash equivalents); 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, amounts due from related parties, amounts due from associates and joint ventures 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)

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 revenue

Interest revenue 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 revenue 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)

Basis of calculation of interest revenue (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; and

– investments in subsidiaries, associates and joint ventures.

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.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and 1(k)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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)).

(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)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(k)(i)).

Insurance reimbursement is recognised and measured in accordance with note 1(s)(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).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(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.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(ii) Defined benefit retirement plan obligations (Continued)

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)).

(iii) Share award scheme

The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in profit or loss with a corresponding increase in capital reserve, which is measured based on the grant date share price of the Company.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 revenue

Interest revenue 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 13 and 24 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:

	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	**1,623,642**	1,424,147
– Provision of ocean freight forwarding services	**659,763**	250,851
– Provision of distribution and logistics services	**390,019**	345,564
	2,673,424	2,020,562

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

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

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, Revenue from contracts with customers. 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 2021 and 2020, including provision of services to entities which are known to the Group to be under common control with these customers is set out below.

	2021 **$'000**	2020 $'000
EV Cargo Group (note 28(c))	**330,818**	N/A#
Cargo Services Group (note 28(c))	**N/A#**	287,956

Less than 10% of the Group's revenue has been recognised.

NOTES TO THE FINANCIAL STATEMENTS

(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.

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 2021 and 2020 is set out below.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

	2021			
	Air freight $'000	**Ocean freight $'000**	**Distribution and logistics $'000**	**Total $'000**
Reportable segment revenue – external sales	**1,623,642**	**659,763**	**390,019**	**2,673,424**
Reportable segment gross profit	**262,275**	**181,819**	**58,634**	**502,728**
Other income				**1,316**
Other net gain				**2,643**
Administrative and other operating expenses				**(329,690)**
Finance costs				**(7,969)**
Share of profits of associates and joint ventures				**956**
Profit before taxation				**169,984**

	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

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 and joint ventures.

	2021	2020
	$'000	$'000
Revenue from external customers		
Hong Kong	**644,090**	822,637
Mainland China	**965,990**	684,323
Italy	**752,973**	326,987
Taiwan	**144,741**	96,213
Other countries and regions	**165,630**	90,402
	2,673,424	2,020,562
Specified non-current assets		
Hong Kong	**70,586**	101,808
Mainland China	**115,160**	92,362
Italy	**58,612**	66,495
Taiwan	**26,513**	26,449
Other countries and regions	**8,720**	1,135
	279,591	288,249

4 OTHER INCOME AND OTHER NET GAIN/(LOSS)

		2021 $'000	2020 $'000
(a)	***Other income***		
	Interest income	**556**	338
	Government grants (note)	**668**	13,120
	Dividend income from unlisted equity securities (note 17)	**44**	41
	Others	**48**	1,885
		1,316	15,384
(b)	***Other net gain/(loss)***		
	Gain on disposals of property, plant and equipment	**397**	87
	Net foreign exchange gain/(loss)	**399**	(4,125)
	Others	**1,847**	1,228
		2,643	(2,810)

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. No such funding received in 2021.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

		2021 $'000	2020 $'000
(a)	***Finance costs***		
	Interest on bank loans and overdrafts (note 20(c))	**2,569**	3,869
	Interest on amounts due to Cargo Services Group (note 20(c))	**–**	247
	Interest on lease liabilities (note 20(c))	**5,400**	7,635
		7,969	11,751
(b)	***Staff costs***		
	Contribution to defined contribution retirement plans	**25,037**	15,299
	Expenses recognised in respect of defined benefit retirement plans (note 24(a)(iii))	**2,217**	2,279
	Salaries, wages and other benefits	**243,233**	198,843
		270,487	216,421
(c)	***Other operating expenses (note (i))***		
	Auditors' remuneration	**4,181**	4,260
	Listing expenses	**–**	25,492
	Net (reversal of)/provision for impairment loss on trade receivables (note 27(a))	**(1,183)**	1,844
	Bad debts written off	**594**	1,519
	Communication expenses	**2,835**	2,710
	Repair and maintenance expenses	**2,366**	1,997
	Management fee expenses		
	– related parties	**2,337**	2,861
	– other parties (note (ii))	**211**	1,288
	Others	**6,437**	5,911
		17,778	47,882
(d)	***Other items***		
	Depreciation charge (note 11)		
	– owned property, plant and equipment	**20,566**	15,876
	– right-of-use assets	**64,190**	75,287
	Amortisation cost of intangible assets (note 12)	**154**	214

Notes:

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

(ii) Management fee expenses are paid to non-controlling interest (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:

	2021 $'000	2020 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**7,113**	7,376
(Over)/under provision in respect of prior years	**(34)**	33
	7,079	7,409
Current tax – Outside Hong Kong		
Provision for the year	**38,942**	23,487
(Over)/under provision in respect of prior years	**(8)**	1
	38,934	23,488
Withholding tax on distributed profits		
Italy withholding tax	**953**	168
Taiwan withholding tax	**2,334**	2,086
France withholding tax	**100**	75
Japan withholding tax	**–**	82
	3,387	2,411
Deferred tax		
Origination and reversal of temporary differences	**(2,765)**	1,385
	46,635	34,693

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

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

The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year ended 31 December 2021.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China ("PRC") and the respective regulations, the subsidiaries operating in the PRC are subject to Enterprise Income Tax ("EIT") at the rate of 25% (2020: 25%) on the taxable income for the year ended 31 December 2021.

In accordance with the relevant tax laws of Italy, the provision for Corporate Income Tax is calculated at 28.1% (2020: 28.8%) for the year ended 31 December 2021.

In accordance with the relevant tax laws of Taiwan, the provision for Corporate Income Tax is calculated at 20% (2020: 20%) for the year ended 31 December 2021.

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

Withholding tax is charged by tax authorities of Italy, Taiwan and France in respect of dividend income received from subsidiaries incorporated in respective countries and regions, at rates of 10% (2020: 10%), 21% (2020: 21%) and 10% (2020: 10%) for the year ended 31 December 2021.

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

	2021 **$'000**	2020 $'000
Profit before taxation	**169,984**	116,704
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**42,278**	27,051
Tax effect of non-deductible expenses	**2,369**	5,945
Tax effect of non-taxable income	**(123)**	(242)
Tax effect of unused tax losses not recognised	**1,020**	1,126
Tax effect of other temporary differences not recognised	**560**	238
Tax effect of utilisation of unused tax losses previously not recognised	**–**	(3,329)
Tax concession	**(651)**	–
Withholding tax on the distributable and distributed profits of subsidiaries	**1,147**	3,965
(Over)/under provision in respect of prior years	**(42)**	34
Others	**77**	(95)
Actual tax expense	**46,635**	34,693

7 DIRECTORS' EMOLUMENTS

	2021				
	Directors' fees $'000	**Salaries, allowances, and benefits in kind (note (iv)) $'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))	**300**	**6,497**	**2,417**	**67**	**9,281**
Cheung Siu Ming Ringo (note (ii))	**293**	**868**	**107**	**50**	**1,318**
Chen Nga Man (note (ii))	**300**	**3,708**	**296**	**18**	**4,322**
Augusta Morandin (note (iv))	**–**	**–**	**–**	**–**	**–**
Fabio Di Nello (note (iv))	**–**	**–**	**–**	**–**	**–**
Independent non-executive directors					
Lam Hing Lun Alain (note (iii))	**300**	**–**	**–**	**–**	**300**
Chan Chun Hung Vincent (note (iii))	**300**	**–**	**–**	**–**	**300**
Chun Chi Man (note (iii))	**300**	**–**	**–**	**–**	**300**
	1,793	**11,073**	**2,820**	**135**	**15,821**

	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)

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 2021 and 2020. Mr. Lau Shek Yau John has received remuneration from a fellow subsidiary of the Group in respect of his services to the larger group to which the Group belongs. 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 2021, the emoluments shown above include salaries, allowances and benefits in kind of $8,914,000, $975,000 and $4,004,000, respectively and retirement scheme contributions of $67,000, $50,000 and $18,000, respectively, paid by the Group to them in their capacity as employees of the Group.

Mr. Cheung Siu Ming has resigned as an executive director on 22 December 2021.

(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.

(iv) Ms. Augusta Morandin and Mr. Fabio Di Nello were appointed as executive director on 22 December 2021. No appointment of their emoluments to the directors' emoluments because their service period in 2021 related to their service as directors is insignificant.

During the years ended 31 December 2021 and 2020, 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 2021 and 2020.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2020: 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:

	2021 **$'000**	2020 $'000
Salaries and other emoluments	**12,492**	8,299
Discretionary bonuses	**11,719**	3,041
Retirement scheme contributions	**778**	609
	24,989	11,949

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

	2021 **Number of individuals**	2020 Number of individuals
$2,000,001 – $2,500,000	**–**	1
$2,500,001 – $3,000,000	**1**	–
$4,500,001 – $5,000,000	**–**	2
$10,500,001 – $11,000,000	**2**	–

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are as follows:

	2021			2020		
	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 24)	**1,176**	**(330)**	**846**	(2,934)	845	(2,089)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(5,096)**	**–**	**(5,096)**	12,559	–	12,559
Other comprehensive income	**(3,920)**	**(330)**	**(4,250)**	9,625	845	10,470

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 $83,413,000 (2020: $55,521,000) and the weighted average of 253,580,000 ordinary shares (2020: 134,886,000 ordinary shares) in issue during the year ended 31 December 2021, calculated as follows:

	2021 '000	2020 '000
Issued ordinary shares at 1 January	**250,000**	100,000
Issuance of shares to pre-public offering investors	**–**	3,922
Issuance of shares to independent third parties	**2,976**	–
Capitalisation issue of shares	**–**	19,520
Issue of consideration shares to non-controlling interests	**3,123**	–
Shares purchased in respect of the Share Award Scheme	**(2,519)**	–
Issuance of shares upon public offering and international placing	**–**	11,444
Weighted average number of ordinary shares at 31 December	**253,580**	134,886

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2021 and 2020, and therefore, diluted earnings per share are the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTIES, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment and machinery	Computer equipment	Warehouse equipment	Sub-total	Right-of-use assets	Total
Cost:									
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)
At 31 December 2020	54,472	2,465	4,237	16,599	6,397	76,244	160,414	274,873	435,287
At 1 January 2021	54,472	2,465	4,237	16,599	6,397	76,244	160,414	274,873	435,287
Exchange adjustments	(904)	(134)	(41)	40	93	845	(101)	(3,449)	(3,550)
Additions	1,272	250	1,212	467	417	46,980	50,598	28,015	78,613
Disposals	(2,373)	(6)	(544)	(175)	(292)	(479)	(3,869)	(58,877)	(62,746)
At 31 December 2021	52,467	2,575	4,864	16,931	6,615	123,590	207,042	240,562	447,604
Accumulated depreciation:									
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)
At 31 December 2020	35,517	1,210	3,164	13,054	5,690	24,512	83,147	116,943	200,090
At 1 January 2021	35,517	1,210	3,164	13,054	5,690	24,512	83,147	116,943	200,090
Exchange adjustments	(448)	(88)	20	68	80	(613)	(981)	(318)	(1,299)
Charge for the year	5,061	290	638	1,016	394	13,167	20,566	64,190	84,756
Written back on disposals	(2,373)	(6)	(477)	(139)	(259)	(479)	(3,733)	(58,877)	(62,610)
At 31 December 2021	37,757	1,406	3,345	13,999	5,905	36,587	98,999	121,938	220,937
Net book value:									
At 31 December 2021	14,710	1,169	1,519	2,932	710	87,003	108,043	118,624	226,667
At 31 December 2020	18,955	1,255	1,073	3,545	707	51,732	77,267	157,930	235,197

11 PROPERTIES, 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	2021 $'000	2020 $'000
Properties leased for own use, carried at depreciated cost	(i)	**116,937**	156,510
Motor vehicles, carried at depreciated cost	(ii)	**1,687**	1,420
		118,624	157,930

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

	2021 $'000	2020 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– properties leased for own use	**63,254**	74,538
– motor vehicles	**936**	749
	64,190	75,287
Interest on lease liabilities	**4,688**	7,635
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**194**	179
Rent concessions	**(310)**	(2,051)

During the year ended 31 December 2021, additions to right-of-use assets and adjustment to right-of-use assets due to modifications were $28,015,000 (2020: $37,897,000) and $nil (2020: $26,906,000), 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 20(d) and 27(b), respectively.

As disclosed in note 1(c), the Group has early adopted the amendment to HKFRS 16 and applies the practical expedient to all eligible rent concessions received by the Group. Further details are disclosed in (i) below.

11 PROPERTIES, 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.

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

	2021		
	Fixed payments $'000	**COVID-19 rent concessions $'000**	**Total payments $'000**
Warehouse – Hong Kong	**11,040**	**(310)**	**10,730**

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

(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 are expected to be transferred to property, plant and equipment within one year.

12 INTANGIBLE ASSETS

	Software $'000	Club membership $'000	Total $'000
Cost:			
At 1 January 2020	1,452	–	1,452
Exchange adjustments	86	–	86
Additions	570	–	570
At 31 December 2020	2,108	–	2,108
At 1 January 2021	2,108	–	2,108
Exchange adjustments	(25)	(88)	(113)
Additions	150	1,748	1,898
At 31 December 2021	2,233	1,660	3,893
Accumulated amortisation:			
At 1 January 2020	1,230	–	1,230
Exchange adjustments	88	–	88
Charge for the year	214	–	214
At 31 December 2020	1,532	–	1,532
At 1 January 2021	1,532	–	1,532
Exchange adjustments	(15)	–	(15)
Charge for the year	154	–	154
At 31 December 2021	1,671	–	1,671
Net book value:			
At 31 December 2021	562	1,660	2,222
At 31 December 2020	576	–	576

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

13 GOODWILL

	2021 $'000	2020 $'000
Cost:		
At 1 January	**24,633**	23,202
Exchange adjustments	**509**	1,431
At 31 December	**25,142**	24,633

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

	2021 $'000	2020 $'000
Air freight forwarding business – Taiwan	**25,142**	24,633

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 instalments, 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% (2020: 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% (2020: 13%). 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 at 31 December 2021 and 2020.

At 31 December 2021, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately $64.9 million (2020: $26.2 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	
	2021 **$'000**	2020 $'000
Discount rate increases by 100 basis points	**10,049**	6,163
Revenue growth rate decreases by 100 basis points	**11,036**	8,643

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 GOODWILL (Continued)

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.

	2021	2020
Discount rate increases to	**40.6%**	19.3%
Revenue growth rate decreases to	**-3.6%**	-0.2%

14 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest of the Group			
Name	**Place of incorporation and business**	**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	HKD1,425,000	100%	100%	–	Investment holding
CN Logistics Limited	British Virgin Islands ("BVI")	USD50,000	98%	–	98%	Investment holding
CN International Logistics Limited	Hong Kong	HKD1	98%	–	100%	Provision of air freight forwarding services
CN Logistics Limited	Hong Kong	HKD1,500,000	98%	–	100%	Provision of freight forwarding services and logistics and distribution services
Milca Logistics Limited	Hong Kong	HKD2	98%	–	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	98%	–	100%	Provision of freight forwarding services and logistics and distribution 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	98%	–	100%	Provision of logistics and distribution services
@# 嘉泓物流(海南)有限公司*	PRC	RMB1,600,000	98%	–	100%	Provision of freight forwarding 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	TWD35,000,000	70%	–	70%	Provision of freight forwarding services and logistics and distribution services
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 freight forwarding services
CN Logistics (Japan) Limited	Japan	JPY50,000,000	98.1%	–	98.1%	Provision of freight forwarding services and logistics and distribution services
CN Logistics SA	Switzerland	CHF100,000	100%	–	100%	Provision of freight forwarding services
CN Logistics S.R.L.	Italy	EUR100,000	100%	–	100%	Provision of 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 forwarding business
Vins Mall Global Limited	Hong Kong	HKD100	100%	–	100%	Provision of eCommerce platform services

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(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and business	Particulars of issued and paid- up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
# 酒實國際商務(深圳)有限公司*	PRC	RMB299,052	100%	–	100%	Provision of eCommerce platform services
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

\# Wholly-owned foreign enterprise in Mainland China

@ The English translation of these entities are for identification only. The official names of the entities established in the PRC are in Chinese.

* Registered under the laws of the PRC as a limited liability company (Taiwan, Hong Kong, Macao legal person sole investment)

Notes:

(i) During the year ended 31 December 2021, the Group established 嘉泓物流(海南)有限公司, Vins Mall Global Limited and 酒實國際商務(深圳)有限公司 as subsidiaries with total initial capital injection of $360,000.

(ii) During the year ended 31 December 2021, the Group acquired all remaining equity interests in CN Logistics SA and CN Logistics S.R.L. from minority shareholders, with a total consideration of approximately HK$188,736,000 by way of issuing 20,000,000 shares by the Company, plus a cash consideration of Euro 500,000 (equivalent to HK$4,536,000). CN Logistics SA and CN Logistics S.R.L. became the indirect wholly owned subsidiaries of the Group upon completion of the acquisitions in November 2021 at which time the fair value of the share is $9.2 per share.

(iii) During the year ended 31 December 2021, the Group acquired 3% equity interest in CN Logistics Limited from a minority shareholder, with a consideration of $2,250,000.

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. There are no material non-controlling interests in any of the individual subsidiaries under CS Airfreight (Shanghai) Limited.

	2021 $'000	2020 $'000
NCI percentage	**49%**	49%
Current assets	**285,156**	304,305
Non-current assets	**13,034**	10,642
Current liabilities	**(216,899)**	(185,406)
Non-current liabilities	**(5,452)**	(2,921)
Net assets	**75,839**	126,620
Carrying amount of NCI	**37,161**	62,044
Revenue	**735,941**	595,191
Profit for the year	**20,370**	20,496
Total comprehensive income	**23,874**	23,081
Profit allocated to NCI	**9,981**	10,043
Dividend paid to NCI	**35,000**	28,958
Cash flows from operating activities	**86,579**	38,446
Cash flows from investing activities	**444**	(227)
Cash flows from financing activities	**(75,595)**	(49,551)

15 INTERESTS IN ASSOCIATES

The following list contains the particulars of associates of the Group at 31 December 2021, all of which are unlisted corporate entities whose quoted market price is not available.

				Proportion of ownership interest			
Name	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
CN Logistics (Macau) Limited	Incorporated	Macau	MOP25,000	49%	–	50%	Provision of freight forwarding services
CN Logistics (Thailand) Co., Limited	Incorporated	Thailand	THB1,000,000	49%	–	49%	Provision of freight forwarding services
Luxlogic Limited	Incorporated	Hong Kong	HKD10,000	20%	–	20%	Provision of eCommerce platform solutions
安吉嘉泓物流（上海）有限公司	Incorporated	PRC	RMB10,000,000	49%	49%	–	Provision of freight forwarding services and logistics and distribution services

Significant influence is obtained by the Group through participation in the board of directors of the associates.

Notes:

(i) During the year ended 31 December 2021, the Group, together with two joint venture partners set up a special purpose company named Luxlogic Limited in Hong Kong to provide eCommerce platform solution.

(ii) During the year ended 31 December 2021, the Group and a joint venture partner have jointly set up a company named 安吉嘉泓物流（上海）有限公司 in PRC to provide integrated logistics services.

(iii) During the year ended 31 December 2021, the Group disposed of all equity interests in CN Logistics Israel Limited to A Mara Shipping Limited, the substantial shareholder of CN Logistics Israel Limited.

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

Aggregate financial information of these associates is as follows:

	2021 $'000	2020 $'000
Aggregate carrying amount of the associates in the consolidated statement of financial position	**8,856**	2,676
Aggregate amount of the Group's share of the associates		
– profit from operations	**606**	594
– other comprehensive income	**(59)**	115
– total comprehensive income	**547**	709

16 INTERESTS IN JOINT VENTURES

The following list contains the particulars of joint ventures of the Group as at 31 December 2021, all of which are unlisted corporate entities whose quoted market price is not available.

				Proportion of ownership interest			
Name	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
CN FM Logistics (Malaysia) Sdn. Bhd.	Incorporated	Malaysia	RM2,000,000	50%	–	50%	Provision of freight forwarding services
PJF Wines Limited	Incorporated	BVI	USD300	50%	–	50%	Investment holding

Notes:

(i) During the year ended 31 December 2021, the Group and FM Global Logistics Ventures SDN. BHD have jointly set up a company named CN FM Logistics (Malaysia) SDN BHD in Malaysia to provide integrated logistics services.

(ii) During the year ended 31 December 2021, the Group and the controlling shareholders have jointly set up a company named PJF Wines Limited.

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

Aggregate financial information of these joint ventures is as follows:

	2021 **$'000**	2020 $'000
Aggregate carrying amount of the joint ventures in the consolidated statement of financial position	**2,219**	–
Aggregate amount of the Group's share of the joint ventures		
– profit from operations	**351**	–
– other comprehensive income	**(7)**	–
– total comprehensive income	**344**	–

17 OTHER FINANCIAL ASSETS

	2021 **$'000**	2020 $'000
Financial assets measured at FVPL		
Unlisted equity securities	**408**	404

The unlisted equity securities are shares held in Allport Cargo Services Korea Limited and 上海國際經貿報關行有限公司, which are incorporated in South Korea and the PRC, respectively. Both companies are engaged in the provision of freight forwarding related services. Apart from a dividend of $44,000 (2020: $41,000) received from Allport Cargo Services Korea Limited during the year ended 31 December 2021, no other dividends were received from these investments.

18 TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2021 $'000	2020 $'000
Trade and other receivables		
Trade receivables, net of loss allowance	**500,772**	326,770
Other receivables, prepayments and deposits	**66,433**	45,962
	567,205	372,732
Contract assets		
Arising from performance under freight forwarding contracts	**11,472**	1,663
	578,677	374,395

(a) Trade and other receivables

Except for rental deposit for leased properties of $5,629,000 (2020: $12,149,000) paid by the Company to lessors and are refundable or to be settled at the end of the lease terms, which is after one year, all of the remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

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

	2021 $'000	2020 $'000
Within 1 month	**305,465**	153,303
1 to 2 months	**138,985**	93,440
2 to 3 months	**30,311**	71,869
Over 3 months	**26,011**	8,158
	500,772	326,770

Trade receivables are normally due within 30 to 60 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 27(a).

18 TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (continued)

(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.

During the year ended 31 December 2021, the amount of revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods was $1,663,000 (2020: $Nil).

All of the contract assets are expected to be recovered as expenses within one year. Further details on the Group's credit policy and credit risk arising from contract assets are set out in note 27(a).

19 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.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2021 $'000	2020 $'000
Cash at bank and on hand and cash and cash equivalents in the consolidated statement of financial position	**295,143**	255,323
Bank overdrafts (note 22)	**(23)**	(36)
Cash and cash equivalents in the consolidated cash flow statement	**295,120**	255,287

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 amount of cash and cash equivalents to which these restrictions apply amounted to $97,321,000 (2020: $37,319,000) at 31 December 2021.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

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

	Note	**2021 $'000**	2020 $'000
Profit before taxation		**169,984**	116,704
Adjustments for:			
Interest income	4(a)	**(556)**	(338)
Dividend income from unlisted equity securities	4(a)	**(44)**	(41)
Gain on disposals of property, plant and equipment	4(b)	**(397)**	(87)
Finance costs	5(a)	**7,969**	11,751
Depreciation charge	5(d)	**84,756**	91,163
Amortisation cost of intangible assets	5(d)	**154**	214
Rent concessions	11(b)	**(310)**	(2,051)
Net (reversal of)/provision for impairment loss on trade receivables	27(a)	**(1,183)**	1,844
Share of profits of associates and joint ventures		**(956)**	(594)
Foreign exchange loss		**1,602**	4,263
Changes in working capital:			
Increase in trade and other receivables and contract assets		**(212,776)**	(68,321)
Decrease in amounts due from Cargo Services Group		**28,620**	79,373
Increase in amounts due from EV Cargo Group		**(14,519)**	(65,479)
(Increase)/decrease in amounts due from associates and joint ventures		**(1,349)**	598
Increase in trade and other payables and contract liabilities		**158,739**	100,010
Increase/(decrease) in amounts due to Cargo Services Group		**2,147**	(14,989)
Increase/(decrease) in amounts due to EV Cargo Group		**9,316**	(3,501)
Decrease in amounts due to associates		**(63)**	(1,411)
(Decrease)/increase in defined benefit retirement obligations		**(559)**	4,568
Cash generated from operations		**230,575**	253,676

20 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.

	Amounts due to Cargo Services Group (note 28(b)) $'000	Bank loans (note 22) $'000	Lease liabilities (note 23) $'000	Total $'000
At 1 January 2020	86,238	85,938	151,969	324,145
Changes from financing cash flows:				
Decrease in amounts due to Cargo Services Group	(17,194)	–	–	(17,194)
Proceeds from new bank loans	–	252,901	–	252,901
Repayment of bank loans	–	(251,773)	–	(251,773)
Capital element of lease rentals paid	–	–	(71,940)	(71,940)
Interest element of lease rentals paid	–	–	(7,635)	(7,635)
Interest paid	(247)	(3,869)	–	(4,116)
Total changes from financing cash flows	(17,441)	(2,741)	(79,575)	(99,757)
Exchange adjustments	–	1,651	5,058	6,709
Other changes:				
Decrease in amounts due to Cargo Services Group	(69,044)	–	–	(69,044)
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
Rent concessions (note 11(b))	–	–	(2,051)	(2,051)
Interest expenses (note 5(a))	247	3,869	7,635	11,751
Total other changes	(68,797)	3,869	70,387	5,459
At 31 December 2020	–	88,717	147,839	236,556

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

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

	Bank loans (note 22) $'000	Lease liabilities (note 23) $'000	Total $'000
At 1 January 2021	88,717	147,839	236,556
Changes from financing cash flows:			
Proceeds from new bank loans	365,121	–	365,121
Repayment of bank loans	(291,880)	–	(291,880)
Capital element of lease rentals paid	–	(61,207)	(61,207)
Interest element of lease rentals paid	–	(5,400)	(5,400)
Interest paid	(2,569)	–	(2,569)
Total changes from financing cash flows	70,672	(66,607)	4,065
Exchange adjustments	(385)	(1,681)	(2,066)
Other changes:			
Increase in lease liabilities from entering into new leases or renewal of existing leases during the year	–	27,880	27,880
Rent concessions (note 11(b))	–	(310)	(310)
Interest expenses (note 5(a))	2,569	5,400	7,969
Total other changes	2,569	32,970	35,539
At 31 December 2021	161,573	112,521	274,094

(d) Total cash outflow for leases

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

	2021 $'000	2020 $'000
Within operating cash flows	–	179
Within financing cash flows	66,607	79,575
	66,607	79,754

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(d) Total cash outflow for leases (continued)

These amounts relate to the following:

	2021 $'000	2020 $'000
Lease rentals paid	**66,607**	79,754
	66,607	79,754

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2021 $'000	2020 $'000
Trade and other payables		
Trade payables	**376,898**	255,553
Other payables and accrued charges	**86,095**	59,495
	462,993	315,048
Contract liabilities		
Billings in advance of performance under freight forwarding contracts	**9,680**	1,733
	472,673	316,781

(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 (which are included in trade and other payables), based on the invoice date, is as follows:

	2021 $'000	2020 $'000
Within 1 month	**300,046**	187,726
1 to 3 months	**66,047**	64,000
Over 3 months	**10,805**	3,827
	376,898	255,553

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (continued)

(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.

During the year ended 31 December 2021, all of the contract liabilities at the beginning of the year have been recognised as revenue (2020: $Nil).

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

22 BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts are repayable as follows:

	2021 $'000	2020 $'000
Within 1 year or on demand	**158,948**	87,845
After 1 year but within 2 years	**683**	908
After 2 years but within 5 years	**1,965**	–
	2,648	908
	161,596	88,753

The bank loans and overdrafts are analysed as follows:

	2021 $'000	2020 $'000
Unsecured bank overdrafts (note 20(a))	**23**	36
Unsecured bank loans	**161,573**	88,717
	161,596	88,753

At 31 December 2021, the bank loans are interest-bearing within the range of 0.38% – 3% per annum (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. Further details of the Group's management of liquidity risk are set out in note 27(b). As at 31 December 2021 and 2020, none of the covenants relating to drawn down facilities had been breached.

23 LEASE LIABILITIES

The lease liabilities are repayable as follows:

	2021 $'000	2020 $'000
Within 1 year	**50,049**	54,761
After 1 year but within 2 years	**21,562**	39,258
After 2 years but within 5 years	**21,332**	28,977
After 5 years	**19,578**	24,843
	62,472	93,078
	112,521	147,839

24 EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement plan

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. 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 31 December every year.

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 2021 and 2020 have been 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.

24 EMPLOYEE RETIREMENT BENEFITS (continued)

(a) Defined benefit retirement plan (continued)

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

	2021 **$'000**	2020 $'000
Present value of wholly or partly funded obligations	**12,249**	12,808

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 $138,000 (2020: $118,000) in contributions to the defined benefit retirement plan in the next twelve months.

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

	2021 **$'000**	2020 $'000
At 1 January	**12,808**	7,395
Remeasurements:		
– Actuarial losses arising from changes in demographic assumptions	**24**	7
– Actuarial (gains)/losses arising from changes in financial assumptions	**(1,285)**	1,923
– Other actuarial losses	**86**	1,004
	11,633	10,329
Benefits paid by the plan	**(615)**	(597)
Current service cost	**2,269**	2,298
Interest cost	**(52)**	(19)
Exchange adjustments	**(986)**	797
At 31 December	**12,249**	12,808

The weighted average duration of the defined benefit retirement obligations is 28.0 years (2020: 28.8 years).

24 EMPLOYEE RETIREMENT BENEFITS (continued)

(a) Defined benefit retirement plan (continued)

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

	2021 **$'000**	2020 $'000
Current service cost	**2,269**	2,298
Net interest on defined benefit retirement obligations	**(52)**	(19)
Total amounts recognised in profit or loss	**2,217**	2,279
Actuarial (gains)/losses	**(1,176)**	2,934
Total amounts recognised in other comprehensive income	**(1,176)**	2,934
Total defined benefit costs	**1,041**	5,213

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:

	2021	2020
Discount rate	**0.88%**	1.39%

The following analysis shows how the defined benefit retirement obligations would have increased/(decreased) as a result of 0.5% change in the significant actuarial assumption.

	2021		2020	
	Increase by 0.50% $'000	**Decrease by 0.50% $'000**	Increase by 0.50% $'000	Decrease by 0.50% $'000
Discount rate	**(11,085)**	**13,319**	(11,464)	14,361

24 EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Defined contribution retirement plans

(i) Mandatory Provident Fund scheme

The Group operates a Mandatory Provident Fund ("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 contribution of HK$1,500 by each party. Contributions to the MPF scheme vest immediately and no forfeited contributions may be used by the Group to reduce the existing level of contributions.

(ii) Central pension scheme

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 and no forfeited contributions may be used by the Group to reduce the existing level of contributions.

(iii) Taiwan labor pension

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. No forfeited contributions may be used by the Group to reduce the existing level of contributions.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2021 **$'000**	2020 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**7,113**	7,376
Provisional tax paid	**(4,140)**	(2,767)
	2,973	4,609
Current tax – Outside Hong Kong		
Balance of provision	**22,981**	11,992
	25,954	16,601

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25 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 assets and liabilities

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

Deferred tax arising from:	Differences between depreciation allowances and the related depreciation $'000	Depreciation charge of right-of-use assets $'000	Undistributed profits of subsidiaries outside Hong Kong $'000	Defined benefit retirement obligations $'000	Expected credit loss allowance $'000	Total $'000
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)
At 1 January 2021	**240**	**588**	**(5,645)**	**1,561**	**162**	**(3,094)**
Exchange adjustments	**(123)**	**–**	**414**	**–**	**–**	**291**
Credited to profit or loss	**531**	**39**	**2,241**	**–**	**–**	**2,811**
Debited to reserves	**–**	**–**	**–**	**(330)**	**(46)**	**(376)**
At 31 December 2021	**648**	**627**	**(2,990)**	**1,231**	**116**	**(368)**

(ii) Reconciliation to the consolidated statement of financial position

	2021 $'000	2020 $'000
Deferred tax assets	**2,622**	2,551
Deferred tax liabilities	**(2,990)**	(5,645)
	(368)	(3,094)

25 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 $7,088,000 (2020: $4,692,000), 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 2021, deferred tax liabilities of $9,143,000 (2020: $3,867,000) 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.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements 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 are set out below.

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	(Accumulated losses)/ retained profit $'000	Total equity $'000
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 shareholders	26(b)(i)	–	–	–	(85,344)	(85,344)
Capitalisation issue of shares	26(c)(i)	714	(714)	–	–	–
Issuance of shares to pre-public offering investors	26(c)(i)	37	19,963	–	–	20,000
Issuance of shares upon public offering and international placing	26(c)(i)	419	142,858	–	–	143,277
Expenses incurred in connection with public offering and international placing		–	(28,812)	–	–	(28,812)
Balance at 31 December 2020	31	1,950	194,465	–	(7,973)	188,442
Balance at 1 January 2021		**1,950**	**194,465**	**–**	**(7,973)**	**188,442**
Changes in equity for 2021:						
Total comprehensive income for the year		**–**	**–**	**–**	**21,038**	**21,038**
Dividend paid to shareholders	26(b)(i)	**–**	**(59,993)**	**–**	**–**	**(59,993)**
Issuance of shares	26(c)(i)	**48**	**46,222**	**–**	**–**	**46,270**
Shares purchased in respect of the Share Award Scheme	26(c)(ii)	**–**	**–**	**(38,986)**	**–**	**(38,986)**
Acquisition of non-controlling interests	26(c)(i)	**156**	**184,044**	**–**	**–**	**184,200**
Balance at 31 December 2021	31	**2,154**	**364,738**	**(38,986)**	**13,065**	**340,971**

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2021 **$'000**	2020 $'000
Special dividend declared and paid prior to initial public offering	**–**	85,344
Interim dividend declared and paid of $9 cents per ordinary share (2020: nil)	**22,950**	–
Final dividend proposed after the end of the reporting period of $12 cents per ordinary share (2020: $15 cents per ordinary share)	**33,132**	37,500
Special dividend proposed after the end of the reporting period of $9 cents per ordinary share (2020: nil)	**24,849**	–
	80,931	122,844

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.

The final and special dividends proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2021 **$'000**	2020 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $15 cents per share (2020: $Nil)	**37,500**	–

(iii) Dividends payable to non-controlling interests of the Group's subsidiaries

During the year ended 31 December 2021, the Group's subsidiaries declared and paid dividends of $44,290,000 (2020: $37,757,000) to non-controlling interests.

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital

(i) *Authorised and issued share capital*

	2021		2020	
	No. of shares '000	**Amount $'000**	No. of shares '000	Amount $'000
Authorised:				
Ordinary shares of US$0.001 each	**50,000,000**	**390,000**	50,000,000	390,000
Ordinary shares, issued and fully paid:				
At 1 January	**250,000**	**1,950**	100,000	780
Acquisition of non-controlling interests	**20,000**	**156**	–	–
Capitalisation issue of shares	**–**	**–**	91,594	714
Issuance of shares to pre-public offering investors	**–**	**–**	4,706	37
Issuance of shares upon public offering and international placing	**–**	**–**	53,700	419
Issuance of shares to independent third parties	**6,100**	**48**	–	–
At 31 December	**276,100**	**2,154**	250,000	1,950

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.

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.

On 5 November 2021, the Company acquired 30% and 40% shareholdings of CN Logistics S.R.L. and CN LOGISTICS SA from non-controlling interests with a fair value of HK$9.2 per share at the completion date as consideration, plus a cash consideration of Euro 500,000 (equivalent to HK$4,536,000). The excess of the fair value over the par value of the shares were credited to the share premium of the Company.

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

(i) Authorised and issued share capital (Continued)

On 8 December 2021, the Company issued 1,100,000 ordinary shares to an independent third party, with a cash consideration of $10,120,000.

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.

(ii) Share award scheme

A share award scheme was adopted by the Company on 6 May 2021 ("the Share Award Scheme"). The objective of 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 Award 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 year ended 31 December 2021, the Trustee has purchased 5,079,000 shares (2020: Nil) of the Company on the Hong Kong Stock Exchange, with an aggregate amount of approximately HK$38,986,000 (2020: $Nil). No shares were granted to any person under the share award scheme as at 31 December 2021.

The consideration paid for the purchase of the Company's shares is reflected as a debit in capital reserve of the Company. The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in profit or loss with a corresponding increase in capital reserve, which is measured based on the grant date share price of the Company.

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (2021 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 2021 and 2020 (see note 26(c)(i)).

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(ii) Capital reserve

The capital reserve comprises the following:

- reserves held by the PRC subsidiaries, which under PRC rules and regulations 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; and

- the consideration paid for the purchase of the Company's shares under the Share Award Scheme.

(iii) Reserve fund

The Articles of Association of certain PRC subsidiaries require the appropriation of 10% of their profit after taxation 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 also 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.

(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).

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(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.

27 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, contract assets, amounts due from Cargo Services Group and EV Cargo Group and amounts due from associates and joint ventures. 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 insignficant credit risk.

Except for the financial guarantees given by certain subsidiaries of the Group as set out in note 30, 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 30.

(i) 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, 6% (2020: 9%) and 19% (2020: 28%) 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 to 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.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(i) Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2021		
	Expected loss rate	**Gross carrying amount $'000**	**Loss allowance $'000**
Current (not past due)	**0.06%**	**305,644**	**179**
1 to 30 days past due	**0.13%**	**139,167**	**182**
31 to 60 days past due	**0.46%**	**30,450**	**139**
61 to 90 days past due	**0.95%**	**21,481**	**203**
More than 90 days past due	**2.71%**	**4,865**	**132**
		501,607	**835**

	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

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.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(i) ***Trade receivables (continued)***

Movement in the loss allowance account in respect of trade receivables is as follows:

	2021 **$'000**	2020 $'000
At 1 January	**2,018**	174
Impairment losses recognised	**–**	1,852
Reversal of impairment losses	**(1,183)**	(8)
At 31 December	**835**	2,018

(ii) ***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.

(iii) ***Amounts due from Cargo Services Group and EV Cargo Group***

The key terms of the amounts due from Cargo Services Group and EV Cargo Group are disclosed in note 28(b). The Group considers the credit risks arising from these amounts to be insignificant, with reference to the financial strength of the counterparties and the low historical default rates.

(iv) ***Amounts due from associates and joint ventures***

The key terms of the amounts due from associates and joint ventures are disclosed in note 28(b). The Group considers the credit risks arising from these amounts to be insignificant, with reference to the financial strength of the counterparties and the low historical default rates.

27 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:

	2021					
	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 31 December $'000
Trade and other payables	462,993	–	–	–	462,993	462,993
Amounts due to Cargo Services Group	8,147	–	–	–	8,147	8,147
Amounts due to EV Cargo Group	9,416	–	–	–	9,416	9,416
Amounts due to associates	810	–	–	–	810	810
Bank loans and overdrafts	160,261	703	2,130	–	163,094	161,596
Lease liabilities	53,182	23,445	22,895	20,444	119,966	112,521
	694,809	24,148	25,025	20,444	764,426	755,483

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

	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 31 December $'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

(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:

	2021		2020	
	Effective interest rate	**Amount $'000**	Effective interest rate	Amount $'000
Fixed rate borrowings:				
Lease liabilities	**4.15%**	**112,521**	5.09%	147,839
Bank loans	**3.00%**	**4,008**		
		116,529		147,839
Variable rate borrowings:				
Bank overdrafts (note)	**–**	**23**	–	36
Bank loans	**2.08%**	**157,565**	4.36%	88,717
		157,588		88,753
Net exposure		**274,117**		236,592

Note: The effective interest rate for bank overdrafts is insignificant and rounded down to zero.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2021, 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 $788,000 (2020: $444,000).

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 for the year ended 31 December 2020.

(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.

	2021								
	Exposure to foreign currencies								
	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	117	5	6,726	1,697	1,043	30,618	85	–	71,243
Amounts due from Cargo Services Group	(24)	–	(3,009)	–	–	(226)	–	–	2,318
Amounts due from EV Cargo Group	–	–	(151)	95	–	(3)	–	–	96,906
Amounts due from associates	–	–	–	–	–	–	–	–	22
Amounts due from joint ventures	–	–	–	–	–	–	–	–	8
Cash and cash equivalents	7,578	46	10,000	4,600	5,182	30,342	–	186	74,842
Trade and other payables and contract liabilities	(1,272)	(396)	(6,234)	(4,755)	(852)	246	–	(187)	(14,586)
Amounts due to Cargo Services Group	(3)	(2)	–	–	–	(4)	–	–	(6,612)
Amounts due to EV Cargo Group	–	–	(10)	–	–	–	–	–	(9,406)
Amounts due to associates	–	–	–	–	–	–	–	–	(185)
Amounts due to joint ventures	–	–	–	–	–	–	–	–	(623)
Net exposure	6,396	(347)	7,322	1,637	5,373	60,973	85	(1)	213,927

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

	2020								
	Exposure to foreign currencies								
	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	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	(1,562)	(351)	7,724	(5,061)	2,457	37,093	83	1,316	206,499

27 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.

	2021		2020	
	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%**	**320**	5%	(78)
CHF	**5%**	**(17)**	5%	(18)
EUR	**5%**	**366**	5%	386
GBP	**5%**	**82**	5%	(253)
JPY	**5%**	**269**	5%	123
RMB	**5%**	**3,049**	5%	1,855
TWD	**5%**	**4**	5%	4
HKD	**5%**	**0**	5%	66
USD	**5%**	**10,696**	5%	10,325

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 the year ended 31 December 2020.

27 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 2021	**Fair value measurements as at 31 December 2021 categorised into**		
		Level 1	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Recurring fair value measurement				
Unlisted equity securities	**408**	**–**	**–**	**408**

	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

During the years ended 31 December 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 significant unobservable inputs include discount rate of 15% (2020: 15%), sales price, sales volume and expected free cash flows of the investee. The fair value decreases with the increases in the discount rate, and increases with the increases in the sales price, sales volume and expected free cash flows of the investee.

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.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(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 2021 and 2020.

28 MATERIAL RELATED PARTY TRANSACTIONS

(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

(i) Amounts due from/to 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 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 2021 and 2020.

The amounts are unsecured, interest-free and due within 30 to 60 days from the date of billing.

(ii) Amounts due from/to EV Cargo Group

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 years ended 31 December 2021 and 2020.

The amounts are unsecured, interest-free and due within 30 to 60 days from the date of billing.

(iii) Amounts due from/to associates and joint ventures

The amounts are unsecured, interest-free and due within 30 to 60 days from the date of billing.

28 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with related parties

	2021 $'000	2020 $'000
Cargo Services Group		
– Freight forwarding service income received	**19,257**	287,956
– Freight forwarding service fee paid	**(43,087)**	(34,235)
– Management fee paid	**–**	(425)
– Interest expenses paid on amounts due to Cargo Services Group	**–**	(247)
– Interest expenses on lease liabilities	**(397)**	(357)
EV Cargo Group		
– Freight forwarding service income received	**330,818**	177,772
– Freight forwarding service fee paid	**(59,911)**	(36,740)
Associates and joint ventures		
– Freight forwarding service income received	**811**	471
– Freight forwarding service fee paid	**(4,939)**	(63,028)
Non-controlling interests of subsidiaries		
– Freight forwarding service income received	**4,194**	1,595
– Freight forwarding service fee paid	**(32,864)**	(2,523)
– Management fee paid	**(2,548)**	(2,436)
Empire Transportation Company Limited		
– Trucking service expenses	**12,342**	12,042
Transway Logistics Company Limited		
– Trucking service expenses	**4,055**	5,074

(d) Leasing arrangement with Cargo Services Group

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 2021 were $nil (2020: $11,583,000). The duration of the leases falls within the range of 2 to 4 years. The rents payable to Cargo Services Group were $nil (2020: $2,822,000) for the year ended 31 December 2021. The amount of rents payable by the Group under the lease arrangements was determined at arm's length, with reference to the amount charged by Cargo Services Group to third parties.

29 COMMITMENTS

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

	2021 **$'000**	2020 $'000
Contracted for	**34,198**	17,653
Authorised but not contracted for	**–**	–
	34,198	17,653

30 CONTINGENT LIABILITIES

Financial guarantees are given by the Company to the banks for the banking facilities entered by certain subsidiaries of the Group (see note 22). 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 2021 is the amount of the facilities drawn down by the Group, being $152,300,000 (2020: $83,432,000).

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2021 $'000	2020 $'000
Non-current assets			
Investments in subsidiaries	14	**62,914**	62,914
Investment in an associate		**5,891**	–
		68,805	62,914
Current assets			
Amounts due from subsidiaries		**349,355**	223,372
Other receivables		**1,099**	977
Cash and cash equivalents		**802**	19,900
		351,256	244,249
Current liabilities			
Other payables and accrued charges		**1,659**	4,677
Amounts due to subsidiaries		**77,394**	114,007
Amounts due to Cargo Services Group	28(b)	**37**	37
		79,090	118,721
Net current assets		**272,166**	125,528
NET ASSETS		**340,971**	188,442
CAPITAL AND RESERVES	26(a)		
Share capital		**2,154**	1,950
Reserves		**338,817**	186,492
TOTAL EQUITY		**340,971**	188,442

Approved and authorised for issue by the board of directors on 28 March 2022.

Mr. Ngan Tim Wing
Director

Ms. Chen Nga Man
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of Allport Cruise

On 31 December 2021, CN Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company, entered into a share purchase agreement with Cargo Services Seafreight Limited (being one of the controlling shareholders of the Company) pursuant to which CN Investment Limited has conditionally agreed to acquire from Cargo Services Seafreight Limited the 100% of the entire issued shares of Allport Cruise Logistics Inc and its subsidiaries ("Allport Cruise Group") at an aggregate consideration of HK$185,840,000. The Consideration for the acquisition will be settled by 1) the allotment and issue of a maximum of 24,389,000 new shares (the "Shares") at an issue price of HK$9.2 per share on the 15th business day from the date of issue of the audited consolidated financial statements of the Allport Cruise Group for the year ending 31 December 2022 ("2022 audited account"), provided that the issue of the Shares will not render the Company not being able to satisfy the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules immediately upon the allotment and issue of the Shares, and the balance of the consideration will be settled by cash in three years, after the 2022 audited account has been issued.

The acquisition was approved by shareholders in the extraordinary general meeting on 11 March 2022.

(b) Dividend declaration

After the end of the reporting period, the directors proposed final and special dividends. Further details are disclosed in note 26(b).

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, 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 Yau John, respectively. This entity does not produce financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 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 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
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements.

RESULTS

	Year ended 31 December				
	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Revenue	**2,673,424**	2,020,562	1,483,849	1,538,695	1,523,903
Profit before taxation	**169,984**	116,704	67,928	62,012	64,580
Income tax	**46,635**	34,693	23,378	20,886	16,718
Profit attributable to equity shareholders of the Company	**83,413**	55,521	23,614	23,004	27,936
Profit attributable to non-controlling interests	**39,936**	26,490	20,936	18,122	19,926

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Non-current assets	**282,621**	291,204	262,881	216,887	131,784
Current assets	**988,250**	753,396	698,022	663,542	685,359
Total assets	**1,270,871**	1,044,600	960,903	880,429	817,143
Current liabilities	**725,997**	482,961	474,907	444,129	487,148
Total assets less current liabilities	**544,874**	561,639	485,996	436,300	329,995
Non-current liabilities	**80,359**	112,439	107,575	79,075	42,117
NET ASSETS	**464,515**	449,200	378,421	357,225	287,878
Equity					
Share capital	**2,154**	1,950	780	390	390
Reserves	**400,953**	350,707	271,817	234,193	174,586
Total equity attributable to equity shareholders of the Company	**403,107**	352,657	272,597	234,583	174,976
Non-controlling interests	**61,408**	96,543	105,824	122,642	112,902
TOTAL EQUITY	**464,515**	449,200	378,421	357,225	287,878

"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
"Allport Cruise"	Allport Cruise Logistics Inc., a company incorporated in the British Virgin Islands with Limited liability and wholly owned by CS Seafreight prior to the Allport Cruise Acquisition
"Allport Cruise Acquisition"	the acquisition by CN HK from the CS Seafreight the entire issued share capital in Allport Cruise, which was completed on 23 March 2022
"Allport Cruise Group"	Allport Cruise and its subsidiaries
"B2B"	Business to Business
"B2C"	Business to Consumer
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules which was in force in FY2021
"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 HK"	CN Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect 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 Italy"	CN Logistics S.R.L., a company incorporated in Italy with limited liability and an indirect wholly owned subsidiary of the Company

GLOSSARY

"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
"CN Switzerland"	CN LOGISTICS SA, a company limited by shares incorporated and registered with the commercial register in Switzerland and an indirect 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
"COVID-19"	the Coronavirus disease 2019
"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 Far East"	CARGO SERVICES FAR EAST LIMITED (嘉宏航運有限公司) (formerly known as CARGO SERVICES FAR EAST LIMITED) a company incorporated in Hong Kong with limited liability on 28 November 1991 and an indrect non-wholly owned subsidiary of CS Seafreight
"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
"EV Cargo"	EV Cargo Global Forwarding Limited (formerly known as Allport Cargo Services Limited), a company incorporated in the United Kingdom with limited liability
"EV Cargo Group"	EV Cargo and its associates from time to time (excluding CS Shanghai BVI)
"FY2020"	the year ended 31 December 2020
"FY2021"	the year ended 31 December 2021
"GBP"	British pound sterling, the lawful currency of the United Kingdom
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong
"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"	the Listing of the Shares on the Main Board of the Hong Kong Stock Exchange on the Listing Date
"Listing Date"	15 October 2020

GLOSSARY

"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 and 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$0.001 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Share Award Scheme"	the share award scheme adopted by the Company on 6 May 2021
"Share Option Scheme"	the share option scheme adopted by the Company on 17 September 2020
"sq. ft."	square feet
"TWD"	New Taiwan dollar, the lawful currency of Taiwan
"US$"	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.*