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

(the "Company")

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2130)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately HK$2,020.6 million for FY2020 (FY2019: approximately HK$1,483.8 million), representing an increase of approximately 36.2%;

Air freight forwarding business recorded an increase in revenue of approximately 55.3% in segment results for FY2020, from approximately HK$917.0 million in FY2019 to approximately HK$1,424.1 million in FY2020;

The adjusted net profit (after adding back the one-off listing expenses) attributable to (1) the Company and (2) the equity shareholders of the Company for FY2020 were approximately HK$107.5 million and HK$81.0 million respectively, representing an increase of approximately of 102.8% and 152.3% respectively, as compared to the adjusted net profit (after adding back the one-off listing expenses) attributable to (1) the Company and (2) the equity shareholders of the Company in FY2019.

The Board recommended the payment of a final dividend of HK15 cents per ordinary share for FY2020, which is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting ("**AGM**").

The board (the "**Board**") of directors (the "**Directors**") of the Company announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 ("**FY2020**"), together with the comparative figures for the year ended 31 December 2019 ("**FY2019**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020**	2019
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**235,197**	235,499
Prepayment for acquisition of property, plant and equipment		**25,167**	–
Intangible assets		**576**	222
Goodwill		**24,633**	23,202
Interests in associates		**2,676**	2,023
Other financial assets		**404**	403
Deferred tax assets		**2,551**	1,532
		291,204	262,881
Current assets			
Trade and other receivables and contract assets	7	**374,395**	300,712
Amount due from a director		**–**	11,500
Amounts due from Cargo Services Group		**36,729**	260,249
Amounts due from EV Cargo Group		**84,113**	18,634
Amounts due from associates		**513**	1,111
Pledged bank deposits		**2,323**	3,022
Cash and cash equivalents		**255,323**	102,794
		753,396	698,022
Current liabilities			
Trade and other payables and contract liabilities	8	**316,781**	203,915
Amounts due to Cargo Services Group		**6,000**	107,227
Amounts due to EV Cargo Group		**100**	3,601
Amounts due to associates		**873**	2,284
Bank loans and overdrafts		**87,845**	83,866
Lease liabilities		**54,761**	58,888
Current taxation		**16,601**	15,126
		482,961	474,907
Net current assets		**270,435**	223,115
Total assets less current liabilities		**561,639**	485,996

	Note	**2020**	2019
		$'000	*$'000*
Non-current liabilities			
Bank loans		**908**	3,389
Lease liabilities		**93,078**	93,081
Defined benefit retirement obligations		**12,808**	7,395
Deferred tax liabilities		**5,645**	3,710
		112,439	107,575
NET ASSETS		**449,200**	378,421
CAPITAL AND RESERVES			
Share capital	9	**1,950**	780
Reserves		**350,707**	271,817
Total equity attributable to equity shareholders of the Company		**352,657**	272,597
Non-controlling interests		**96,543**	105,824
TOTAL EQUITY		**449,200**	378,421

NOTES:

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation and Changes in Accounting Policies

The financial results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2020, but are derived from those financial statements.

The Group's consolidated 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 Interpretation 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. The Group's consolidated 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.

The Group's consolidated financial statements have been prepared on the historical cost basis except for investments in equity securities which are stated at their fair values.

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

Application of amendments to HKFRSs

- Amendments to HKFRS 3 — Definition of a Business
- Amendment to HKFRS 16 — COVID-19-Related Rent Concessions

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

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

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

Except as described above, the application of the new and amendments to HKFRSs in the current year has no material effect on the Group's financial position and performance for the current and prior years/or disclosures set out in the Group's consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

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

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

(a) Segment results by business lines

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

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

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

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

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

(b) 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.

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

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

3. PROFIT BEFORE TAXATION

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

	2020 *$'000*	2019 *$'000*
(a) Finance costs		
Interest on bank loans and overdrafts	**3,869**	3,265
Interest on amounts due to Cargo Services Group*	**247**	550
Interest on lease liabilities	**7,635**	5,632
	11,751	9,447

* Cargo Services Group consists of Cargo Services Group Limited, CS Logistics Holdings Ltd., and their subsidiaries and associates (excluding EV Cargo Group defined below and the Group). Cargo Services Group Limited, CS Logistics Holding Ltd. and the Group are members of the same group throughout the years ended 31 December 2020 and 2019.

EV Cargo Group consists of EV Cargo Global Forwarding Limited ("**EV Cargo**") (formerly known as Allport Cargo Services Limited), and its subsidiaries and associates. EV Cargo was a subsidiary of Cargo Services Group until 3 October 2018. On 3 October 2018, Cargo Services Group disposed of its control in EV Cargo and it became an associate of Cargo Services Group. Starting from 9 December 2019, Cargo Services Group lost its significant influence on EV Cargo Group. EV Cargo Group is a non-controlling interest of a subsidiary of the Group throughout the years ended 31 December 2020 and 2019.

	2020 *$'000*	2019 *$'000*
(b) Staff costs		
Contribution to defined contribution retirement plans	**15,299**	21,353
Expenses recognised in respect of defined benefit retirement plans	**2,279**	1,568
Salaries, wages and other benefits	**228,941**	226,335
	246,519	249,256

		2020	2019
		$'000	*$'000*
(c)	**Other operating expenses** *(note (i))*		
	Auditors' remuneration	**4,260**	1,937
	Listing expenses	**25,492**	8,450
	Provision for/(reversal of) impairment loss on trade receivables	**1,844**	(175)
	Bad debts written off	**1,519**	–
	Communication expenses	**2,710**	2,655
	Repair and maintenance expenses	**1,997**	2,029
	Management fee expenses		
	– related parties	**2,861**	5,292
	– other party *(note (ii))*	**1,288**	3,276
	Others	**5,911**	4,628
		47,882	28,092
(d)	**Other items**		
	Depreciation charge of owned property, plant and equipment	**15,876**	15,095
	Depreciation charge of right-of-use assets	**75,287**	83,513
	Amortisation cost of intangible assets	**214**	363

Notes:

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

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

4. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

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

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

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

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

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

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

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

5. EARNINGS PER SHARE

(a) Basic earnings per share

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

Weighted average number of ordinary shares

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

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

(b) Diluted earnings per share

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

6. DIVIDEND

During the year ended 31 December 2020, the Company declared a dividend of $85,344,000 to the Shareholders, among which the payment of $84,772,000 was settled by way of setting off with amount due from a director and Cargo Services Group (FY2019: Nil).

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

7. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

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

(a) Trade and other receivables

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

Ageing analysis

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

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

Trade receivables are normally due within 30–60 days from the date of billing.

(b) Contract assets

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

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

8. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

(a) Trade and other payables

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

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

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

(b) Contract liabilities

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

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

9. SHARE CAPITAL

Authorised and issued share capital

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board is pleased to announce the first annual results of the Group for FY2020 since the successful listing (the "**Listing**") of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 15 October 2020 (the "**Listing Date**"). The relevant financial figures for FY2019 are set out in this announcement for comparative purposes. The revenue and net profit of the Group increased significantly despite the outbreak of COVID-19.

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

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

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

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

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

Financial results

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

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

Segmental analysis

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

Air freight forwarding services

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

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

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

Distribution and logistics services

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

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

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

Ocean freight forwarding services

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

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

Liquidity and financial resources

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

The Group's working capital as at 31 December 2020 was approximately HK$449.2 million, representing an increase of approximately 18.7% from approximately HK$378.4 million as at 31 December 2019. The current ratio of the Group increased from approximately 1.47 times as at 31 December 2019 to approximately 1.56 times as at 31 December 2020. As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately HK$255.3 million, representing an increase of approximately 148.3% from approximately HK$102.8 million as at 31 December 2019. For FY2020, the Group had operating cash inflow of approximately HK$221.1 million (FY2019: operating cash inflow of approximately HK$142.7 million). As at 31 December 2020, the Group's outstanding bank loans and overdrafts amounted to approximately HK$88.8 million (as at 31 December 2019: approximately HK$87.3 million). The gearing ratio of the Group was approximately 52.7% as at 31 December 2020 (as at 31 December 2019: 63.2%). The gearing ratio was calculated as total bank loans and overdrafts and lease liabilities divided by total equity of the Group. As at 31 December 2020, the Group maintained a net cash position (as at 31 December 2019: net cash position). The Group will continue to secure financing as and when the need arises.

Foreign exchange risk

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

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

Significant investments

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

Capital expenditure commitments

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

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Save for the reorganisation of the Group for the purpose of the Listing as set out in the section headed "History, Reorganisation and Corporate Structure – The Reorganisation" in the prospectus of the Company dated 30 September 2020, there were no material acquisition or disposal of subsidiaries or associated companies of the Company during FY2020.

Contingent liabilities

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

Charge on group assets

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

FUTURE PLANS AND USE OF PROCEEDS

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

	Net proceeds *(HK$ million)*	**Amount utilized as at 31 December 2020** *(HK$ million)*	**Amount unutilized as at 31 December 2020** *(HK$ million)*
Enhancement and expansion of distribution and logistics business and local presence	63.1	29.4	33.7
Expansion of Business to Consumer ("**B2C**") services	15.6	8.5	7.1
General working capital purpose	8.7	8.7	–
	87.4	**46.4**	**40.8**

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

PROSPECTS

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

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

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

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

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

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

During the first quarter of FY2020, the Group took advantage of enormous business opportunities arising from the cross-border logistics driven by the booming wine market in Hong Kong and China, by launching its wine e-commerce platform and expanding its offline business to an online operation. For a much more efficient development of its e-commerce business, the Group and business partners join forces to introduce the wine e-commerce platform to the PRC market, by tapping into each other's flexible and efficient online marketing solutions. Capitalizing on the existing logistics infrastructure network and service team, the Group will fulfill the logistics and distribution requirements of consumers. The Group anticipates that its presence in the e-commerce sector will expand its market share in the wine sector and further consolidate the Group's leading position in the wine logistics and distribution markets in Hong Kong and China.

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

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

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

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

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

HUMAN RESOURCES

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

CORPORATE GOVERNANCE PRACTICES

The Board has adopted the code provision of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provision set out in the CG Code during the period from the Listing Date and up to 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing the Directors' securities transactions during the period from the Listing and up to 31 December 2020.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, namely, Mr. Lam Hing Lun Alain, Mr. Chan Chun Hung Vincent and Mr. Chun Chi Man. Mr. Lam Hing Lun Alain is the chairman of the audit committee. The audit committee of the Company has discussed with the management of the Group and the Company's external auditors and reviewed the consolidated financial results of the Group for FY2020, including accounting principles and practices adopted by the Group, and discussed with the management on the financial reporting system and the risk management and internal control systems of the Company.

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange and the Company. The annual report for FY2020 will be despatched to the Shareholders and will be published on the websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

By Order of the Board
CN Logistics International Holdings Limited
Ngan Tim Wing
Executive Director and Chief Executive Officer

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises Mr. Ngan Tim Wing, Ms. Chen Nga Man and Mr. Cheung Siu Ming Ringo as the executive Directors; Mr. Lau Shek Yau John as the non-executive Director; and Mr. Lam Hing Lun Alain, Mr. Chan Chun Hung Vincent and Mr. Chun Chi Man as the independent non-executive Directors.

This announcement is made in English and Chinese. In case of any inconsistency, the English version shall prevail.