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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 2022

FINANCIAL HIGHLIGHTS

The Group recorded an increase in revenue of approximately 4.3% for FY2022, from approximately HK$2,673.4 million in FY2021 to approximately HK$2,788.0 million in FY2022.

The freight forwarding (including air and ocean freight forwarding) , together with the cruise logistics businesses which was newly established in FY2022, recorded an increase in revenue of approximately 4.6% in segment results for FY2022, from approximately HK$2,283.4 million in FY2021 to approximately HK$2,387.7 million in FY2022. Revenue from cruise logistics business amounted to HK$283.7 million in FY2022.

Distribution and logistics business recorded an increase in revenue of approximately 2.6% in segment result for FY2022, from approximately HK$390.0 million in FY2021 to approximately HK$400.3 million in FY2022.

Net profit attributable to equity shareholder of the Company for FY2022 was approximately HK$86.6 million, representing an increase of approximately 3.9% as compared to the net profit attributable to equity shareholders of the Company in FY2021.

The Board recommended the payment of a final dividend of HK10 cents per ordinary Share for FY2022 (FY2021: HK12 cents per ordinary Share). The payment of the final dividend is subject to the approval of the Shareholders at the forthcoming 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 2022 ("**FY2022**" or the "**Year**"), together with the comparative figures for the year ended 31 December 2021 ("**FY2021**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	**2022**	2021
		$'000	*$'000*
Revenue	*2*	**2,787,972**	2,673,424
Cost of services		**(2,271,127)**	(2,170,696)
Gross profit		**516,845**	502,728
Other income		**8,927**	1,316
Other net gain		**877**	2,643
Administrative and other operating expenses		**(366,185)**	(329,690)
Profit from operations		**160,464**	176,997
Finance costs	*3(a)*	**(13,746)**	(7,969)
Share of profits of associates and joint ventures		**1,043**	956
Profit before taxation	*3*	**147,761**	169,984
Income tax	*4*	**(48,254)**	(46,635)
Profit for the year		**99,507**	123,349
Attributable to:			
Equity shareholders of the Company		**86,632**	83,413
Non-controlling interests		**12,875**	39,936
Profit for the year		**99,507**	123,349
Earnings per share (Hong Kong cents)	*5*		
Basic		**32.2**	32.9
Diluted		**32.2**	32.9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2022
(Expressed in Hong Kong dollars)

	2022	2021
	$'000	*$'000*
Profit for the year	**99,507**	123,349
Other comprehensive income for the year (after taxation)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit retirement obligations	**2,048**	846
Remeasurement of equity investment at fair value through other comprehensive income	**(1,048)**	—
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(25,922)**	(5,096)
Total comprehensive income for the year	**74,585**	119,099
Attributable to:		
Equity shareholders of the Company	**66,361**	77,296
Non-controlling interests	**8,224**	41,803
Total comprehensive income for the year	**74,585**	119,099

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Expressed in Hong Kong dollars)

	Note	**2022** **$'000**	2021 $'000
Non-current assets			
Property, plant and equipment		**257,111**	226,667
Prepayment for acquisition of property, plant and equipment		**379**	14,485
Intangible assets		**7,391**	2,222
Goodwill	*7*	**224,559**	25,142
Interests in associates		**8,878**	8,856
Interests in joint ventures		**2,568**	2,219
Other financial assets		**1,369**	408
Loan receivables		**5,102**	—
Deferred tax assets		**3,172**	2,622
		510,529	282,621
Current assets			
Trade and other receivables and contract assets	*8*	**614,902**	578,677
Amounts due from Cargo Services Group		**6,920**	8,109
Amounts due from EV Cargo Group		**13,740**	98,632
Amounts due from associates		**308**	354
Amounts due from joint ventures		**6,251**	1,508
Pledged bank deposits		**5,271**	5,827
Time deposits		**7,884**	—
Cash and cash equivalents		**298,202**	295,143
		953,478	988,250
Current liabilities			
Trade and other payables and contract liabilities	*9*	**347,360**	472,673
Amounts due to Cargo Services Group	*10*	**264,936**	8,147
Amounts due to EV Cargo Group		**4,955**	9,416
Amounts due to associates		**112**	187
Amounts due to joint ventures		**—**	623
Bank loans and overdrafts		**285,183**	158,948
Lease liabilities		**41,257**	50,049
Current taxation		**16,883**	25,954
		960,686	725,997
Net current (liabilities)/assets		**(7,208)**	262,253
Total assets less current liabilities		**503,321**	544,874

	Note	2022	2021
		$'000	*$'000*
Non-current liabilities			
Bank loans		**1,715**	2,648
Lease liabilities		**56,404**	62,472
Defined benefit retirement obligations		**8,149**	12,249
Amounts due to Cargo Services Group	*10*	**23,168**	—
Deferred tax liabilities		**—**	2,990
		89,436	80,359
NET ASSETS		**413,885**	464,515
CAPITAL AND RESERVES			
Share capital	*11*	**2,154**	2,154
Reserves		**350,117**	400,953
Total equity attributable to equity shareholders of the Company		**352,271**	403,107
Non-controlling interests		**61,614**	61,408
TOTAL EQUITY		**413,885**	464,515

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 2022, 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 measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below.

— contingent consolidated payable arising from business acquisition;

— other investments in equity securities; and

— defined benefit retirement plan obligations.

At 31 December 2022, the Group's total current assets were HK$953,478,000 and total current liabilities were HK$960,686,000. As a result the Group recorded net current liabilities of HK$7,208,000 mainly due to the purchase consideration payable of HK$217,085,000, among which HK$204,624,000 would be settled by allotment and issuance of the Company's shares, included in the amounts due to Cargo Services Group of recognised under current liabilities.

Notwithstanding the net current liabilities at 31 December 2022, the Group's bank deposits and cash and cash equivalents amounted to HK$311,357,000 on the same day and the Group reported a profit before taxation of HK$147,761,000 and recorded net cash generated from operating activities of HK$162,923,000 during the year ended 31 December 2022. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 31 December 2022, the directors are of the opinion that the Group would have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2022, having regard to the following:

(i) the Group will continue to generate positive operating cash flows; and

(ii) purchase consideration included in amounts due to Cargo Services Group amounted to HK$204,624,000 recognised under current liabilities is equity-settled by issuance of the Company's Shares.

Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

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:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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 and 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 four 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

— Cruise logistics: this segment provides shipments of supplies for drydock project and cruise replenishment for cruise operators

(i) 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 2022 and 2021 is set out below.

	2022				
	Air freight *$'000*	**Ocean freight** *$'000*	**Cruise logistics** *$'000*	**Distribution and logistics** *$'000*	**Total** *$'000*
Reportable segment revenue — external sales	**1,246,358**	**857,590**	**283,725**	**400,299**	**2,787,972**
Reportable segment gross profit	**204,887**	**188,082**	**77,167**	**46,709**	**516,845**
Other income					**8,927**
Other net gain					**877**
Administrative and other operating expenses					**(366,185)**
Finance costs					**(13,746)**
Share of profits of associates and joint ventures					**1,043**
Profit before taxation					**147,761**

	2021				
	Air freight *$'000*	Ocean freight *$'000*	Cruise logistics *$'000*	Distribution and logistics *$'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

(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, other financial assets and loan receivables). 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.

	2022	2021
	$'000	*$'000*
Revenue from external customers		
Hong Kong	**543,589**	644,090
Mainland China	**643,435**	965,990
Italy	**949,588**	752,973
Taiwan	**117,221**	144,741
USA	**283,725**	—
Other countries and regions	**250,414**	165,630
	2,787,972	2,673,424
Specified non-current assets		
Hong Kong	**47,572**	70,586
Mainland China	**153,812**	115,160
Italy	**57,156**	58,612
Taiwan	**24,370**	26,513
USA	**208,396**	—
Other countries and regions	**9,580**	8,720
	500,886	279,591

3. PROFIT BEFORE TAXATION

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

		2022	2021
		$'000	*$'000*
(a)	***Finance costs***		
	Interest on bank loans and overdrafts	**8,381**	2,569
	Interest on lease liabilities	**5,365**	5,400
		13,746	7,969
(b)	***Staff costs***		
	Contribution to defined contribution retirement plans	**29,778**	25,037
	Expenses recognised in respect of defined benefit retirement plans	**1,400**	2,217
	Salaries, wages and other benefits	**260,012**	243,233
		291,190	270,487
(c)	***Other operating expenses (note (i))***		
	Auditors' remuneration	**4,165**	4,181
	Net provision for/(reversal of) impairment loss on trade receivables	**258**	(1,183)
	Communication expenses	**3,200**	2,835
	Repair and maintenance expenses	**3,090**	2,366
	Management fee expenses		
	— related parties	**2,426**	2,337
	— other party *(note (ii))*	**1,161**	211
	Others	**7,079**	7,031
(d)	***Other items***		
	Depreciation charge		
	— owned property, plant and equipment	**23,102**	20,566
	— right-of-use assets	**67,857**	64,190
	Amortisation cost of intangible assets	**5,748**	154
	Fair value change on purchase consideration payable	**(2,177)**	—

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.

4. INCOME TAX

	2022	2021
	$'000	*$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**4,571**	7,113
Over provision in respect of prior years	**(51)**	(34)
	4,520	7,079
Current tax — Outside Hong Kong		
Provision for the year	**41,711**	38,942
Under/(over) provision in respect of prior years	**3,503**	(8)
	45,214	38,934
Withholding tax on distributed profits		
Italy withholding tax	**304**	953
Taiwan withholding tax	**2,706**	2,334
France withholding tax	**207**	100
	3,217	3,387
Deferred tax		
Origination and reversal of temporary differences	**(4,697)**	(2,765)
	48,254	46,635

The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year ended 31 December 2022.

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% (2021: 25%) on the taxable income for the year ended 31 December 2022.

In accordance with the relevant tax laws of Italy, the provision for Corporate Income Tax is calculated at 28.1% (2021: 28.1%) for the year ended 31 December 2022.

In accordance with the relevant tax laws of Taiwan, the provision for Corporate Income Tax is calculated at 20% (2021: 20%) for the year ended 31 December 2022.

In accordance with the relevant tax laws of USA, the provision for Federal Corporate Tax and State Income Tax are calculated at 21% and 5.5%, respectively for the year ended 31 December 2022.

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% (2021: 10%), 21% (2021: 21%) and 10% (2021: 10%) for the year ended 31 December 2022.

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 $86,632,000 (2021: $83,413,000) and the weighted average of 269,471,000 ordinary shares (2021: 253,580,000 ordinary shares) in issue during the year ended 31 December 2022, calculated as follows:

	2022	2021
	'000	*'000*
Issued ordinary shares at 1 January	**276,100**	250,000
Issuance of shares to independent third parties	—	2,976
Issue of consideration shares to non-controlling interests	—	3,123
Shares purchased in respect of the Share Award Scheme	**(6,629)**	(2,519)
Weighted average number of ordinary shares at 31 December	**269,471**	253,580

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2022 and 2021, and therefore, diluted earnings per share are the same as basic earnings per share.

6. DIVIDEND

Pursuant to the resolution passed by the Shareholders of the Company at the Company's annual general meeting held on 27 May 2022, a final dividend of HK$12 cents per ordinary shares and a special dividend of HK$9 cents per ordinary shares in respect of the FY2021, in an aggregate amount of HK$57,981,000, was paid on 29 June 2022 to all Shareholders whose names appeared on the register of members of the Company on 8 June 2022.

The Board recommended the payment of a final dividend of HK$10 cents per ordinary share for FY2022. The total amount of the proposed final dividend is approximately HK$27,610,000. The payment of the final dividend is subject to the approval of the Shareholders of the Company at the annual general meeting of the Company (the "AGM") to be held on Thursday 1 June 2023. Subject to the approval by the Shareholders, the proposed final dividend is expected to be paid on Monday 17 July 2023 to all Shareholders whose names to be appeared on the register of members of the Company on Monday 26 June 2023.

7. GOODWILL

	2022	2021
	$'000	*$'000*
At the beginning of the year	**25,142**	24,633
Additions *(note 12)*	**202,276**	—
Exchange adjustments	**(2,859)**	509
At the end of the year	**224,559**	25,142

Goodwill at 31 December 2021 arose from the acquisition of Global Freight Forwarding Co., Limited on 12 March 2016. Global Freight Forwarding Co. Limited is engaged in the provision of freight forwarding services in Taiwan.

In March 2022, the Group completed the acquisition of Allport Cruise Group. Allport Cruise Group is specialised in the provision of cruise logistics. Please refer to Note 12 for more details.

8. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2022	2021
	$'000	*$'000*
Trade and other receivables		
Trade receivables, net of loss allowance	**464,945**	500,772
Other receivables, prepayments and deposits	**59,915**	66,433
	524,860	567,205
Contract assets		
Arising from performance under freight forwarding contracts	**15,232**	11,472
Arising from performance under cruise logistics contracts	**74,810**	—
	90,042	11,472
	614,902	578,677

(a) Trade and other receivables

Except for rental deposit for leased properties of $4,717,000 (2021: $5,629,000) 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:

	2022	2021
	$'000	*$'000*
Within 1 month	**341,848**	305,465
1 to 2 months	**75,687**	138,985
2 to 3 months	**35,313**	30,311
Over 3 months	**12,097**	26,011
	464,945	500,772

Trade receivables are normally due within 30 to 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.

During the year ended 31 December 2022, the amount of revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods was $11,472,000 (2021: $1,663,000).

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

9. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2022	2021
	$'000	*$'000*
Trade and other payables		
Trade payables	**266,919**	376,898
Other payables and accrued charges	**73,412**	86,095
	340,331	462,993
Contract liabilities		
Billings in advance of performance under freight forwarding contracts	**7,029**	9,680
	347,360	472,673

(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:

	2022	2021
	$'000	*$'000*
Within 1 month	**167,796**	300,046
1 to 3 months	**90,326**	66,047
Over 3 months	**8,797**	10,805
	266,919	376,898

(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 2022 and 2021, all of the contract liabilities at the beginning of the year have been recognised as revenue.

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

10. AMOUNTS DUE TO CARGO SERVICES GROUP

At 31 December 2022, amounts due to Cargo Services Group mainly included purchase consideration payable of approximately HK$240,253,000, HK$217,085,000 being current portion and HK$23,168,000 being non-current portion, for the acquisition of Allport Cruise Group. The purchase consideration payable of approximately HK$204,624,000 would be settled by the issuance of ordinary shares by the Company before June 2023 and the remaining balance would be settled by cash and promissory notes in accordance with the terms of the share purchase agreement.

11. SHARE CAPITAL

	2022		2021	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***$'000***	*'000*	*$'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	**276,100**	**2,154**	250,000	1,950
Acquisition of non-controlling interests	—	—	20,000	156
Issuance of shares to independent third parties	—	—	6,100	48
At 31 December	**276,100**	**2,154**	276,100	2,154

12. ACQUISITIONS OF ALLPORT CRUISE GROUP

On 31 December 2021, CN Investment Limited ("**CN HK**"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with CARGO SERVICES SEAFREIGHT LIMITED (the "**Vendor**"), pursuant to which the Vendor has agreed to sell, and CN HK has agreed to purchase, the entire shares in Allport Cruise Logistics Inc. ("**Allport Cruise**") and its subsidiaries (together, the "**Allport Cruise Group**") at an aggregate purchase consideration (the "**Consideration**") of approximately HK$185,840,000 (subject to adjustment) (the "**SPA**"). The Consideration shall be satisfied by the allotment and issuance of 20,200,000 shares under general mandate (the "**Consideration Shares**") at the issue price of HK$9.2 per Share by the Company to the Vendor. The Consideration is subject to adjustment based on the net profit of Allport Cruise Group for the year ended 31 December 2022. Set out below is the formula of adjustment to the consideration extracted from the SPA:

Adjustment to the Consideration:

Upward adjustment: If the consolidated profit after tax of the Allport Cruise Group for the year ending 31 December 2022 (the ***2022 APAT***) as shown in the 2022 Audited Accounts equals to or exceeds US$2,300,000, the Consideration shall be adjusted upward as follows:

AA = HK$185,840,000 × ((APAT ÷ US$2,000,000) − 115%)

where:

AA means the additional amount of the Consideration payable by CN HK, subject to a maximum amount of HK$92,920,000

APAT means the 2022 APAT as shown in the 2022 Audited Accounts

Downward adjustment: If the 2022 APAT as shown in the 2022 Audited Accounts falls below US$2,000,000, the Consideration shall be reduced as follows:

AR = HK$185,840,000 × ((APAT ÷ US$2,000,000) − 100%)

where:

AR means the amount of the Consideration to be reduced, subject to a maximum amount of HK$185,840,000

The acquisition was completed in March 2022. The upward adjustment amounted to HK$30,824,000 at the acquisition date, will be settled by issue of additional approximately 3,350,000 consideration shares. Allport Cruise is a company incorporated in the British Virgin Islands with limited liability. The principal activity of Allport Cruise is investment holding and, through its subsidiaries, engaged in the provision of shipments of supplies for drydock on project basis and cruise replenishment. Upon completion, Allport Cruise became an indirect wholly owned subsidiary of the Company and the financial results of Allport Cruise Group has been consolidated into the Group's consolidated financial statements.

Acquisition-related costs amounting to approximately HK$1,000,000 have been excluded from the consideration and have been recognised as an expense in the current year, within the "administrative and operating expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Fixed assets	2,293
Intangible assets	8,878
Trade and other receivables and contract assets	89,478
Cash and cash equivalents	16,084
Amount due from Cargo Services Group	390
Amount due to Cargo Services Group	(72,308)
Trade payables	(5,650)
Tax payable	(3,365)
	35,800
Goodwill arising on acquisition *(note (i))*	202,276
Consideration payable *(note (ii))*	238,076

Net cash inflow arising from acquisition:	*HK$'000*
Cash and cash equivalents acquired	16,084

Included in the profit for the year is approximately HK$14,000,000 attributable to the additional business generated by Allport Cruise Group. Revenue of the Group for the year includes approximately HK$283,725,000 generated from Allport Cruise Group. Had the acquisition been completed on 1 January 2022, total revenue for the year would have been approximately HK343,522,000, and profit for the year would have been approximately HK$24,468,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

Notes:

(i) The goodwill arising on the acquisition of Allport Cruise Group is attributable to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

The amount of goodwill in the consolidated financial statements for the year ended 31 December 2022 was different from the provisional amount previously reported in the 2022 interim financial report issued by the Company on 29 August 2022 since the fair value of Consideration (subject to the price adjustment as described above) being recognised as at the date of acquisition were not yet finalised by the independent professional valuer by the end of the interim reporting period. The Group subsequently obtained further information from the Vendor about the facts and circumstances that existed at the date of the acquisition, such that the independent professional valuer could complete the valuation of the purchase consideration in this acquisition (see note ii below). As a result, the Group had made measurement period adjustments in preparing the consolidated financial statements for the year ended 31 December 2022. Based on the valuation report issued by the valuer, the fair value of the purchase consideration was adjusted from HK$211,786,000 to HK$238,076,000, and the resulting goodwill was adjusted from HK$175,986,000 to HK$202,276,000.

(ii) The purchase consideration includes a contingent arrangement. The fair value of the purchase consideration payable on the date of acquisition (after the measurement period adjustment mentioned in note (i)) amounting to HK$238,076,000 represented the present value of the probability-weighted expected cash outflows, taking into consideration management's estimates of the final net profit after tax of Allport Cruise Group for the year ended 31 December 2022. As at 31 December 2022, the Consideration payable remained unpaid, and were included in the current and non-current portion of amounts due to Cargo Services Group amounting to HK$217,085,000 and HK$23,168,000 respectively. At 31 December 2022, although there have been no significant changes in the expected cash outflows, the purchase consideration payable has increased by HK$2,177,000 due to the change in the fair value of the Consideration Shares to be delivered and the unwinding of discount. The purchase consideration is subsequently measured at fair value through profit or loss.

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, luxury brands and other apparel.

The Group operates 20 local offices in 12 countries and/or regions, namely the People's Republic of China ("**PRC**"), Hong Kong, Taiwan, Italy, Japan, the United States of America ("**USA**"), Malaysia, Thailand, Vietnam, South Korea, France and Switzerland. The Group also works with a network of over 100 freight forwarder business partners, covering over 100 countries around the world.

During FY2022, the Group successfully maintained stable business growth under the backdrop of a challenging macroeconomic environment. On one hand the Group's operations in Hong Kong and the PRC were disrupted by the ongoing conflicts between Russia and Ukraine, as well as the lockdown and COVID-19 preventive measures in cities across the PRC, affecting the Group's ability in serving customers in these regions. On the other hand, the Group further consolidated its business footprint in overseas markets, especially in Italy and through Allport Cruise Logistics Inc. ("**Allport Cruise**"), and its subsidiaries (together, the "**Allport Cruise Group**"). The newly acquired Allport Cruise Group enabled the Group to capture the emerging opportunities in the post-pandemic era, offsetting the negative impact the Group suffered in Asia during the Year. Overall, the Group recorded a revenue of HK$2,788.0 million (2021: HK$2,673.4 million), representing a year-on-year growth of 4.3%. Gross profit increased by 2.8% to HK$516.8 million (2021: HK$502.7 million).

Regional Analysis — Greater China

The Group enjoys a comprehensive business footprint in the PRC, with a focus in Shanghai, which is not only a major commercial and financial centre in Asia, but also a prominent market for high-end fashion and luxury goods.

During 2022, the lockdown in Shanghai affected the exports and imports of goods, resulting in a severe disruption to the Group's operations. Yet, the Group successfully minimized the negative impact and continued to fulfil customers' needs by relocating the shipments to other cities in the PRC. At the same time, the Group observed that the internationally renowned fashion and luxury brands remained optimistic towards the Chinese market. Therefore, to better prepare for the returning demand, the Group further expanded its flagship warehouse in Shanghai during the year to support its long-standing clients' strategy to capture the emerging opportunities in the post-pandemic era.

During the Year, the revenue contributed by the PRC office dropped by 33.4% to HK$643.4 million (2021: HK$966.0 million).

Regional Analysis — Europe

The European subsidiaries achieved faster-than-expected growth during the Year, serving as a driving force to the Group's overall financial performance in FY2022.

Despite the negative economy outlook of European countries due to the geopolitical conflict between Russia and Ukraine and high inflation rate, the demand for high-end fashion and luxury products remained high. With its primary focus on high-end verticals, the Group is well-positioned to capture the business opportunities in the post-pandemic era.

In the wake of complete consolidation of logistics facilities and networks, the Italian regional office enhanced customer satisfaction by offering a wider range of logistics services, resulting in the gain of customers' trust and increase in client base. For example, the Group received more orders from luxury brands to ship their raw materials from Asia to Italy, showcasing the closer relationships between the Group and its long-standing customers. During the Year, the revenue contributed by the regional office in Italy surged by 26.1% to HK$949.6 million (2021: HK$753.0 million).

New Market Opportunities in Asia

Apart from the Group's existing core countries of operations, during the year, the Group was able to seize the emerging opportunities in several regions with the gradual acceptance of the concept of "live with COVID" and the ease of preventive measures. Japan and South Korea are good examples. A rising demand for high-end fashion products in Japan was observed, where the fashion and luxury goods market is noticeably well-established and its goods are popular among young consumers. In view of their similarities to the Italian market, the Group actively expanded its local presence in both the growing countries and extended its collaborations with several brand customers in them. During the Year, the revenue contributed by the regional office in Japan and Korea surged by 54.7% to HK$115.4 million and surged by 12.8% to HK$57.3 million, respectively (2021: HK$74.6 million; HK$50.8 million respectively).

On the other hand, following the implementation of the Regional Comprehensive Economic Partnership ("**RCEP**"), the Group is confident in the potentials and new opportunities in the region. Thus, the Group began to place resources and put efforts in these regions for business development. On top of the existing office in Malaysia and Thailand, during the Year, the Group further expanded its footprint in Southeast Asia through the establishment of its first regional office in Vietnam, which is gradually becoming a global manufacturing hub with a huge population. In addition to the traditional verticals such as fast fashion and electronics, the Group acquired several customers from the furniture industry in Vietnam, demonstrating the Group's efforts in diversifying its customer portfolio.

New Verticals

During the year, the Group tapped into the niche market of cruise logistics through the acquisition of Allport Cruise, expanding its global logistics network and revenue stream. This strategic move of the Group was a great success as the Group was able to enjoy the surging demand for global tourism just in time when countries and regions started to relax their travel restrictions. As a result, Allport Cruise was awarded more tenders of shipments for drydock project and cruise replenishment. The revenue of Allport Cruise for FY2022 increased by 43.1% to US$43.8 million.

In addition to the development of new business, the Group entered into new verticals such as exhibition and event and fine art logistics. Leveraging the relaxation of social distancing requirements, the Group worked closely with event organisers and auction houses with the aim to create and provide a tailor-made one-stop logistics solution that values security, time and efficiency, therefore successfully expanding the customer portfolio and seizing the opportunities in the post-pandemic era.

eCommerce Business

Riding on the booming opportunities in the eCommerce sector, the Group continued to improve its self-developed platforms, namely PJF Wines and CNShip4Shop. Since its launch in 2021, PJF Wines experienced a rapid month-on-month growth before the outbreak of the COVID-19 pandemic in Shanghai in the first half of 2022. As the pandemic gradually alleviated, there was a strong rebound in number of orders. In view of this, the Group continued to expand the product offering by strengthening partnerships with wine merchants and improve user experience through layout upgrades.

The Group's another eCommerce platform, CNShip4Shop, received overwhelming support since its launch in early 2022. Despite the fact that its performance in the PRC market was affected by the outbreak of the pandemic, CNShip4Shop achieved faster-than-expected growth in Taiwan and other overseas markets, demonstrating the potentials of this international shipping platform. In addition to upgrades in functions and user interface, the Group actively liaised with overseas brands to explore the feasibility of wholesaling their products in Asia, in order to develop CNShip4Shop into a comprehensive eCommerce shipping platform.

Financial results

The Group recorded revenue of approximately HK$2,788.0 million during FY2022 (FY2021: HK$2,673.4 million), representing an increase of approximately 4.3%. Gross profit amounted to approximately HK$516.8 million during FY2022 (FY2021: HK$502.7 million), representing an increase of 2.8%. The net profit attributable to the equity shareholders of the Company was approximately HK$86.6 million for FY2022 (FY2021: HK$83.4 million), representing an increase of approximately 3.9%. Net profit attributable to the Company decreased by 19.3% from HK$123.3 million in FY2021 to HK$99.5 million in FY2022.

During FY2022, the international environment has become more complex and challenging, including the Russia-Ukraine conflict since February 2022, which has lead to the unexpected significant increase in freight rate. With frequent lockdowns and strict travel restrictions due to the sporadic outbreak of the COVID-19 pandemic, the operations in the PRC and Hong Kong were affected, resulting in a decrease of regional revenue of 33.4% and 15.6% respectively. With the Group's strategy on risk diversification to expand its local presence to different countries and seize new business opportunities in these areas, the Group was able to achieve an stable growth in revenue. The Group had spent resources in seeking new presences and new business opportunities so as to further achieve risk diversification, therefore leading to the decrease in net profit attributable to the Company.

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 44.7% of the Group's total revenue of FY2022 (FY2021: 60.8%). 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 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 FY2022, 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$1,246.4 million for FY2022 (FY2021: HK$1,623.6 million), representing a decrease of approximately 23.2% as compared to FY2021. Gross profit of the segment also decreased from HK$262.3 million for FY2021 to approximately HK$204.9 million for FY2022, representing a decrease of approximately 21.9%. The decrease in gross profit was mainly due to (i) the unexpected significant increase in freight cost worldwide brought by the Russia-Ukraine war since February 2022; and (ii) disruption in both import and export shipments caused by the regional lockdowns in Shanghai in 2022.

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 32 distribution centres with a total gross floor area of approximately 1,305,000 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 FY2022, the revenue from this segment was approximately HK$400.3 million (FY2021: HK$390.0 million), representing an increase of approximately 2.6% as compared to FY2021. Gross profit of the segment decreased from HK$58.6 million for FY2021 to approximately HK$46.7 million, representing a decrease of approximately 20.3%. The decrease in gross profit was mainly due to disruption in operation caused by the regional lockdown of Shanghai in 2022.

Ocean freight forwarding services

The holistic logistics solutions of the Group also include the provision of ocean freight forwarding services to its air freight forwarding services customers as well as other customers. During the Year, revenue from the ocean freight forwarding operations of the Group was mainly generated from import shipments to Italy and shipments from and to the South East Asia regions such as Vietnam and Japan.

For FY2022, the revenue from this segment was approximately HK$857.6 million (FY2021: HK$659.8 million), representing an increase of approximately 30.0% as compared to FY2021, and gross profit was approximately HK$188.1 million (FY2021: HK$181.8 million) representing an increase of approximately 3.5% as compared to FY2021. The increase in revenue and gross profit was mainly due to the significant growth on the import shipment of raw materials for high-end fashion products to Italy and significant growth in the South East Asia after the establishment of local office in Vietnam and the expansion of Japan office of the Group.

Cruise logistics

After the completion of acquisition of the Allport Cruise Group in March 2022, a separate operating segment was determined for the purpose of resource allocation and performance assessment.

The Allport Cruise Group is principally engaged in the provision of freight forwarding services to the global cruise operator from cruise industry. The services include the provision of shipments of supplies for drydock on a project basis and cruise replenishment. Cruise operators typically engage Allport Cruise Group to arrange delivery of parts and equipment to be used in the repair and maintenance of cruise ships and/or replenishment of supplies to their shipyards, drydock or designated ports. The business of Allport Cruise Group spans multiple cities in the PRC, Europe, Australia, USA and Asia.

The cruise logistics business recorded revenue and gross profit of approximately HK$283.7 million and HK$77.1 million, respectively in the post-acquisition period.

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 decreased from approximately HK$262.3 million as at 31 December 2021 to negative HK$7.2 million as at 31 December 2022. The current ratio of the Group decreased from approximately 1.36 times as at 31 December 2021 to approximately 1.00 times as at 31 December 2022. Such decrease in working capital was mainly attributable to the purchase consideration (the "**Consideration**") in connection with the acquisition of Allport Cruise, which is expected to be settled before June 2023 by way of allotment and issue of shares of the Company (the "**Share(s)**") (or by cash or promissory notes in accordance with the term of the Share Purchase Agreement), which were included in the current and non-current portion of amounts due to Cargo Services Group amounting to HK$217,085,000 and HK$23,168,000 respectively. For further details of the acquisition, please refer to the announcement and circular of the Company dated 31 December 2021 and 31 January 2022, respectively. Excluding the effect of the Consideration on the current liabilities of the Group as at 31 December 2022, the working capital and the current ratio of the Group have remained stable as compared to the current ratio as at 31 December 2022.

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately HK$298.2 million, representing an increase of approximately 1.0% from approximately HK$295.1 million as at 31 December 2021. For FY2022, the Group had operating cash inflow of approximately HK$162.9 million (FY2021: operating cash inflow of approximately HK$190.8 million). As at 31 December 2022, the Group's outstanding bank loans and overdrafts amounted to approximately HK$286.9 million (as at 31 December 2021: approximately HK$161.6 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 92.5% as at 31 December 2022 (as at 31 December 2021: 59.0%). As at 31 December 2022, the Group maintained a net cash position (as at 31 December 2021: net cash position). The Group will continue to secure financing as and when the need arises.

Foreign exchange risks

During FY2022, the Group's operation was mainly financed by funds generated from its operation, borrowings and net proceeds from the Listing. As at 31 December 2022, 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$5.3 million were pledged to secure such bank facilities as at FY2022 (FY2021: HK$5.8 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 FY2022.

Significant investments

During FY2022, the Group did not hold any material investment.

Capital expenditure commitments

As at 31 December 2022, the Group had no material capital commitment as at 31 December 2022 (FY2021: HK$34.2 million) which were not provided for.

Material acquisitions and disposal of subsidiaries and associated companies

On 31 December 2021, CN Investment Limited ("**CN HK**"), an indirect wholly owned subsidiary of the Company, entered into the share purchase agreement (the "**Share Purchase Agreement**") with CARGO SERVICES SEAFREIGHT LIMITED (the "**Vendor**") pursuant to which CN HK has conditionally agreed to acquire from the Vendor, the entire issued share capital in Allport Cruise (the "**Sale Shares**") at the aggregate consideration of HK$185,840,000 (subject to adjustment) (the "**Acquisition**"). The consideration for the acquisition of the Sale Shares shall be settled by the allotment and issue of the aggregate number of new Shares to be allotted and issued by the Company, credited as fully paid, which shall be the quotient of (a) the consideration for the Acquisition (as adjusted in accordance with the terms of the Share Purchase Agreement), as divided by (b) the issue price of HK$9.2 per Share (round down to the nearest whole board lot of 1,000 Shares), subject however to the maximum number of Shares that may be issuable by the Company in accordance with the terms of the Share Purchase Agreement, for the purpose of settling the consideration for the Acquisition (the "**Consideration Shares**"). The Company shall only issue such number of Shares as Consideration Shares to the extent that the issue of the Consideration 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 Consideration Shares, and the balance of the consideration shall be satisfied by CN HK partly by cash and partly by the issue of two promissory notes in 2023 or coming years, from the date of issue of the audited consolidated financial statements of the Allport Cruise Group for the year ending 31 December 2022. The Acquisition was completed in March 2022, following which Allport Cruise 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 FY2022.

Contingent liabilities

As at 31 December 2022, 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 2022 was HK$267.1 million (as at 31 December 2021: HK$152.3 million), being the amount of the facilities drawn by the Group as at 31 December 2022.

As at the date of this announcement, 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 2022, certain interest-bearing bank borrowings of the Group were secured by pledged bank deposit amounted to approximately HK$5.3 million (FY2021: HK$5.8 million).

USE OF PROCEEDS

Use of net proceeds from the initial public offering

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 October 2020 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 2022 is set out below:

	Intended use of Net Proceeds as set out in the Prospectus	Amount utilised during FY2022	Amount utilised as at 31 December 2022	Amount unutilised as at 31 December 2022
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Enhancement and expansion of distribution and logistics business and local presence	63.1	8.3	63.1	—
Expansion of Business to Consumer ("**B2C**") services	15.6	—	15.6	—
General working capital purpose	8.7	—	8.7	—
	87.4	8.3	87.4	—

As at the date of this announcement, the Net Proceeds have been fully utilised.

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 2022, the Company had utilized HK$3.2 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 (i.e. on or before 2 June 2024). 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 2022, the Company had utilised HK$3.8 million of 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 (i.e. on or before 28 November 2024). For further details of the Second Subscription, please refer to the Company's announcements dated 29 November and 8 December 2021.

PROSPECTS

Despite the challenging macroeconomic environment, the Group remains cautiously optimistic towards the year of 2023 as the operations of global logistics industry gradually recovers to the pre-pandemic level, with various business sectors such as tourism, high-end and luxury retail, and artwork back on a growth trend. To take advantage of the opportunities, the Group plans to further expand its business from the following perspectives.

1. Strengthen the business network in Southeast Asia

The Group's development in the Southeast Asia in recent years has been proven as a timely strategic move to seize the rising opportunities in the region. Following the implementation of Regional Comprehensive Economic Partnership ("**RCEP**") in 2022, the Group saw many new opportunities and successfully acquired new customers, primarily from fast fashion and furniture, laying a solid foundation for further development in the prospective region.

Currently, the Group operates 3 local offices in Vietnam, Malaysia and Thailand, respectively. Looking ahead, the Group targets to accelerate its business development in Vietnam and Thailand, which enjoys a large and young demographic portfolio with supportive economic incentives in place. In addition, the Group plans to establish new local offices in Indonesia and Bangladesh, where the garment industry is on the rise. With a more comprehensive business layout in the region, the Group expects greater synergies with a larger business volume and a more diversified customer base.

2. Expand into potential markets in Europe and North America

Driven by the relaxation of travel restrictions, the Group achieved success in developed markets such as Italy, Korea and Japan. The growth momentum in these developed markets is expected to be further accelerated following the recovery of the global tourism. To grasp the rising opportunities, the Group intends to leverage its existing business footprint in Europe (Italy) and USA (Miami), to quickly tap into the nearby countries with potentials.

For the European market, the Group targets to establish its first office in Netherlands, which has a well-developed economy and an extensive infrastructure network. The Group expects the expansion in such market will not only enable it to further grasp the opportunities in the post-pandemic era, but also strengthen its connections with the nearby regional offices and further enlarge the Group's business footprint, leading to greater synergies and higher efficiency.

3. Improve operation efficient and strive for a better margin

Even though the short-term prospects of the logistics industry remain positive, the impact of the geopolitical conflicts and the high inflation rate on the global economy remains uncertain. Hence, the Group will continue to implement strict costs and expenses control to enhance operation efficiency and improve profit margins, to create a greater buffer to sail through the potential downturns.

In addition, as one of the pioneers in the logistics industry in Asia, the Group will actively explore and apply new equipment, operational flows and technologies that enhance operation efficiency. To satisfy the surging demand from customers, the Group will continuously liaise with other potential business partners to consolidate its warehouse resources, while maintaining a light asset model.

4. Continue to incubate eCommerce business and expand revenue stream

The eCommerce industry experienced a rapid growth during the outbreak of the pandemic over the last three years. Leveraging its merchant network and comprehensive logistics footprint, the Group launched PJF Wines and CNShip4Shop, to seize the opportunities in the field of fine wine and groupage service.

With the aim to create new revenue stream, the Group will continue to invest in the eCommerce business and strive to expand the user base by adding new functions, tapping into new markets, launching promotion campaigns, etc.

5. Explore more high-quality merger and acquisition projects

Since its listing on the Stock Exchange, the Group has been strategically looking for merger and acquisition opportunities that enable the Group to expand into new verticals and create greater synergies. The successful acquisition of Allport Cruise Group did not only enable the Group to tap into the field of cruise logistics, which is a niche industry with high entry barrier, but also expand the Group's business footprint in North America.

Looking ahead, the Group will continue to seek strategic opportunities that strengthen our comparative advantages, enlarge our business scale as well as diversify operational risk, eventually accelerating the Group's overall development.

HUMAN RESOURCES

As at 31 December 2022, the Group employed 678 employees (as at 31 December 2021: 622 employees). During the year, employee cost, including Directors' remuneration, was approximately HK$291,190,000 (FY2021: approximately HK$270,487,000). 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 FY2022, regular in-house and external trainings have been provided to the Group's employees.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During FY2022, 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 HK10 cents per ordinary Share absorbing a total amount of HK$27,610,000 for FY2022 (FY2021: HK12 cents per ordinary Share), which is subject to the approval of the Shareholders at the forthcoming annual general meeting ("**AGM**") to be held on Thursday, 1 June 2023. Subject to the approval by the Shareholders, the proposed final dividend is expected to be paid on Monday, 17 July 2023 to all Shareholders whose names to be appeared on the register of members of the Company on Monday, 26 June 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Friday, 26 May 2023.

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 Tuesday, 20 June 2023 to Monday, 26 June 2023 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of FY2022. 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 Monday, 19 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Board has adopted the code provisions in Part 2 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 Part 2 of the CG Code during FY2022.

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 FY2022.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent nonexecutive 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 FY2022, 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 FY2022 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 FY2022 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
Lau Shek Yau John
Chairman and Executive Director

Hong Kong, 30 March 2023

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