

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately HK\$1,016.7 million during the Reporting Period (1H2022: HK\$1,472.9 million), representing a period-on-period decrease of approximately 31.0%.

The net profit attributable to equity shareholders was approximately HK\$13.1 million during the Reporting Period (1H2022: HK\$51.2 million), representing a period-on-period decrease of approximately 74.4%.

The gross profit margin increased from 17.6% in 1H2022 to 20.2%.

Distribution and logistics segment recorded an increase in segment revenue of approximately HK\$4.4 million during the Reporting Period, from approximately HK\$195.4 million in 1H2022 to approximately HK\$199.8 million in the Reporting Period, representing a period-on-period increase of approximately 2.3%.

The freight forwarding (including air and ocean freight forwarding), together with the cruise logistics businesses, recorded a decrease in revenue of approximately 36.0% in segment results for the Reporting period, from approximately HK\$1,277.4 million in 1H2022 to approximately HK\$816.9 million.

The Board has declared the payment of an interim dividend of HK3 cents per ordinary share in respect of the Reporting Period.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022 (the “**1H2022**”).

The interim results of the Group for the Reporting Period are unaudited, but have been reviewed by the Company’s auditor in accordance with Hong Kong Standard on *Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the interim results have been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 — unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2023	2022
		\$'000	\$'000
Revenue	2	1,016,658	1,472,856
Cost of services		(811,781)	(1,213,552)
Gross profit		204,877	259,304
Other income		3,288	4,326
Other net gain		12,861	733
Administrative and other operating expenses		(184,935)	(174,125)
Profit from operations		36,091	90,238
Finance costs	3(a)	(10,353)	(5,014)
Share of profits of associates and joint ventures		1,044	189
Profit before taxation	3	26,782	85,413
Income tax	4	(13,329)	(27,447)
Profit for the period		13,453	57,966
Attributable to:			
Equity shareholders of the Company		13,137	51,198
Non-controlling interests		316	6,768
Profit for the period		13,453	57,966
Earnings per share (Hong Kong cents)			
Basic and diluted	5	4.5	18.9

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2023 — unaudited
(Expressed in Hong Kong dollars)*

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Profit for the period	13,453	57,966
Other comprehensive income for the period (after taxation)		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit retirement obligations	(289)	2,479
Remeasurement of equity investment at fair value through other comprehensive income	(200)	(572)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	(9,160)	(14,341)
Total comprehensive income for the period	<u>3,804</u>	<u>45,532</u>
Attributable to:		
Equity shareholders of the Company	6,152	40,523
Non-controlling interests	(2,348)	5,009
Total comprehensive income for the period	<u>3,804</u>	<u>45,532</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited

(Expressed in Hong Kong dollars)

	<i>Note</i>	30 June 2023 \$'000	31 December 2022 \$'000
Non-current assets			
Property, plant and equipment		263,171	257,111
Prepayment for acquisition of property, plant and equipment		4,941	379
Intangible assets		3,708	7,391
Goodwill	7	225,348	224,559
Interests in associates		9,321	8,878
Interests in joint ventures		2,721	2,568
Other financial assets		1,165	1,369
Loan receivables		5,240	5,102
Deferred tax assets		7,543	3,172
		<u>523,158</u>	<u>510,529</u>
Current assets			
Trade and other receivables and contract assets	8	550,655	614,902
Amounts due from Cargo Services Group		34,403	6,920
Amounts due from EV Cargo Group		22,885	13,740
Amounts due from associates		1,595	308
Amounts due from joint ventures		7,549	6,251
Pledged bank deposits		5,016	5,271
Time deposits		16,189	7,884
Cash and cash equivalents		289,421	298,202
		<u>927,713</u>	<u>953,478</u>
Current liabilities			
Trade and other payables and contract liabilities	9	329,115	347,360
Amounts due to Cargo Services Group	10	265,860	264,936
Amounts due to EV Cargo Group		7,868	4,955
Amounts due to associates		172	112
Amounts due to joint ventures		75	—
Bank loans and overdrafts		288,362	285,183
Lease liabilities		54,955	41,257
Current taxation		12,411	16,883
		<u>958,818</u>	<u>960,686</u>
Net current liabilities		<u>(31,105)</u>	<u>(7,208)</u>
Total assets less current liabilities		<u>492,053</u>	<u>503,321</u>

	<i>Note</i>	30 June 2023 \$'000	31 December 2022 \$'000
Non-current liabilities			
Bank loans		11,624	1,715
Lease liabilities		63,556	56,404
Defined benefit retirement obligations		9,521	8,149
Amounts due to Cargo Services Group	<i>10</i>	23,698	23,168
		108,399	89,436
NET ASSETS		383,654	413,885
CAPITAL AND RESERVES			
Share capital		2,154	2,154
Reserves		328,659	350,117
Total equity attributable to equity shareholders of the Company		330,813	352,271
Non-controlling interests		52,841	61,614
TOTAL EQUITY		383,654	413,885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 August 2023.

At 30 June 2023, the Group’s total current assets were HK\$927,713,000 and total current liabilities were HK\$958,818,000. As a result the Group recorded net current liabilities of HK\$31,105,000 mainly due to current portion of purchase consideration payable of HK\$204,932,000, among which HK\$192,185,000 would be settled by allotment and issuance of the Company’s shares, included in the amounts due to Cargo Service Group recognised under current liabilities.

Notwithstanding the net current liabilities at 30 June 2023, the Group’s bank deposits and cash and cash equivalents amounted to HK\$305,610,000 on the same day and the Group recorded net cash generated from operating activities of HK\$45,647,000 during the six months ended 30 June 2023. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 June 2023, 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 30 June 2023, 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\$192,185,000 recognised under current liabilities is equity-settled by issuance of the Company’s shares.

Accordingly, the Group’s interim financial report has been prepared on a going concern basis.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 1(i).

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Group’s statutory annual consolidated financial statements for that financial year, but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2022 are available from the Company registered office. The auditors have expressed an unqualified opinion on those financial statements in their reported dated 30 March 2023.

Changes in accounting policies

(i) New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to the interim financial results for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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

2. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

(i) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
— Provision of air freight forwarding services	381,909	663,212
— Provision of ocean freight forwarding services	237,564	519,182
— Provision of distribution and logistics services	199,773	195,432
— Provision of cruise logistics services	197,412	95,030
	<u>1,016,658</u>	<u>1,472,856</u>

Disaggregation of revenue from contracts with customers by geographic locations is disclosed in note 2(b)(ii).

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

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

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

(b) Segment reporting

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

- Air freight: this segment provides freight forwarding services by air
- Ocean freight: this segment provides freight forwarding services by ocean
- Cruise logistics: this segment provides shipment of supplies for drydock project and cruise replenishment for cruise operations
- Distribution and logistics: this segment provides cost-effective supply chain solutions

(i) Segment results

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below.

	Six months ended 30 June 2023				Total \$'000
	Air freight \$'000	Ocean freight \$'000	Cruise logistics \$'000	Distribution and logistics \$'000	
Reportable segment revenue					
— external sales	<u>381,909</u>	<u>237,564</u>	<u>197,412</u>	<u>199,773</u>	<u>1,016,658</u>
Reportable segment gross profit	75,910	43,055	68,864	17,048	204,877
Other income					3,288
Other net gain					12,861
Administrative and other operating expenses					(184,935)
Finance costs					(10,353)
Share of profits of associates and joint venture					<u>1,044</u>
Profit before taxation					<u><u>26,782</u></u>
	Six months ended 30 June 2022				
	Air freight \$'000	Ocean freight \$'000	Cruise logistics \$'000	Distribution and logistics \$'000	Total \$'000
Reportable segment revenue					
— external sales	<u>663,212</u>	<u>519,182</u>	<u>95,030</u>	<u>195,432</u>	<u>1,472,856</u>
Reportable segment gross profit	93,957	96,996	38,866	29,485	259,304
Other income					4,326
Other net gain					733
Administrative and other operating expenses					(174,125)
Finance costs					(5,014)
Share of profits of associates and joint venture					<u>189</u>
Profit before taxation					<u><u>85,413</u></u>

(ii) Geographic information

The following table sets out information about the geographical locations of the Group's revenue from external customers. The geographical locations of revenue from customers are based on the locations at which the services are provided.

Revenue from external customers:

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Hong Kong	213,679	280,522
Mainland China	225,183	332,658
Italy	252,336	571,198
Taiwan	43,255	68,820
USA	197,412	95,030
Other countries	84,793	124,628
	<u>1,016,658</u>	<u>1,472,856</u>

(iii) Segment assets and liabilities

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

3. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
(a) Finance costs		
Interest on bank loans and overdrafts	8,061	2,437
Interest on lease liabilities	2,292	2,577
	<u>10,353</u>	<u>5,014</u>
(b) Other items		
Depreciation charge		
— owned property, plant and equipment	14,233	10,369
— right-of-use assets	33,604	34,022
Amortisation cost of intangible assets	3,628	3,346
Provision for/(reversal of) impairment loss on trade receivables	85	(188)
	<u>85</u>	<u>(188)</u>

4. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Current tax — Hong Kong Profits Tax	1,169	2,911
Current tax — Outside Hong Kong	13,347	22,625
Withholding tax on distributable profits of a subsidiary	3,171	236
Deferred tax	(4,358)	1,675
	<u>13,329</u>	<u>27,447</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2022: 16.5%) of the estimated assessable profits for the six months ended 30 June 2023.

Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

Withholding tax is charged by tax authority of Taiwan in respect of dividend income received from a subsidiary incorporated in Taiwan, at a rate of 21% (six months ended 30 June 2022: 21%).

5. EARNINGS PER SHARE

(a) Basic earnings per share

For the six months ended 30 June 2023, the calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$13,137,000 (1H2022: \$51,198,000) and the weighted average of 292,692,000 ordinary shares including the shares that would be issued in the acquisition of Allport Cruise Group (Note 10) (1H2022: 270,606,245 ordinary shares) in issue during the Reporting Period.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2023, and therefore, diluted earnings per share is the same as basic earnings per share.

6. DIVIDEND

During the six months ended 30 June 2023, the Group's subsidiaries declared and paid dividends of \$6,425,000 (six months ended 30 June 2022: \$2,651,000) to non-controlling interests.

7. GOODWILL

	30 June 2023 \$'000	31 December 2022 \$'000
At the end of the period/year	<u>225,348</u>	<u>224,559</u>

Goodwill as at 30 June 2023 arose from the acquisition of Global Freight Forwarding Co., Limited and Allport Cruise Group on 12 March 2016 and 11 March 2022 respectively. Global Freight Forwarding Co., Limited is engaged in the provision of freight forwarding services in Taiwan and Allport Cruise Group is specialised in the provision of cruise logistics services.

8. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

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

	30 June 2023 \$'000	31 December 2022 \$'000
Within 1 month	298,225	341,848
1 to 2 months	39,859	75,687
2 to 3 months	15,320	35,313
Over 3 months	<u>13,559</u>	<u>12,097</u>
Trade receivables, net of loss allowance	366,963	464,945
Other receivables, prepayments and deposits	<u>72,651</u>	<u>59,915</u>
	<u>439,614</u>	<u>524,860</u>
Contract assets		
Arising from performance under freight forwarding contracts	18,865	15,232
Arising from performance under cruise logistics contracts	<u>92,176</u>	<u>74,810</u>
	<u>111,041</u>	<u>90,042</u>
	<u>550,655</u>	<u>614,902</u>

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

Contract assets represent unbilled amounts from certain freight forwarding contracts and drydock 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.

9. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

	30 June 2023 \$'000	31 December 2022 \$'000
Within 1 month	188,076	167,796
1 to 3 months	46,569	90,326
Over 3 months	5,452	8,797
Trade payables	240,097	266,919
Other payables and accrued charges	76,038	73,412
	316,135	340,331
Contract liabilities	12,980	7,029
	329,115	347,360

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.

10. AMOUNTS DUE TO CARGO SERVICES GROUP

At 30 June 2023, amounts due to Cargo Services Group mainly represent purchase consideration payable of approximately HK\$228,630,000, HK\$204,932,000 being current portion and HK\$23,698,000 being non current portion, for the acquisition of Allport Cruise Group. The purchase consideration payable of approximately HK\$192,185,000 would be settled by the issuance of ordinary shares by the Company before December 2023 and the remaining balances would be settled by cash and promissory notes in accordance with the terms of the share purchase agreement.

The purchase consideration is measured at fair value through profit or loss. At 30 June 2023, the purchase consideration payable has increased by HK\$11,623,000 (1H2022: \$nil) due to the change in fair value of the consideration shares to be delivered and the unwinding of discount. The relevant net gain amount has been recognised in “other net gain” during the current period.

11. SHARE CAPITAL

As at 30 June 2023 and 31 December 2022, 50,000,000,000 ordinary shares, with par value of US\$0.001 each, are authorised for issue.

As at 30 June 2023, the Company has 276,100,000 ordinary shares (31 December 2022: 276,100,000 ordinary shares) in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board announces the unaudited interim results of the Group for the Reporting Period. The relevant financial figures for the corresponding period in 1H2022 or other dates/periods are also set out in this announcement for comparative purposes.

Overview

The Group primarily engages in the provision of comprehensive logistics services, comprising air freight forwarding services, distribution and logistics services, ocean freight forwarding services and cruise logistics services, with a primary focus on high-end fashion (including luxury and affordable luxury), fine wine products and cruise industries. The Group has been serving the high-end fashion market for a long time, and their customers include various globally renowned premium and luxury brands, as well as other apparel companies.

The Group operates local offices in 20 cities across 14 countries and regions, which includes the People's Republic of China ("PRC"), Hong Kong, Taiwan, Italy, Japan, the United States of America ("USA"), Malaysia, Thailand, Vietnam, South Korea, France, Switzerland, Indonesia and Netherlands. In addition, the Group has established partnerships with more than 100 business partners, covering over 100 countries across the globe.

Although the World Health Organisation declared an end to the COVID-19 global pandemic during the Reporting Period, the macroeconomic environment remained complex and challenging due to the record-breaking inflation rate and ongoing geopolitical conflicts such as the Russo-Ukrainian War. As the supply chain disruption gradually eased and cargo space availability increased, coupled with a weaker-than-expected post-pandemic recovery, the freight rates experienced significant adjustments, which weakened the profitability of the logistics industry. Despite the Group's focus on flourishing industries such as luxury and high-end retail, tourism and fine wine, its overall financial performance was impacted by the deteriorating macroeconomic environment, leading to decrease in business volume, in particular the PRC and Hong Kong offices. During the Reporting Period, the Group's revenue decreased period-on-period by 31.0% to HK\$1,016.7 million (1H2022: HK\$1,472.9 million). The gross profit decrease period-on-period by 21.0% to HK\$204.9 million (1H2022: HK\$259.3 million), and the profit attributable to equity shareholders of the Company decreased by 74.4% to HK\$13.1 million (1H2022: HK\$51.2 million).

Regional Analysis — Greater China

The revenue contributed by the PRC office decreased by 32.3% to HK\$225.2 million (1H2022: HK\$332.7 million), primarily due to the decrease in freight rates and decline in business volume, as a result of the shifting of parts of the supply chains out of China by manufacturers for risk diversification in post-pandemic period, leading the decrease in demand for logistics services.

As facing multiple headwinds, the recovery in the region was weaker than expected. However, global luxury and fashion brands remained optimistic towards the largest market in the world. As their long-standing partner in tapping into China, the Group continued to upgrade its flagship warehousing facilities in Shanghai to seize the future market opportunities.

Regional Analysis — Europe

During the Reporting Period, the revenue contributed by the Group's Italy office decreased by 55.8% to HK\$252.3 million (1H2022: HK\$571.2 million), primarily due to the decrease in freight rates and business volume.

Regardless of the adjustments in freight rates, the European business remained resilient. Leveraging on the long-term relationships with luxury and high-end fashion brands, the Group continued to ride on the opportunities of the booming high-end retail market, generating stable income and contributing to the Group's overall financial performance.

New Markets — Vietnam & Indonesia

The Group continued to explore and tap into new markets to expand its global footprint and revenue streams. The Group has established its Vietnam office in May 2022 to explore business opportunities as there are increasing number of factories relocated to the Southeast Asia region from China. The Group's Vietnam office demonstrated strong performance in the first half of 2023, primarily attributable to the export of garments for local retail stores from Vietnam to the USA. During the Reporting Period, the revenue captured by our Vietnam office amounted to HK\$22.5 million which was extraordinary for a newly set up office.

The Group also established a new office in Indonesia to cater to several potential industries, including textiles, automotive, electronics, and chemicals. Apart from seizing opportunities, the newly established office also contributed to expanding the Group's business network in the region and generated synergies with other offices in Thailand, Malaysia and Vietnam.

Following the implementation of the Regional Comprehensive Economic Partnership and the Belt and Road Initiative, the Group expect to further capture the business opportunities in the Southeast Asia regions.

New Growth Engine — Cruise Logistics

Riding on the recovery of tourism industry, the cruise logistics segment recorded a significant growth during the Reporting Period, contributing a revenue of HK\$197.4 million (1H2022 including pre-acquisition period: HK\$160.8 million), representing an increase of 22.8% as compared to the corresponding period in 1H2022.

Leveraging its long-standing relationship with international cruise operators, the Group was able to achieve growth in business volume for drydock and replenishment projects during the Reporting Period. To capture the opportunities in the post COVID-19 pandemic period, the Group also launched a new office for its cruise logistics segment in the Netherlands. In addition to global footprint expansion, the establishment of the office in the Netherlands has also created synergies with the Group's traditional logistics services in Europe. This has strengthened the Group's overall competitiveness in the regional market.

eCommerce Business

To capitalise on the growing opportunities in eCommerce, the Group has launched a self-proprietary platform, namely CNShip4Shop. Throughout the Reporting Period, the Group has been working to enhance the performance of the platform by introducing new functions and upgrading the user interface. For instance, CNShip4Shop launched a new feature called "CNBuy" on its first anniversary, which offer Asian consumers a wide range of premium products of niche oversea brands, receiving positive market response. To capture the booming market opportunities, the Group also actively explored potential projects that bring greater synergies to existing platforms and the traditional logistics business.

FINANCIAL RESULTS

The Group recorded revenue of approximately HK\$1,016.7 million during the Reporting Period (1H2022: HK\$1,472.9 million), representing a period-on-period decrease of approximately 31.0%. Gross profit amounted to approximately HK\$204.9 million during the Reporting Period (1H2022: HK\$259.3 million), representing a period-on-period decrease of 21.0%. The net profit attributable to equity shareholders of the Company was approximately HK\$13.1 million during the Reporting Period (1H2022: HK\$51.2 million), representing a period-on-period decrease of approximately 74.4%. The gross profit margin increased from 17.6% in 1H2022 to 20.2%, attributed by the strong performance in cruise logistics segment.

SEGMENTAL ANALYSIS

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

Air freight forwarding services

The air freight forwarding business continued to be the largest segment of the Group, representing approximately 37.6% of the Group's total revenue during the Reporting Period (1H2022: 45.0%). The services include arranging for consignment upon receipt of booking instructions from customers, cargo pick up, obtaining cargo spaces, preparation of freight documentation, arranging for customs clearance and cargo handling at origin and destination as well as other related logistics services such as supporting transportation for freight forwarding purposes. In addition, the Group is one of the few specialists in providing freight forwarding services for the export of wine from France and the United Kingdom to Hong Kong. The Group is a member of International Air Transport Association in Hong Kong, Taiwan, Italy, France and Japan which provide the access to space procurement for air cargo routes worldwide in these locations and also capable of procuring air cargo space directly from airline carriers in the PRC.

During the Reporting Period, the air freight forwarding business recorded revenue of approximately HK\$381.9 million (1H2022: HK\$663.2 million), representing a decrease approximately 42.4% as compared to the corresponding period of 2022. Gross profit of the segment decreased from HK\$94.0 million in the corresponding period of 2022 to approximately HK\$75.9 million during the Reporting Period. The decrease in revenue and gross profit were mainly due to the decrease in business volume of the Group's PRC and Hong Kong offices due to the uncertainty of economic environment and changed in the consumption behaviour brought by COVID-19 which led to the decrease in airfreight tonnage handled by these offices. The Group is endeavouring to expand its customer base which is expected to improve the business of its PRC and Hong Kong offices in the second half of 2023.

Distribution and logistics services

The distribution and logistics segment contributed approximately 19.6% of the total revenue of the Group during the Reporting Period (1H2022: 13.3%). The Group is one of the pioneers in the PRC and Hong Kong to provide comprehensive and customised business to business distribution and logistics services to meet its customers' warehousing and logistics needs with cost-effective supply chain solutions. The Group is also one of the pioneers in the PRC to establish its own highly-automated distribution centre to provide tailor-made logistics solutions for high-end fashion products. The distribution and logistics services operations of the Group are primarily located in Hong Kong, the PRC, Italy, Taiwan and South Korea with the PRC and Hong Kong being the two largest contributors of revenue for this segment. The Group manages and operates 33 distribution centres with a total gross floor area of approximately 1,339,000 sq.ft. This

business segment involves the provision of a wide range of logistics services, such as managing vendor inventory, pick and pack finished goods, delivery, recycling, quality control and various ancillary value-added services such as supply chain management and storage services through the proprietary warehouse management system of the Group.

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

During the Reporting Period, the revenue from this segment was approximately HK\$199.8 million (1H2022: HK\$195.4 million), representing an increase of approximately 2.3% as compared with the corresponding period of 2022 and the gross profit was approximately HK\$17.1 million (1H2022: HK\$29.5 million), representing a decrease of approximate of 42.0% as compared with the corresponding period of 2022. The decrease in gross profit was mainly due to increase in fixed cost after the expansion of distribution centres in Shanghai.

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 Reporting Period, revenue from the ocean freight forwarding operations of the Group was mainly generated from import shipments to Italy and shipments from and to the Southeast Asia regions such as Vietnam and Japan.

During the Reporting Period, the revenue from this segment was approximately HK\$237.6 million (1H2022: HK\$519.2 million), representing an decrease of approximately 54.2% as compared with the corresponding period of 2022 and gross profit was approximately HK\$43.1 million (1H2022: HK\$97.0 million) representing an decrease of approximately 55.6% as compared with the corresponding period of 2022. The decrease in revenue and gross profit were primarily due to the decrease in revenue attributable from the Group's Italy office as a result of the significant decrease in freight rates compared to the corresponding period in 1H2022 and decreased in import shipments from China due to factories closed and relocation out of China. With the Group's expansion to Southeast Asia regions, the Group's Italy office is exploring the business opportunities in these regions.

Cruise logistics

After the completion of acquisition of Allport Cruise Logistics Inc. ("**Allport Cruise**") and its subsidiaries (together, 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 operators 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.

During the Reporting Period, the revenue from this segment was approximately HK\$197.4 million (1H2022 including pre-acquisition period: HK\$160.8 million), representing an increase of 22.8% as compared to the corresponding period in 2022.

The strong business performance was mainly due to the recovery of the cruise industry and increase in drydock projects handled by us in 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The Group's working capital decreased from approximately negative HK\$7.2 million as at 31 December 2022 to negative HK\$31.1 million as at 30 June 2023. The current ratio of the Group slightly decreased from approximately 1.00 times as at 31 December 2022 to approximately 0.97 times as at 30 June 2023. Such decrease in working capital was mainly attributable to the final dividend to be paid by the Company on 17 July 2023 and the purchase consideration (the "**Consideration**") in connection with the acquisition of Allport Cruise, which is expected to be settled before December 2023 by way of allotment and issue of shares of the Company (the "**Shares**") (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\$204,932,000 and HK\$23,698,000 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 dividend payable and the Consideration on the current liabilities of the Group as at 30 June 2023, the working capital and the current ratio of the Group would be HK\$201.4 million and 1.28 respectively as at 30 June 2023.

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately HK\$289.4 million, which remained stable as compared to the cash and cash equivalents as at 31 December 2022. During the Reporting Period, the Group had operating cash inflow of approximately HK\$45.6 million (1H2022: operating cash inflow of approximately HK\$114.8 million). As at 30 June 2023, the Group's outstanding bank loans and overdrafts amounted to approximately HK\$300.0 million (as at 31 December 2022: approximately HK\$286.9 million). The gearing ratio of the Group was approximately negative 4.9% as at 30 June 2023 (as at 31 December 2022: negative 5.1%). The gearing ratio was calculated as the net of the total of bank loans and overdrafts and cash and cash equivalent divided by total tangible net worth of the Group. The tangible net worth was calculated as total equity minus goodwill and intangible assets, the Group maintained a net cash position (as at 31 December 2022: net cash position). The Group will continue to secure financing as and when the need arises.

FOREIGN EXCHANGE RISK

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

SIGNIFICANT INVESTMENT

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

CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2023, the Group had capital expenditure commitments of approximately HK\$3.9 million (31 December 2022: \$Nil) in respect of the expansion of customised distribution centre in Shanghai, which are contracted but not provided for.

CONTINGENT LIABILITIES

As at 30 June 2023, financial guarantees are given by the Company to the banks for the banking facilities entered by certain subsidiaries of the Group. The directors do not consider it probable that a claim will be made against the Group under the banking facilities. The maximum liability of the Group under the banking facilities as at 30 June 2023 is the amount of the facilities drawn by the Group, being HK\$260.9 million (as at 31 December 2022: HK\$267.1 million).

CHARGE ON GROUP ASSETS

As at 30 June 2023, certain interest-bearing bank borrowings and bank guarantees were secured by pledged bank deposit amounted to approximately HK\$5.0 million (as at 31 December 2022: HK\$5.3 million).

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in paragraph headed “Interim Dividend”, there are no events causing material impact on the Group from the end of the Reporting Period to the date of this announcement.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

USE OF PROCEEDS

Use of net proceeds from subscription of Shares

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. For further details of the First Subscription, please refer to the Company’s announcements dated 18 May and 3 June 2021.

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**”, together with the First Subscription, the “**Share Subscriptions**”), 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. For further details of the Second Subscription, please refer to the Company’s announcements dated 29 November and 8 December 2021.

The following table sets forth details of the use of the net proceeds from the Share Subscriptions up to 30 June 2023:

	Unutilized amount as at 1 January 2023 <i>HK\$ million</i>	Amount utilized during Reporting Period <i>HK\$ million</i>	Unutilized amount as at 30 June 2023 <i>HK\$ million</i>	Expected timeline for utilization
The First Subscription				
Expansion of business and local presence in Hainan Province in the PRC, Southeast Asia and the United Kingdom	35.6	32.4	1.2	On or before 2 June 2024
The Second Subscription				
Expansion and development of B2C business	7.0	3.8	1.2	On or before 28 November 2024
Recruiting expertise for the day-to-day operation management	3.0	2.4	0.6	On or before 28 November 2024
	<u> </u>	<u> </u>	<u> </u>	

During the Reporting Period, the proceeds raised by the Company from the Share Subscriptions were utilized, or were proposed to be utilized, in accordance with the intentions previously disclosed by the Company, and there was no material change or delay in the use of proceeds.

PROSPECTS

The gradual recovery and return of the global logistics market to its pre-COVID-19 pandemic state has created a cautiously optimistic outlook for the Group in the second half of 2023. However, various business sectors, such as international tourism and luxury retail are expected to gain further momentums. To capitalise on these opportunities, the Group will endeavour to expand its business in various aspects.

1. Expand the Group’s footprint in Southeast Asia by setting up new offices.

In recent years, the Group has been proactively strengthening its global presence by venturing into regional markets and capitalizing on market opportunities. Given the burgeoning garment industry in Southeast Asia, the Group established a new office in Indonesia in the first half of 2023 and achieved excellent financial performance. To build upon this success, the Group intends to extend its network in the region by inaugurating a new office in Cambodia in the latter half of 2023, which will also concentrate on textiles products and complement the existing Indonesia office. By having a more comprehensive business layout in the region, the Group anticipates greater synergies with a larger business volume and a more diversified customer base.

2. Explore new niche markets and opportunities in various business segments.

As a Company that continuously aspires to improve and identify opportunities in all markets, the Group is therefore open to exploring various vertical markets beyond luxury, fashion and food & beverage sectors. Moving forward, the Group intends to persist in seeking strategic opportunities that enhance its competitive edge, expand its business scope, and diversify operational risk, ultimately accelerating the Group’s overall growth and development.

3. Continue to capitalize the eCommerce development through self-proprietary platforms and external collaborations.

As eCommerce is gaining popularity worldwide, especially in Asia, Europe, and North America, the Group is committed to tapping into the blue ocean by leveraging its global footprint and business connections. Following the introduction of “CNBuy” and “CNBlog” in the self-developed B2C platform, namely CNShip4Shop, the Group targets to launch its eCommerce airfreight export service in the second half of 2023. By launching this service, the Group will offer customers end-to-end logistics solutions with higher efficiency and accessibility, and create competitive edge over other logistics providers who lack such services, as well as create synergies between different segments of the Group’s operations. In addition,

the service enables eCommerce platforms in China to promote, distribute and deliver their products to consumers overseas. This collaborative approach will enable the Group to strengthen its business presence, creating a comprehensive outbound logistics solution for eCommerce platforms.

HUMAN RESOURCES

As at 30 June 2023, the Group employed 828 employees (as at 30 June 2022: 670 employees). During the Reporting Period, employee cost, including Directors' remuneration, was approximately HK\$169,240,000 (1H2022: approximately HK\$149,935,000). Remuneration packages are generally structured to market terms, individual employee performance, qualification and experiences. The Company has also adopted share option scheme and share award scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. During the Reporting Period, regular in-house and external trainings have been provided to the Group's employees.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3 cents per ordinary Share absorbing a total amount of HK\$8,283,000, in respect of the Reporting Period. The proposed interim dividend is expected to be paid on Wednesday, 1 November 2023 to all shareholders of the Company whose names to be appeared on the register of members of the Company on Wednesday, 18 October 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 16 October 2023 to Wednesday, 18 October 2023 (both days inclusive) during which period no transfer of shares will be registered. In order to be qualified for the interim dividend, all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 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, 13 October 2023.

CORPORATE GOVERNANCE PRACTICES

The Board has adopted the code provision of the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of 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 Reporting Period.

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 throughout the Reporting Period.

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 unaudited consolidated financial results of the Group for the Reporting Period, including the accounting principles and practices adopted by the Group with no disagreement with the accounting treatment 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange and the Company. The interim report for the Reporting Period will be despatched to the shareholders of the Company 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, 28 August 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, Mr. Chun Chi Man and Mr. Roussel Christophe Albert Jean as the independent non-executive Directors.