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

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

2023
Interim Report

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lau Shek Yau John *(Chairman) (redesignated as executive director on 14 February 2023)*
Mr. Ngan Tim Wing *(Chief Executive Officer)*
Ms. Chen Nga Man
Ms. Augusta Morandin
Mr. Fabio Di Nello

NON-EXECUTIVE DIRECTOR

Mr. Lau Shek Yau John *(redesignated as executive director on 14 February 2023)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hing Lun Alain
Mr. Chan Chun Hung Vincent
Mr. Chun Chi Man
Mr. Roussel Christophe Albert Jean *(appointed on 11 July 2023)*

COMPANY SECRETARY

Mr. Tsang Chiu Ho, CPA *(practicing)*

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)
Mr. Ngan Tim Wing
Mr. Tsang Chiu Ho

AUTHORISED REPRESENTATIVES

(for the purpose of the Companies Ordinance)
Mr. Tsang Chiu Ho

AUDIT COMMITTEE

Mr. Lam Hing Lun Alain *(Chairman)*
Mr. Chun Chi Man
Mr. Chan Chun Hung Vincent

REMUNERATION COMMITTEE

Mr. Chan Chun Hung Vincent *(Chairman)*
Mr. Ngan Tim Wing
Mr. Chun Chi Man

NOMINATION COMMITTEE

Mr. Lau Shek Yau John *(Chairman)*
Mr. Lam Hing Lun Alain
Mr. Chan Chun Hung Vincent

CORPORATE GOVERNANCE COMMITTEE

Mr. Chun Chi Man *(Chairman)*
Mr. Ngan Tim Wing
Mr. Lam Hing Lun Alain

RISK AND COMPLIANCE COMMITTEE

Mr. Ngan Tim Wing *(Chairman)*
Ms. Augusta Morandin
Mr. Lam Hing Lun Alain

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 13th Floor, Park Sun Building
97–107 Wo Yi Hop Road
Kwai Chung
New Territories
Hong Kong

COMPANY'S LEGAL ADVISER

As to Hong Kong law
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

KPMG
Public Interest Entity Auditor
registered in accordance with the Accounting and
Financial Reporting Council Ordinance

COMPANY WEBSITE

www.cnlogistics.com.hk

STOCK CODE

2130

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The board (the "Board") of directors (the "Directors") of CN Logistics International Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2023 (the "Reporting Period"). The relevant financial figures for the corresponding period in 2022 (the "1H2022") or other dates/periods are also set out in this report 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 the 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 report.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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 Stock Exchange of Hong Kong Limited (the "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 eCommerce 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:

	Net proceeds HK$ million	Unutilized amount as at 1 January 2023 HK$ million	Amount utilized during Reporting Period HK$ million	Unutilized amount as at 30 June 2023 HK$ million	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	31.2	On or before 2 June 2024
The Second Subscription					
Expansion and development of B2C business	7.0	3.8	1.2	2.6	On or before 28 November 2024
Recruiting expertise for the day-to-day operation management	3.0	2.4	0.6	1.8	On or before 28 November 2024

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2023, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) as recorded in the register required to be kept under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as below:

(i) Interest in the Shares

Name of Director/ Chief executive of the Company	Capacity/Nature of interest	Number and class of securities (Note 1)	Percentage of shareholding
Mr. Lau Shek Yau John ("Mr. Lau")	Interest of controlled corporation (Note 2)	158,480,222 Shares (L)	57.4%
Mr. Ngan Tim Wing ("Mr. Ngan")	Beneficial owner	21,241,203 Shares (L)	7.7%
Ms. Chen Nga Man ("Ms. Chen")	Beneficial owner	1,256,099 Shares (L)	0.5%
Ms. Augusta Morandin	Beneficial owner	10,000,000 Shares (L)	3.6%
Mr. Fabio Di Nello	Beneficial owner	10,000,000 Shares (L)	3.6%

Notes:

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

2. The 158,480,222 Shares are held by Cargo Services (Logistics) Limited ("CS Logistics"). CS Logistics is owned as to 75.0% by Cargo Services Seafreight Limited ("CS Seafreight"), which is in turn wholly owned by CS Logistics Holdings Ltd ("CS Holdings"). CS Holdings is wholly owned by Cargo Services Group Limited ("CS Group"), which is in turn wholly owned by Hundred Honest Limited. Hundred Honest Limited is owned as to 80.0% by Mr. Lau. By virtue of the SFO, CS Seafreight, CS Holdings, CS Group, Hundred Honest Limited and Mr. Lau are deemed to be interested in the Shares held by CS Logistics.

(ii) Interest in the shares of associated corporations of the Company

Name of Director/Chief executive of the Company	Name of Group member/associated corporation	Capacity/Nature of interest	Number and class of securities (Note 1)	Percentage of shareholding
Mr. Lau	CS Logistics	Interest of a controlled corporation (Note 2)	75 ordinary shares (L)	75%
	CS Seafreight	Interest of a controlled corporation (Note 3)	50,000 ordinary shares (L)	100%
	CS Holdings	Interest of a controlled corporation (Note 4)	20,000,000 ordinary shares (L) 2 preference shares (L)	100%
	CS Group	Interest of a controlled corporation (Note 5)	823,333 ordinary shares (L)	100%
	Hundred Honest Limited	Interest of a controlled corporation (Note 6)	1,000,000 ordinary shares (L)	20%
		Beneficial owner	4,000,000 ordinary shares (L)	80%
Ms. Chen	CN France (Hong Kong) Limited ("CN France HK")	Interest of a controlled corporation (Note 7)	3,000 ordinary shares (L)	30%
	CN Logistics France SAS ("CN France")	Interest of a controlled corporation (Note 8)	6,400 ordinary shares (L)	16%
	CN Logistics Limited ("CN BVI")	Beneficial owner	1,000 ordinary shares (L)	2%

Notes:

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

2. These shares are held by CS Seafreight. Please refer to Note 2 of the paragraph headed "(i) Interest in the Shares" above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Logistics in which CS Seafreight is interested.

3. These shares are held by CS Holdings. Please refer to Note 2 of the paragraph headed "(i) Interest in the Shares" above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Seafreight in which CS Holdings is interested.

4. These shares are held by CS Group. Please refer to Note 2 of the paragraph headed "(i) Interest in the Shares" above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Holdings in which CS Group is interested.

5. These shares are held by Hundred Honest Limited. Please refer to Note 2 of the paragraph headed "(i) Interest in the Shares" above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Group in which Hundred Honest Limited is interested.

6. These shares are held by LLEA & Company Limited which is in turn owned as to 99.9% by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of Hundred Honest Limited in which LLEA & Company Limited is interested.

7. The 3,000 shares in CN France HK are held by Wise Pointer Limited, which is wholly owned by Ms. Chen. By virtue of the SFO, Ms. Chen is taken to be interested in the shares held by Wise Pointer Limited.

8. The 6,400 shares in CN France are held by Wise Pointer Limited, which is wholly owned by Ms. Chen. By virtue of the SFO, Ms. Chen is taken to be interested in the shares held by Wise Pointer Limited.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executives of the Company had any interests and/or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 30 June 2023, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executives of the Company) had interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
CS Logistics	Beneficial owner	158,480,222 Shares (L)	57.4%
CS Seafreight	Interest of a controlled corporation (Note 2)	158,480,222 Shares (L)	57.4%
CS Holdings	Interest of a controlled corporation (Note 2)	158,480,222 Shares (L)	57.4%
CS Group	Interest of a controlled corporation (Note 2)	158,480,222 Shares (L)	57.4%
Hundred Honest Limited	Interest of a controlled corporation (Note 2)	158,480,222 Shares (L)	57.4%
Ms. Ngan Au Kei Yee	Interest of spouse (Note 3)	21,241,203 Shares (L)	7.7%
Mr. Chan Wing Luk	Beneficial owner	13,970,000 Shares (L)	5.1%

Notes:

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

2. These 158,480,222 Shares are held by CS Logistics. CS Logistics is owned as to 75.0% by CS Seafreight, which is in turn wholly owned by CS Holdings. CS Holdings is wholly owned by CS Group, which is in turn wholly owned by Hundred Honest Limited. Hundred Honest Limited is owned as to 80.0% by Mr. Lau. By virtue of the SFO, CS Seafreight, CS Holdings, CS Group, Hundred Honest Limited and Mr. Lau are deemed to be interested in the Shares held by CS Logistics.

3. Ms. Ngan Au Kei Yee is the spouse of Mr. Ngan. Under the SFO, Ms. Ngan Au Kei Yee is deemed to be interested in the same number of Shares in which Mr. Ngan is interested.

Save as disclosed above, as at 30 June 2023, other than the Directors and the chief executives of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, no person had interest or short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange on 17 September 2020. The purpose of the Share Option Scheme is to provide incentives or rewards to selected participants who contribute to the success of the Group's operations. As at 1 January 2023 and 30 June 2023, the total number of Shares which may be allotted and issued upon exercise of all options available for grant under the Share Option Scheme was 25,000,000 Shares. During the Reporting Period, no share options have been outstanding, granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme.

SHARE AWARD SCHEME

The Board adopted the Share Award Scheme on 6 May 2021. The purposes of the Share Award Scheme are to (i) recognise and motivate contributions of the eligible persons; (ii) align the interests of the eligible persons with those of the Company and strive for the future development and expansion of the Group; and (iii) attract suitable personnel for further development of the Group through the grant of award to the eligible persons. Pursuant to the Share Award Scheme, eligible persons may include any Directors, senior managers, employees, suppliers and customers of the Group and employees of the controlling Shareholders.

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

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

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

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

During the Reporting Period, no Share has been granted to any eligible person under the Share Award Scheme. No award has been granted, exercised or cancelled by the Company under the Share Award Scheme since its adoption and up to the date of this report.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") contained in Part 2 of in Appendix 14 to the Listing Rules. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code 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 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.

By order of the Board
CN Logistics International Holdings Limited

Lau Shek Yau John
Chairman and Executive Director

Hong Kong, 28 August 2023

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT

KPMG

To the Board of Directors of CN Logistics International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 40, which comprises the consolidated statement of financial position of CN Logistics International Holdings Limited (the "Company") and its subsidiaries ("the Group") as at 30 June 2023 and the related consolidated statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with HKAS 34.

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

28 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	Six months ended 30 June 2023 $'000	2022 $'000
Revenue	3	**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	4(a)	**(10,353)**	(5,014)
Share of profits of associates and joint ventures		**1,044**	189
Profit before taxation	4	**26,782**	85,413
Income tax	5	**(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	6	**4.5**	18.9

The notes on pages 25 to 40 form part of this interim financial report.

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)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit retirement obligations	**(289)**	2,479
Remeasurement of equity investment at fair value through other comprehensive income	**(200)**	(572)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries and associates outside Hong Kong	**(9,160)**	(14,341)
Total comprehensive income for the period	**3,804**	45,532
Attributable to:		
Equity shareholders of the Company	**6,152**	40,523
Non-controlling interests	**(2,348)**	5,009
Total comprehensive income for the period	**3,804**	45,532

The notes on pages 25 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2023 $'000	31 December 2022 $'000
Non-current assets			
Property, plant and equipment	7	**263,171**	257,111
Prepayment for acquisition of property, plant and equipment		**4,941**	379
Intangible assets		**3,708**	7,391
Goodwill	8	**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
		523,158	510,529
Current assets			
Trade and other receivables and contract assets	9	**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	10	**5,016**	5,271
Time deposits		**16,189**	7,884
Cash and cash equivalents	11	**289,421**	298,202
		927,713	953,478
Current liabilities			
Trade and other payables and contract liabilities	12	**329,115**	347,360
Amounts due to Cargo Services Group	13	**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	14	**288,362**	285,183
Lease liabilities		**54,955**	41,257
Current taxation		**12,411**	16,883
		958,818	960,686
Net current liabilities		**(31,105)**	(7,208)
Total assets less current liabilities		**492,053**	503,321

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2023 $'000	31 December 2022 $'000
Non-current liabilities			
Bank loans	14	11,624	1,715
Lease liabilities		63,556	56,404
Defined benefit retirement obligations		9,521	8,149
Amounts due to Cargo Services Group	13	23,698	23,168
		108,399	89,436
NET ASSETS		383,654	413,885
CAPITAL AND RESERVES	15		
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

The notes on pages 25 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity shareholders of the Company									
	Share capital $'000	Share premium $'000	Capital reserve $'000	Reserve fund $'000	Exchange reserve $'000	Fair value reserve $'000	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2022	2,154	364,738	(38,695)	15,988	2,301	–	56,621	403,107	61,408	464,515
Changes in equity for 2022:										
Profit for the year	–	–	–	–	–	–	86,632	86,632	12,875	99,507
Other comprehensive income	–	–	–	237	(21,508)	(1,048)	2,048	(20,271)	(4,651)	(24,922)
Total comprehensive income	–	–	–	237	(21,508)	(1,048)	88,680	66,361	8,224	74,585
Dividend paid to shareholders	–	(91,569)	–	–	–	–	–	(91,569)	–	(91,569)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(8,018)	(8,018)
Transfer to reserve fund	–	–	–	8	–	–	(8)	–	–	–
Shares purchased in respect of the Share Award Scheme	–	–	(25,628)	–	–	–	–	(25,628)	–	(25,628)
Balance at 31 December 2022	2,154	273,169	(64,323)	16,233	(19,207)	(1,048)	145,293	352,271	61,614	413,885

On 1 June 2023, the Company declared a final dividend of HK$10 cents per ordinary share in respect of the year ended 31 December 2022 to the equity shareholders. The final dividend of HK$27,610,000 was paid on 17 July 2023.

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Reserve fund HK$'000	Exchange reserve HK$'000	Fair value reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2023	**2,154**	**273,169**	**(64,323)**	**16,233**	**(19,207)**	**(1,048)**	**145,293**	**352,271**	**61,614**	**413,885**
Changes in equity for the six months ended 30 June 2023:										
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**13,137**	**13,137**	**316**	**13,453**
Other comprehensive income										
Defined Benefit Scheme	**–**	**–**	**–**	**–**	**–**	**–**	**(289)**	**(289)**	**–**	**(289)**
Equity investments at fair value through OCI	**–**	**–**	**–**	**–**	**–**	**(200)**	**–**	**(200)**	**–**	**(200)**
Exchange differences on translation of financial statements of overseas subsidiaries and associates outside Hong Kong	**–**	**–**	**–**	**407**	**(6,903)**	**–**	**–**	**(6,496)**	**(2,664)**	**(9,160)**
Total comprehensive income	**–**	**–**	**–**	**407**	**(6,903)**	**(200)**	**12,848**	**6,152**	**(2,348)**	**3,804**
Dividend paid to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,425)**	**(6,425)**
Dividend declared to shareholders	**–**	**(27,610)**	**–**	**–**	**–**	**–**	**–**	**(27,610)**	**–**	**(27,610)**
Balance at 30 June 2023	**2,154**	**245,559**	**(64,323)**	**16,640**	**(26,110)**	**(1,248)**	**158,141**	**330,813**	**52,841**	**383,654**

The notes on pages 25 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

	Note	Six months ended 30 June 2023 $'000	Six months ended 30 June 2022 $'000
Operating activities			
Cash generated from operations		**66,750**	126,819
Hong Kong Profits Tax paid		**(3,280)**	(1,379)
Tax paid outside Hong Kong		**(17,823)**	(10,675)
Net cash generated from operating activities		**45,647**	114,765
Investing activities			
Payment for the purchase of property, plant and equipment		**(3,839)**	(6,700)
Payment for prepayment for acquisition of property, plant and equipment		**(4,941)**	(16,232)
Proceeds from disposals of property, plant and equipment		**25**	2
Net cash inflow on acquisition of subsidiaries		**–**	16,084
Other cash flows arising from investing activities		**(7,245)**	(1,383)
Net cash used in investing activities		**(16,000)**	(8,229)
Financing activities			
Dividend paid to shareholders		**–**	(56,690)
Dividend paid to non-controlling interests		**(6,425)**	(2,651)
Shares repurchased in respect of the Share Award Scheme		**–**	(17,402)
Other cash flows arising from financing activities		**(29,979)**	20,658
Net cash used in financing activities		**(36,404)**	(56,085)
Net (decrease)/increase in cash and cash equivalents		**(6,757)**	50,451
Cash and cash equivalents at 1 January		**298,153**	295,120
Effect of foreign exchange rate changes		**(2,006)**	(7,571)
Cash and cash equivalents at 30 June	11	**289,390**	338,000

The notes on pages 25 to 40 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial report 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 report 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 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

(i) New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report 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*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, Income taxes: International tax reform — Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application. The Group provided the additional disclosures in note 5(b).

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 December 2023.

(Expressed in Hong Kong dollars unless otherwise indicated)

3 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
	1,016,658	1,472,856

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

Revenue arising from the provisions of air freight forwarding services, 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.

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment reporting

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

- Air freight: this segment provides freight forwarding services by air
- Ocean freight: this segment provides freight forwarding services by ocean
- 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.

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

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

	Six months ended 30 June 2023				
	Air freight $'000	**Ocean freight $'000**	**Cruise logistics $'000**	**Distribution and logistics $'000**	**Total $'000**
Reportable segment revenue — external sales	**381,909**	**237,564**	**197,412**	**199,773**	**1,016,658**
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					**1,044**
Profit before taxation					**26,782**

	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	663,212	519,182	95,030	195,432	1,472,856
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					189
Profit before taxation					85,413

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment reporting (Continued)

(ii) Geographic information

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

Revenue from external customers:

	Six months ended 30 June	
	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
	1,016,658	1,472,856

(iii) Segment assets and liabilities

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

4 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	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
	10,353	5,014
(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)

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	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 subsidiaries	**3,171**	236
Deferred tax	**(4,358)**	1,675
	13,329	27,447

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.

(b) Pillar Two income tax

Pillar Two Income tax apply to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD. Pillar Two legislation has been substantively enacted in Japan and Korea as at 30 June 2023 and will become applicable to Japanese and Korean entities from 2024. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

6 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 13) (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.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Owned property, plant and equipment

During the six months ended 30 June 2023, the Group acquired property, plant and equipment with costs of $4,218,000 (six months ended 30 June 2022: $8,161,000). Items of property, plant and equipment with a net book value of Nil (six months ended 30 June 2022: $8,200) were disposed of during the six months ended 30 June 2023, resulting in a net gain on disposals of $37,000 (six months ended 30 June 2022: net loss of $6,200).

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

During the six months ended 30 June 2023, the Group entered into a number of new rental agreements relating to properties and motor vehicles, and therefore recognised the additions to right-of-use assets of $53,866,000 (six months ended 30 June 2022: $40,551,000).

8 GOODWILL

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

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.

9 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	**13,559**	12,097
Trade receivables, net of loss allowance	**366,963**	464,945
Other receivables, prepayments and deposits	**72,651**	59,915
	439,614	524,860
Contract assets		
Arising from performance under freight forwarding contracts	**18,865**	15,232
Arising from performance under cruise logistics contracts	**92,176**	74,810
	111,041	90,042
	550,655	614,902

(Expressed in Hong Kong dollars unless otherwise indicated)

9 TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (Continued)

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

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

10 PLEDGED BANK DEPOSITS

The deposits are either pledged to secure certain banking facilities for guarantees on payment to certain airline suppliers and performance bonds to customers of the Group or bank borrowings granted to the Group.

11 CASH AND CASH EQUIVALENTS

	30 June 2023 $'000	31 December 2022 $'000
Cash at bank and on hand and cash and cash equivalents in the consolidated statement of financial position	**289,421**	298,202
Bank overdrafts (note 14)	**(31)**	(49)
Cash and cash equivalents in the condensed consolidated cash flow statement	**289,390**	298,153

12 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.

13 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.

14 BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts are repayable as follows:

	30 June 2023 $'000	31 December 2022 $'000
Within 1 year or on demand	**288,362**	285,183
After 1 year but within 2 years	**6,371**	596
After 2 years but within 5 years	**5,253**	1,119
	299,986	286,898

The bank loans and overdrafts are analysed as follows:

	30 June 2023 $'000	31 December 2022 $'000
Unsecured bank overdrafts (note 11)	**31**	49
Unsecured bank loans	**299,955**	286,849
	299,986	286,898

As at 30 June 2023, the interest rates of bank loans are in the range of 0.87%–7.32% per annum (31 December 2022: 0.68%–7.67% per annum).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2023 and 31 December 2022, none of the covenants relating to drawn down facilities had been breached.

(Expressed in Hong Kong dollars unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS

(a) 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.

(b) Dividends

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.

On 28 August 2023, the Company declared an interim dividend of HK3 cents per ordinary share in respect of the period ended 30 June 2023. Such dividend has not been recognised as a liability at the end of the Reporting Period.

(c) Purchase of own shares under the Share Award Scheme

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

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

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

As at 30 June 2023, the Trustee held, based on the Company's instruction, a total of 7,797,000 Shares (31 December 2022: 7,797,000 Shares). No Shares were granted to any person under the Share Award Scheme.

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the Reporting Period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2023	**Fair value measurements as at 30 June 2023 categorised into**		
		Level 1	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Recurring fair value measurement				
Unlisted equity securities	**394**	**–**	**–**	**394**
Non-trading listed equity securities	**771**	**771**	**–**	**–**
Purchase consideration payable classified as financial liabilities at fair value through profit or loss	**228,630**	**–**	**–**	**228,630**

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Unlisted equity securities	398	–	–	398
Non-trading listed equity securities	971	971	–	–
Purchase consideration payable classified as financial liabilities at fair value through profit or loss	240,253	–	–	240,253

During the six months ended 30 June 2023 and 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the Reporting Period in which they occur.

(Expressed in Hong Kong dollars unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets measured at fair value (Continued)

Unlisted equity securities

The significant unobservable inputs include discount rate of 15% (2022: 15%), sales price, sales volume and expected free cash flows of the investee. The fair value decreases with the increases in the discount rate, and increases with the increases in the sales price, sales volume and expected free cash flows of the investee.

The fair values of the unlisted equity securities are estimated as being the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus an adequate constant credit spread, adjusted for the Group's own credit risk.

Purchase consideration payable

The fair value of purchase consideration payable is estimated by discounted cash flow approach, taking into account various scenario and probabilities applied in the scenario analysis. The significant unobservable inputs of purchase consideration payable include discount rate of 5% applied on the cash-settled consideration and the expected performance of Allport Cruise Group under various scenario for the period ended 30 June 2023. The fair value decreases with the increase in the discount rate, increases with the higher expected net profit and the higher likelihood of achieving the favourable business outlook in the scenario analysis.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

17 MATERIAL RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2023	2022
	$'000	$'000
Cargo Services Group (note (i))		
— Freight forwarding service income received	**24,631**	1,978
— Freight forwarding service fee paid	**51,103**	22,526
EV Cargo Group (note (ii))		
— Freight forwarding service income received	**27,280**	71,716
— Freight forwarding service fee paid	**21,862**	23,056
Associates and joint ventures		
— Freight forwarding service income received	**1,709**	948
— Freight forwarding service fee paid	**1,449**	5,256
Non-controlling interests of subsidiaries		
— Freight forwarding service income received	**717**	8,504
— Freight forwarding service fee paid	**3,962**	25,687
Empire Transportation Company Limited		
— Trucking service expenses	**5,251**	4,795
Transway Logistics Company Limited		
— Trucking service expenses	**1,616**	1,457
Lombardi Transporti S.r.l. (a company owned by a close family member of a director of the Group)		
— Trucking services expenses	**3,001**	2,728
Directors		
— Loans	**5,240**	—

Notes:

(i) Cargo Services Group consists of Cargo Services Group Limited, a company incorporated in the Cayman Islands, CS Logistics Holdings Ltd., a company incorporated in British Virgin Islands, and their subsidiaries and associates (excluding EV Cargo Group and the Group). Cargo Services Group Limited, CS Logistics Holding Ltd. and the Group are members of the same group throughout the periods ended 30 June 2023, 31 December 2022 and 30 June 2022.

(ii) EV Cargo Group consists of EV Cargo Global Forwarding Limited, a company incorporated in the United Kingdom, and its subsidiaries and associates. EV Cargo Group is a non-controlling interest of a subsidiary of the Group throughout the periods ended 30 June 2023, 31 December 2022 and 30 June 2022.

(Expressed in Hong Kong dollars unless otherwise indicated)

18 COMMITMENTS

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

	30 June 2023 $'000	31 December 2022 $'000
Contracted for	**3,920**	–
	3,920	–

19 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 (see note 14). 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 down by the Group, being $260,900,000 (31 December 2022: $267,100,000).

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, the Directors declared an interim dividend. Further details are disclosed in note 15(b).