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## **CN Logistics International Holdings Limited**

**嘉泓物流國際控股有限公司**

**(the “Company”)**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2130)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**

#### **FINANCIAL HIGHLIGHTS**

The Group recorded revenue of approximately HK\$1,223.6 million during the Reporting Period (1H2023: HK\$1,016.7 million), representing a period-on-period increase of approximately 20.4%.

The net profit attributable to equity shareholders was approximately HK\$18.6 million during the Reporting Period (1H2023: HK\$13.1 million), representing a period-on-period increase of approximately 41.7%.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”), excluded the one off fair value gain on consideration for the acquisition of Allport Cruise, was approximately HK\$63.8 million during the Reporting Period (1H2023: HK\$41.1 million), representing a period-on-period increase of approximately 55.3%.

The freight forwarding services business (including air and ocean freight forwarding services), together with the cruise logistics business, recorded an increase in revenue of approximately 27.2% in segment results for the Reporting period, from approximately HK\$816.9 million in 1H2023 to approximately HK\$1,038.9 million.

The Board has declared the payment of an interim dividend of HK2 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 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023 (the “**1H2023**”).

The interim results of the Group for the Reporting Period is 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 2024 — unaudited*

*(Expressed in Hong Kong dollars)*

		Six months ended 30 June	
	Note	2024	2023
		\$'000	\$'000
<b>Revenue</b>	2	<b>1,223,581</b>	1,016,658
Cost of services		<b>(995,331)</b>	(811,781)
<b>Gross profit</b>		<b>228,250</b>	204,877
Other income		<b>1,676</b>	3,288
Other net gain		<b>6,164</b>	12,861
Administrative and other operating expenses		<b>(186,057)</b>	(184,935)
<b>Profit from operations</b>		<b>50,033</b>	36,091
Finance costs	3(a)	<b>(12,983)</b>	(10,353)
Share of profits of associates and joint ventures		<b>2,031</b>	1,044
<b>Profit before taxation</b>	3	<b>39,081</b>	26,782
Income tax	4	<b>(18,833)</b>	(13,329)
<b>Profit for the period</b>		<b>20,248</b>	13,453
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>18,610</b>	13,137
Non-controlling interests		<b>1,638</b>	316
<b>Profit for the period</b>		<b>20,248</b>	13,453
<b>Earnings per share (Hong Kong cents)</b>			
Basic and diluted	5	<b>6.4</b>	4.5

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

*For the six months ended 30 June 2024 — unaudited  
(Expressed in Hong Kong dollars)*

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for the period</b>	<b>20,248</b>	<b>13,453</b>
<b>Other comprehensive income for the period (after taxation)</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit retirement obligations	<b>72</b>	(289)
Remeasurement of equity investment at fair value through other comprehensive income	<b>10</b>	(200)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries, associates and a joint venture outside Hong Kong	<u><b>(14,233)</b></u>	<u>(9,160)</u>
<b>Total comprehensive income for the period</b>	<u><b>6,097</b></u>	<u><b>3,804</b></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>6,253</b>	6,152
Non-controlling interests	<u><b>(156)</b></u>	<u>(2,348)</u>
<b>Total comprehensive income for the period</b>	<u><b>6,097</b></u>	<u><b>3,804</b></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 30 June 2024 — unaudited*

*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>30 June 2024 \$'000</b>	<b>31 December 2023 \$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>245,489</b>	253,546
Intangible assets		<b>2,590</b>	2,524
Goodwill	7	<b>223,536</b>	224,762
Interests in associates		<b>13,006</b>	11,379
Interests in joint ventures	8	<b>—</b>	2,925
Other financial assets		<b>5,251</b>	5,375
Loan receivables	9	<b>10,401</b>	4,988
Deferred tax assets		<b>12,353</b>	10,881
		<b>512,626</b>	516,380
<b>Current assets</b>			
Trade and other receivables and contract assets	10	<b>724,957</b>	561,333
Loan receivables	9	<b>8,388</b>	—
Amounts due from Cargo Services Group		<b>29,293</b>	20,003
Amounts due from EV Cargo Group		<b>22,796</b>	22,727
Amounts due from associates		<b>1,140</b>	1,079
Amounts due from joint ventures		<b>—</b>	8,278
Pledged bank deposits		<b>2,258</b>	2,323
Time deposits		<b>25,090</b>	22,205
Cash and cash equivalents		<b>208,494</b>	260,279
		<b>1,022,416</b>	898,227
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	11	<b>386,976</b>	307,531
Amounts due to Cargo Services Group		<b>77,410</b>	217,570
Amounts due to EV Cargo Group		<b>9,693</b>	9,401
Amounts due to associates		<b>1,846</b>	197
Amounts due to joint ventures		<b>—</b>	448
Bank loans and overdrafts		<b>349,555</b>	307,718
Lease liabilities		<b>56,999</b>	50,474
Current taxation		<b>11,684</b>	7,934
		<b>894,163</b>	901,273
<b>Net current assets/(liabilities)</b>		<b>128,253</b>	(3,046)
<b>Total assets less current liabilities</b>		<b>640,879</b>	513,334

	<i>Note</i>	<b>30 June 2024 \$'000</b>	<b>31 December 2023 \$'000</b>
<b>Non-current liabilities</b>			
Bank loans		<b>3,229</b>	13,230
Lease liabilities		<b>52,696</b>	51,256
Defined benefit retirement obligations		<b>11,720</b>	11,254
Amounts due to Cargo Services Group		<b>12,044</b>	24,097
		<b>79,689</b>	99,837
<b>NET ASSETS</b>		<b>561,190</b>	413,497
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>12</i>	<b>2,344</b>	2,154
Reserves		<b>514,043</b>	360,895
<b>Total equity attributable to equity shareholders of the Company</b>		<b>516,387</b>	363,049
<b>Non-controlling interests</b>		<b>44,803</b>	50,448
<b>TOTAL EQUITY</b>		<b>561,190</b>	413,497

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 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 30 August 2024.

The interim financial report have been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 2023 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.

## 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:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

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 2(b).

### (i) *Disaggregation of revenue*

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

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
— Provision of air freight forwarding services	503,592	381,909
— Provision of ocean freight forwarding services	308,940	237,564
— Provision of distribution and logistics services	184,659	199,773
— Provision of cruise logistics services	226,390	197,412
	<u>1,223,581</u>	<u>1,016,658</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 2024 and 2023 is set out below.

	Six months ended 30 June 2024				Total \$'000
	Air freight \$'000	Ocean freight \$'000	Cruise logistics \$'000	Distribution and logistics \$'000	
Reportable segment revenue					
— external sales	<u>503,592</u>	<u>308,940</u>	<u>226,390</u>	<u>184,659</u>	<u>1,223,581</u>
Reportable segment gross profit	86,508	51,860	75,702	14,180	228,250
Other income					1,676
Other net gain					6,164
Administrative and other operating expenses					(186,057)
Finance costs					(12,983)
Share of profits of associates and joint ventures					<u>2,031</u>
Profit before taxation					<u><u>39,081</u></u>
	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 ventures					<u>1,044</u>
Profit before taxation					<u><u>26,782</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	
	2024	2023
	\$'000	\$'000
Hong Kong	258,302	213,679
Mainland China	252,615	225,183
Italy	303,858	252,336
Taiwan	59,389	43,255
USA	224,835	197,412
Other countries	124,582	84,793
	<u>1,223,581</u>	<u>1,016,658</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:

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
<b>(a) Finance costs</b>		
Interest on bank loans and overdrafts	10,384	8,061
Interest on lease liabilities	<u>2,599</u>	<u>2,292</u>
	<u>12,983</u>	<u>10,353</u>
<b>(b) Other items</b>		
Depreciation charge		
— owned property, plant and equipment	14,505	14,233
— right-of-use assets	38,081	33,604
Amortisation cost of intangible assets	209	3,628
Provision for impairment loss on trade receivables	<u>—</u>	<u>85</u>

#### 4. 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	
	2024	2023
	\$'000	\$'000
Current tax — Hong Kong Profits Tax	1,855	1,169
Current tax — Outside Hong Kong	16,499	13,347
Withholding tax on distributable profits of subsidiaries	1,981	3,171
Deferred tax	(1,502)	(4,358)
	<u>18,833</u>	<u>13,329</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2023: 16.5%) of the estimated assessable profits for the six months ended 30 June 2024.

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

#### 5. EARNINGS PER SHARE

(a) Basic earnings per share

For the six months ended 30 June 2024, the calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$18,610,000 (1H2023: \$13,137,000) and the weighted average of 292,692,000 ordinary shares (1H2023: 292,692,000 ordinary shares) in issue during the Reporting Period, calculated as follows:

	30 June 2024	30 June 2023
	'000	'000
Issued ordinary shares at 1 January	276,100	276,100
Potential issuance of consideration shares to controlling shareholder	—	24,389
Issuance of consideration shares to controlling shareholder	24,389	—
Shares purchased in respect of the Share Award Scheme	(7,797)	(7,797)
	<u>292,692</u>	<u>292,692</u>
Weighted average number of ordinary shares at 30 June		

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2024, and therefore, diluted earnings per share is the same as basic earnings per share.

## 6. DIVIDEND

During the six months ended 30 June 2024, the Group's subsidiaries declared and paid dividends of \$5,489,000 (six months ended 30 June 2023: \$6,425,000) to non-controlling interests.

## 7. GOODWILL

	<b>30 June 2024 \$'000</b>	31 December 2023 \$'000
At 1 January	<b>224,762</b>	224,559
Exchange adjustments	<b>(1,226)</b>	203
At the end of the period/year	<b><u>223,536</u></b>	<b><u>224,762</u></b>

Goodwill is allocated to the Group's cash generating units identified as follows:

	<b>30 June 2024 \$'000</b>	31 December 2023 \$'000
Airfreight forwarding business — Taiwan	<b>21,436</b>	22,646
Cruise logistics business — Allport Cruise Group	<b>202,100</b>	202,116
	<b><u>223,536</u></b>	<b><u>224,762</u></b>

## 8. INTERESTS IN JOINT VENTURES

During the six months ended 30 June 2024, the Group has disposed of PJF Wines Limited to Cargo Services Group and CN FM Logistics (Malaysia) Snd. Bhd to a third party at a consideration of \$1 and \$2,906,000, respectively. The total loss on disposal amounted to \$458,000.

## 9. LOAN RECEIVABLES

- (a) Loans to directors of the Company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

### Loans made by a subsidiary of the Company

Name of borrower	Augusta Morandin	Fabio Di Nello
Relationship with the Company	Director	Director
Terms of the loan		
— duration and repayment terms	31 December 2025	31 December 2025
— loan amount	EUR 330,000	EUR 330,000
— interest rate	Main refinancing operations — Fixed rate tenders Fixed rate of European Central Bank	Main refinancing operations — Fixed rate tenders Fixed rate of European Central Bank
— security	None	None
Balance of the loan		
— at 31 December 2023 and 1 January 2024	\$2,494,000	\$2,494,000
— at 30 June 2024	\$2,563,000	\$2,563,000
Maximum balance (undiscounted) outstanding		
During the six months ended 30 June 2024	\$2,760,000	\$2,760,000
During the six months ended 30 June 2023	\$2,816,000	\$2,816,000

- (b) In addition to the above, during the six months ended 30 June 2024, a subsidiary of the Company granted a loan of USD1,750,000, equivalent to \$13,663,000, to an employee of this subsidiary, which is unsecured and interest bearing at 5% per annum. The loan is repayable in two years, of which \$5,275,000 was recorded as non-current assets at 30 June 2024 based on the repayment schedule of the loan agreement.

## 10. 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 2024 \$'000	31 December 2023 \$'000
Within 1 month	393,242	296,931
1 to 2 months	53,572	49,749
2 to 3 months	15,925	16,915
Over 3 months	8,974	9,603
	<hr/>	<hr/>
Trade receivables, net of loss allowance	471,713	373,198
Other receivables, prepayments and deposits	97,396	73,416
	<hr/>	<hr/>
	569,109	446,614
	<hr/>	<hr/>
<b>Contract assets</b>		
Arising from performance under freight forwarding contracts	39,334	11,430
Arising from performance under cruise logistics contracts	116,514	103,289
	<hr/>	<hr/>
	155,848	114,719
	<hr/>	<hr/>
	724,957	561,333
	<hr/>	<hr/>

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.

## 11. 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:

	<b>30 June 2024 \$'000</b>	<b>31 December 2023 \$'000</b>
Within 1 month	<b>224,541</b>	160,776
1 to 3 months	<b>60,222</b>	61,026
Over 3 months	<b>19,574</b>	14,321
	<hr/>	<hr/>
Trade payables	<b>304,337</b>	236,123
Other payables and accrued charges	<b>47,850</b>	63,613
	<hr/>	<hr/>
	<b>352,187</b>	299,736
	<hr/>	<hr/>
Contract liabilities	<b>34,789</b>	7,795
	<hr/>	<hr/>
	<b>386,976</b>	307,531
	<hr/>	<hr/>

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.

## 12. SHARE CAPITAL

As at 30 June 2024 and 31 December 2023, 50,000,000,000 ordinary shares, with par value of US\$0.001 each, are authorised for issue.

On 19 February 2024, the Company issued 24,389,000 ordinary shares to Cargo Services Seafreight Limited in relation to the settlement of the consideration payable for the Allport Cruise Group acquisition.

As at 30 June 2024, the Company has 300,489,000 ordinary shares (31 December 2023: 276,100,000 ordinary shares) in issue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Board announces the unaudited interim results of Group for the Reporting Period. The relevant financial figures for the 1H2023 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, ocean freight forwarding services, distribution and logistics services as well as cruise logistics services, with a primary focus on high-end fashion (including luxury and affordable luxury products). The Group maintains long-term relationships with esteemed clients, including globally renowned premium and luxury brands, as well as a diverse array of other apparel companies.

The Group operates 21 local offices across 15 countries and regions, including the People's Republic of China ("PRC" or "China"), Hong Kong, Taiwan, Italy, Japan, the United States of America ("USA"), Macau, Thailand, Vietnam, South Korea, France, Switzerland, Indonesia, Netherlands and Cambodia. Furthermore, the Group has formed partnerships with a number of business associates, extending its reach to more than 100 countries and regions worldwide.

The global logistics industry demonstrated a notable growth in the first half of 2024, driven by a resurgence in traditional shipping patterns and increased demand across various sectors. The industry is projected to grow by 3.8% in 2024, supported by rising industrial production and consumer demand, particularly in the PRC, USA and India. Resilience remained a key focus, as geopolitical tensions, labor strikes, and environmental challenges persisted. Despite some economic uncertainties, the logistics sector has been stabilizing, with ocean and air transportation capacities resuming to pre-pandemic levels. In the first half of 2024, the Group saw a gradual rebound in business volume and orders, with its revenue increased period-on-period by 20.4% to HK\$1,223.6 million (1H2023: HK\$1,016.7 million). Due to stringent control on the Group's expenses, the net profit attributable to the equity shareholders increased by 41.7% to HK\$18.6 million (1H2023: HK\$13.1 million).

#### Regional Analysis — Greater China

During the Reporting Period, the revenue contributed by the Group's PRC office increased by 12.2% to HK\$252.6 million (1H2023: HK\$225.2 million), of which approximately HK\$72.5 million was contributed by the eCommerce business handled by CN Express International Limited ("CN Express"), as a result of the gradual recovery of China's manufacturing industry, the growth of the Group's eCommerce business, the rebound in handling volumes commissioned by customers, and the increase in freight rates.



Although China's economic recovery has not met the initial expectations, the Group has observed improvement in sentiment in recent months, with customer confidence on a rise. As a trusted partner of luxury brands and high-end fashion retailers, the Group continues to seek innovative solutions to enhance customer loyalty and operational efficiency, including the introduction of smart robotic warehouses.

### **Regional Analysis — Europe**

During the Reporting Period, the revenue contributed by the Group's Italy office increased by 20.4% to HK\$303.9 million (1H2023: HK\$252.3 million), as a result of an increase in the handling volume due to the increase in the demand for freight forwarding services of the existing customers, in particular from the high-end fashion industry and tyre industry.

Europe remained the key market for the Group and the largest revenue contributor. In the first half of 2024, Europe's economy regained growth momentum, overcoming the stagnation experienced in the latter half of 2023. This economic revival boosted consumer confidence and sustained robust retail growth. During the Reporting Period, the Group has strengthened its relationships with key clients, successfully securing more logistics orders, leading to a rebound in business performance. The improved economic conditions and strategic client engagement have been pivotal in driving the Group's success in Europe.

### **Regional Analysis — Southeast Asia**

The Group continued to tap into the Southeast Asian market to establish a new growth engine. Under the backdrop of the implementation of Regional Comprehensive Economic Partnership, the Group witnessed more business opportunities as a result of continuous economic growth and improved investment sentiment. During the Reporting Period, remarkable results have been achieved in the Group's Vietnam and Indonesia offices, with a revenue increase of 54.2% and over 200%, respectively.

Meanwhile, the Group's Cambodia office, which opened in late 2023, also picked up the pace and received increasing logistics orders during the Reporting Period. The Group remains confident in the potential of Southeast Asian markets and is gradually increasing its investment in logistics infrastructure across these three countries. This strategic investment aims to enhance business scalability and achieve stronger synergies, ultimately driving greater efficiency and profitability.

## **FINANCIAL RESULTS**

The Group recorded revenue of approximately HK\$1,223.6 million during the Reporting Period (1H2023: HK\$1,016.7 million), representing a period-on-period increase of approximately 20.4%. Gross profit of approximately HK\$228.3 million was recorded during the Reporting Period (1H2023: HK\$204.9 million), representing a period-on-period increase of 11.4%. The net profit attributable to equity shareholders of the Company was approximately HK\$18.6 million during the Reporting Period (1H2023: HK\$13.1 million), representing a period-on-period increase of approximately 41.7%.

## **SEGMENTAL ANALYSIS**

The Group principally involves in the provision of air 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 41.2% of the Group's total revenue during the Reporting Period (1H2023: 37.6%). 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, Korea and Japan which provides access to space procurement for air cargo routes worldwide in these locations and is 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\$503.6 million (1H2023: HK\$381.9 million), representing an increase approximately 31.9% as compared to the corresponding period of 2023. Gross profit of the segment increased from HK\$75.9 million in the corresponding period of 2023 to approximately HK\$86.5 million during the Reporting Period. The increase in revenue and gross profit were mainly due to increase in the demand for airfreight forwarding services in all regional offices of the Group as a result of the recovery of the economic environment, leading to the increase in handling volume by 17.6% and increase in the airfreight rate compared to the corresponding period of 2023.

## **Distribution and logistics services**

The distribution and logistics segment contributed approximately 15.1% of the total revenue of the Group during the Reporting Period (1H2023: 19.6%). The Group is one of the pioneers in the logistics supply chain industry in the PRC and Hong Kong, which provides comprehensive supply chain warehousing and logistics solutions and customised business to business distribution and logistics service solutions to meet the cost-effective needs of its customers. 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 35 distribution centres with a total gross floor area of approximately 1,300,000 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.

During the Reporting Period, the revenue from this segment was approximately HK\$184.7 million (1H2023: HK\$199.8 million), representing a decrease of approximately 7.6% as compared with the corresponding period of 2023 and the gross profit was approximately HK\$14.2 million (1H2023: HK\$17.1 million), representing a decrease of approximate of 16.6% as compared with the corresponding period of 2023. The decrease in revenue and gross profit were mainly due to the decrease in the services provided to a major customer in the PRC as a result of the decrease in the local demand of their products.

## **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, Taiwan and Japan.

During the Reporting Period, the revenue from this segment was approximately HK\$308.9 million (1H2023: HK\$237.6 million), representing an increase of approximately 30.0% as compared with the corresponding period of 2023; gross profit was approximately HK\$51.9 million (1H2023: HK\$43.1 million), representing an increase of approximately 20.4% as compared with the corresponding period of 2023. The increase in revenue and gross profit were primarily due to 1) the significant increase in import shipments of luxury products and tyre products from the PRC and the Southeast Asia to Italy, 2) increase in export shipment of garments from the Group's Vietnam office to the USA, and 3) the ability of the Group's Taiwan office to source sizeable customers from different sectors, such as customers from the automotive industry for the export shipments of car parts to the USA.

### **Cruise logistics**

In March 2022, the Group has acquired the entire issued share capital of Allport Cruise Logistics Inc. ("**Allport Cruise**", together with its subsidiaries, the "**Allport Cruise Group**"), which 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\$226.4 million (1H2023: HK\$197.4 million), representing an increase of 14.7% as compared to the corresponding period in 2023.

The increase in revenue was primarily due to the continuous recovery of the cruise industry and the increase in drydock projects handled by the Group in the first half of 2024.

### **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 increased from approximately negative HK\$3.0 million as at 31 December 2023 to HK\$128.3 million as at 30 June 2024. The current ratio of the Group increased from approximately 1.00 times as at 31 December 2023 to approximately 1.14 times as at 30 June 2024. The increase in working capital was mainly resulted from the settlement of the consideration for the acquisition of Allport Cruise by the Group in February 2024, partly by way of issue of consideration shares, whereby an amount due to Cargo Services Group Limited of approximately HK\$148.0 million originally recorded as current liabilities as at 31 December 2023 were transferred to equity upon the completion of the issuance of the consideration shares.

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately HK\$208.5 million, which remained stable as compared to the cash and cash equivalents as at 31 December 2023. During the Reporting Period, the Group had operating cash outflow of approximately HK\$15.0 million (1H2023: operating cash inflow of approximately HK\$45.6 million). As at 30 June 2024, the Group's outstanding bank loans and overdrafts amounted to approximately HK\$352.8 million (as at 31 December 2023: approximately HK\$320.9 million). The gearing ratio of the Group increased to approximately 50.3% as at 30 June 2024 (as at 31 December 2023: 21.0%) as a result of the increase in bank loans and overdrafts and decrease in cash and cash equivalents. The gearing ratio was calculated as the net of the total of bank loans and overdrafts and cash and cash equivalents 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 2023: 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 2024, the Group had no material capital commitment (31 December 2023: Nil) which are contracted but not provided for.

## **CONTINGENT LIABILITIES**

As at 30 June 2024, 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 2024 is the amount of the facilities drawn by the Group, being HK\$348.0 million (as at 31 December 2023: HK\$314.7 million).

## **CHARGE ON GROUP ASSETS**

As at 30 June 2024, certain interest-bearing bank borrowings and bank guarantees were secured by pledged bank deposit amounted to approximately HK\$2.3 million (as at 31 December 2023: HK\$2.3 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 “**Subscription Agreement**”) with Mr. Chan Wing Luk, being an Independent Third Party. Pursuant to the 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 “**Subscription**”), representing a discount of approximately 3.0% to the closing price of HK\$7.45 per Share on the date of the Subscription Agreement. The Directors consider that the 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 Subscription was completed on 3 June 2021. The net proceeds raised from the Subscription, after deduction of professional fees and other related expenses, were approximately HK\$35.6 million and accordingly, the net price for the Subscription was HK\$7.12 per Share. For further details of the Subscription, please refer to the Company’s announcements dated 18 May and 3 June 2021.



The following table sets forth details of the use of the net proceeds from the Subscription up to 30 June 2024:

	Unutilised amount as at 1 January 2024 <i>HK\$ million</i>	Amount utilised during Reporting Period <i>HK\$ million</i>	Unutilised amount as at 30 June 2024 <i>HK\$ million</i>	Expected timeline for utilization
<b>The Subscription</b>				
Expansion of business and local presence in Hainan Province in the PRC, Southeast Asia and the United Kingdom	35.6	27.4	2.0	25.4 On or before 2 June 2026
	<hr/>	<hr/>	<hr/>	<hr/>

During the Reporting Period, the proceeds raised by the Company from the Subscription were utilised, or were proposed to be utilised, in accordance with the intentions previously disclosed by the Company, and there was no material change in the use of proceeds. The expected timeline of using the unutilised net proceeds from the Subscription has been delayed from on or before 2 June 2024 to on or before 2 June 2026 due to (i) the slowdown of the Group's business expansion in Hainan Province because of the uncertain logistics market in the PRC and (ii) the on-going negotiations with the Group's potential partners on the proposed expansion of business by setting up branch offices and joint ventures in the United Kingdom and the Southeast Asia.

## PROSPECTS

Entering the second half of 2024, the Group maintains an optimistic outlook for the remainder of the year and beyond. This positive perspective is reinforced by the improving global economic landscape, with the International Monetary Fund projecting global gross domestic product growth to reach 3.2% in 2024, up from 2.8% in 2023. While the past two years presented significant challenges due to decreased freight rates and reduced business volumes, the Group is now witnessing encouraging signs of recovery. The core business segments are experiencing a gradual increase in volumes, accompanied by a stabilization of freight rates. This positive trend, combined with the Group's strategic cost optimization efforts implemented during the downturn, positions itself favourably for a strong rebound in the evolving logistics market. Looking ahead, the Group targets to expand its business in the following directions:

## **Enhance Global Reach to Foster Business Synergies**

The Group has strategically expanded its global presence by entering high-potential regional markets. By establishing regional offices in countries such as Vietnam, Indonesia, and Cambodia, the Group is well-positioned to capitalize on local market opportunities through localized management, efficient operations, and a strong reputation. This approach has enabled the Group to achieve rapid and substantial returns shortly after setting up the offices. Looking ahead, the Group will seek opportunities in existing markets to achieve organic growth while also expanding into new regions to further enhance its global business footprint.

## **Further Tap into the eCommerce Sector through “CN Express”**

Since the official launch of “CN Express” in late 2023, the Group has successfully earned the trust of eCommerce platforms and progressively expanded its collaborations with leading market players. Buoyed by these early successes, the Group aims to broaden its partnerships with existing customers by extending services to more countries and gradually increasing the number of chartered cargo flights. The Group is also eager to forge new business relationships with additional platforms and gradually evolve into an eCommerce-focused logistics solution provider.

## **Capitalise the Market Opportunities in Cruise Logistics Segment**

With the rebound of global tourism, the Group will continue to seize new opportunities within the cruise market. As cruise operations fully normalize and the number of voyages increases, the Group, recognized as a dependable partner by leading cruise operators, is poised to secure more contracts for drydock and replenishment projects in the coming years. It is also worth noting that numerous new cruises are set to be launched in the near future. Market data projects that the number of cruise travellers will rise from 31.5 million in 2023 to 39.5 million in 2027, highlighting the significant demand in the cruise logistics segment.

## **Strengthen Collaboration with DP World**

A pivotal development further enhancing the Group’s positive outlook is the recent change in its ownership structure. The Group is delighted to announce that DP World Logistics FZE (“**DP World**”), a key player in the Middle East logistics sector, has officially become its major shareholder. This strategic alliance is expected to generate substantial business synergies and unlock new growth opportunities for the Group. With the support of DP World as a major shareholder, the Group will have a much easier path to enter into the Middle East market. This relationship will leverage DP World’s extensive logistics network, deep regional knowledge, and established relationships in the area. By tapping into these resources, the Group can effectively expand its operations in this key market, enhancing service delivery and capturing new business opportunities.



## **HUMAN RESOURCES**

As at 30 June 2024, the Group employed 823 employees (as at 30 June 2023: 828 employees). During the Reporting Period, employee cost, including Directors' remuneration, was approximately HK\$166,624,000 (1H2023: approximately HK\$169,240,000). 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 HK2 cents per ordinary Share absorbing a total amount of HK\$600,978, in respect of the Reporting Period. The proposed interim dividend is expected to be paid on Friday, 1 November 2024 to all shareholders of the Company whose names to be appeared on the register of members of the Company on Friday, 18 October 2024.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 16 October 2024 to Friday, 18 October 2024 (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 Tuesday, 15 October 2024.

## **CORPORATE GOVERNANCE PRACTICES**

The Board has adopted the code provision of the Corporate Governance Code (the "CG Code") contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong ("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 C3 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, 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 made available 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, 30 August 2024

*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.*