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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)

CONTINUING CONNECTED TRANSACTION EV CARGO GROUP MASTER AGENCY AGREEMENT

On 23 December 2020, the Company has entered into the EV Cargo Group Master Agency Agreement with EV Cargo, pursuant to which EV Cargo and the Company appoint each other (including their subsidiaries and associates) as the agent for the provision of air freight forwarding services in relation to shipments with origins or destinations in the PRC and the United Kingdom, as well as the countries where the Member of the Company and Member of EV Cargo operate in. The term of the EV Cargo Group Master Agency Agreement is for a period from the date thereof to 31 December 2022.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, EV Cargo was the indirect holding company (having such meaning as defined in the Listing Rules) of Princetohall Limited. Princetohall Limited is a substantial shareholder of CS Shanghai BVI, being a subsidiary of the Company. As such, EV Cargo is a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the EV Cargo Group Master Agency Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On the basis that EV Cargo is a connected person of the Company at subsidiary level only, by virtue of Rule 14A.101 of the Listing Rules, the EV Cargo Group Master Agency Agreement is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

EV CARGO GROUP MASTER AGENCY AGREEMENT

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The principal terms of the EV Cargo Group Master Agency Agreement are set out below:

Date: 23 December 2020

Parties: (i) The Company
(ii) EV Cargo

Principal terms: Under the EV Cargo Group Master Agency Agreement, EV Cargo and the Company appoint each other (including their subsidiaries and associates) as the agent for the provision of air freight forwarding services in relation to shipments with origins or destinations in the PRC and the United Kingdom, as well as the countries where the Member of the Company and Member of EV Cargo operate in.

Pricing Policy:

- (a) *Where the Group acts as the freight forwarding agent:* The service fee to be paid by the relevant member of the EV Cargo Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the Group with reference to prevailing market rates. For the purpose of determining the service fee payable by the relevant member of the EV Cargo Group for each shipment, the Group implements a pricing policy which is determined by its management from time to time and is generally applicable to its customers, including the members of the EV Cargo Group and the other Independent Third Party customers of the Group. Under such pricing policy, the air freight service fee to be offered by the Group to its customers will be determined with reference to the then prevailing air freight cost for the relevant shipment plus certain percentage of profit margin. Such profit margin will be determined by the Group's management from time to time with reference to, among others, the timetable of air freight carriers, the route, popularity of the route, seasonality, and any other factors in which the management from time to time may consider material. Such profit margin is subject to such discretionary adjustments as may be made available by the Group based on the then prevailing discount rate policies of the Group, such as discounts for high volume orders, which are generally applicable to the members of the EV Cargo Group and the other Independent Third Party customers of the Group.
- (b) *Where the EV Cargo Group acts as the freight forwarding agent:* The service fee to be paid by the relevant member of the Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the EV Cargo Group with reference to prevailing market rates. In determining whether the Group should engage the relevant member of the EV Cargo Group or other Independent Third Party freight forwarding service providers as the agent for the provision of air freight forwarding services in a jurisdiction for any particular shipment, and for determining the service fee payable to the relevant member of the EV Cargo Group for such shipment, the Group will also take into account the freight volume and size, nature and requirements of items on freight, air freight charges otherwise offered by other Independent Third Party freight forwarding service providers of comparable services, the track record and reputation of other Independent Third Party freight forwarding service providers as compared with the EV Cargo Group and the Group's own budget and financial position.

Historical amount

The approximate transaction amount between the Group and the EV Cargo Group for the provision and supply of air freight forwarding services in relation to shipments with origins or destinations in the PRC and the United Kingdom, as well as the countries where the Member of the Company and Member of EV Cargo operate in for each of the years ended 31 December 2017, 2018 and 2019 and the ten months ended 31 October 2020 are set out below:

	For the year ended 31 December			For the ten months ended
	2017	2018	2019	31 October 2020
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
(i) Cost of services charged by the EV Cargo Group	26,232	23,216	20,462	30,720
(ii) Revenue derived from the EV Cargo Group	180,492	158,323	154,518	105,153

Annual caps

The Directors estimated that the annual transaction amount between the Group and the EV Cargo Group in respect of the provision and supply of air freight forwarding services contemplated under the EV Cargo Group Master Agency Agreement for each of the three years ending 31 December 2022 will be as follows:

	For the year ending 31 December		
	2020	2021	2022
	(HK\$'000)	(HK\$'000)	(HK\$'000)
(i) Service fees payable to the EV Cargo Group	37,000	42,000	44,000
(ii) Service fees payable by the EV Cargo Group	127,000	145,000	151,000

Note: The above annual caps for the year ending 31 December 2020 are inclusive of all the service fees charged or chargeable by the Group or (as the case may be) the EV Cargo Group for the provision and supply of air freight forwarding services in relation to shipments with origins or destinations in the PRC and the United Kingdom, as well as the countries where the Member of the Company and Member of EV Cargo operate in since 1 January 2020 and before the signing of the EV Cargo Group Master Agency Agreement, and the services fee chargeable under the EV Cargo Group Master Agency Agreement.

Basis of determination

In determining the above proposed annual caps in respect of the provision and supply of air freight forwarding services contemplated under the EV Cargo Group Master Agency Agreement for each of the three years ending 31 December 2022, the Directors have considered generally:

- (i) the historical service fees charged by the Group or (as the case may be) the EV Cargo Group during the years ended 31 December 2017, 2018 and 2019 and the ten months ended 31 October 2020 for the provision and supply of air freight forwarding services in relation to shipments with origins or destinations in the PRC and the United Kingdom, as well as the countries where the Member of the Company and Member of EV Cargo operate in;
- (ii) (for the year ending 31 December 2020) the respective service fees charged by the Group or (as the case may be) the EV Cargo Group for the provision and supply of air freight forwarding services during the ten months ended 31 October 2020 and the estimated service fees chargeable for the remaining two months ending 31 December 2020, taking into account the seasonality of the freight forwarding industry that there are generally more orders for freight forwarding services during the second half of the year;
- (iii) the expected demand for air freight forwarding services by the Group and the EV Cargo Group, respectively;
- (iv) (for the year ending 31 December 2021 and 2022) the expected growth of approximately 4% in demand of air freight forwarding services by the Group and the EV Cargo Group; and
- (v) the 10% buffer to cater for the unanticipated increase in transaction amount among the Group and the EV Cargo Group under the EV Cargo Group Master Agency Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

EV Cargo is a holding company and, to the best knowledge of the Directors upon making reasonable enquiries, the EV Cargo Group is principally engaged in the provision of air and ocean freight forwarding and logistics services, mainly in the United Kingdom and other parts of Europe for customers which are mainly supermarkets and department stores. The EV Cargo Group has operations in over 100 countries and investments across three continents in 26 countries, with warehousing space of 3 million sq. ft., 1,300 trucks and 4,750 logistics professionals. On the other hand, the Group operates local offices in 13 cities across eight countries and territories, including Hong Kong, Shanghai, Guangzhou, Taipei, Tokyo, Seoul, Paris and Chiasso.

While the Group is able to provide freight forwarding and local logistics services to its customers worldwide in locations where it has local presence, the Group has been maintaining a large freight forwarder business partners network across more than 100 countries to extend the coverage of the Group's air freight forwarding services to many more locations worldwide, and the EV Cargo Group has been one of the Group's freight forwarder business partners. Similarly, the EV Cargo Group may also from time to time require the Group's local offices to provide air freight forwarding and local logistics services for its customers in locations where the EV Cargo Group does not have its local presence. In this regard, as disclosed in the Company's prospectus for its initial public offering dated 30 September 2020, the Group has entered into a master agency agreement with EV Cargo, being a member of the EV Cargo Group, for the appointment of each other as agent for the provision of air freight forwarding services with origins or destinations in the PRC and the United Kingdom. The Directors believe that, by entering into the EV Cargo Group Master Agency Agreement, both the Group and the EV Cargo Group will be able to continue its business cooperation on global basis, and the Group will benefit from the freight forwarding business brought in by the EV Cargo Group and the freight forwarding services it could provide to the Group in jurisdictions in which the Group does not have local presence.

The Directors (including the independent non-executive Directors), after reviewing the terms of the EV Cargo Group Master Agency Agreement, are of the view that the EV Cargo Group Master Agency Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and that the terms of the EV Cargo Group Master Agency Agreement as well as the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

RELATIONSHIPS AND IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, EV Cargo is ultimately owned or controlled as to (i) 20% by Mr. Lau; (ii) 78% by funds managed by EmergeVest, a sophisticated investor in the logistics industry; and (iii) 2% by Mr. William Henry James Toye, an Independent Third Party. As at the date of this announcement, EV Cargo was the indirect holding company (having such meaning as defined in the Listing Rules) of Princetohall Limited. Princetohall Limited is a substantial shareholder of CS Shanghai BVI, being a subsidiary of the Company. As such, EV Cargo is a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the EV Cargo Group Master Agency Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On the basis that EV Cargo is a connected person of the Company at subsidiary level only, by virtue of Rule 14A.101 of the Listing Rules, the EV Cargo Group Master Agency Agreement is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Lau is materially interested in the transactions contemplated under the EV Cargo Group Master Agency Agreement by virtue of his 20% equity interest in EV Cargo, he has abstained from voting on the respective resolutions passed at the Board meeting for approving the EV Cargo Group Master Agency Agreement and the related annual caps. Save for Mr. Lau, none of the other Directors is or is deemed to have a material interest in the above transactions.

GENERAL

The principal activity of the Company is investment holding. The Group is a well-established international logistics solutions provider with core business of providing air freight forwarding services and distribution and logistics services in relation to fashion products and fine wine, primarily focusing on high-end fashion (including luxury and affordable luxury) products.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	CN Logistics International Holdings Limited (嘉泓物流國際控股有限公司), an exempted company limited by shares incorporated in the Cayman Islands, whose issued Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CS Shanghai BVI”	CS Airfreight (Shanghai) Limited, a company incorporated in the British Virgin Islands with limited liability and a direct non-wholly owned subsidiary of the Company
“Directors”	the directors of the Company
“EV Cargo”	EV CARGO GLOBAL FORWARDING LIMITED, (formerly known as ALLPORT CARGO SERVICES LIMITED), a company incorporated in the United Kingdom with limited liability
“EV Cargo Group”	EV Cargo and its associates from time to time (excluding CS Shanghai BVI)
“EV Cargo Group Master Agency Agreement”	the agreement dated 23 December 2020 and entered into between the Company and EV Cargo, pursuant to which EV Cargo and the Company appoint each other (including their subsidiaries and associates) as the agent for the provision of air freight forwarding services in relation to shipments with origins or destinations in the PRC and the United Kingdom, as well as the countries where the Member of the Company and Member of EV Cargo operate in
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	person(s) or company(ies) which is (are) not connected person(s) (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Member of EV Cargo”	ACS Belgium BVBA, ACS Germany, Allport Cargo Services (Middle East) LLC, Allport Hong Kong Limited, Allport Cargo Services Poland Sp.zo.o, CS Freight Solutions France SAS, Allport Cargo Services (Air) Limited, Allport Cargo Services (Ocean) Limited, Mariners Cargo Services Limited, PT Speedmark Transportation Indonesia, Speedmark Transportation (Bangladesh) Limited, Speedmark Transportation (Cambodia) Company Limited, Allport Cargo Services Czech s.r.o, PT Sarana Allport Indonesia, Allport Cargo Services (Korea) Limited, Myanmar Speedmark Transportation Limited, ACS Logistics (M) Sdn Bhd, Speedmark Logistics Limited (Myanmar), Allport Netherlands B.V, Allport Cargo Services (Private) Limited, Speedmark Philippines Inc., Allport Cargo Services (Thailand) Company Limited, Speedmark Logistics Company Limited, ACS Reverse Logistics Limited, ACS Air Freight SAS and PT Speedmark Transportation Indonesia
“Member of the Company”	CARGO SERVICES AIRFREIGHT LIMITED (嘉宏空運服務有限公司), CS International (Airfreight) Limited, CN International Logistics Limited, CN LOGISTICS LIMITED 嘉宏物流有限公司, MILCA LOGISTICS LIMITED, 廣州市嘉泓國際貨運代理有限公司, 嘉達貨運代理有限公司, 安陽運通股份有限公司, CN Logistics S.R.L, CN LOGISTICS FRANCE SAS, CN Logistics Japan 株式会社, CN LOGISTICS SA and CN Logistics Korea CO., LTD.
“Mr. Lau”	Mr. Lau Shek Yau John, the chairman of the Board, a non-executive Director
“PRC”	the People’s Republic of China which, for the purposes of this announcement, includes Hong Kong and the Macau Special Administrative Region of the PRC
“Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules

“%” per cent.

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

Hong Kong, 23 December 2020

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