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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:

**(1) EXCEEDED THE ANNUAL CAP FOR THE YEAR ENDED
31 DECEMBER 2020;**

AND

**(2) REVISION OF ANNUAL CAPS FOR THE TWO YEARS ENDING
31 DECEMBER 2022**

BACKGROUND

Reference is made to the announcement of the Company dated 23 December 2020 (the “**Announcement**”) in relation to, among others, the annual caps for the continuing connected transactions contemplated under the EV Cargo Group Master Agency Agreement. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

EV CARGO GROUP MASTER AGENCY AGREEMENT

On 23 December 2020, the Company entered into the EV Cargo Group Master Agency Agreement with EV Cargo pursuant to which EV Cargo and the Company have appointed 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.

The principal terms of the EV Cargo Group Master Agency Agreement and information on the historical transaction amount between the Group and the EV Cargo Group were set out in the Announcement. Up to the date of this announcement, no change has been made to the EV Cargo Group Master Agency Agreement. Please refer to the Announcement for further details on the principal terms and conditions of the EV Cargo Group Master Agency Agreement and historical transaction amount.

THE SERVICE FEES PAYABLE BY THE EV CARGO GROUP UNDER THE EV CARGO GROUP MASTER AGENCY AGREEMENT EXCEEDING THE EV CARGO 2020 ANNUAL CAP

In February 2021, in the course of preparing the annual results of the Company for the year ended 31 December 2020, the Directors noted that the amount of service fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the 11 months ended 30 November 2020 amounted to approximately HK\$152 million, which exceeded the annual cap for the services fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the year ended 31 December 2020 of HK\$127,000,000 (the “**EV Cargo 2020 Annual Cap**”). The Directors further noted that the unaudited amount of the services fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the year ended 31 December 2020 amounted to approximately HK\$179 million. Pursuant to Rule 14A.54(1) of the Listing Rules, the Company must re-comply with the announcement requirement under Chapter 14A of the Listing Rules before the cap is exceeded. The delay in publication of an announcement by the Company before the EV Cargo 2020 Annual Cap was exceeded constituted a breach of Rule 14A.54(1) of the Listing Rules. Such delay was due to inadvertent oversight of the Company. The Company discovered such breach in the early of February 2021 during the course of preparing the annual results of the Company for the year ended 31 December 2020 and has taken steps to rectify the breach as soon as practicable by way of this announcement.

The EV Cargo 2020 Annual Cap was exceeded mainly due to the significant increase in airfreight rate charged to the Group’s customers in general due to unforeseen limited supply of cargo spaces to the United Kingdom since November 2020 as a result of the worsening of the COVID-19 outbreak in the United Kingdom, resulting in the increase in services fees payable by the EV Cargo Group (which was determined with reference to the prevailing market rate) despite the shipment volume did not increase significantly.

REVISION OF ANNUAL CAPS IN RESPECT OF SERVICE FEES PAYABLE BY THE EV CARGO GROUP UNDER THE EV CARGO GROUP MASTER AGENCY AGREEMENT FOR EACH OF THE TWO YEARS ENDING 31 DECEMBER 2022

As stated in the Announcement, in determining the previously announced 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 ended 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 ended 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.

In response to the EV Cargo 2020 Annual Cap having been exceeded and considering (i) the actual unaudited transaction amount of the service fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the year ended 31 December 2020; (ii) the significant increase in airfreight rate charged to the Group's customers in general due to the limited supply of cargo spaces to the United Kingdom since November 2020; and (iii) the uncertainty of COVID-19, the annual caps in respect to the services fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement for each of the two years ending 31 December 2022 (collectively, the "**Revised Annual Caps**") are revised.

Set out below are the (i) original annual caps for the service fees payable by the EV Cargo Group for each of the three years ended/ending 31 December 2022; (ii) actual unaudited transaction amount of the service fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the year ended 31 December 2020; and (iii) the Revised Annual Caps:

| | Original annual caps for the years ended/ending 31 December | | | Actual transaction amount for the year ended 31 December 2020 | The Revised Annual Caps | |
|--|---|------------|------------|---|----------------------------|------------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) |
| | (Note) | | | (unaudited) (Note) | | |
| Service fees paid/payable by the EV Cargo Group | 127,000 | 145,000 | 151,000 | 179,000 | 204,000 | 212,000 |

Note: The above annual cap and actual unaudited transaction amount for the year ended 31 December 2020 are inclusive of all the service fees charged by the 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 service fees chargeable by the Group under the EV Cargo Group Master Agency Agreement.

The Company will closely monitor the transactions to be incurred between the Group and the EV Cargo Group in respect of the provision and supply of air freight forwarding services prior the expiry of the EV Cargo Group Master Agency Agreement. Please refer to the section headed “Measures adopted by the Group to ensure future compliance with the Listing Rules” below for the enhanced internal control measures adopted by the Group.

The annual caps for the services fees payable to the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the three years ended 31 December 2022 were set out in the Announcement. Up to the date of this announcement, no change has been made to the annual caps for the services fees payable to the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the three years ended 31 December 2022. Please refer to the Announcement for further details on such annual caps.

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 (including the Revised Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

MEASURES ADOPTED BY THE GROUP TO ENSURE FUTURE COMPLIANCE WITH THE LISTING RULES

The Group will take the following steps to further strengthen and enhance its internal control to ensure the applicable Listing Rules requirements will be complied with going forward:

- (a) the Group will conduct more frequent review on the transaction amounts (including total revenue and cost) with the EV Cargo Group on a weekly basis;
- (b) the Group will enhance the supervision of the continuing connected transactions of the Group by requesting its operation staff to provide estimated freight rate and volume on a weekly basis, for review by the management of the Group; and
- (c) the Group will closely monitor the transaction amounts contemplated under the EV Cargo Group Master Agency Agreement on a weekly basis. If the transaction amount reaches approximately 80% of the annual caps at any time of the year, the management would seek advice from the audit committee of the Company and the Board would consider taking appropriate measures, including, but not limited to, publish announcement for the revision of annual caps, if applicable.

Considering the Group will review and monitor the transaction amounts with the EV Cargo Group more frequently on a weekly basis, the Directors are of the view that the above enhanced internal control measures could strengthen the internal control procedures of the Group and effectively prevent the occurrence of similar non-compliance in the future.

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.

As the service fees payable by the EV Cargo Group exceeded the EV Cargo 2020 Annual Cap, pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the announcement requirement 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. Accordingly, the Revised Annual Caps were exempt from the independent Shareholders' approval requirements.

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 Revised Annual Caps. Save for Mr. Lau, none of the other Directors is or is deemed to have a material interest in the transactions contemplated under the EV Cargo Group Master Agency Agreement.

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.

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

Hong Kong, 10 February 2021

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.