

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

## **CN Logistics International Holdings Limited**

**嘉泓物流國際控股有限公司**

(the “Company”)

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

**(Stock Code: 2130)**

### **CONTINUING CONNECTED TRANSACTION EV CARGO GROUP MASTER AGENCY AGREEMENT: REVISION OF ANNUAL CAPS FOR THE TWO YEARS ENDING 31 DECEMBER 2022**

#### **BACKGROUND**

References are made to the announcement of the Company dated 23 December 2020, 10 February 2021 and 5 October 2021 (collectively, the “**Announcements**”) in relation to, among others, 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 Announcements 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 Announcements. Up to the date of this announcement, no change has been made to the EV Cargo Group Master Agency Agreement. Please refer to the Announcements for further details on the principal terms and conditions of the EV Cargo Group Master Agency Agreement and historical transaction amount. Due to continuous increase in the demand for air freight forwarding services and airfreight rates resulted from, among others, the COVID-19 pandemic and increase in ocean freight rate, the annual caps for the services fees payable by the EV Cargo Group have been subsequently revised in February 2021 and October 2021.

## FURTHER REVISION OF EXISTING ANNUAL CAPS FOR TRANSACTIONS UNDER THE EV CARGO GROUP MASTER AGENCY AGREEMENT

Based on the Group's weekly review on the transaction amount under the EV Cargo Group Master Agency Agreement, the Directors noted that both of (i) the service fees payable by the EV Cargo Group; and (ii) the service fees payable to the EV Cargo Group under the EV Cargo Group Master Agency Agreement (the "**Relevant Transactions**") are approaching their respective existing annual caps as stated in the Announcements (the "**Existing Annual Caps**"). Accordingly, the Company has decided to revise the Existing Annual Caps in respect of the Relevant Transactions for the years ending 31 December 2021 and 2022 (the "**New Annual Caps**").

### Existing Annual Caps, historical transaction figures and the News Annual Caps

Set out below are (i) the Existing Annual Caps for the Relevant Transactions for each of the two years ending 31 December 2022; (ii) the actual unaudited transaction amount of the Relevant Transactions for the ten months ended 31 October 2021; and (iii) the New Annual Caps:

	Existing Annual Caps For the year ending 31 December		Actual transaction amount for the ten months ended 31 October 2021 <i>HK\$'000</i> (unaudited)	New Annual Caps For the year ending 31 December	
	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>		2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Service fees paid/payable by the EV Cargo Group	270,000	212,000	210,000	350,000	455,000
Service fees paid/payable to the EV Cargo Group	42,000	44,000	37,000	60,000	78,000

## **Reasons for revision of the Existing Annual Caps**

As disclosed in the announcement of the Company dated 5 October 2021, the limited supply of containers has significantly driven up ocean freight rate, which in turn resulted in a surge in demand for air freight forwarding services, in particular, for shipment to and from PRC and the United Kingdom. The shortage in container supply has further boosted up the demand for air freight forwarding services since the last quarter of the year as it is the peak season for the retail industry. The increase in demand for air freight forwarding services, coupled with the soaring air freight rate, resulted in a significant growth in the transaction amount of the Relevant Transactions.

Despite that the Company has recently revised the annual cap for the service fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement, there was a substantial increase in the transaction amount since mid-October. The service fees payable by the EV Cargo Group for air freight forwarding services in October 2021 amounted to approximately HK\$50,000,000, representing 23.8% of the total transaction amount for the ten months ended 31 October 2021. To the best knowledge, information and belief of the Company, the unexpected upsurge in the transaction amount of air freight forwarding services provided to the EV Cargo Group was resulted from the combined effect of (i) rush orders from certain customers of the EV Cargo Group from the fashion and retail industries, which used to deliver a substantial portion of their products by sea, from the PRC to the United Kingdom in October; and (ii) the higher-than-expected rise in air freight forwarding rates.

In view of the above, the Directors consider that the increase in the transaction amounts of the Relevant Transactions was primarily resulted from the changing market environment which was unforeseeable by the Company. On the basis that, (a) the fourth quarter has been the traditional peak season of the air freight forwarding industry; and (b) customers are constantly shifting from ocean freight to air freight, it is expected that the service fees payable by the EV Cargo Group under the EV Cargo Group Master Agency Agreement would remain at a relatively high level in 2021 and the upcoming year. Assuming that both the demand for the Group's air freight forwarding services and the air freight forwarding rates shall increase by 10% in November, the service fees payable by the EV Cargo Group would exceed the Existing Annual Caps by end of November. In order to ensure the Company's compliance with the Listing Rules, the Directors consider that it would be necessary to further revise the Existing Annual Caps.

## **Basis of determination of the New Annual Caps**

In determining the New Annual Caps for the transaction under the EV Cargo Group Master Agency Agreement, the Directors have considered generally:

- i. the historical service fees charged by the Group during the ten months ended 31 October 2021 for the provision of air freight forwarding services by the Group to the EV Cargo Group;

- ii. the historical service fees paid or payable by the Group during the ten months ended 31 October 2021 for the provision of air freight forwarding services by the EV Cargo Group to the Group;
- iii. the expected transaction amounts for air freight forwarding services to be provided by the Group and the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the year ending 31 December 2021 and 2022, including but not limited to, the indicative level of demand from customers of the Group and the EV Cargo Group and the overall increase in the prevailing market rates for air freight forwarding services; and
- iv. 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.

The Company will continue to 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.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

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 18 cities across 9 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, 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 in relation to shipments with origins or destinations in the PRC and the United Kingdom, as well as the countries where Member of the Company and Member of EV Cargo operate in. 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 New Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

## **INFORMATION OF EV CARGO**

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.

As at the date of this announcement, EV Cargo is ultimately owned or controlled as to (i) 20% by Mr. Lau Shek Yau John (“**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. Based on information available to the Company, EmergeVest is a private investment firm with more than USD500 million of assets under management, focused on logistics, technology and financial services industries. The funds managed by EmergeVest is of a wide investor base, and the general partners of the funds are controlled by Mr. Heath Brian Zarin, an Independent Third Party.

## **RELATIONSHIPS AND 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. Accordingly, the revision of the Existing Annual Caps and the New 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 New 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, 15 November 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.*