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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED TRANSACTIONS WITH EV CARGO GROUP

PROPOSED TRANSACTIONS WITH EV CARGO GROUP

Reference are made to the announcements of the Company dated 23 December 2020, 10 February 2021, 5 October 2021 and 15 November 2021 in relation to, among others, the continuing connected transactions under the EV Cargo Group Master Agency Agreement. The EV Cargo Group Master Agency Agreement has expired on 31 December 2022. Despite that no written master agreement has been entered into between the Company and EV Cargo to renew the term of the EV Cargo Group Master Agency Agreement, it is expected that the Group and EV Cargo Group will continue their cooperation on substantially the same terms under the EV Cargo Group Master Agency Agreement in the three years ending 31 December 2025.

LISTING RULES IMPLICATIONS

As at the date of this announcement, EV Cargo was the indirect holding company (having such meaning as defined in the Listing Rules) of Princetonhall Limited, which in turn was a substantial shareholder of CS Shanghai BVI, 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 Proposed Transactions 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 Proposed Transactions are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULES 14A.34 AND 14A.51 OF THE LISTING RULES

As at the date of this announcement, no written framework agreement in respect of the Proposed Transactions has been entered into so far or is expected to be entered into. As a result, the Proposed Transactions will not be covered by a written framework agreement in accordance with Rules 14A.34 and 14A.51 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 14A.34 and 14A.51 of the Listing Rule in respect of the Proposed Transactions for the three years ending 31 December 2025.

BACKGROUND

References are made to the announcements of the Company dated 23 December 2020, 10 February 2021, 5 October 2021 and 15 November 2021 in relation to, among others, the continuing connected transactions under the EV Cargo Group Master Agency Agreement. The EV Cargo Group Master Agency Agreement has expired on 31 December 2022. Despite that no written master agreement has been entered into between the Company and EV Cargo to renew the term of the EV Cargo Group Master Agency Agreement, it is expected that the Group and EV Cargo Group will continue their cooperation on substantially the same terms of under the EV Cargo Group Master Agency Agreement in the three years ending 31 December 2025.

PROPOSED TRNSACTIONS WITH EV CARGO GROUP

On 20 January 2023, the Board has resolved that the Group will continue its cooperation with EV Cargo on substantially the same terms under the EV Cargo Group Master Agency Agreement during the three years ending 31 December 2023, 2024 and 2025, pursuant to which Relevant Members of the EV Cargo Group and members of the Group will from time to time engage each other as the agent for the provision of freight forwarding services in relation to shipments with origins or destinations in the PRC and the United Kingdom, as well as countries where members of the Group and the Relevant Members of EV Cargo Group operate in (the “**Proposed Transactions**”). The Board has also resolved to set the annual caps for the Proposed Transaction for the three financial year ending 31 December 2023, 2024 and 2025.

The service fee for each shipment under the Proposed Transactions shall be agreed between the Relevant Member(s) of the EV Cargo Group and the relevant member(s) of the Group with reference to the prevailing marketing rates and in accordance with the Pricing Policy.

Historical Transaction Amounts

The transaction amounts between the Group and the EV Cargo Group under the EV Cargo Group Master Agency Agreement for the each of the two years ended 31 December 2020 and 2021 and the ten months ended 31 October 2022 are set out below:

	For the year ended 31 December		For the ten months ended 31 October
	2020	2021	2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(audited)	(audited)	(unaudited)
Cost of services charged by EV Cargo Group	36,740	59,911	43,464
Revenue derived from EV Cargo Group	177,772	330,818 <i>(Note)</i>	109,680

Note: The increase in the revenue of the Group derived from EV Cargo Group under the EV Cargo Group Mater Agency Agreement was mainly due to (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. For details, please refer to the announcement of the Company dated 15 November 2021.

Existing Annual Caps and the Proposed Annual Caps

Set forth below are the existing annual caps for the transactions under the EV Cargo Group Master Agency Agreement and the annual caps for the Proposed Transactions for the years ending 31 December 2023, 2024 and 2025 (the “**Proposed Annual Caps**”):

	For the year ended 31 December		
	2020	2021	2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
<i>Existing annual caps</i>			
Cost of services charged by EV Cargo Group	37,000	60,000	78,000
Revenue derived from EV Cargo Group	127,000	350,000	455,000

	For the year ending 31 December		
	2023	2024	2025
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
<i>Proposed Annual Caps</i>			
Cost of services charged by EV Cargo Group	65,000	71,000	78,000
Revenue derived from EV Cargo Group	363,000	399,000	438,000

Basis for determination of the Proposed Annual Caps

In determining the Proposed Annual Caps in respect of the Proposed Transactions for each of the three years ending 31 December 2025, the Directors have taken into consideration various factors including:–

- (i) the historical service fees charged by EV Cargo Group and payable by the Group in the year ended 31 December 2020 and 2021 and the ten months ended 31 October 2022;
- (ii) the expected transaction amounts for freight forwarding services to be provided by the Group and the EV Cargo Group, including but not limited to, the indicative level of demand from customers of the Group and the EV Cargo Group and the expansion of the Group's service offerings; and
- (iii) the estimated growth of 10% annually in the transaction amounts between the Group and the EV Cargo Group in light of the development and expansion of the business of the Group and to cater for unexpected increase in freight rate and/or any unexpected rush orders during peak seasons.

Waiver from strict compliance with Rules 14A.34 and 14A.51 of the Listing Rules

Reasons and basis for the waiver application

As EV Cargo is a connected person of the Company under the Listing Rules, pursuant to Rules 14A.34 and 14A.51 of the Listing Rules, the Company is required to, inter alia, enter into written agreement for the Proposed Transactions.

To ensure the Company's compliance with the applicable requirements under the Listing Rules, the Group has made efforts and requested EV Cargo to enter into a written framework agreement in respect of the renewal of the EV Cargo Group Master Agency Agreement and the Proposed Transactions. Nevertheless, despite the Group's effort and request, no written framework agreement in respect of the Proposed Transactions has been entered into so far or is expected to be entered into up to the date of this announcement. As a result, the Proposed Transactions will not be covered by a written framework agreement in accordance with Rules 14A.34 and 14A.51 of the Listing Rules.

The EV Cargo Group has been a valuable business partner, as well as a major customer and supplier of the Group. For details, please refer to the paragraph headed "Reasons for and benefit of entering into the Proposed Transactions" below. If the Group were unable to execute the Proposed Transactions because of the refusal or inability of EV Cargo to sign any written framework agreement, this would be detrimental to the interests of the Company and the Shareholders as a whole.

The Directors consider that the Proposed Transactions will not result in undue risks to the Shareholders and the potential investors of the Company on the basis that:

- (i) the Proposed Transactions are genuine commercial transactions that will be conducted in the ordinary and usual course of business of the Group on normal commercial terms which are no less favourable to the Group than terms available from independent third parties, and are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) EV Cargo is a connected person of the Group only at the subsidiary level. EV Cargo is not involved in the operation or management of the Company and there is no concern of the EV Cargo Group unduly influencing the decision of the Board in considering and approving the Proposed Transactions; and
- (iii) by virtue of his shareholdings in EV Cargo, Mr. Lau has abstained and will abstain from voting on any resolutions at the Board meeting for, and will not be otherwise involved in, approving the Proposed Transactions. Save for Mr. Lau, none of the other Directors has or is deemed to have a material interest in the Proposed Transactions.

In view of the above, the Proposed Transactions will not result in undue risks to the Shareholders and the potential investors of the Company and it will be unduly burdensome for the Company to strictly comply with Rules 14A.34 and 14A.51 of the Listing Rules. Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 14A.34 and 14A.51 of the Listing Rule in respect of the Proposed Transactions for the three years ending 31 December 2025.

The Company will undertake the following measures to safeguard the interests of the Company and the Shareholders under the Proposed Transactions:-

- (a) the Company will ensure that the Proposed Transactions will be conducted in accordance with the Pricing Policy and that sufficient internal control measures are adopted to monitor the Proposed Transactions;
- (b) in the event that any of the Proposed Transactions is conducted outside the established framework as set out in this announcement, the Company will publish an announcement and will re-comply with the applicable requirements under Chapter 14A of the Listing Rules;
- (c) details of the Proposed Transactions will be disclosed in the annual reports of the Company in accordance with the requirements under Chapter 14A of the Listing Rules;
- (d) other than Rules 14A.34 and 14A.51 of the Listing Rules, the Company will fully comply with all other applicable requirements under Chapter 14A of the Listing Rules in respect of the Proposed Transactions, including but not limited to, the requirements of annual reviews and confirmation by the independent non-executive Directors and the Company's external auditors; and

- (e) unless another waiver is sought and approved by the Stock Exchange, the Company will re-comply with Rules 14A.34 and 14A.51 of the Listing Rules in respect of any Proposed Transactions taking place after 31 December 2025.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPOSED 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, On the other hand, the Group operates local offices in 19 cities across the PRC, Hong Kong, Taiwan, Italy, Japan, the United States of America, Malaysia, Thailand, Vietnam, South Korea, France and Switzerland.

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 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 freight forwarding and local logistics services for its customers in locations where the EV Cargo Group does not have its local presence. The Directors believe that the Proposed Transactions will allow both the Group and the EV Cargo Group to continue their business cooperation on a 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.

The Directors (including the independent non-executive Directors) are of the view that the Proposed Transactions are conducted 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 Proposed Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement, EV Cargo was the indirect holding company (having such meaning as defined in the Listing Rules) of Princetons Limited, which was in turn a substantial shareholder of CS Shanghai BVI, a non-wholly owned 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 Proposed Transactions 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 Proposed Transactions are 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 Proposed Transactions 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 Proposed Transactions and the related annual caps. Save for Mr. Lau, none of the other Directors has or is deemed to have a material interest in the above transactions.

INTERNAL CONTROL AND PRICING POLICY

The Group has adopted the following measures to monitor and govern the Proposed Transactions:

- (a) the Group has established the Pricing Policy for the determination of service fees to be paid or charged by the relevant member(s) of the Group in relation to freight forwarding services provided to and/or acquired from the Relevant Member(s) of the EV Cargo Group (each a **“connected party”**), pursuant to which the service fee in respect of each of the shipments shall be determined on a case-by-case basis based on arm's length negotiations between the relevant member(s) of the Group and the connected party with reference to, among other things, the then prevailing market rate and the requirements of the relevant shipments (including but not limited to the volume and nature of the items on freight, the route for the freight and the budget of the relevant member(s) of the Group or the connected party).

In particular, where a connected party acts as the freight forwarding agent, before entering into transactions with a connected party, the relevant member(s) of the Group would compare the terms and the freight rate offered by the connected party with the terms and the freight rate offered by one to two other service providers who are Independent Third Parties to ensure that the terms and the freight rate offered by the connected party are comparable to or better than those offered by Independent Third Parties. Operation unit of the relevant member(s) of the Group is also required to monitor the freight rate charged by the connected party on an ongoing basis with reference to, amongst others, (i) freight rate charged by other Independent Third Party service providers on similar route; and (ii) market development and price trend based on their industry knowledge and the weekly market research report (the **“Internal Market Report”**) prepared by the sale and marketing department.

On the other hand, where a member of the Group acts as the freight forwarding agent, the relevant member of the Group would compare the terms and the freight rate offered by the connected party with those offered by at least one other customer who is an Independent Third Party freight forwarding agent on similar route, which is determined with reference to market development and price trend based on industry knowledge of the operation unit and the Internal Market Report, the nature and volume of the items on freight and the freight capacity available to the Group to ensure that the terms and the freight rate offered by the connect party are comparable to or better than those offered by Independent Third Parties.

The Pricing Policy is determined and reviewed by the management of the Company from time to time and shall be generally applicable to other Independent Third Party customers and suppliers of the Group;

- (b) the finance department of the Group is responsible for monitoring the continuing connected transactions of the Group. Operation units of each subsidiary of the Company are required to submit to the finance department the details and transaction amounts with each connected party on a weekly basis. The finance department will review the relevant information to assess (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreement and the Pricing Policy; and (ii) the transactions amount during the week under review, the aggregate amount of transactions conducted during the relevant financial year and whether the relevant annual caps have been exceeded. When the transaction amounts under any continuing connected transactions have reached 80% of the relevant annual cap, the finance department will (a) send an alert to the operation units and they would be required to ascertain if there is still sufficient unused annual cap before conducting any further transactions with the relevant connected person(s); and (b) report to the management for them to consider whether appropriate steps shall be taken in advance to revise the annual caps in order to comply with the relevant requirements under the Listing Rules;
- (c) the independent non-executive Directors will conduct annual review on the continuing connected transactions to confirm whether the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (d) the auditors of the Company will conduct annual review on the continuing connected transactions of the Group to confirm that the continuing connected transactions (i) have been approved by the Board; (ii) were in all material respects, in accordance with the pricing policies of the Group; (iii) were entered into, in all material respects, in accordance with the relevant agreement governing them; and (iv) have not exceeded the relevant annual caps.

INFORMATION OF THE PARTIES

The Company

The principal activity of the Company is investment holding. The Group is a well-established international logistics solutions provider with core business of providing 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.

EV Cargo

EV Cargo is a company incorporated in the United Kingdom with limited liability 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 was 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. Based on the 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 are of a wide investor base, and the general partners of the funds are controlled by Mr. Heath Brian Zarin, an Independent Third Party.

DEFINITIONS

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

“associate(s)”	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, a company incorporated in the United Kingdom with limited liability and a connected person of the Company at subsidiary level
“EV Cargo Group”	EV Cargo and its associates from time to time (excluding CS Shanghai BVI)
“EV Cargo Group Master Agency Agreement”	The master agency agreement entered into between the Company and EV Cargo on 23 December 2020 with a term commenced from 23 December 2020 and expiring on 31 December 2022, the details of which were set out in the announcement of the Company dated 23 December 2020
“Group”	the Company and its subsidiaries from time to time

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) not connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lau”	Mr. Lau Shek Yau John (劉石佑), the founder of the Group, chairman of the Board, a non-executive Director and one of the controlling Shareholders
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pricing Policy”	the pricing policy adopted by the Company for the determination of service fees to be paid or charged by members of the Group in relation to freight forwarding services provided to and/or acquired from a connected party, the details of which are set out in the paragraph headed “Internal control and pricing policy” in this announcement
“Relevant Members of EV Cargo Group”	EV Cargo Global Forwarding Limited, CS Freight Solutions France SAS, Allport Cargo Services (Air) Limited, Allport Cargo Services (Ocean) Limited, EV Cargo Global Forwarding BV, EV Cargo Global Forwarding GmbH, EV Cargo Global Forwarding LLC, EV Cargo Global Forwarding SAS, EV Cargo Global Forwarding Sp.zo.o, Mariners Cargo Services Limited, PT Speedmark Transportation Indonesia, Speedmark Transportation (Bangladesh) Limited, Speedmark Transportation (Cambodia) Company Limited, PT Sarana Allport Indonesia, Allport Cargo Services (Korea) Limited, Myanmar Speedmark Transportation Limited, ACS Logistics (M) Sdn Bhd, Speedmark Logistics Limited (Myanmar), Allport Cargo Services (Private) Limited, Speedmark Philippines Inc., Allport Cargo Services (Thailand) Company Limited, Speedmark Logistics Company Limited, ACS Reverse Logistics Limited and PT Speedmark Transportation Indonesia
“Share(s)”	the ordinary share(s) of US\$0.001 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
CN Logistics International Holdings Limited
Ngan Tim Wing
Executive Director and chief executive officer

Hong Kong, 20 January 2023

As at the date of this announcement, the Board comprises Mr. Ngan Tim Wing, Ms. Chen Nga Man, Ms. Augusta Morandin and Mr. Fabio Di Nello 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.