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)

Global Offering

Sole Sponsor

民銀資本
CMBC CAPITAL HOLDINGS LIMITED

Joint Global Coordinators

民銀資本
CMBC CAPITAL HOLDINGS LIMITED

圓 通 環 球 證 券
Yuan Tong Global Securities

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	53,700,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	5,370,000 Shares (subject to reallocation)
Number of International Placing Shares	:	48,330,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	HK$2.45 to HK$2.85 per Offer Share (payable in full at the maximum Offer Price on application in Hong Kong dollars, subject to refund on final pricing, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	:	US$0.001 per Share
Stock code	:	2130

Sole Sponsor

民銀資本 CMBC CAPITAL HOLDINGS LIMITED

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

民銀資本 CMBC CAPITAL HOLDINGS LIMITED

圓通環球證券 Yuan Tong Global Securities

Other Joint Bookrunners and Other Joint Lead Managers

建银国际 CCB International

光銀國際 CEB International

西證國際 SOUTHWEST SECURITIES

浦銀國際 SPDB INTERNATIONAL

中泰國際 ZHONGTAI INTERNATIONAL

千里碩 ELSTONE

Other Joint Lead Managers

宏滙證券有限公司 GRAND VIEW SECURITIES LIMITED

中天證券 CHINA SKY SECURITIES

ROYSTON SECURITIES

雅利多證券 ARISTO SECURITIES LIMITED

新同得有限公司 KKM SECURITIES LIMITED

Lego Securities Limited 力高證券有限公司

港利資本 GLAM Capital

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – A. Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 8 October 2020 and, in any event, not later than Tuesday, 13 October 2020. The Offer Price will be not more than HK$2.85 and is currently expected to be not less than HK$2.45, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Tuesday, 13 October 2020 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Applicants for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK$2.85 for each Hong Kong Public Offer Share, together with a 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price is lower than HK$2.85 as finally determined.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, subject to the consent of the Sole Sponsor and our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range at any time in or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on our Company's website at **www.cnlogistics.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Please refer to the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Public Offer Shares" in this prospectus for further details. Please also refer to the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure the applicants for the subscription for, the Hong Kong Public Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), subject to the consent of the Sole Sponsor, if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such grounds are set out in the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged, or transferred within the United States or to, or for the account or benefit of, US persons, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act.

30 September 2020

*We will issue an announcement on our website at **www.cnlogistics.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** if there is any change in the following expected timetable of the Hong Kong Public Offering:*

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Wednesday, 30 September 2020
Latest time for completing electronic applications under **HK eIPO White Form** service through one of the below ways[4]: (1) the designated website **www.hkeipo.hk** (2) the IPO App, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**	11:30 a.m. on Wednesday, 7 October 2020
Application lists open[2]	11:45 a.m. on Wednesday, 7 October 2020
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 7 October 2020
Latest time to give **electronic application instructions** to HKSCC[3]	12:00 noon on Wednesday, 7 October 2020
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 7 October 2020
Application lists close[2]	12:00 noon on Wednesday, 7 October 2020
Expected Price Determination Date[5]	Thursday, 8 October 2020
Announcement of the Offer Price, the indication of the levels of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allotment under the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) to be published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.cnlogistics.com.hk** on or before	Wednesday, 14 October 2020

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels, as described in the paragraph headed "How to Apply for the Hong Kong Public Offer Shares – 11. Publication of Results" in this prospectus from	Wednesday, 14 October 2020
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** and **www.hkeipo.hk/iporesult** or **IPO App** with a "search by ID Number/Business Registration Number" function from	Wednesday, 14 October 2020
Despatch/collection of Share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications and **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful or wholly or partially successful if the final Offer Price is less than the maximum Offer Price per Hong Kong Offer Share initially paid on application (if applicable) on or before[(6)]	Wednesday, 14 October 2020
Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on	Thursday, 15 October 2020

Notes:

(1) All times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the paragraph headed "Structure and Conditions of the Global Offering – Conditions of the Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above or "extreme conditions" caused by super typhoons in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 7 October 2020, the application lists will not open or close on that day. Please refer to the paragraph headed "How to Apply for the Hong Kong Public Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this prospectus.

(3) Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for the Hong Kong Public Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

(4) Applicants will not be permitted to submit their application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** or **IPO App** after 11:30 a.m. on the last day for submitting applications. If an applicant has already submitted its application and obtained an application reference number from the designated website or **IPO App** prior to 11:30 a.m., the applicant will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) We expect to determine the Offer Price by agreement with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 8 October 2020 and, in any event, will not be later than Tuesday, 13 October 2020. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, 13 October 2020, the Hong Kong Public Offering and the International Placing will not proceed and will lapse.

(6) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by the **WHITE** Application Form may collect Share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 October 2020 or any other date as announced by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post to the addressees specified in the relevant Application Forms at the applicants' own risk. Further information is set out in the paragraph headed "How to Apply for the Hong Kong Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

e-Auto Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications if the Offer Price is less than the initial price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque. Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to that bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Share certificates will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

You should read carefully the sections headed "Underwriting", "How to Apply for the Hong Kong Public Offer Shares" and "Structure and Conditions of the Global Offering" in this prospectus for additional information regarding the Global Offering, including the conditions to the Global Offering, how to apply for the Hong Kong Public Offer Shares, the expected timetable, the effects of bad weather and/or extreme conditions and the despatch/collection of Share certificates and refund of your application monies.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Public Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Hong Kong Public Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information not given or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering. Information contained in our website, located at ***www.cnlogistics.com.hk*** *does not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this prospectus, which does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are 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. During the Track Record Period, services provided in respect of high-end fashion products were our single largest revenue contributor, followed by our services for fast fashion products. Headquartered in Hong Kong, our global business spans multiple cities in the PRC, Europe and Asia through our own business presence and our freight forwarder business partners.

Our strong B2B distribution and logistics capability (as demonstrated by our semi-automated distribution centre of over 90,000 sq.ft. equipped with conveyor belts in Shanghai and our network of distribution centres in Hong Kong) allows us to offer customer-oriented, cost-effective and efficient services to our customers, which in turn attracts them to engage us for providing air freight forwarding services and a comprehensive logistics solution, thereby allowing us to build a broad customer base. Our B2B capability has also laid a solid foundation for us to offer B2C solutions to our customers, in particular those in the high-end fashion and wine sectors. According to the CIC Report, we are one of the few specialists in providing freight forwarding and distribution and logistics services for wine in Hong Kong. As a logistics solutions provider offering B2B services with integrated air freight forwarding solutions, we are able to provide comprehensive logistics services covering at the same time freight forwarding services worldwide and distribution and logistics services (including the provision of value-added services through our abovementioned semi-automated distribution centre in Shanghai and network of distribution centres in Hong Kong), thereby creating synergy and enhancing our competitiveness in attracting customers for engaging us to provide both freight forwarding services and distribution and logistics services. In particular, companies in the high-end fashion industry generally incline to engage one-stop service providers that offer comprehensive range of logistics services, including freight forwarding services and distribution and logistics services, especially value-added services such as pick and pack and labelling, according to the CIC Report.

In order to better satisfy our customers' demands and improve efficiency, we are one of the earliest in the PRC to establish its own semi-automated distribution centre to provide tailor-made logistics solutions for high-end fashion products, according to the CIC Report. We ranked fifth in the integrated air freight forwarding market for high-end fashion products in the PRC with a market share of 1.6% and ranked sixth in Hong Kong with a market share of 2.6%, for the year ended 31 December 2019 in terms of revenue, according to the CIC Report. For the year ended 31 December 2019, we ranked first in the distribution and logistics market for high-end fashion products in both the PRC and Hong Kong, with a market share of 8.1% and 21.8%, respectively, according to the CIC Report. We had a market share of 0.7% and 1.1% in the integrated air freight forwarding market in the PRC and Hong Kong, respectively, for the year ended 31 December 2019 in terms of revenue, according to the CIC Report. In 2019, the market size of the integrated air freight forwarding market for high-end fashion products in the PRC in terms of revenue accounted for approximately 10% to 20% of the global market size, according to the CIC Report.

Our customer base mainly includes direct customers and freight forwarder customers. Our direct customers cover high-end fashion retailers, including The Lane Crawford Joyce Group, brand owners such as Kering Group, as well as wholesalers and retailers of wine including L'Imperatrice.

Our business model principally involves providing freight forwarding services which include obtaining cargo space primarily from airline carriers (for air freight forwarding services) and shipping companies (for ocean freight forwarding services) for delivering consignments to the required destinations, cargo pick up, cargo handling, arrangement of customs clearance and providing distribution and logistics services to our direct customers. We principally engage in the following three business segments:

- *Air freight forwarding services.* We provide air freight forwarding services for high-value products which are time sensitive, in particular, we focus on high-end fashion products and fine wine, mainly in the PRC, Hong Kong, Taiwan and Europe (in particular Italy). Our revenue from this segment was mainly contributed by air freight forwarding services provided in the PRC, Hong Kong, Taiwan and Italy, which include the import and export of goods such as high-end fashion products, fast fashion products, electronics, machineries and equipment. Our services include arranging for consignment upon receipt of booking instructions from customers, cargo pick up, obtaining cargo space, 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, we pride ourselves as one of the few specialists in providing freight forwarding services for the export of wine from France and the U.K. to Hong Kong.

- *Distribution and logistics services.* We provide distribution and logistics services to brand owners, retailers and other customers worldwide (primarily comprising high-end fashion brands) with cost-effective supply chain solutions. Our distribution and logistics services operations are primarily located in Hong Kong, the PRC, Italy and Taiwan, with the PRC and Hong Kong being the two largest contributors of revenue for this segment, contributing in aggregate 98.0%, 96.0%, 92.0% and 91.5% of our revenue for this segment for FY2017, FY2018, FY2019 and 3M2020, respectively. This business segment involves the provision of a wide range of logistics services, such as organising and optimising warehousing usage, transportation routes and trucking service providers, storage, palletising, trucking and distribution, managing vendor inventory, picking and packing finished goods, reverse logistics services and recycling, providing quality control and various ancillary value-added services such as supply chain management and storage services through our proprietary CN WMS. We would also advise our customers on complying with local customs regulations. In addition, as one of the few specialists in providing distribution and logistics services for wine in Hong Kong, our comprehensive logistics services include specialty storage, logistics and other value-added services such as branded packaging, polymorph repacking, same day local door-to-door and temperature-controlled delivery in Hong Kong. We manage a storage and distribution space of approximately 58,000 sq.ft. dedicated to wine storage, of which the temperature and humidity are kept at an optimal level.

- *Ocean freight forwarding services.* Our holistic logistics solutions also include the provision of ocean freight forwarding services mainly to our air freight forwarding services customers and other customers in Italy and Taiwan when they require us to ship some of their products by sea incidentally or on a stand-alone basis. Our ocean freight forwarding operations in Italy and Taiwan were the largest revenue contributors of this segment during the Track Record Period, which included the export of electronics, machineries and large equipment from Taiwan and furniture and household and electric appliances which do not have too much time constraint from Italy.

Since our establishment in 1991, we have been able to ride on our experience and expand our operation from Hong Kong to other parts of the world through our major operating subsidiaries in the PRC, Taiwan, Italy and France. As at the Latest Practicable Date, we provided our own services and operated local offices in 13 cities across eight countries and territories, namely the PRC, Hong Kong, Taiwan, Italy, Japan, Korea, France and Switzerland and we cooperate with our freight forwarder business partners generally in jurisdictions that we do not have presence. During the Track Record Period, our worldwide reach covered over 100 countries, through our operation hubs in the aforementioned eight countries and territories and our international network of freight forwarder business partners generally located in jurisdictions other than the aforementioned eight countries and territories. Other than our overseas offices, we work with our freight forwarder business partners located overseas on a case-by-case basis, primarily for the handling and execution of customer orders generally involving locations where we have no presence. Our network of freight forwarder business partners around the world assists us to extend the coverage of our freight forwarding services to locations worldwide.

After the outbreak of COVID-19, demand for hygiene products such as face masks and sanitisers surged which in turn led to an increase in demand for our services for such products. For 3M2020, we recorded revenue from services provided for hygiene products in the amount of approximately HK$11.2 million, representing approximately 3.1% of our total revenue for the period whereas our revenue from such services for FY2017, FY2018, FY2019 and 3M2019 was immaterial. Notwithstanding that we would continue to provide services to our customers for hygiene products in view of the surge in demand for these products and the revenue contribution from such services may further increase, our Directors consider that the demand for our services for these products is temporary as a result of the outbreak of COVID-19 and do not expect such services to contribute significantly to our revenue after the global pandemic is effectively controlled, or intend hygiene products to become one of our focused product types.

We set out below details of revenue contribution during the Track Record Period of some of our freight forwarder business partners which are also connected persons of our Company:

Name	Background	Revenue contribution							
		FY2017		FY2018		FY2019		3M2020	
		HK$'000	*As a % to our total revenue*	*HK$'000*	*As a % to our total revenue*	*HK$'000*	*As a % to our total revenue*	*HK$'000*	*As a % to our total revenue*
Allport Group	A group of companies headquartered in the UK which principally engages in the provision of supply chain, logistics and freight forwarding services	180,492	11.8	158,323	10.3	154,518	10.4	13,473	3.7
Controlling Shareholder Group	A group of companies principally engages in the provision of ocean freight forwarding services in the PRC	47,041	3.1	50,510	3.3	65,796	4.4	47,053	13.0
		227,533	14.9	208,833	13.6	220,314	14.8	60,526	16.7

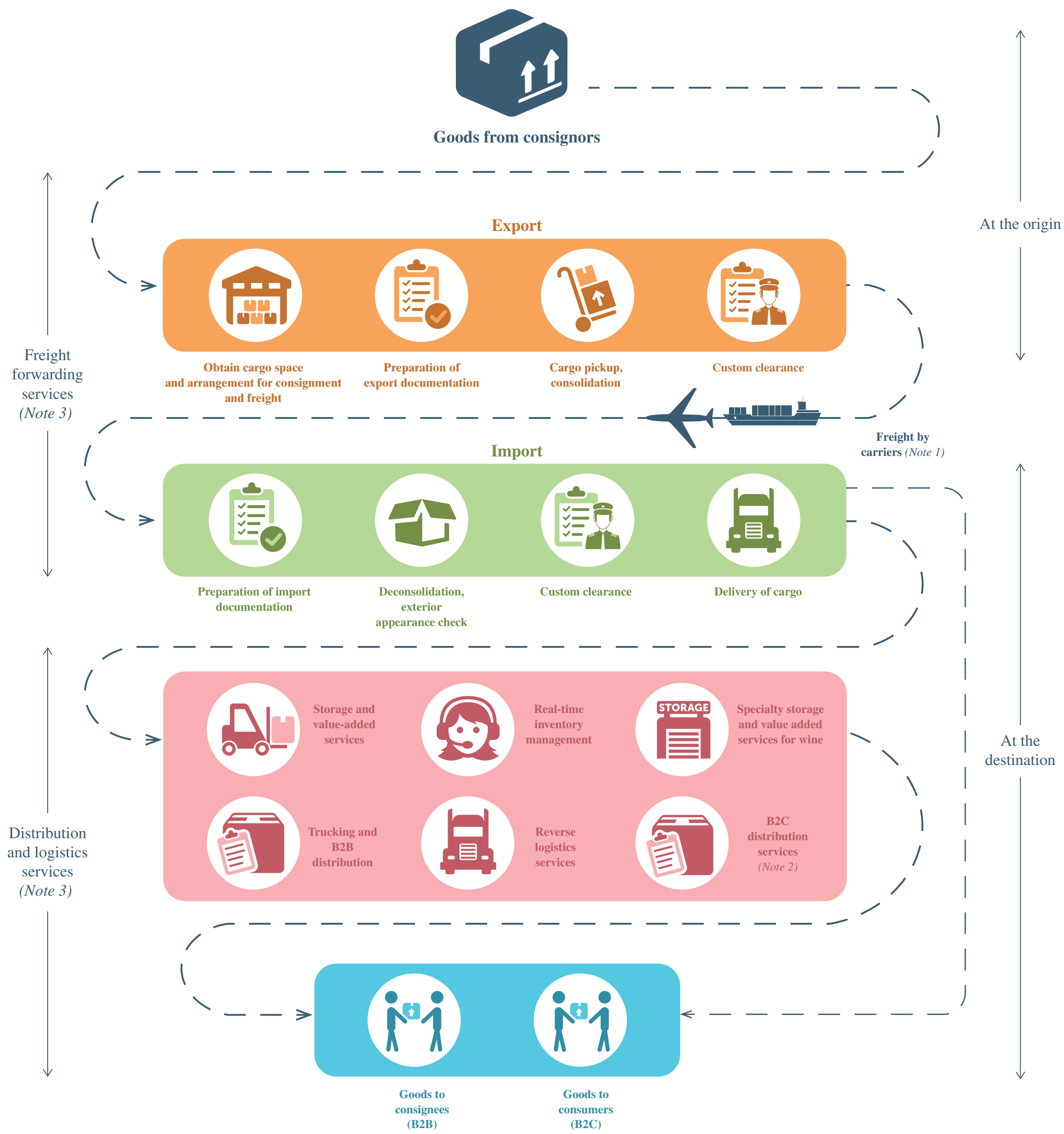
With our strong capability in providing B2B distribution and logistics services and our focus on customers in the high-end fashion and wine sectors, we believe we are well-positioned to offer B2C solutions to our customers, in particular those in the high-end fashion and wine sectors, and execute our growth strategies to increase our profitability. Further, our historical base of stable customers in the high-end fashion and wine sectors, which have relatively low propensities to switch providers, would also allow us to maintain and potentially improve our market position in these sectors.

OUR BUSINESS MODEL

Our business model principally involves providing freight forwarding services (including air freight forwarding and to a lesser extent ocean freight forwarding) through obtaining cargo space principally from airline carriers and shipping companies to enable the smooth flow of consignments from consignors to consignees (or consumers, as the case may be), handling of documents needed for imports and exports and providing distribution and logistics services to our direct customers, including storage and value-added services, distribution services and reverse logistics services.

Our services cover those typically provided by logistics solutions providers to customers at both the origin and the destination as shown in the diagram below, including the arrangement for consignment and freight of the relevant goods and provision of distribution and logistics services at the request of the relevant customer. Subject to our overseas business presence and the terms of a particular transaction, we may provide services (i) either at the origin or the destination, with the corresponding services at the destination or the origin performed by our freight forwarder business partners; or (ii) both at the origin and the destination.

The following diagram illustrates the typical processes of air and ocean freight forwarding services and distribution and logistics services undertaken by our Group in a consignment from consignor to consignee (or consumer):



Notes:

1. The typical processes for air freight forwarding and ocean freight forwarding are similar, except for the primary difference that the carriers for air freight forwarding are airline carriers whereas shipping companies are the carriers for ocean freight forwarding.

2. During the Track Record Period, we offered limited B2C distribution services and offered them mainly to our customers of distribution and logistics services for wine.

3. We may provide one or more types of services under export, import and/or distribution and logistics services depending on the request of our customers.

NON-HKFRS MEASURE

In order to supplement our consolidated statements of profit or loss and other comprehensive income, which are presented in accordance with HKFRS, we also use adjusted net profit as additional financial measure, which is not required by, or presented in accordance with HKFRS. We believe that such non-HKFRS measure would help to identify underlying trends in our business that could otherwise be distorted by the effect of the Listing expenses (derived from a one-off event) that are contained in our income from operations and net profit. By eliminating such item that our management does not consider to be indicative of our operating performance in the same manner as our management would perform when comparing financial results across accounting periods, we believe that it would provide useful information to investors and others in understanding and evaluating our results of operations. We also believe that the non-HKFRS measure provides useful information about our operating results, enhances the overall understanding of our past performance and future prospects and allows for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

We define adjusted net profit as profit for the year/period adjusted by the Listing expenses. The use of adjusted net profit has material limitations as analytical tool because it does not reflect all items of income and expenses that affect our operations. When assessing our operating and financial performance, you should not consider adjusted net profit in isolation from or as a substitute for our profit or loss for the year/period, gross profit or any other financial performance measure that is calculated in accordance with HKFRS. The term adjusted net profit is not defined under HKFRS, and such term may not be comparable to other similarly titled measures used by other companies. Please refer to the paragraph headed "Financial Information – Non-HKFRS Measure" in this prospectus for further details.

The following table sets out the reconciliation of our non-HKFRS financial measure, for the years/periods indicated, to the nearest measure prepared in accordance with HKFRS:

Adjusted net profit

	For the year ended 31 December			**For the three months ended 31 March**	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period	47,862	41,126	44,550	9,105	385
Add: Listing expenses *(Note)*	–	–	8,450	–	10,338
Adjusted net profit	47,862	41,126	53,000	9,105	10,723

Note: Our expenses incurred for Listing were non-recurring as they were derived from a one-off event.

KEY FINANCIAL AND OPERATIONAL DATA

The following tables set out selected financial and operational data from our selected consolidated financial information for the years/periods indicated. For further details, please refer to the section headed "Financial Information" in this prospectus.

Selected Information from Consolidated Statements of Profit or Loss

	For the year ended 31 December			For the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	1,523,903	1,538,695	1,483,849	353,298	362,221
Gross profit	261,204	298,354	306,788	75,037	72,455
Profit for the year/period attributable to:					
Equity shareholders of our Company	27,936	23,004	23,614	5,809	(3,009)
Non-controlling interests	19,926	18,122	20,936	3,296	3,394
Profit for the year/period	**47,862**	**41,126**	**44,550**	**9,105**	**385**
Adjusted net profit (non-HKFRS measure) attributable to:					
Equity shareholders of our Company *(Note)*	27,936	23,004	32,064	5,809	7,329
Non-controlling interests	19,926	18,122	20,936	3,296	3,394
Adjusted net profit (non-HKFRS measure) *(Note)*	**47,862**	**41,126**	**53,000**	**9,105**	**10,723**

Note: Please refer to the discussion above and in the paragraph headed "Financial Information – Non-HKFRS Measure" in this prospectus for further details.

Our profit for the year decreased from HK$47.9 million for FY2017 to HK$41.1 million for FY2018, representing a decrease of HK$6.7 million or 14.1%, which was mainly attributable to (i) the increase in our administrative and other operating expenses of HK$40.7 million, or 21.2%, from HK$191.7 million for FY2017 to HK$232.4 million for FY2018, primarily due to our business expansions which led to the increase in staff costs of HK$26.4 million, the increase in depreciation of right-of-use assets, office expenses, depreciation and amortisation, property management expenses and other related expenses and the increase in management fee expenses; (ii) the increase in our finance costs of HK$3.7 million, or 90.0%, from HK$4.1 million for FY2017 to HK$7.8 million for FY2018, primarily due to the increase in our interests on bank loans and overdrafts of HK$561,000 and interests on lease liabilities of HK$3.0 million as a combined result of renewal of leases and effect of adoption of HKFRS 16; and (iii) the increase in our income tax of HK$4.2 million, or 24.9%, from HK$16.7 million for FY2017 to HK$20.9 million for FY2018, primarily due to the increase in revenue generated from locations with higher tax rates, including the PRC and Italy.

Summary of Consolidated Statements of Financial Position

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	685,359	663,542	698,022	744,187
Current liabilities	487,148	444,129	474,907	546,713
Net current assets	198,211	219,413	223,115	197,474
Non-current assets	131,784	216,887	262,881	275,029
Non-current liabilities	42,117	79,075	107,575	109,530
Net assets	287,878	357,225	378,421	362,973
Total equity attributable to equity shareholders of our Company	174,976	234,583	272,597	254,761
Total equity attributable to non-controlling interests	112,902	122,642	105,824	108,212
Total equity	287,878	357,225	378,421	362,973

Our net assets decreased from HK$378.4 million as at 31 December 2019 to HK$363.0 million as at 31 March 2020. The decrease in our net assets was mainly due to the deemed distribution to the parent company of HK$34.1 million primarily resulting from the consideration paid for the acquisition of business assets for operation of the customised distribution centre in Shanghai, principally comprising of conveyor belts, shelves and chains and elevator, partially offset by the proceeds of issuance of shares to the Pre-IPO Investors in the amount of HK$20.0 million.

Summary of Segment Data

Revenue by segment

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Air freight forwarding services	1,014,855	66.6	992,046	64.5	916,951	61.8	194,878	55.2	210,254	58.1
Distribution and logistics services	234,296	15.4	285,173	18.5	313,669	21.1	79,515	22.5	74,072	20.4
Ocean freight forwarding services	274,752	18.0	261,476	17.0	253,229	17.1	78,905	22.3	77,895	21.5
	1,523,903	100.0	1,538,695	100.0	1,483,849	100.0	353,298	100.0	362,221	100.0

Revenue by geographical location and business segment

For the year ended 31 December 2017

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	520,284	51.2	81,915	35.0	5,593	2.0	607,792	39.9
Hong Kong	333,726	32.9	147,605	63.0	39,030	14.2	520,361	34.1
Italy	108,142	10.7	463	0.2	81,425	29.6	190,030	12.5
Taiwan	48,322	4.8	4,313	1.8	145,497	53.0	198,132	13.0
Other countries	4,381	0.4	–	–	3,207	1.2	7,588	0.5
	1,014,855	100.0	234,296	100.0	274,752	100.0	1,523,903	100.0

For the year ended 31 December 2018

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	478,361	48.2	113,793	39.9	8,570	3.3	600,724	39.0
Hong Kong	304,684	30.7	160,033	56.1	41,797	16.0	506,514	32.9
Italy	145,648	14.7	5,414	1.9	108,295	41.4	259,357	16.9
Taiwan	46,860	4.7	4,215	1.5	88,718	33.9	139,793	9.1
Other countries	16,493	1.7	1,718	0.6	14,096	5.4	32,307	2.1
	992,046	100.0	285,173	100.0	261,476	100.0	1,538,695	100.0

For the year ended 31 December 2019

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	399,492	43.6	126,613	40.4	6,499	2.6	532,604	35.9
Hong Kong	310,871	33.9	161,832	51.6	30,236	11.9	502,939	33.9
Italy	125,805	13.7	20,487	6.5	130,777	51.6	277,069	18.7
Taiwan	36,443	4.0	3,935	1.3	49,114	19.4	89,492	6.0
Other countries	44,340	4.8	802	0.2	36,603	14.5	81,745	5.5
	916,951	100.0	313,669	100.0	253,229	100.0	1,483,849	100.0

For the three months ended 31 March 2019

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000 (unaudited)	*%*	*HK$'000* (unaudited)	*%*	*HK$'000* (unaudited)	*%*	*HK$'000* (unaudited)	*%*
PRC	81,234	41.7	32,394	40.7	1,528	1.9	115,156	32.6
Hong Kong	58,857	30.2	42,706	53.7	6,571	8.3	108,134	30.6
Italy	34,338	17.6	3,263	4.1	51,352	65.1	88,953	25.2
Taiwan	8,489	4.4	1,005	1.3	10,922	13.9	20,416	5.8
Other countries	11,960	6.1	147	0.2	8,532	10.8	20,639	5.8
	194,878	100.0	79,515	100.0	78,905	100.0	353,298	100.0

For the three months ended 31 March 2020

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	65,926	31.4	30,192	40.8	846	1.1	96,964	26.8
Hong Kong	89,094	42.4	37,564	50.7	6,381	8.2	133,039	36.7
Italy	36,630	17.4	1,211	1.6	53,644	68.9	91,485	25.2
Taiwan	9,443	4.5	1,012	1.4	11,562	14.8	22,017	6.1
Other countries	9,161	4.3	4,093	5.5	5,462	7.0	18,716	5.2
	210,254	100.0	74,072	100.0	77,895	100.0	362,221	100.0

Revenue by product type

The table below sets out the breakdown of our total revenue by product type during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
High-end fashion	486,199	31.9	514,688	33.5	596,598	40.2	133,505	37.8	94,901	26.2
Fast fashion	337,464	22.1	331,120	21.5	360,827	24.3	86,533	24.5	50,534	14.0
Wine	54,644	3.6	59,442	3.9	53,186	3.6	17,680	5.0	13,192	3.6
Electronics, equipment and machinery	97,562	6.4	98,987	6.5	45,443	3.1	10,596	3.0	24,180	6.7
Furniture, household and electric appliances	83,828	5.5	66,029	4.3	68,856	4.6	16,853	4.8	27,815	7.7
Beauty, supplements and pharmaceuticals	34,928	2.3	28,089	1.8	21,893	1.5	3,866	1.1	9,678	2.7
Automotive parts	21,069	1.4	17,367	1.1	19,912	1.3	5,277	1.5	4,446	1.2
Cruise logistics services	18,097	1.2	18,773	1.2	70,526	4.8	18,632	5.3	38,563	10.6
Other products and services *(Note)*	286,946	18.8	334,304	21.7	165,767	11.2	41,844	11.8	71,150	19.6
Sub-total	1,420,737	93.2	1,468,799	95.5	1,403,008	94.6	334,786	94.8	334,459	92.3
Co-loading	103,166	6.8	69,896	4.5	80,841	5.4	18,512	5.2	27,762	7.7
	1,523,903	100.0	1,538,695	100.0	1,483,849	100.0	353,298	100.0	362,221	100.0

Note: These products and services include, among others, printing and packaging products, food and beverage and audio appliances. For 3M2020, we recorded revenue from services provided for hygiene products in the amount of approximately HK$11.2 million, representing approximately 3.1% of our total revenue for the period. Our revenue from services provided for hygiene products for FY2017, FY2018, FY2019 and 3M2019 was immaterial.

Breakdown of revenue from direct customers and freight forwarder customers

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Direct customers	939,267	61.6	1,001,538	65.1	957,346	64.5	235,102	66.5	231,139	63.8
Freight forwarder customers	584,636	38.4	537,157	34.9	526,503	35.5	118,196	33.5	131,082	36.2
	1,523,903	100.0	1,538,695	100.0	1,483,849	100.0	353,298	100.0	362,221	100.0

Gross Profit and Gross Profit Margin

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Air freight forwarding services	148,803	14.7	155,100	15.6	187,978	20.5	42,102	21.6	43,003	20.5
Distribution and logistics services	48,970	20.9	73,819	25.9	54,499	17.4	15,531	19.5	11,362	15.3
Ocean freight forwarding services	63,431	23.1	69,435	26.6	64,311	25.4	17,404	22.1	18,090	23.2
Total	261,204	17.1	298,354	19.4	306,788	20.7	75,037	21.2	72,455	20.0

Summary of Financial Ratios *(Note 1)*

	For the year ended/As at 31 December			For the three months ended/As at 31 March
	2017	2018	2019	2020
Gross profit margin	17.1%	19.4%	20.7%	20.0%
Net profit margin	3.1%	2.7%	3.0%	0.1%
Adjusted net profit margin (non-HKFRS measure) *(Note 2)*	3.1%	2.7%	3.6%	3.0%
Current ratio	1.4	1.5	1.5	1.4
Return on total assets	5.9%	4.7%	4.6%	N/A *(Note 3)*
Return on equity	16.6%	11.5%	11.8%	N/A *(Note 3)*
Gearing ratio	47.5%	53.2%	63.2%	80.0%

Notes:

1. Calculation of the financial ratios is set out in the paragraph headed "Financial Information – Summary of Financial Ratios" in this prospectus.

2. These are calculated based on non-HKFRS measures. For the reconciliation of our non-HKFRS financial measure, please refer to the paragraph headed "Financial Information – Non-HKFRS Measure – Reconciliation" in this prospectus.

3. The figure for 3M2020 is not meaningful as it is not comparable to the annual figures.

Adjusted Net Profit Margin (Non-HKFRS Measure)

Our adjusted net profit margin amounted to 3.1%, 2.7%, 3.6% and 3.0% for FY2017, FY2018, FY2019 and 3M2020, respectively. We recorded a higher adjusted net profit margin for FY2019 as we were able to generate a higher gross profit while reducing our administrative and other operating expenses. Our adjusted net profit margin increased from 2.6% for 3M2019 to 3.0% for 3M2020, which was mainly attributable to the decrease in our staff costs and our business development expenses as a result of our adoption of cost management measures to allow us to be better prepared and brace for any adverse financial impact brought by the outbreak of COVID-19.

Return on Total Assets

Our return on total assets decreased from 5.9% for FY2017 to 4.7% for FY2018 and remained stable at 4.6% for FY2019. The decrease for FY2018 was mainly attributable to (i) the decrease in our profit for the year which was mainly attributable to the increase in our administrative and other operating expenses primarily due to the expansion of our business operations and the increase in our finance costs primarily due to the increase in our interests on lease liabilities as a combined result of renewal of leases and effect of adoption of HKFRS 16; and (ii) the increase in our total assets primarily due to the addition of conveyor belts and the increase in right-of-use assets.

Return on Equity

Our return on equity decreased from 16.6% for FY2017 to 11.5% for FY2018 and increased to 11.8% for FY2019. The decrease for FY2018 was mainly attributable to (i) the decrease in our profit for the year as discussed above for FY2018; and (ii) the increase in total equity resulting from deemed contribution from the parent company.

Gearing Ratio

Our gearing ratio increased from 47.5% for FY2017 to 80.0% for 3M2020. The increase was mainly attributable to the increase in our bank loans and overdrafts and lease liabilities during the Track Record Period. We obtained bank loans and financing from time to time after taking into account our cash needs at the relevant time. The increase in our lease liabilities during the Track Record Period was primarily resulting from the renewal of and entering into new lease agreements as part of our continuous business expansion.

Financial Performance during the Track Record Period

Revenue

Our revenue increased by HK$8.9 million, or 2.5%, from HK$353.3 million for 3M2019 to HK$362.2 million for 3M2020. Such increase was mainly attributable to the increase in revenue of HK$15.4 million from our air freight forwarding services as a result of the increase in freight charges, which drove up our revenue as we price our services on a cost-plus basis, due to the shortage in supply of cargo space caused by the COVID-19 outbreak and the increase in demand from other freight forwarders in Hong Kong to co-load with us in view of the limited supply of cargo space and our ability to obtain cargo space from suppliers, net off by the decrease in revenue of HK$5.4 million from our distribution and logistics services primarily due to the adverse impact brought by the outbreak of COVID-19 and the decrease in revenue of HK$1.0 million from our ocean freight forwarding services primarily due to the disposal of CN US.

Our revenue decreased by HK$54.8 million, or 3.6%, from HK$1,538.7 million for FY2018 to HK$1,483.8 million for FY2019. Such decrease was mainly attributable to (i) the decrease in revenue of HK$75.1 million from our air freight forwarding services as a result of (i) the global economy being adversely affected by the Sino-US trade war and mainly impacted the export consignments of our Group from the PRC to Europe; and (ii) the decrease in revenue of HK$8.2 million from our ocean freight forwarding services, net off by the increase in revenue of HK$28.5 million from our distribution and logistics services, which was primarily contributed by our business in the PRC and Italy.

Our revenue increased by HK$14.8 million, or 1.0%, from HK$1,523.9 million for FY2017 to HK$1,538.7 million for FY2018. Such increase was mainly attributable to (i) the increase in revenue of HK$50.9 million from our distribution and logistics services, which was primarily contributed by our business in the PRC and Hong Kong, net off by (i) the decrease in revenue of HK$22.8 million from our air freight forwarding services as a result of the global economy being adversely affected by the Sino-US trade war and mainly impacted the export consignments of our Group from the PRC to Europe; and (ii) the decrease in revenue of HK$13.3 million from our ocean freight forwarding services.

Gross profit and gross profit margin

Our gross profit decreased by HK$2.6 million, or 3.4%, from HK$75.0 million for 3M2019 to HK$72.5 million for 3M2020 and our gross profit margin decreased from 21.2% for 3M2019 to 20.0% for 3M2020. The decrease was mainly attributable to the decrease in the gross profit of our distribution and logistics services of HK$4.2 million and the decrease in the gross profit margin of such services from 19.5% for 3M2019 to 15.3% for 3M2020, which was primarily due to the decrease in demand for our services, in particular those for high-end fashion products, in the PRC and Hong Kong as a result of the outbreak of COVID-19 while we continued to incur fixed costs (such as depreciation of right-of-use assets of our distribution centres) for our operations.

Our gross profit increased by HK$8.4 million, or 2.8%, from HK$298.4 million for FY2018 to HK$306.8 million for FY2019 and our gross profit margin increased from 19.4% for FY2018 to 20.7% for FY2019. The increase was mainly attributable to (i) the decrease in our freight and handling costs as a result of the fall in price of cargo space charged by airline carriers, in particular the pre-determined price under our block space agreements; and (ii) the increase in proportion of revenue and gross profit contribution from the provision of services in jurisdictions other than the PRC, Hong Kong, Taiwan and Italy, of which we recorded an improved gross profit margin for FY2019, increasing from 13.6% for FY2018 to 16.4% for FY2019.

Our gross profit increased by HK$37.2 million, or 14.2%, from HK$261.2 million for FY2017 to HK$298.4 million for FY2018 and our gross profit margin increased from 17.1% for FY2017 to 19.4% for FY2018. The increase was mainly attributable to the combined effect of (i) the increase in proportion of revenue contribution from the provision of air freight forwarding services in Italy which entail higher gross profit margin due to comparatively less competition in the market; (ii) the increase in number of block space agreements we entered into in FY2018, allowing us to obtain allocated cargo space at pre-determined rates rather than market rates which may be higher due to the demand in the market; and (iii) our commercial decision to cease our business relationships with four customers in Taiwan that offered relatively lower gross profit margin compared to our other customers, partially net off by the general increase in the market price of cargo space.

Summary of Consolidated Cash Flow Statements

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating profit before changes in working capital	129,328	140,243	172,166	44,650	34,741
Changes in working capital	25,234	15,046	(7,407)	(27,228)	(44,893)
Hong Kong profits tax paid	–	–	(2,042)	–	(9,126)
Tax paid outside Hong Kong	(13,301)	(13,129)	(19,980)	(1,777)	(2,047)
Net cash generated from/(used in) operating activities	141,261	142,160	142,737	15,645	(21,325)
Net cash (used in)/generated from investing activities	(196,938)	(79,375)	(30,968)	12,504	7,971
Net cash generated from/(used in) financing activities	45,603	(66,799)	(99,249)	(29,863)	24,313
Net (decrease)/increase in cash and cash equivalents	(10,074)	(4,014)	12,520	(1,714)	10,959
Cash and cash equivalents at the beginning of the year/period	101,260	96,303	89,515	89,515	101,477
Effect of foreign exchange rate changes	5,117	(2,774)	(558)	606	(1,022)
Cash and cash equivalents at the end of year/period	96,303	89,515	101,477	88,407	111,414

We recorded net cash used in operating activities of HK$21.3 million for 3M2020 which was primarily resulted from our tax paid of HK$11.2 million and a net outflow of working capital amounted to HK$44.9 million mainly due to the delay and interruption brought by the outbreak of COVID-19 on the operations of our customers, including the lockdowns and work from home arrangements, that in turn affected our customers' settlement schedules in respect of our trade receivables. We consider that the net operating cash outflow for 3M2020 was only a snapshot of our financial performance which was temporarily affected by the outbreak of COVID-19 and therefore not comparable to the annual figures and may not be representative. Nevertheless, to ensure that we have a healthy cash flow position, we will:

(i) continue to increase our efforts to collect receivables effectively by closely and regularly following up with our customers regarding outstanding trade receivables, with the aim to achieve better average trade receivable turnover days;

(ii) utilise the credit terms and periods granted by our suppliers flexibly and continue to strive for more favourable credit terms from our suppliers, thereby allowing us to achieve better average trade payable turnover days; and

(iii) continue to liaise with relevant banks from time to time to obtain financing with favourable terms as and when needed by utilising our good relationships and credit histories with such banks.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

- We focus on providing customer-centric logistics solutions to our long-standing customers which consist of reputable brands in the high-end fashion and wine sectors
- Our strong and comprehensive B2B distribution and logistics capability allows us to offer customised, cost-effective and efficient services and build a broad customer base
- We have proprietary IT systems that provide efficient operational management serving the supply chain needs of our customers
- We provide quality and reliable services and have a solid reputation in the logistics industry in Hong Kong and the PRC
- Our diversified global network of freight forwarder business partners allows us to provide a wide portfolio of cargo routes to our customers for transporting their goods
- We have a stable business relationship with airline carriers which enhances our competitiveness in our air freight forwarding business
- Experienced management team with a proven track record and focus on human capital

BUSINESS STRATEGIES

With the aim of further developing our business and continuing our growth, we will implement the following strategies:

- Enhancement of capability in distribution and logistics business and optimisation and expansion of our local presence
- Expansion of our B2C services
- Development and enhancement of recycling services
- Continuing expansion and diversification of our customer base

CUSTOMERS

Our customer base mainly includes direct customers and freight forwarder customers. Our direct customers cover high-end fashion retailers, including The Lane Crawford Joyce Group, brand owners such as Kering Group, as well as wholesalers and retailers of wine including L'Imperatrice. Revenue generated from our five largest customers amounted to HK$492.8 million, HK$499.5 million, HK$514.5 million and HK$117.4 million, respectively, representing 32.3%, 32.5%, 34.7% and 32.4% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively, and our revenue generated from our largest customer was HK$180.5 million, HK$158.3 million, HK$154.5 million and HK$47.1 million, respectively, representing 11.8%, 10.3%, 10.4% and 13.0% of our total revenue for the same period, respectively.

We generally adopt a cost-plus approach for our pricing for our services. For further details, please refer to the paragraph headed "Business – Sales and Marketing – Pricing Policy" in this prospectus.

SUPPLIERS

During the Track Record Period, suppliers of services to our Group mainly included carriers who arrange air flights or ship schedules, freight forwarder business partners who handle and execute customer orders generally involving locations where we have no presence, and local third-party trucking service providers who help us to handle local transportations and distributions. For FY2017, FY2018, FY2019 and 3M2020, our cost of services attributable to our five largest suppliers amounted to HK$271.9 million, HK$210.9 million, HK$186.7 million and HK$54.8 million, respectively, representing 21.5%, 17.0%, 15.9% and 18.9% of our total cost of services for the same period, respectively, and our cost of services attributable to our largest supplier was HK$91.4 million, HK$54.9 million, HK$47.2 million and HK$15.6 million, respectively, representing 7.2%, 4.4%, 4.0% and 5.4% of our total cost of services for the same period, respectively.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

The outbreak of pneumonia-like illness named COVID-19 has been spreading globally. On 31 January 2020, the World Health Organisation declared the outbreak of COVID-19 as a public health emergency of international concern and subsequently characterised the COVID-19 as a pandemic on 11 March 2020. As at the Latest Practicable Date, measures had been taken to contain the pandemic by various countries and territories, including but not limited to the lockdown of cities, closing of public venues, restrictions on public activities and travel bans for foreign visitors.

According to the CIC Report, the outbreak of COVID-19 globally is likely to adversely impact the global air freight forwarding industry due to (i) falls in consumer confidence globally which negatively influence consumption and the demand for air freight forwarding services; (ii) shrink in labour supply for air freight forwarding and logistics industry resulting from lockdown of cities and quarantine policies that limit the flow of labour force; (iii) a decrease in demand for freight forwarding services as leading high-end fashion brands had to close down their factories located in Italy and France; and (iv) a decline in seasonal products and holiday-related consumption that is likely to reduce the demand for air freight forwarding services. Impacted by COVID-19, global economy outlook becomes more pessimistic thus hindering the propensity to consume. The outbreak has also led to a change in consumer behaviour including a decline in store visits and prioritising products essential to virus containment, health and public safety. The high-end fashion industry is expected to be affected as sales of high-end fashion products globally is expected to be adversely impacted by the outbreak of COVID-19 which in turn reduces the demand for air freight forwarding industry for high-end fashion products in the short term, as advised by CIC.

Further, according to the projections for global economic growth released by the International Monetary Fund in April 2020, the forecast for the world GDP is estimated to shrink approximately 3.0% in 2020 and rebound and grow at approximately 5.8% in 2021. The forecast for the world real GDP growth rate in 2020 is approximately negative 3.0% since the COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activities. The real GDP growth rate projections for the PRC and Hong Kong are approximately 1.2% and approximately negative 4.8%, respectively, in 2020 and approximately 9.2% and approximately 3.9%, respectively, in 2021. The real GDP growth rate projections for Italy and Taiwan in 2020 are approximately negative 9.1% and negative 4.0%, respectively, in 2020 and approximately 4.8% and 3.6%, respectively, in 2021.

The International Monetary Fund released an update on such projections in June 2020 and revised the forecast for the world GDP growth to approximately negative 4.9% in 2020 and rebound to 5.4% in 2021, as the COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. According to the updated projections, the real GDP growth rate projections for the PRC and Italy are 1.0% and negative 12.8%, respectively for 2020, and 8.2% and 6.3%, respectively for 2021.

Impact of the Outbreak of COVID-19 on our Operations

After the outbreak of COVID-19, our offices have closely monitored the measures and guidance published by relevant government authorities, adjusted the operation schedules and implement flexible working arrangements, in particular in the PRC, Hong Kong, Italy and France. We did not experience any disruption in our major revenue generating operations due to the outbreak of COVID-19 as further discussed below and evidenced by our financial performance for 3M2020 as compared to 3M2019. For a detailed discussion on our financial performance during 3M2020 as compared to 3M2019, please refer to the section headed "Financial Information – Review of Historical Operating Results – Year to Year/Period to Period Comparison of Results of Operations" in this prospectus.

Our operations in the PRC

During February 2020 and March 2020, our operations in the PRC had been affected due to, among others, measures implemented by the PRC government to combat against the outbreak of COVID-19 in the PRC. Such measures affected the freight forwarding industry in the PRC, including those exporting to and importing from Europe, as the supply of cargo space decreased due to the reduction and cancellation of flights and the demand for our services in the PRC during February 2020 and March 2020 was also impacted as a result. In particular, the abovementioned change in consumer behaviour and adverse impact on sales of high-end fashion products had also affected the demand of our customers in the high-end fashion industry for our services in respect of their high-end fashion products during such period. However, our operations in the PRC had not been disrupted and our PRC business continued to operate albeit with flexible working arrangements implemented. Despite various airline carriers reducing the number of or cancelling flights to and from the PRC, thereby gradually driving up the freight charges due to the limited supply, our customers continued to engage us to provide air freight forwarding services for the export of goods from the PRC to Europe from February 2020 to mid-March 2020 prior to the worsening of the outbreak in Europe. The number of orders from these customers nevertheless dropped as compared to the same period in 2019 due to the outbreak in the PRC and Europe. As the outbreak in Europe had worsened since mid-March 2020, demand for our services in the PRC for the export and import of goods to and from Europe had further reduced since mid-March 2020. However, according to the CIC Report, the containment of pandemic in the PRC had proven to be effective and offline sales of luxury products started to rebound in April 2020. In view of such rebound, certain high-end fashion brands resumed their production line in Europe to cater for the PRC market, resulting in recovering demand for air freight forwarding services for high-end fashion products. This triggered a gradual recovery in our customers' demand for our air freight forwarding services and distribution and logistics services in the PRC. In addition, in view of the surge in demand for hygiene products in Europe, we have been working with the Allport Group and Blue Water for the export of hygiene products such as face masks and sanitisers from the PRC to European countries, including the Netherlands, Belgium and Denmark subsequent to the Track Record Period.

Our operations in Hong Kong

Our operations in Hong Kong were also affected by the outbreak as we had implemented flexible working arrangements in view of the outbreak since February 2020. Notwithstanding the flexible working arrangements, our operations in Hong Kong had not been interrupted. The outbreak of COVID-19, the abovementioned change in consumer behaviour and the outbreak's adverse impact on sales of high-end fashion products have nevertheless led to a decrease in the demand of our customers for our services in Hong Kong in respect of high-end fashion products since February 2020, in particular the import of such products from Europe to Hong Kong. On the other hand, demand for our freight forwarding services in Hong Kong for goods including electronics, machineries and equipment, food and hygiene products, increased or remained stable since the outbreak of COVID-19. We believe that such increase or stability in demand is primarily due to the fact that these goods are relatively less susceptible to or less directly impacted by changes in the consumption market for high-end fashion products. Further, in view of the limited supply of cargo space and our ability to obtain cargo space from suppliers, demand from other freight forwarders in Hong Kong to co-load with us increased after the outbreak.

Our operations in Europe

Our operations in Europe, namely Italy and France, other than the freight forwarding business involving the PRC and Hong Kong, remained largely unaffected in February 2020 as the outbreak was comparatively less prominent in Europe at the time. However, since March 2020, the worsened outbreak of COVID-19 in Europe had impacted our business operations in Italy and France. In view of the policies and measures adopted by the governments, we had arranged for a group of our office staff in Italy and our staff in France to work from home since March 2020. Notwithstanding that the freight forwarding industry was not subject to the lockdown and our operations in Italy and France had not been disrupted, the lockdowns and restrictions imposed by governments of various countries and territories had affected the supply of cargo space and our direct customers' supply chain, thereby reducing the supply and demand in general for our freight forwarding services and distribution and logistics services in Europe since mid-March 2020. Our operations and the demand for our services in Italy were still affected by the outbreak in Europe subsequent to the Track Record Period. However, our staff could still handle orders from our customers despite working from home.

The worsened outbreak in Europe since March 2020 had also negatively affected our businesses with our freight forwarder business partners in Europe, including the Allport Group. Since mid-March 2020, the demand of the Allport Group for our freight forwarding services from the PRC to the U.K. had further reduced as a result of the worsened outbreak in Europe and the lockdowns and restrictions imposed by the U.K. government. However, as discussed above, we have been working with the Allport Group and Blue Water for the export of hygiene products such as face masks and sanitisers from the PRC to various European countries subsequent to the Track Record Period in view of the surge in demand for hygiene products in Europe.

After the Track Record Period, demand for our air freight forwarding services and distribution and logistics services in respect of high-end fashion products in the PRC continued to recover and our business with the Allport Group and Blue Water for the export of hygiene products from the PRC to Europe remained stable. Demand for our services in the PRC in respect of other types of goods, including fast fashion products, started to gradually rebound towards the end of April 2020 and continued to recover thereafter. Demand for our freight forwarding services in Hong Kong for goods including electronics, machineries and equipment, food and hygiene products and demand from other freight forwarders in Hong Kong to co-load with us also remained stable or increased subsequent to the Track Record Period. Further, in view of the slowing outbreak in Europe in May 2020, governments of certain European countries began to soften their restrictions and lockdowns, including Italy and France. We adjusted our work from home arrangement in respect of our office staff in Italy and France in accordance with the updated policies on lockdowns and restrictions. Notwithstanding that there was uncertainty regarding a fresh bout of the outbreak of COVID-19 in Europe in July 2020, our staff in Italy and France could continue to handle orders from our customers. We would monitor the situation closely and adjust our arrangements in respect of our office staff in Italy and France in accordance with the latest policies of the authorities.

Impact of the Outbreak of COVID-19 on our Financial Performance

For a detailed discussion regarding our financial performance for 3M2020 as compared to 3M2019, please refer to the paragraph headed "Financial Information – Review of Historical Operating Results – Year to Year/Period to Period Comparison of Results of Operations" in this prospectus. Our unaudited revenue for the four months ended 30 April 2020 increased by 6.5% whereas our unaudited gross profit remained stable and gross profit margin decreased by 1.3 percentage point, as compared to the corresponding period in 2019, based on our unaudited consolidated financial statements for the four months ended 30 April 2020. For the five months ended 31 May 2020, based on our unaudited consolidated financial statements, our unaudited revenue increased by 12.7% while our unaudited gross profit and gross profit margin increased by 16.5% and 0.7 percentage point, respectively as compared to the corresponding period in 2019. Further, based on our unaudited consolidated financial statements for the seven months ended 31 July 2020, our unaudited revenue for the seven months ended 31 July 2020 increased by 17.1% while our unaudited gross profit and gross profit margin increased by 28.4% and 1.9 percentage point, respectively as compared to the corresponding period in 2019, primarily due to the combined effect of the following factors:

1. Despite the increased freight charges as discussed above, as we price our services on a cost-plus basis, and given the higher level of administrative work involved as the PRC government imposed more stringent export and import procedures and requirements, we were able to charge a higher price with higher profit margin for the provision of air freight forwarding services in the PRC. Further, the abovementioned export of hygiene products from the PRC to European countries subsequent to the Track Record Period had also partly mitigated the decrease in demand for our services in the PRC for the export and import of goods to and from Europe since mid-March 2020. As discussed above, our customers' demand for our air freight forwarding services and distribution and logistics services for high-end fashion products in the PRC also gradually recovered in April 2020 as triggered by the rebound in sales of luxury products in the PRC and demand for our services in the PRC in respect of other types of goods, including fast fashion products, started to gradually rebound towards the end of April 2020 and continued to recover thereafter.

2. The increased freight charges also allowed us to charge higher fees in respect of our air freight forwarding services provided in Hong Kong due to our cost-plus pricing policy, which partly mitigated the negative financial impact brought by the reduced demand in our services in Hong Kong for high-end fashion products as discussed above. In addition, our provision of freight forwarding services in respect of goods including electronics, machineries and equipment, food and hygiene products as well as the demand from other freight forwarders in Hong Kong to co-load with us, which increased after the outbreak as discussed above, also eased such financial impact on our business in Hong Kong.

3. Notwithstanding that our operations in Italy and France were affected by the outbreak, our staff could still handle orders from our customers albeit working from home as the freight forwarding industry was not subject to the lockdown.

4. Approximately 10.2% growth in our unaudited revenue for the seven months ended 31 July 2020 was attributable to our provision of services for hygiene products, including the shipment of nitrile gloves to the United Kingdom under the Nitrile Gloves Agency Agreement (as defined below), as a result of the surge in demand for these products amid the outbreak of COVID-19.

The impact of the outbreak on our financial performance was also eased by our mitigating measures and other cost management measures which reduced our costs of services and operating expenses, as further explained in the paragraph headed "No expected permanent interruption or impact on our operations" below.

Hypothetical Analyses on Financial Viability of our Group

If the outbreak of COVID-19 prolongs and the operations of our Group are materially disrupted which lead to a decrease in our revenue by 30% as compared to that of FY2019, which is an extreme case scenario far exceeding the estimated impact of the outbreak in our primary markets, being a reduction in the range of 1.6% to 7.6% in the total revenue of the integrated air freight forwarding industry in the PRC and Hong Kong and the integrated freight forwarding industry in Italy and Taiwan as estimated by CIC, our Directors estimate that our existing cash and cash equivalents as at 31 July 2020 and cash generated from our operations under such scenario, together with (i) the 10.0%, or HK$9.4 million, of the net proceeds from the Listing designated for general working capital; (ii) proceeds from the realisation of our liquid assets (if any); and (iii) government subsidies in relation to COVID-19 (if any), are sufficient to maintain our financial viability at least up to 31 December 2021 without utilising any other proceeds from the Listing which is reserved for our future plans as disclosed in this prospectus, in settling our estimated monthly fixed costs (including rental payments and staff costs), trade payables and finance costs from bank borrowings when due.

The key assumptions of this case scenario where our business is materially disrupted for a prolonged period due to the impact of COVID-19 include: (i) a decrease in cost of services as compared to that of FY2019, except for the capital element of lease rental for our distribution centres which are fixed in nature, by 30% which is positively correlated to the percentage of decrease in revenue; (ii) certain items of our administrative and other operating expenses, including business development expenses and travelling expenses, would be positively correlated to the decrease in revenue while our fixed costs for business operations and other items such as depreciation would remain constant; (iii) our Group will be able to utilise our existing banking facilities; (iv) no dividend will be declared and paid under such situation (other than the dividend declared for settlement of intercompany balances prior to Listing); (v) our prudent estimates of settlement by our customers of trade receivables based on their historical settlement pattern; (vi) our settlement of trade payables and repayment of bank borrowings when due; and (vii) our expansion plans will be suspended.

Under the very unlikely circumstance that the outbreak of COVID-19 further prolongs leading to the worst case scenario in which our business is suspended from 1 October 2020 onward, our Directors estimate that, after taking into account our cash and cash equivalents as at 31 July 2020, our Group will be financially viable for at least 12 months ending 30 September 2021 based on the key assumptions that: (i) our Group will cease all operations since 1 October 2020, since which we will not earn or incur (a) any revenue and costs of services, except for the capital element of lease rental for our distribution centres which are fixed cost in nature; (b) any business development expenses and travelling expenses; and (c) any other expenses that correlated to revenue; (ii) our Group will incur minimum administrative and other operating expenses such as staff costs and general expenses; (iii) no dividend will be declared and paid (other than the dividend declared for settlement of intercompany balances prior to Listing); (iv) recovery of trade receivables from our customers based on their historical settlement pattern; (v) our settlement of trade payables and repayment of bank borrowings when due; and (vi) our expansion plans will be suspended. The above analysis under the worst case scenario is for illustrative purpose only and our Directors currently assessed that the likelihood of such situation arising would be remote.

Analysis on our Operating Data

Freight forwarding services

We set out below the total volume of import and export consignments handled under our air freight forwarding services for FY2017, FY2018, FY2019, 3M2020 and the seven months ended 31 July 2020:

	For the year ended 31 December			For the three months ended 31 March	For the seven months ended 31 July
	2017	2018	2019	2020	2020
	'000 kg	*'000 kg*	*'000 kg*	*'000 kg*	*'000 kg*
Volume of import consignments *(Note)*	19,470	21,448	24,289	5,558	14,743
Volume of export consignments *(Note)*	43,958	38,301	35,798	6,835	17,336
Total volume of consignments handled under our air freight forwarding services *(Note)*	63,428	59,749	60,087	12,393	32,079

Note: The volume of consignments is presented in terms of chargeable weight. In transactions which we provide air freight forwarding services at both the origin and destination of the relevant consignment, the volume of such consignment would be reflected in the volume of import consignments as well as the volume of export consignments.

For the seven months ended 31 July 2020, the total volume of consignments handled under our air freight forwarding services was approximately 32.1 million kg, of which approximately 12.4 million kg, 13.6 million kg and 6.1 million kg were attributable to consignments handled under our air freight forwarding services during the first quarter and second quarter of 2020 and the month ended 31 July 2020, respectively. The volume of consignments handled under our air freight forwarding services increased by approximately 1.2 million kg or 9.7%, from approximately 12.4 million kg during the first quarter of 2020 to approximately 13.6 million kg during the second quarter of 2020 and such increasing trend continued in the month ended 31 July 2020. This increase was mainly attributable to the recovery in the demand for our air freight forwarding services in view of the fact that (i) demand for our services in the PRC for high-end fashion products and export of products to Europe, including hygiene products, started to gradually rebound towards the end of April 2020 and continued to recover thereafter; and (ii) demand for our services in Hong Kong for goods including electronics, machineries and equipment, food and hygiene products and demand from other freight forwarders in Hong Kong to co-load with us increased subsequent to the Track Record Period. According to the CIC Report, the GDP of the PRC picked up in the second quarter of 2020, representing an increase of 21.1% as compared to the first quarter of 2020 and over 95% of fashion industry manufacturers have resumed production by the end of March 2020. Further, due to various travel restrictions globally, leading high-end fashion brands in the PRC witnessed sales improvement starting from the end of March 2020 as a result of the domestic demand and in early June 2020, most established brands saw sales increased by 40% to 90%, according to the CIC Report.

The table below sets forth the total volume of import and export consignments handled under our ocean freight forwarding services for FY2017, FY2018, FY2019, 3M2020 and the seven months ended 31 July 2020:

	For the year ended 31 December			For the three months ended 31 March	For the seven months ended 31 July
	2017	**2018**	**2019**	**2020**	**2020**
	TEU	*TEU*	*TEU*	*TEU*	*TEU*
Volume of import consignments *(Note)*	13,094	10,855	8,732	1,988	4,749
Volume of export consignments *(Note)*	8,940	9,843	12,399	3,662	7,768
Total volume of consignments handled under our ocean freight forwarding services *(Note)*	22,035	20,698	21,131	5,650	12,517

Note: In transactions which we provide ocean freight forwarding services at both the origin and destination of the relevant consignment, the volume of such consignment would be reflected in the volume of import consignments as well as the volume of export consignments.

For the seven months ended 31 July 2020, the total volume of consignments handled under our ocean freight forwarding services was approximately 12,517 TEU, of which approximately 5,650 TEU, 5,414 TEU and 1,453 TEU were attributable to consignments handled under our ocean freight forwarding services during the first quarter and second quarter of 2020 and the month ended 31 July 2020, respectively. The volume of consignments handled under our ocean freight forwarding services decreased slightly by approximately 4.2%, from approximately 5,650 TEU during the first quarter of 2020 to approximately 5,414 TEU during the second quarter of 2020.

Distribution and logistics services

We set out below the number of products handled by our Group at our distribution centres in the PRC and Hong Kong, which contributed to more than 90% of our revenue from distribution and logistics services during the Track Record Period and primarily involving fashion products, for FY2017, FY2018, FY2019, 3M2020 and the seven months ended 31 July 2020:

	For the year ended 31 December			For the three months ended 31 March	For the seven months ended 31 July
	2017	2018	2019	2020	2020
	'000	*'000*	*'000*	*'000*	*'000*
Number of products handled at our distribution centres in the PRC and Hong Kong *(Note)*	13,701	16,383	19,436	2,531	8,315

Note: The number of products handled is calculated as the average of the total number of inbound products and total number of outbound products handled at our distribution centres in the PRC and Hong Kong for the year/period.

For the seven months ended 31 July 2020, the total number of products handled by our Group at our distribution centres in the PRC and Hong Kong was approximately 8.3 million pieces, of which approximately 2.5 million pieces, 4.0 million pieces and 1.8 million pieces were attributable to the number of products handled by our Group at our distribution centres in the PRC and Hong Kong during the first quarter and second quarter of 2020 and the month ended 31 July 2020, respectively. The number of products handled by our Group at our distribution centres in the PRC and Hong Kong increased by approximately 1.5 million pieces or 60.0%, from approximately 2.5 million pieces during the first quarter of 2020 to approximately 4.0 million pieces during the second quarter of 2020 and such increasing trend continued in the month ended 31 July 2020. This increase in number of products handled by our Group further demonstrated that offline sales of fashion products and in turn the demand for our services for these products started to rebound in the PRC in April 2020.

No Expected Permanent Interruption or Impact on our Operations

Considering the latest global development of COVID-19 and to minimise the impact of the COVID-19 outbreak, we have implemented emergency plans for work place arrangement, working hour arrangement and preventive measures. Based on the current information available to them, our Directors had carried out a holistic review of the impact of COVID-19 on our operations. To the best knowledge, information and belief of our Directors, given that the outbreak has so far brought about temporary impact on our businesses and that our financial performance for the seven months ended 31 July 2020 even improved as compared to the corresponding period in 2019 based on our unaudited consolidated financial statements, our Directors believe that COVID-19 is not expected to bring any permanent interruption or impact to our operations based on the following grounds:

1. **Recent rebound and change in consumer behaviour.** According to the CIC Report, the consumption market is expected to gradually rebound after the pandemic is effectively controlled, especially the PRC market which is one of the largest high-end fashion products consumption markets. Despite the expected impact on the high-end fashion industry, the demand for and desire to buy high-end fashion products of consumers in the PRC, which had been suppressed to a certain extent due to reduced social contact, store closure and the travel ban and nationwide restrictions imposed by European countries, would trigger a rebound in the consumption market when the outbreak is effectively controlled, with the PRC market among the first markets to begin such rebound. As discussed above, according to the CIC Report, the containment of pandemic in the PRC had proven to be effective and offline sales of luxury products started to rebound in April 2020 which triggered a recovery in our

customers' demand for our air freight forwarding services and distribution and logistics services in the PRC which is one of our primary markets. Further, according to the CIC Report, the change in consumer behaviour will also accelerate the shift to online shopping for high-end fashion products amid the reduction in social contact, the store closure and the travel ban and nationwide restrictions, which will support or drive the demand for air freight forwarding services. We expect this would in turn increase the demand of our services from our direct customers in the high-end fashion industry. In fact, the rebound of the PRC market was one of the contributing factors for the increase in our unaudited revenue for the seven months ended 31 July 2020 as compared to the corresponding period in 2019. In addition, we may also capture business opportunities from these customers and other e-commerce retailers and provide distribution and logistics services, especially B2C distribution services, to them as a result of increasing online shopping spending on high-end fashion products.

2. **Diversification through our geographical coverage in multiple cities and countries.** As at the Latest Practicable Date, we operated local offices in 13 cities across eight countries and territories, namely the PRC, Hong Kong, Taiwan, Italy, Japan, Korea, France and Switzerland. During the Track Record Period, we worked with a network of over 100 freight forwarder business partners, covering over 100 countries around the world. Our Directors believe that we could leverage our geographical coverage and presence in various markets to diversify our operational risks and allow us to continue to provide services to our customers in the event of lockdown, travel ban or restriction in respect of locations where we have presence. We believe the fact that we were able to diversify our risks brought by (i) the outbreak of COVID-19 in the PRC and Hong Kong through our businesses in other jurisdictions during February 2020 to mid-March 2020; and (ii) the worsened outbreak in Europe, which affected our business operations and resulted in a drop in demand for our services in Italy and France, since March 2020 through our businesses in the PRC and Hong Kong, further demonstrate the benefit of our geographical coverage. Further, leveraging on such coverage, we had also been able to react efficiently to the development of the outbreak and seize the opportunity during this special period to provide urgent air freight forwarding services to customers for the transportation of goods from overseas to the PRC and Hong Kong and from the PRC and Hong Kong to Europe, as further discussed below.

3. **Our use of equipment and IT systems reduce the risks of infection at work among employees due to labour-intensive operation model.** Our main business in the PRC is located in Shanghai, where we operate a semi-automated distribution centre of over 90,000 sq.ft. equipped with conveyor belts. Such conveyor belts, together with our IT systems, had helped to reduce the risks of infection at work among employees. Our Directors also confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not encountered and is not expected to experience any shortage in labour or disruption to the supply of labour-intensive services.

4. **We have seized the opportunity during this special period to provide urgent air freight forwarding services to our customers and develop new customers and there is no indication of permanent material adverse change on our business.**

(a) Provision of urgent air freight forwarding services

Taking advantage of the solid business relationship with our suppliers, despite the reduction and cancellation of flights to and from the PRC, we were able to fulfil urgent orders of our customers for the export of goods from the PRC to Europe prior to the worsened situation of the outbreak in Europe, with higher fees and gross profit margin due to the limited supply of cargo space. Further, we were also able to provide urgent air freight forwarding services to our customers, in particular those in the high-end fashion industry, for delivering, amongst others, hygiene products such as masks and sanitisers, from overseas to the PRC and Hong Kong and from the PRC and Hong Kong to Europe. These opportunities allowed us to further enhance our relationship with these customers through the provision of services during this challenging time in respect of products that are not our focus, which we believe would in turn solidify our status as their logistics services provider for their high-end fashion products. Further, in view of our performance in providing such urgent freight forwarding services, new customers started to engage us to provide urgent air freight forwarding services. As the abovementioned air freight forwarding services were provided on an urgent basis, coupled with the increase in freight charges and the higher level of administrative work involved, we charged such services at a higher rate which entails higher gross profit margin. We believe the higher gross profit margin of our urgent services would contribute towards compensating the loss of revenue from our normal business operations as a result of the reduced demand in general for our freight forwarding services and distribution and logistics services.

(b) Provision of services for hygiene products

Our Directors anticipate an expected increase in public consumption due to considerable growth of government spending on health care and medical supplies, as well as increase in private sector spending on certain categories of consumer goods such as masks and other hygiene products. According to the CIC Report, there has been an increase in demand for medical and hygiene products amid the overall decline of trading of goods, and that amid the outbreak of COVID-19 across the world, daily necessities and goods for urgent relief such as medical supplies and hygiene products are of high demand and these goods have a tendency of being transported by air due to the urgency of the situation. We believe these would ease the adverse impact on our business, especially with customers in the high-end fashion industry, brought by the outbreak, and the demand for our services may not necessarily drop significantly. In view of the surge in demand for hygiene products in Europe, we have been working with the Allport Group and Blue Water for the export of hygiene products such as face masks and sanitisers from the PRC to European countries as discussed above. In addition, on 5 August 2020, CN Logistics HK (an indirect non-wholly owned subsidiary of our Company) and CS Far East (a member of the Controlling Shareholder Group) entered into an agency agreement (the "**Nitrile Gloves Agency Agreement**") pursuant to which CS Far East has appointed CN Logistics HK as agent for the provision of air freight forwarding services in relation to shipments of an agreed volume of nitrile gloves to the United Kingdom primarily from Shanghai, the PRC in batches on or before 31 March 2021. The aggregate contract sum paid or payable by CS Far East to CN Logistics HK amounts up to US$27.0 million, to be calculated based on the actual volume of nitrile gloves to be shipped and an agreed shipment fee of US$0.03 per nitrile glove. Such contract sum had been determined by, among others, the quantity of nitrile gloves shipped or to be shipped under the Nitrile Gloves Agency Agreement (which was based on the number of nitrile gloves ordered by the Controlling Shareholder Group's customer in the United Kingdom). To the best of our Directors' knowledge after making reasonable enquiry, such services relate to the trading business of CS Far East, whereby CS Far East (as a supplier) has agreed to supply certain number of nitrile gloves to its customer in the United Kingdom. To facilitate the delivery of these traded goods, CS Far East (as our Group's direct customer) engaged us for the provision of air freight forwarding services for shipping the nitrile gloves to the United Kingdom. Please refer to the paragraph headed "Relationship with our Controlling Shareholders – Independence from the Controlling Shareholder Group – (2) The respective businesses and operations of our Group and the Controlling Shareholder Group are operated independently – Related party transactions relating to freight forwarding business among our Group and the Controlling Shareholder Group and the Allport Group" and the section headed "Continuing Connected Transactions" in this prospectus for further details of the Nitrile Gloves Agency Agreement.

Taking into consideration of our ability to seize the business opportunity during this special period and the slowed outbreak and recovery in the PRC, together with the recent rebound of the consumption market as disclosed above and our business strategy in expanding our B2C services, and assuming that the outbreak will be effectively controlled, our Directors believe that there is no indication of permanent material adverse change to our business as a result of the COVID-19 outbreak. Our primary business focus will remain as providing air freight forwarding services and distribution and logistics services in relation to high-end fashion products and fine wine after the global pandemic is effectively controlled. Notwithstanding that we provided air freight forwarding services to our customers for hygiene products such as face masks and sanitisers in view of the surge in demand for these products amid the outbreak of COVID-19 as discussed above (including those we exported under our business with the Allport Group and Blue Water during the seven months ended 31 July 2020) and services for shipping the nitrile gloves to the United Kingdom under the Nitrile Gloves Agency Agreement, our Directors consider that the demand for our services for these products is temporary as a result of the outbreak of COVID-19 and do not expect the demand from our customers for such services to increase substantially after the global pandemic is effectively controlled, or intend hygiene products to become one of our focused product types. Our Directors confirm that, up to the Latest Practicable Date, we had no intention to change our focus on the product mix, since we do not plan to change our market positioning.

5. **We have also implemented emergency plans to respond to COVID-19.** We have adopted flexible work place arrangement (either working remotely or onsite with protective masks and sanitisation subject to the functions and positions of the employees) and flexible working hour arrangement throughout our offices in different jurisdictions currently in order to reduce the risk of infection at work among employees and the adverse impact on our operations. We have sourced masks, gloves and hygiene products to provide to our employees according to the needs of our different offices. As assessed by our Directors, for the year of 2020, we may incur cost of approximately HK$0.3 million for purchasing masks and hygiene products for our employees. We have also adopted certain cost management measures, resulting in the reduction of our staff costs by, amongst others, agreeing with our staff on implementing no-pay leave arrangement and streamlining our workforce without causing material impact on our operations, as well as the reductions of rental payments under our leases after negotiation and agreement with our landlords. We believe such cost management measures allow us to be better prepared and brace for any adverse financial impact brought by the outbreak of COVID-19. In order to reduce the risk of interruption of our business due to the failure of our freight forwarder business partners, we maintain close liaison with them and our Directors believe that due to our network of freight forwarder business partners, we can easily substitute the freight forwarder business partners in the transactions if any of them fails to perform their obligations. According to the CIC Report, as there are over thousands of air freight forwarders currently being engaged in the global market, and the business models and service patterns of these air freight forwarders are to some extent similar, it is not difficult for our Group to replace our freight forwarder business partners in the global air freight forwarding industry if needed. The outbreak of COVID-19 has nevertheless affected our businesses with the Allport Group and, to a lesser extent, Blue Water, being two of our five largest customers for FY2019 and 3M2020 and our freight forwarder business partners both headquartered in Europe. However, as the Allport Group and Blue Water all have operations in multiple countries with their own network of freight forwarder agents and diversified customer base, we believe that our businesses with them will recover after the global pandemic is effectively controlled and there has been no change in our respective business relationships since the outbreak of COVID-19. As abovementioned, we have been working with the Allport Group and Blue Water for the export of hygiene products such as face masks and sanitisers from the PRC to European countries including the Netherlands, Belgium and Denmark subsequent to the Track Record Period. Since the outbreak of COVID-19 and up to the Latest Practicable Date, we did not need to replace any of our freight forwarder business partners who we work with for the handling and execution of customer orders involving locations where we have no presence, as a result of the outbreak of COVID-19. Subject to the development of the outbreak of COVID-19, we may extend our current or adopt other cost management measures taking into account the impact of the outbreak.

Notwithstanding the above analysis and expectations which are based on the best knowledge and belief of our Directors and current information available to them, the outbreak of COVID-19 had nevertheless affected the global economy and the integrated freight forwarding industry. However, for the seven months ended 31 July 2020, our unaudited revenue increased by 17.1% while our unaudited gross profit and gross profit margin increased by 28.4% and 1.9 percentage point, respectively as compared to the corresponding period in 2019 based on our

Group's unaudited consolidated financial statements for this period, as a result of the combined effect of the factors explained above, and we have adopted certain mitigating and cost management measures in response to the outbreak of COVID-19. The outbreak in Europe also led to a surge in demand for hygiene products such as face masks and sanitisers and we have been working with the Allport Group and Blue Water for the export of these products from the PRC to Europe subsequent to the Track Record Period. Moreover, there had also been an increase in demand from other freight forwarders in Hong Kong to co-load with us in view of the limited supply of cargo space and our ability to obtain cargo space from suppliers since the outbreak. Further, in April 2020, offline sales of luxury products and other types of products, including fast fashion products, started to rebound in the PRC as the containment of pandemic in the PRC had proven to be effective and there were signs that the pandemic may be slowing in parts of Europe towards the end of April 2020, according to the CIC Report. Governments of certain European countries, including Italy and France, began to soften their restrictions and lockdowns in May 2020. In addition, our Directors expect that the significant contract sum under the Nitrile Gloves Agency Agreement will have a material positive impact on our revenue and profit for the year ending 31 December 2020. However, as the transactions similar to that under the Nitrile Gloves Agency Agreement arose from the surge in demand for hygiene products due to the outbreak of COVID-19, our Directors expect that such type of transactions involving similar level of demand for hygiene products may not recur in future years once COVID-19 is contained. Notwithstanding that we may continue to provide services for hygiene products in the future, we do not expect such services to contribute significantly to our revenue. The long term impact brought by the pandemic on our Group is still subject to further development of the outbreak of COVID-19 and government advice, bans, lockdowns and/or restrictions, in particular the outbreak in Europe. Accordingly, it is too early to gauge whether there will be a long term or permanent impact of any significance on our operations at this stage.

Our Directors will continue to assess the impact of the COVID-19 on our operations and financial performance and closely monitor our exposure to the risks and uncertainties in connection with the pandemic. We will take appropriate measures as necessary and inform our Shareholders and potential investors as and when necessary. For further details, please refer to the paragraph headed "Risk Factors – Risks relating to our Business – Our operations may be affected by the COVID-19 outbreak" in this prospectus.

Except to the extent disclosed above and the fact that our profit for the year ending 31 December 2020 is expected to be negatively impacted by the Listing expenses in connection with the Global Offering, our Directors confirm that there has been no material adverse change in the trading, operating and financial position or prospects of our Group since 31 March 2020 (being the date as of which our latest audited consolidated financial statements were prepared as set out in Appendix I to this prospectus) and up to the date of this prospectus.

USE OF PROCEEDS

We intend to use the net proceeds of the Global Offering, after deducting related underwriting fees and commissions and estimated expenses payable in connection with the Global Offering and assuming an Offer Price of HK$2.65 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), of approximately HK$94.4 million, for the following purposes:

- 72.3%, or HK$68.2 million is expected to be used to fund the enhancement and expansion of our distribution and logistics business and local presence;
- 17.9%, or HK$16.9 million is expected to be used to fund the expansion of our B2C services; and
- 9.8%, or HK$9.3 million is expected to be used for general replenishment of working capital and other general corporate purpose.

The following table sets out a detailed breakdown of the use of proceeds for the abovementioned purposes to be applied during the two years ending 31 December 2021:

	For the year ending 31 December 2020 *HK$ million*	For the year ending 31 December 2021 *HK$ million*	Total amount to be funded by net proceeds from the Global Offering *HK$ million*	Total % of net proceeds from the Global Offering *%*
(i) Enhancement and expansion of our distribution and logistics business and local presence				
(a) Expansion of our customised distribution centre in Shanghai for Kering Group	20.6	22.2	42.8	45.3
(b) Refurbishment and upgrade of our distribution centres in Hong Kong	5.1	5.7	10.8	11.5
(c) Potential acquisition of target companies	–	14.6	14.6	15.5
(ii) Expansion of our B2C services				
(a) Setup of automatic B2C warehousing sorting system in Hong Kong and the PRC	4.9	–	4.9	5.2
(b) Upgrade of CN WMS system	2.5	–	2.5	2.6
(c) Expansion of our team of staff responsible for B2C services in Hong Kong and the PRC	1.9	7.6	9.5	10.1
(iii) General working capital	9.3	–	9.3	9.8
Total:	44.3	50.1	94.4	100.0

The above allocation of proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

LISTING EXPENSES

Assuming that the Over-allotment Option is not exercised, the Listing expenses in connection with the Listing, which include professional fees, underwriting commission and fees, assuming an Offer Price of HK$2.65 per Share, being the mid-point of the proposed Offer Price range, are estimated to be HK$47.9 million, or 33.7%, of the gross proceeds of the Global Offering. During the Track Record Period, we incurred Listing expenses of HK$8.5 million and HK$10.3 million which were recognised in our consolidated statements of profit or loss and other comprehensive income for FY2019 and 3M2020, respectively, and HK$5.6 million was recognised as prepayments in our consolidated statements of financial position as at 31 March 2020, which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur Listing expenses of HK$23.5 million prior to and upon completion of the Listing, of which (i) HK$12.7 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2020; and (ii) HK$10.8 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

OFFERING STATISTICS

	Based on an Offer Price of HK$2.45 per Offer Share	Based on an Offer Price of HK$2.85 per Offer Share
Market capitalisation *(Note 1) (HK$)*	612.5 million	712.5 million
Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share *(Notes 2 and 3) (HK$)*	1.34	1.42

Notes:

1. The calculation of market capitalisation is based on 250,000,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalisation Issue (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Over-allotment Option, any Shares issued upon the exercise of options granted under the Share Option Scheme or any Shares issued or repurchased pursuant to the general mandates granted to our Directors as referred to in the paragraphs headed "Share Capital – General Mandate to Issue Shares" and "Share Capital – General Mandate to Repurchase Shares" in this prospectus).

2. The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to the section "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of 250,000,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalisation Issue (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Over-allotment Option, any Shares issued upon the exercise of options granted under the Share Option Scheme or any Shares issued or repurchased pursuant to the general mandates granted to our Directors as referred to in the paragraphs headed "Share Capital – General Mandate to Issue Shares" and "Share Capital – General Mandate to Repurchase Shares" in this prospectus).

3. The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share has not taken into account the dividend to equity shareholders of our Company of HK$85.3 million declared and paid on 11 September 2020. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share would decrease to HK$1.00 and HK$1.08 based on an Offer Price of HK$2.45 and HK$2.85 per Offer Share, respectively. Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

DIVIDENDS

During the Track Record Period, we had not declared and/or paid any dividends to our Shareholders. On 11 September 2020, we declared a dividend of approximately HK$85.3 million and the payment of such dividend, primarily by way of setting off with amounts due from a director and Cargo Services Group, had been made on the same date. On 28 August 2020, CS Shanghai BVI, one of our subsidiaries, declared a dividend of HK$59.1 million of which HK$29.0 million was paid in cash to Princetonhall Limited, a subsidiary of Allport, as holder of 49.0% shareholding interests in CS Shanghai BVI on the same date. Our Directors have considered several factors such as entitlement of existing Shareholders to our reserves. Our Directors are of the view that the dividend declared is fair and reasonable and in the best interest of our Company and our Shareholders as a whole. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders, taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles; and (ii) the applicable laws of the Cayman Islands. For further details, please refer to the paragraph headed "Financial Information – Dividends" in this prospectus.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We believe a few of the more significant risks relating to our business are as follows:

- our operations may be affected by the COVID-19 outbreak;
- our major customers include our freight forwarder business partners and there is no assurance that we will be able to maintain our relationship with our freight forwarder business partners;
- the continued patronage of our customers contributes substantial part of our revenue;
- significant increases in freight and handling costs may affect our business, financial condition and results of operations;
- we may be unable to obtain adequate amount of cargo space to facilitate our customers' needs;
- we operate in an industry with increasing labour cost and labour shortage;
- occupation protest, demonstration or rioting causing mass disruption to business in Hong Kong may impose adverse impact on the economy of Hong Kong, which in turn may affect our business performance;
- general macroeconomic conditions may materially and adversely affect our business, prospects, results of operations and financial position;
- termination or non-renewal of our block space agreements with airline carriers or failure to utilise the air cargo space allocated to us under the block space agreements with airline carriers, could have adverse effect on our business;
- our Group may incur losses if we cannot utilise our distribution centres sufficiently; and
- we may face difficulty in providing our integrated air freight forwarding services if we fail to renew or obtain our licences, registrations and certifications.

These risks are not the only significant risks that may affect the value of our Shares. Please refer to the section headed "Risk Factors" in this prospectus for further details.

REASONS FOR LISTING

Our Directors consider that Listing will benefit our Group in (i) driving the potential market growth and implementing strategies; (ii) satisfying our genuine funding needs for the implementation of our future plans; (iii) enhancing our corporate profile, brand awareness and competitiveness; (iv) enhancing our market status amongst existing and potential customers, freight forwarder business partners, suppliers and employees; and (v) enhancing capital market accessibility and ease of raising funds in capital market. Please refer to the paragraph headed "Future Plans and Use of Proceeds – Reasons for Listing" in this prospectus for further details.

LEGAL PROCEEDINGS AND COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material or systemic non-compliance incident. Our Directors also confirm that during the Track Record Period and up to the Latest Practicable Date, save for one of our certificates for which the renewal approval was pending as at the Latest Practicable Date, we had obtained all the approvals, permits, consents, licences and registrations that are material to our business and operations and all of them were in force as at the Latest Practicable Date.

We are involved in administrative, legal and arbitration proceedings and claims from time to time arising in our ordinary course of business involving purported breaches of contractual terms and alleged violations of laws and regulations, none of which are expected to have a material adverse effect on our business, results of operations and financial condition or on our Shares, the Global Offering or the Listing.

As at the Latest Practicable Date, we were not involved in any litigation, arbitration or claims (including personal injuries, employee compensation or product liability claims) of material importance and we are not aware of any litigation, arbitration or claims of material importance pending or threatened against us that would have a material adverse effect on our business, financial condition or results of operations.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering and Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, we will be owned as to approximately 66.0% by CS Logistics. CS Logistics is an investment holding company. CS Logistics is owned as to 75.0% by CS Seafreight and 25.0% by Toll. CS Logistics is indirectly held by CS Group, which is ultimately controlled by Mr. Lau and his daughter, Ms. Cynthia Lau. Please refer to the paragraph headed "History, Reorganisation and Corporate Structure – Corporate Structure" in this prospectus for the direct or indirect shareholding in CS Logistics of Mr. Lau, Ms. Cynthia Lau, LLEA & Company Limited, Hundred Honest Limited, CS Group, CS Holdings and CS Seafreight. For the purpose of the Listing Rules, as Mr. Lau, Ms. Cynthia Lau, LLEA & Company Limited, Hundred Honest Limited, CS Group, CS Holdings, CS Seafreight and CS Logistics are, directly or indirectly, individually or together with the others, entitled to exercise or control the exercise of 30% or more of the voting power at our general meetings, each of them is regarded as our Controlling Shareholder under the Listing Rules. None of our Controlling Shareholders and our Directors has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

We have entered into the CS Group Master Agency Agreement with CS CT Group, pursuant to which (i) CS Group (for itself and as trustee for the benefit of the relevant member of the CS CT Group), which is one of our Controlling Shareholders, has appointed our Group as CS CT Group's agent for the provision of air freight forwarding services in the PRC, Hong Kong, Taiwan, France, Japan, Switzerland, Italy, Korea and other jurisdictions in which our Group has local presence from time to time, and in respect of CS CT Group's air freight forwarding business in the United States for the import of goods into the United States as destination; and (ii) our Company (for itself and on behalf of the relevant member of our Group) has appointed CS CT Group as our Group's agent for the provision of air and/or ocean freight forwarding services in the PRC, Hong Kong, the United States, the Philippines, India, South Africa, Singapore and other jurisdictions in which CS CT Group has local presence from time to time. The transactions contemplated under the CS Group Master Agency Agreement will constitute continuing connected transactions of our Company. We have applied to the Stock Exchange, and the Stock Exchange has granted us, waivers pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules subject to annual caps restrictions. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" and paragraph headed "Continuing Connected Transactions – Non-exempted Continuing Connected Transactions" in this prospectus for further details.

BUSINESS DELINEATION BETWEEN OUR GROUP AND THE CONTROLLING SHAREHOLDER GROUP

We are 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. During the Track Record Period, services provided in respect of high-end fashion products were our single largest revenue contributor, followed by our services for fast fashion products.

The Controlling Shareholder Group principally engages in the provision of ocean freight forwarding services in the PRC for its domestic and overseas customers, mainly supermarkets and department stores in the PRC, United Kingdom and Australia.

Given the business focus of our Group and the Controlling Shareholder Group as set out above and taking into account certain factors as set out in the section headed "Relationship with our Controlling Shareholders" in this prospectus, the businesses of our Group and the Controlling Shareholder Group are clearly delineated in terms of lines of services and geographical locations for the services as follows:

(a) our Group will engage in (i) the provision of air freight forwarding and distribution and logistics services on a global basis except for the provision of local services for air freight forwarding with destination in the United States as well as the provision of distribution and logistics services in the United States; (ii) the provision of ocean freight forwarding services in Italy and Taiwan on an incidental or stand-alone basis and in the rest of the world on an incidental basis; and (iii) the provision of all air and ocean freight forwarding and logistics services in respect of wine on a global basis; and

(b) the Controlling Shareholder Group will engage in (i) the provision of ocean freight forwarding services on a global basis except in Taiwan and Italy and except for in respect of wine; and (ii) in the United States only, except for wine, the provision of local services for air freight forwarding with destinations in the United States as well as the provision of distribution and logistics services in the United States.

Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for further details on the basis of the business delineation between our Group and the Controlling Shareholder Group.

PRE-IPO INVESTMENTS

On 2 March 2020, each of Mr. Charles Lau, Mr. Wu, Global Megain and Yuantong Taiwan, as our Pre-IPO Investors, entered into a subscription agreement with our Company, CS Logistics and Mr. Lau for the subscription of an aggregate of 4,705,884 Shares, representing approximately 4.5% of the total issued share capital of our Company prior to the Global Offering and the Capitalisation Issue, and the Pre-IPO Investors have become our Shareholders since then. The Shares held by each of the Pre-IPO Investors as of the Listing Date will be subject to lock-up for a period of six months from the Listing Date. For further details of the Pre-IPO Investments and information about the Pre-IPO Investors, please refer to the paragraph headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in the section headed "Glossary of Technical Terms" in this prospectus.

"Accountants' Report"	the accountants' report on our Group for the Track Record Period set out in Appendix I to this prospectus
"Allport"	EV CARGO GLOBAL FORWARDING LIMITED (formerly known as ALLPORT GROUP LIMITED), a company incorporated in the United Kingdom with limited liability on 15 January 2004. As at the Latest Practicable Date, Mr. Lau was indirectly interested in an aggregate of 20% shareholding interest in Allport. The remaining 80% of the shareholding interests of Allport were owned by three other Independent Third Parties
"Allport Group"	has the meaning ascribed to it in Note 28 to the Accountants' Report as set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, adopted on 17 September 2020, as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Blue Water"	Blue Water Shipping A/S, a company established in Denmark which principally engages in the provision of all logistics services in modern supply chain management. It is one of our major customers and an Independent Third Party
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
"BVI"	the British Virgin Islands

"Capitalisation Issue"	the issue of 91,594,116 new Shares to be made upon capitalisation of an amount of approximately US$91,594 standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Statutory and General Information – Further Information about our Group – 3. Resolutions of our Shareholders passed on 17 September 2020" in Appendix IV to this prospectus
"Cargo Services Group"	has the meaning ascribed to it in Note 28 to the Accountants' Report as set out in Appendix I to this prospectus
"Cayman Islands Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant(s)"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant(s)"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CIC"	China Insights Industry Consultancy, an independent market research and consulting company which prepared the CIC Report
"CIC Report"	an independent market report commissioned by us and prepared by CIC in relation to, among other things, the integrated freight forwarding market in the PRC, Hong Kong, Italy and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"CN Airfreight"	CN Airfreight Limited (formerly known as CN Logistics International Holdings Limited (嘉泓物流國際控股有限公司)), a company incorporated in Hong Kong with limited liability on 1 November 2019 and an indirect non-wholly owned subsidiary of our Company

"CN BVI"	CN Logistics Limited, a company incorporated in the BVI with limited liability on 29 October 2014 and an indirect non-wholly owned subsidiary of our Company
"CN France"	CN LOGISTICS FRANCE SAS, a simplified joint-stock company incorporated in France with limited liability on 13 July 2017 and an indirect non-wholly owned subsidiary of our Company
"CN France HK"	CN FRANCE (HONG KONG) LIMITED, a company incorporated in Hong Kong with limited liability on 28 May 2019 and an indirect non-wholly owned subsidiary of our Company
"CN Guangzhou"	Guangzhou Jiahong International Freight Forwarding Co., Ltd.* (廣州市嘉泓國際貨運代理有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 26 November 2007 and an indirect non-wholly owned subsidiary of our Company
"CN HK"	CN Investment Limited, a company incorporated in Hong Kong with limited liability on 9 December 2015 and an indirect wholly-owned subsidiary of our Company
"CN International"	CN International Logistics Limited (formerly known as CN International (Airfreight) Limited), a company incorporated in Hong Kong with limited liability on 12 November 2014 and an indirect non-wholly owned subsidiary of our Company
"CN Italy"	CN Logistics S.R.L., a company incorporated in Italy with limited liability on 25 May 2012 and an indirect non-wholly owned subsidiary of our Company
"CN Japan"	CN Logistics (Japan) Limited (CN Logistics Japan 株式会社), a company incorporated in Japan with limited liability on 10 February 2017 and an indirect non-wholly owned subsidiary of our Company
"CN Jiada"	Jiada Freight Forwarding Co., Ltd.* (嘉達貨運代理有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 15 July 2005 and an indirect non-wholly owned subsidiary of our Company
"CN Korea"	CN Logistics Korea CO., LTD., a company incorporated in Korea with limited liability on 24 July 2018 and an indirect non-wholly owned subsidiary of our Company

"CN Logistics HK"	CN LOGISTICS LIMITED (嘉宏物流有限公司) (formerly known as CN AIRFREIGHT LIMITED, LLEA INTERNATIONAL LIMITED and GOLD FLAVOUR GROUP LIMITED), a company incorporated in Hong Kong with limited liability on 19 March 2004 and an indirect non-wholly owned subsidiary of our Company
"CN Logistics MI"	CN LOGISTICS LIMITED (formerly known as GILES LIMITED and TASMAN ORIENT LINE INC.), a non-resident domestic company incorporated in the Republic of Marshall Islands with limited liability on 28 November 2003 and was wholly-owned by CN BVI prior to its dissolution. CN Logistics MI was dissolved on 6 December 2017
"CN MI"	CN Investment Limited, a non-resident, domestic corporation incorporated in the Republic of the Marshall Islands with limited liability on 30 May 2016 and a direct wholly-owned subsidiary of our Company
"CN Siyan"	Siyan Baopin Supply Chain Management (Shanghai) Co., Ltd.* (思顏寶品供應鏈管理(上海)有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 18 January 2019 and an indirect non-wholly owned subsidiary of our Company
"CN Switzerland"	CN LOGISTICS SA (formerly known as CN LOGISTIC SA), a company limited by shares incorporated and registered with the commercial register in Switzerland on 16 June 2017 and an indirect non-wholly owned subsidiary of our Company
"CN US"	CN LOGISTICS USA INC., a corporation incorporated in Delaware, the United States on 2 November 2017 and was an indirect non-wholly owned subsidiary of our Company prior to its disposal pursuant to the Reorganisation
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	CN Logistics International Holdings Limited (嘉泓物流國際控股有限公司) (formerly known as CARGO SERVICES AIRFREIGHT LIMITED), an exempted company limited by shares incorporated in the Cayman Islands on 14 December 2017 under the Companies Law
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and, in the case of our Company, means Mr. Lau, Ms. Cynthia Lau, LLEA & Company Limited, Hundred Honest Limited, CS Group, CS Holdings, CS Seafreight and CS Logistics, individually and as a group of persons. Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for further details
"Controlling Shareholder Group"	a group of companies consisted of CS Group together with its subsidiaries, CS Holdings Group, CS Seafreight Group and CS Logistics Group, which for the purpose of this prospectus, excludes our Group
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Countries subject to International Sanctions"	countries regarding which governments such as the United States or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2
"CS Airfreight"	CARGO SERVICES AIRFREIGHT LIMITED (嘉宏空運服務有限公司) (formerly known as CARGO SERVICES AIRFREIGHT LIMITED and CHAMPION YEAR CARGO LIMITED (冠年貨運有限公司)), a company incorporated in Hong Kong with limited liability on 25 September 1990 and an indirect non-wholly owned subsidiary of our Company
"CS CT Group"	please refer to the definition of "CS CT Group" as set out in the section headed "Continuing Connected Transactions" in this prospectus

"CS Far East"	CARGO SERVICES FAR EAST LIMITED (嘉宏航運有限公司) (formerly known as CARGO SERVICES FAR EAST LIMITED), a company incorporated in Hong Kong with limited liability on 28 November 1991 and an indirect non-wholly owned subsidiary of CS Seafreight
"CS Group"	Cargo Services Group Limited, an exempted company limited by shares incorporated in the Cayman Islands on 11 February 2015 under the Companies Law and wholly-owned by Hundred Honest Limited, being one of our Controlling Shareholders
"CS Group Master Agency Agreement"	please refer to the definition of "CS Group Master Agency Agreement" as set out the section headed "Continuing Connected Transactions" in this prospectus
"CS Holdings"	CS Logistics Holdings Ltd., a company incorporated in the BVI with limited liability on 10 November 2004 and wholly-owned by CS Group, being one of our Controlling Shareholders
"CS Holdings Group"	CS Holdings together with its subsidiaries
"CS International"	CS International (Airfreight) Limited, a company incorporated in Hong Kong with limited liability on 12 November 2014 and an indirect non-wholly owned subsidiary of our Company
"CS Logistics"	Cargo Services (Logistics) Limited (formerly known as Clova Profits Limited), a company incorporated in the BVI with limited liability on 29 April 1997 and owned as to 25% by Toll and 75% by CS Seafreight, being one of our Controlling Shareholders
"CS Logistics Group"	CS Logistics together with its subsidiaries
"CS Seafreight"	CARGO SERVICES SEAFREIGHT LIMITED, an exempted company limited by shares incorporated in the Cayman Islands on 11 January 2018 under the Companies Law, and wholly-owned by CS Holdings, being one of our Controlling Shareholders
"CS Seafreight Group"	CS Seafreight together with its subsidiaries
"CS Shanghai BVI"	CS Airfreight (Shanghai) Limited, a company incorporated in the BVI with limited liability on 29 October 2014 and a direct non-wholly owned subsidiary of our Company

"Deed of Indemnity"	the deed of indemnity dated 17 September 2020 and executed by our Controlling Shareholders with and in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein), details of which are set out in the paragraph headed "Statutory and General Information – Other Information – 17. Estate duty, tax and other indemnity" in Appendix IV to this prospectus
"Director(s)"	the director(s) of our Company
"EUR"	Euro, the lawful currency of the member countries of the European Union
"FY2017"	the financial year ended 31 December 2017
"FY2018"	the financial year ended 31 December 2018
"FY2019"	the financial year ended 31 December 2019
"GDP"	gross domestic product, the market value of all the finished goods and services produced during a specified period of time
"GEM"	GEM of the Stock Exchange
"Global Freight Forwarding"	Global Freight Forwarding Co., Ltd* (安陽運通股份有限公司), a company incorporated in Taiwan as a company limited by shares on 9 November 2009 and an indirect non-wholly owned subsidiary of our Company
"Global Megain"	GLOBAL MEGAIN TECHNOLOGY PTE. LTD., a company incorporated in Belize on 23 December 2014 and wholly-owned by Mr. Cheng Hsien-Wei, an Independent Third Party. Global Megain is an Independent Third Party and a Pre-IPO Investor
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by **HK eIPO White Form** Service Provider designated by our Company
"Group" or "our Group" or "we" or "our" or "us"	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)

"**HK eIPO White Form**"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **HK eIPO White Form** at **www.hkeipo.hk** or in the **IPO App**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk** or in the **IPO App**
"HKFRS(s)"	the Hong Kong Financial Reporting Standard(s) (including the Hong Kong Accounting Standards, amendments and interpretations) issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, being the Hong Kong branch share registrar and transfer office of our Company
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the 5,370,000 new Shares initially offered for subscription pursuant to the Hong Kong Public Offering, representing 10% of the total number of Offer Shares, subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by members of the public in Hong Kong (subject to reallocation) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated in this prospectus and in the Application Forms
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the paragraph headed "Underwriting – Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the conditional Hong Kong underwriting agreement dated 29 September 2020 entered into between our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters relating to the Hong Kong Public Offering, as described in the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement" in this prospectus
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) not connected person(s) (as defined in the Listing Rules) of our Company
"International Placing"	the conditional placing of the International Placing Shares at the Offer Price to professional, institutional, corporate and other investors, as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Placing Agreement"	the conditional international placing underwriting agreement relating to the International Placing and expected to be entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters
"International Placing Shares"	the 48,330,000 new Shares, expected to be initially offered for subscription pursuant to the International Placing, representing 90% of the total number of the Offer Shares, subject to reallocation and the Over-allotment Option as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, United Nations or the Government of Australia
"International Sanctions Legal Advisers"	Hogan Lovells, our legal advisers as to International Sanctions laws
"International Underwriters"	the underwriters of the International Placing who are expected to enter into the International Placing Agreement

"IPO App"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Global Coordinators"	(i) CMBC Securities Company Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities; and (ii) Yuan Tong Global Securities Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities
"Kering Group"	Kering SA, global luxury group incorporated in France in 1963 and listed on the Paris Stock Exchange. It is one of our major customers and an Independent Third Party
"KRW"	South Korean won, the lawful currency of South Korea
"Latest Practicable Date"	20 September 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Thursday, 15 October 2020, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macao Special Administrative Region of the People's Republic of China
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange and which is independent from and operated in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM

"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, conditionally adopted on 17 September 2020, which will become effective upon Listing, as amended, supplemented or otherwise modified from time to time
"Milca Logistics"	MILCA LOGISTICS LIMITED (formerly known as GLOBAL GAINER HOLDINGS LIMITED (凱卓控股有限公司)), a company incorporated in Hong Kong with limited liability on 5 November 2004 and an indirect non-wholly owned subsidiary of our Company
"Mr. Charles Lau"	Mr. Lau Kin Shing Charles (劉健成), an Independent Third Party and a Pre-IPO Investor
"Mr. Cheung"	Mr. Cheung Siu Ming Ringo (張兆明), an executive Director and a minority shareholder of CN BVI
"Mr. Chun"	Mr. Chun Chi Man (秦治民), an independent non-executive Director
"Mr. Lam"	Mr. Lam Hing Lun Alain (林慶麟), an independent non-executive Director
"Mr. Lau"	Mr. Lau Shek Yau John (劉石佑), our founder, chairman of our Board, a non-executive Director and one of our Controlling Shareholders. He is the father of Ms. Cynthia Lau
"Mr. Ngan"	Mr. Ngan Tim Wing (顏添榮), chief executive officer of our Group, an executive Director and a substantial shareholder of our Company prior to Listing
"Mr. Vincent Chan"	Mr. Chan Chun Hung Vincent (陳鎮洪), an independent non-executive Director
"Mr. Wu"	Mr. Wu Kwok Ping Max (胡國平), an Independent Third Party and a Pre-IPO Investor
"Ms. Chen"	Ms. Chen Nga Man (陳雅雯), an executive Director, a minority shareholder of our Company and CN BVI, and a substantial shareholder of CN France and CN France HK through her wholly-owned investment holding company
"Ms. Cynthia Lau"	Ms. Lau Ying Cynthia, one of our Controlling Shareholders. She is the daughter of Mr. Lau

"Non-compete Undertakings"	the deed of non-compete undertakings dated 17 September 2020 and executed by our Controlling Shareholders in favour of our Company, details of which are set out in the paragraph headed "Relationship with our Controlling Shareholders – Non-compete Undertakings" in this prospectus
"NT$"	New Taiwan dollar, the lawful currency of Taiwan
"OFAC"	the United States Department of the Treasury's Office of Foreign Assets Control
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) to be determined in the manner described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Offer Shares"	the Hong Kong Public Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters under which we may be required to issue up to 8,055,000 additional new Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover any over-allocation in the International Placing, details of which are described in the paragraph headed "Structure and Conditions of the Global Offering – Over-Allotment Option" in this prospectus
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus excludes Hong Kong, Macau and Taiwan
"PRC Legal Advisers"	Jingtian & Gongcheng, legal advisers to our Company as to PRC laws
"Pre-IPO Investments"	the investments made by each of the Pre-IPO Investors, particulars of which are set out in the paragraph headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus
"Pre-IPO Investors"	collectively, Mr. Charles Lau, Mr. Wu, Global Megain and Yuantong Taiwan, and each a "Pre-IPO Investor"

"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or around the Price Determination Date to determine and record the Offer Price
"Price Determination Date"	the date, expected to be on or about Thursday, 8 October 2020 and in any event no later than Tuesday, 13 October 2020, on which the Offer Price will be fixed
"Regulation S"	Regulation S under the US Securities Act
"Relevant Countries"	certain Countries subject to International Sanctions to and from which we provided co-loading services to assist our customers in delivery of goods during the Track Record Period, including the Balkans (Albania, Bulgaria, Croatia, Greece, Macedonia, Romania, Serbia and Slovenia), Belarus, Cote d'Ivoire (Ivory Coast), Democratic Republic of the Congo, Egypt, Guinea, Haiti, Iran, Iraq, Lebanon, Myanmar/Burma, Russia, Sudan, Tunisia, Ukraine and Venezuela
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, as set out in the paragraph headed "History, Reorganisation and Corporate Structure – The Reorganisation" in this prospectus
"Sanctioned Person(s)"	certain person(s) and identity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States, European Union, United Nations or Australia
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of US$0.001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Shares

"Share Option Scheme"	the share option scheme conditionally approved and adopted by us on 17 September 2020, a summary of its principal terms is set out in the paragraph headed "Statutory and General Information – Other Information – 16. Share Option Scheme" in Appendix IV to this prospectus
"Sole Sponsor"	CMBC International Capital Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
"Stabilising Manager"	CMBC Securities Company Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilising Manager and CS Logistics, pursuant to which the Stabilising Manager may borrow up to an aggregate of 8,055,000 Shares to cover any over-allocation in the International Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Toll"	TOLL (ASIA) PTE. LTD., a company incorporated in Singapore with limited liability on 2 March 2006, ultimately wholly-owned by Japan Post Holdings Co., Ltd. (a company listed on the Tokyo Stock Exchange), and a shareholder of CS Logistics
"Track Record Period"	the financial period comprising FY2017, FY2018, FY2019 and 3M2020
"UK", "U.K." or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland, its territories, its possessions and all areas subject to its jurisdiction
"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	collectively, the Hong Kong Underwriting Agreement and the International Placing Agreement
"US$", "US dollars" or "USD"	United States dollars, the lawful currency of US
"US", "U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US Securities Act" or "U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated under it
"VAT"	value-added tax
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be issued in the applicant's own name
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be deposited directly into CCASS
"Yuantong Taiwan"	Yuantong Express Co., Ltd.* (圓通速遞有限公司), a company incorporated in Taiwan on 9 July 1999 and wholly-owned by the estate of the late Ms. Wong Yuk Hung, an Independent Third Party. Yuantong Taiwan is an Independent Third Party and a Pre-IPO Investor
"3M2019"	three months ended 31 March 2019
"3M2020"	three months ended 31 March 2020
"%"	per cent

Terms marked with "" are English translations of the original names in Chinese of the PRC nationals, entities, enterprises, organisations, institutions, government authorities, departments, facilities, awards, certificates, titles, laws and regulations concerned and are included in this prospectus for identification purpose only. In the event of any inconsistency, the Chinese name(s) shall prevail.*

All times and dates refer to Hong Kong times and dates. Unless otherwise specified, references to years in this prospectus are to calendar years.

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their means may not correspond to standard industry meaning or usage of these terms.

"air waybill"	a non-negotiable document that applies to shipment by air freight, serving as a contract between the shipper and the air freight carrier, a receipt by the carrier for goods shipped, and a non-negotiable document of title to the goods which evidences the contract between the shipper and the carrier for carriage of goods over routes of the carrier
"B2B"	Business to Business
"B2C"	Business to Consumer
"bill of lading"	a document that applies to shipment by freight, serving as a contract between the shipper and the ocean freight carrier, a receipt by the carrier for goods shipped, and a document of title to the goods which evidences the contract between the shipper and the carrier for carriage of goods over routes of the carrier
"CAGR"	compound annual growth rate, a measurement to assess the growth rate of value over time
"CargoAir"	our internally designed, developed and supported freight management system which allows us to access consignment information for our air freight forwarding services and ocean freight forwarding services
"cargo manifest"	a document in which all the items in the shipment are listed for official and administrative purposes
"carrier"	the individual or organisation who transports passengers or goods for a profit
"cbm"	cubic meter
"co-loading"	the practice of combining consignments from more than one shipper having the same destination in one unit load
"consignee"	one to whom a consignment is made, i.e. the person named in the bill of lading to whom or to whose order the bill promises delivery

"consignment(s)"	goods or property sent by the aid of a common carrier from one person in one place to another person in another place
"consignor"	a person or firm (usually the seller) named in the consignment documents as the party responsible for initiating a consignment to a consignee (usually the buyer) named in the consignment documents
"consolidation"	grouping together of smaller consignments of goods into a large consignment for carriage as a larger unit in order to obtain a favourable rate
"container freight station" or "CFS"	storage facilities located near terminals or ports providing container stacking and cargo consolidation services
"customs brokerage"	the service of handling customs clearance and other customs-related services for importers and exporters by customs brokers
"customs clearance"	the process of clearing imports and exports through customs
"ERP"	enterprise resource planning, the integrated management of main business processes, often in real time and mediated by software and technology
"fast fashion products"	fast fashion products are fashion products that are targeted to a wide range of consumers with a more affordable price, which are characterised with (i) ready-to-wear fashion products in large quantities and standard sizes; (ii) the use of less expensive fabric, such as polyester, nylon and oil-based synthetics; and (iii) the use of simple production techniques which can easily be done by machine, according to the CIC Report
"freight forwarder"	one(s) who assemble(s) and consolidate(s) shipments and perform(s) or provides for break-bulk and distribution operations of shipments. A freight forwarder may act as a principal who assumes responsibility for the transportation from the place of receipt to the place of delivery by issuing its own house bill of lading to individual shippers whose goods it is consolidating, or as an agent, who is entrusted by shippers and consignees to handle transportation of goods or related business in the names of the shippers and consignees

"garment-on-hanger"	the transporting and handling garments throughout the logistical chain on hangers so that the garments do not need to be refurbished at destination
"general cargo"	any product that is not included in special categories of goods for which there are specific rules
"high-end fashion products"	high-end fashion products (including luxury products and affordable luxury products) are fashion products made from international designer brands that have unique brand identity, creative design, and a distinctive brand concept. According to the CIC Report, luxury fashion products are characterised with: (i) more innovative and unique design which cater to customers with increasingly sophisticated and personalised demands; (ii) seasonal collections are made in small quantities to guarantee exclusivity; and (iii) the use of polycarbonate and fine leather material, featured as being inflexible, solid, durable and lightweight, whereas affordable luxury products are characterised with fashionable, quality products made with attention to detail, but at a relatively affordable price
"IATA"	The International Air Transport Association, a trade association of the world's airlines founded in 1945
"incidental ocean freight forwarding services"	complementary ocean freight forwarding services provided to our air freight forwarding and/or distribution and logistics services customers
"integrated air freight forwarding" or "integrated air freight forwarding services"	provision of a combination of air freight forwarding services and distribution and logistics services
"IT"	information technology
"kg"	kilogram
"m"	metres
"m^2" or "sq.m."	square metres
"OMS"	order management system, a software application designed to support and optimise sales and purchase orders management; our proprietary OMS is named "CN OMS"
"pallet"	a flat transport structure that serves as the structural foundation of a unit load which allows handling and storage efficiencies

"palletisation"	a process by which goods are bundled together on a pallet in order to facilitate mechanical handling of stacked good
"POS"	point of sale, time and place where a retail transaction is completed
"sq.ft."	square feet
"stand-alone ocean freight forwarding services"	ocean freight forwarding services provided to our customers who do not require our air freight forwarding services
"supply chain management"	the management and control of all materials, funds and related information in the logistics process from the acquisition of raw materials to the delivery of finished products to the end user
"TEU"	"Twenty-foot Equivalent Unit", a standard of measurement used in container transport for describing the volume of trade and the capacity of container ships, and for other statistical purposes, as well as for freight quotations
"unit load"	individual items or items in shipping containers combined into single units
"unit load device"	a container of standard size and dimension which allows a large quantity of cargo to be bundled into a single standard unit for loading on to an aircraft
"WMS"	warehouse management system, a software application designed to support and optimise warehouse functionality and distribution centre management; our proprietary WMS is named "CN WMS"

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk Factors" in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals, our ability to implement such strategies and plans and the expected timetable for such implementation;
- our capital expenditure and expansion plans;
- our profit estimate and other prospective financial information;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- the regulatory environment and industry outlook for the industries in which we operate;
- the business opportunities that we may pursue;
- our dividend policy; and
- the amount and nature of, and potential for, future development of our business.

The words "aim", "anticipate", "believe", "can", "could", "estimate", "expect", "going forward", "intend", "target", "may", "might", "plan", "potential", "predict", "project", "schedule", "seek", "should", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future occurrence of such events. Actual outcomes may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- our ability to achieve growth of existing businesses and expansion of operations through investments;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting our operations;
- any change in the laws, rules and regulations of central and local governments in Hong Kong, the PRC and any place where we have operations relating to any aspect of our business or operations;

- general political and global economic conditions, especially those related to Hong Kong, and macro-economic measures taken by the government to manage economic growth; and

- the other risk factors discussed in this prospectus as well as other factors beyond our control.

One or more of the abovementioned risks or uncertainties may materialise.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors" in this prospectus.

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. Our operations involve certain risks, many of which are beyond our control. Our business, financial condition and operating results could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties that are not presently known to us, or not expressed or implied below, or that we deem to be immaterial, could also have a material adverse effect on our business, financial condition and operating results.

RISKS RELATING TO OUR BUSINESS

Our operations may be affected by the COVID-19 outbreak

The outbreak of COVID-19 has brought about uncertainty to the economy in countries which have been affected. According to the CIC Report, the outbreak of COVID-19 has spread to over 80 countries and become a global issue, which is likely to have an adverse impact on customer sentiment in respect of shopping and dining out in the intervening period, which could in turn adversely affect the integrated freight forwarding industry, especially for high-end fashion products and fine wine. Further, according to the CIC Report, as measures have been taken to contain the pandemic by various countries, including but not limited to the lockdown of cities, closing of public venues, restrictions on public activities and travel bans for foreign visitors, the outbreak of COVID-19 globally is likely to adversely impact the global air freight forwarding industry due to (i) falls in consumer confidence globally which negatively influence consumption and the demand for air freight forwarding services; (ii) shrink in labour supply for air freight forwarding and logistics industry resulting from lockdown of cities and quarantine policies that limit the flow of labour force; (iii) a decrease in demand for freight forwarding services as leading high-end fashion brands had to close down their factories located in Italy and France; and (iv) a decline in seasonal products and holiday-related consumption that is likely to reduce the demand for air freight forwarding services. As a result, sales of high-end fashion products globally is expected to be adversely impacted by the outbreak of COVID-19 which in turn will hinder the demand for air freight forwarding industry for high-end fashion products, according to the CIC Report. Please refer to the paragraph headed "Industry Overview – Competitive Landscape of Integrated Freight Forwarding Market – Impact of the Outbreak of COVID-19 on Integrated Air Freight Forwarding Industry" in this prospectus for further details.

There is no assurance that there will not be any direct or indirect impact on our operations as a result of any outbreak, exacerbation, continuance or recurrence of COVID-19. If any of our employees are affected and are unable to duly execute their duties in providing any of our services, this may have a material adverse impact on our operations and financial performance. Further, if any of our suppliers are affected by COVID-19, our services to our customers may be consequentially disrupted, which may affect our ability to meet the demand of our customers and therefore this may also have a material adverse impact on our operations and financial performance. We are uncertain as to when the outbreak of COVID-19 will be contained, and we also cannot predict if the impact will be short-lived or longlasting. If the outbreak of COVID-19 is not effectively controlled in a short period of time, our business operations and financial condition may be materially and adversely affected as a result of the changes in any slowdown in global economic growth or other factors that we cannot foresee. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions to contain or treat its impact, among others.

Our major customers include our freight forwarder business partners and there is no assurance that we will be able to maintain our relationship with our freight forwarder business partners

During the Track Record Period, some of our freight forwarder business partners were our five largest customers such as the Allport Group, Blue Water, Customer B and the Controlling Shareholder Group. We work with our freight forwarder business partners on a case-by-case basis, primarily for the handling and execution of customer orders generally involving locations where we have no presence. Revenue from our freight forwarder business partners accounted for 38.4%, 34.9%, 35.5% and 36.2% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively. During the Track Record Period, we worked with a network of over 100 freight forwarder business partners, covering over 100 countries around the world, which allowed us to extend our worldwide reach. Our network of freight forwarder business partners enables our Group to offer one-stop and end-to-end freight forwarding services to customers across multiple geographies. Although we had developed stable business relationships with our freight forwarder business partners, we cannot assure you that all of our freight forwarder business partners will continue to engage our services in the future at all or at the same level as during the Track Record Period. If these freight forwarder business partners reduce the volume of services they require from our Group or terminate the business relationship with our Group entirely, there is no assurance that we will be able to secure new business from other freight forwarders for similar amount of services or on commercially comparable terms. In that event, our business, prospects, financial position and results of operations may be materially and adversely affected.

The continued patronage of our customers contributes substantial part of our revenue

Our customers, which include direct customers and freight forwarder customers, generally engage us on an as-needed basis and we generally do not have any long-term committed contracts with our customers. Therefore, our revenue is susceptible to fluctuations in the demand for freight forwarding services from our customers, which could be affected by regional and/or global political and economic conditions. In the absence of long-term agreements, the number of bookings from our customers may vary from period to period. We cannot assure you that the actual bookings from our customers will be consistent and this may lead to uncertainty and potential volatility with respect to our profitability from time to time. There is no assurance that our customers would continue to engage us to provide freight forwarding services to them. In the event that any of our customers does not continue to engage us for the provision of services, we cannot assure you that we can successfully find new customers within a short period of time. In such circumstances, we may lose one or more of our customers and our business, profitability, performance, finance position and results of operations may be materially and adversely affected.

Further, in the event that demand of our customers differs from our available cargo space, we obtain additional cargo space from freight carriers or we on-sell cargo space which we cannot fully utilise through co-loading with other freight forwarders. Although we consolidate cargo and on-sell cargo space we secured from freight carriers in order to maximise our profit, we cannot assure you that we are always able to utilise all the cargo space we have obtained on every occasion. During the Track Record Period and up to the Latest Practicable Date, there were no instances where we were unable to fully utilise the cargo space we have obtained from freight carriers. We however cannot assure you that there will not be instances where, for example, due to (i) departure timetable of the aircraft; (ii) popularity of the route; or (iii) seasonality factors, we are unable to fully consolidate all the cargo or on-sell all excess cargo space we have obtained from freight carriers. If these circumstances arise, we may have to bear the costs of all the excess cargo space we have obtained and our business and results of operations could be adversely affected.

Significant increases in freight and handling costs may affect our business, financial condition and results of operations

The carriers that we engaged to provide freight forwarding services are owned by Independent Third Parties. As we price our services on a cost-plus basis, by reference to the type of consignments, freight rates, future business opportunity and volume of cargo space required, etc., in the event that the carriers increase freight rates and usage fee rates, we will transfer the costs to our customers which may adversely affect our Group's pricing and costs. Our Group incurs significant costs in procuring cargo space from carriers. For FY2017, FY2018, FY2019 and 3M2020, our freight and handling costs amounted to HK$1,075.2 million, HK$1,026.6 million, HK$913.1 million and HK$225.8 million, respectively. Freight and handling costs are significantly affected by a variety of factors, including fuel prices, exchange rate, the imposition of or increases in import or export taxes, the supply of cargo space, market conditions and other factors, many of which are beyond our control. On the other hand, if we are unable to pass on to our customers any significant increase in freight and transportation costs, such increase could therefore materially and adversely affect our business, financial condition and results of operations.

We may be unable to obtain adequate amount of cargo space to facilitate our customers' needs

During the Track Record Period, we obtained cargo space from carriers through arrangements under block space agreements and direct booking.

Under the block space agreements, which are terminable on notice without penalty by either party to the relevant agreement, namely us or the relevant airline carrier, we are committed to obtain the allocated volume of cargo space at pre-determined price. Shall we wish to obtain more cargo space than the allocated volume under the block space agreements, such additional cargo space will be subject to the latest market price, which may be higher or lower than the pre-determined price and there is no guarantee that we will be able to obtain such additional cargo space.

Further, since cargo space offered by our suppliers is on a first-come-first-served basis with no formal agreement for guaranteed supply of cargo space from our suppliers other than those under block space agreements, there is no assurance that we will be able to source cargo space within our customers' expected timeframe cost-effectively. We cannot guarantee that it will not happen in the future and if we cannot obtain sufficient cargo space from our suppliers to meet our customers' demand, in particular during peak seasons, our reputation within the industry could be ruined.

We operate in an industry with increasing labour cost and labour shortage

As at 31 March 2020, we had a total of 638 full-time employees. We intend to hire additional B2C managers and staff in Hong Kong and the PRC to facilitate our expansion plans. According to the CIC Report, labour shortage is a major threat for the integrated freight forwarding industry. Freight forwarders need professional talents to establish an efficient and reliable operating system to consolidate cargo for freight forwarding services. Market participants in our industry in the PRC and Hong Kong have suffered from shortage of labours and confronted with an increase in labour cost. There is no assurance that we will not experience any shortage of labour for our services or that the costs of labour will not continue to increase in the future. If we fail to retain our existing labour and/or recruit sufficient staff at the expected rate in a timely manner, we may not be able to shift the extra costs to our customers due to their bargaining power or competitive pricing pressures among our competitors. As such, the increasing labour costs and labour shortage may negatively affect our business, expansion plans, prospects, financial conditions, and results of operations.

Occupation protest, demonstration or rioting causing mass disruption to business in Hong Kong may impose adverse impact on the economy of Hong Kong, which in turn may affect our business performance

Civil unrest and an uncertain political environment may impact the Hong Kong economy and result in an economic slowdown. Protests, demonstrations or rioting causing mass disruption to businesses and transportation such as the Occupy Central Movement that took place during the latter half of 2014, or the social unrest in Hong Kong since June 2019 may decrease consumer spending and inbound tourism to Hong Kong, which in turn may have a negative impact on the local economy. If consumers avoid areas affected by social upheaval or are unable to reach these areas due to disruption in transportation or outbreak of violence, local businesses may be affected, especially if tensions become protracted and remain unresolved. Political uncertainty and a lack of decisive action to deal with social tensions, as demonstrated by the social unrest in Hong Kong, may also adversely affect the economy. Civil unrest is outside the control of our Group and any such demonstrations, protests or riots could adversely impact the Hong Kong economy and result in an economic slowdown and a drop in demand for products of our customers, which in turn may affect the demand of our customers for our services. This may have an adverse impact on our business, financial condition, results of operations and growth prospects.

General macroeconomic conditions may materially and adversely affect our business, prospects, results of operations and financial position

The logistics industry is affected by, among other things, the global and local political and economic environments including macroeconomic and monetary policies, currency and interest rate fluctuations and other socio-political factors.

Any sudden downturn or sudden change in the global, regional or local economic, political, social, legal, environment or government policies (for instance, Brexit, the Sino-US trade war and any local political turmoil or civil disobedience movements), laws, rules or regulations which are beyond our control, may adversely affect and disrupt the business of major players along the value chain in the logistics industry. Such downturns or changes may affect our business and increase our operating costs and lower our profit margin, leading to material adverse effects on our business, results of operations and profitability. In particular, the U.S. has been implementing import tariffs and/or restrictions on goods from the PRC since July 2018, and the PRC has also been implementing similar measures against goods from the U.S. in response which has affected the global macroeconomic environment and may indirectly exert pressure on the freight forwarding and distribution and logistics industry in the PRC and/or other jurisdictions. In addition, another import restriction was announced in August 2020, as the U.S. issued a notice stating that all imported goods produced in Hong Kong must be marked to indicate "China" as its origin. Although the change of the U.S. import tariffs and/or restrictions may not have any direct impact on our business due to our services nature, the Sino-US trade war may affect the global economy and the demand of freight forwarding services, and any uncertainty surrounding any existing or new tariffs and/or trade restrictions and the continuous impact on the global economy brought by the Sino-US trade war may affect the demand for logistics services in the long-term. If the Sino-US trade war continues to escalate, it could cause a detrimental effect to our business and results of operations.

In the event that changes in policies, for instance the prohibition of certain types of consignments to be loaded on to passenger aircrafts, have been adopted, business activities of our customers could be directly affected. Our customers may either be forced to transport their consignments through airlines that offer cargo aircrafts or divert their domestic and inter-continental deliveries to other alternatives such as rail and road transportation. Tightened safety measures may also imply an overall burden on cargo space suppliers to raise freight costs in order to maintain their profit margin. In the event that we are unable to source suitable alternative cargo space for our customers, or we fail to pass on our increased costs to our customers, our business, results of operations and profitability could be adversely affected.

Termination or non-renewal of our block space agreements with airline carriers or failure to utilise the air cargo space allocated to us under the block space agreements with airline carriers, could have adverse effect on our business

As at the Latest Practicable Date, we had three block space agreements with three airline carriers. Due to the uncertainty surrounding the availability of flights and on whether they can commit to allocate the agreed quantities of air cargo space to us under block space agreements amid the COVID-19 pandemic, a number of airline carriers have yet to enter into new block space agreements after the expiration of our then existing block space agreements. Generally, these agreements guarantee us allocation of agreed quantities of air cargo space at pre-determined rates normally over a duration of 12 months, and are generally terminable on 30 to 90 days' notice without penalty by either party to the relevant agreement, namely us or the relevant airline carrier. There can be no assurance that these block space agreements will not be terminated before expiry of their terms or will be renewed. The termination or non-renewal of a significant number of these block space agreements may result in insufficient air cargo space for our freight forwarding services or expose us fully to the prevailing air cargo space market, and may cause material negative impact on our results of operations.

Our block space agreements typically contain provisions requiring us to make payments to the airline carriers by reference to the agreed volume of cargo space, regardless of whether the cargo space has been utilised in full or at all. If we cannot utilise the allocated air cargo space by ourselves or on-sell to other freight forwarders for co-loading purpose, we may not be able to recover the costs of the relevant cargo space, and our results of operations may suffer.

Our Group may incur losses if we cannot utilise our distribution centres sufficiently

As part of our distribution and logistics services, we operated 36 distribution centres primarily in Hong Kong, the PRC, Taiwan and Italy as at the Latest Practicable Date. We intend to expand our distribution centres, together with improved IT systems, following the Listing. Please refer to the paragraphs headed "Business – Business Strategies and Future Plans" and "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus for further details.

Our continued growth depends on our ability to establish and profitably operate new distribution centres. The timing of when the new distribution centres actually commence operations and their associated contribution to our growth are subject to a number of risks and uncertainties, including but not limited to our ability to: (i) obtain adequate funding for development; (ii) accurately estimate the customer demand in new distribution centres; (iii) successfully promote our new distribution centres; and (iv) hire and retain skilled management and employees on commercially reasonable terms. Adverse changes in the economic conditions and any material decline in demand of our distribution and logistics services, or any decision by our customers to terminate or not to renew their contracts may lead to excess capacity in our distribution centres. If we are unable to utilise such excess capacity in our distribution centres, we may incur losses which could materially and adversely affect our business, financial condition and results of operations.

We may face difficulty in providing our integrated air freight forwarding services if we fail to renew or obtain our licences, registrations and certifications

The integrated freight forwarding industry is regulated by specific rules and legislations on freight forwarding or customs clearance, warehousing, and transportation. We have obtained various registrations, certificates, licences and approvals that are, in the opinion of our Directors, material to our business and operations, including certificate as an IATA agent with access to space procurement for air cargo routes and certificate of Hong Kong registered wine exporter which facilitate our integrated freight forwarding services in relation to wine. Please refer to the paragraph headed "Business – Licences and Compliance" in this prospectus. Most licences and registrations are subject to renewal.

In the event that we fail to renew or obtain our relevant licences and registrations, even if we may be able to subcontract relevant services, there is no assurance that we can locate suitable subcontractors in a timely manner or on reasonable commercial terms, and the subcontractor will at all times perform in a satisfactory level. Therefore, our business, reputation, prospects, results of operations and financial condition may be materially and adversely affected.

We rely on key management personnel

Our success is attributable to the leadership and contributions of our key management personnel, who are collectively responsible for the overall corporate development and business strategies of our Group as well as implementing business plans and driving our growth. As such, the experience and contribution of our management are crucial to the success and continuous growth of our Group.

Upon Listing, our Board will consist of seven Directors, comprising three executive Directors, namely Mr. Ngan, Ms. Chen and Mr. Cheung, one non-executive Director, namely Mr. Lau and three independent non-executive Directors, namely Mr. Lam, Mr. Vincent Chan and Mr. Chun. Our Board is responsible and has general powers for the management and conduct of our business. In particular, Mr. Ngan, our chief executive officer and executive Director has over 25 years of experience in management of logistics and freight forwarding business and Ms. Chen, an executive Director and the assistant managing director of our wine department, has more than 18 years of experience in sales and marketing in the freight forwarding industry. In addition, Mr. Cheung, an executive Director and the director of our import, export and co-loading department, has over 22 years of experience in management. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details.

If any of our departing staff or key management personnel joins our competitors or forms a competing company, we may lose our customers and know-how. The results of operations and business performance may be materially and adversely affected if we cannot retain their service and suitable replacement cannot be found on reasonable terms in a timely and viable manner.

We require the assistance from various service providers to implement certain services to our customers

We need various service providers to assist us with carrying out our customers' instructions, which include freight carriers who arrange air flights or ship schedules, freight forwarder business partners who handle and execute customer orders generally involving locations where we have no presence, and local trucking service providers who help us to handle local transportations and distributions. There is no assurance that the carriers, our business partners and other service providers will at all times perform at a satisfactory level. Freight carriers may also mistakenly deliver the cargo to other destinations. Similarly, in case there is any error or delay due to various reasons, including but not limited to weather condition, air traffic control and human negligence, the goods may not be delivered to the assigned destination within the expected schedule and condition.

We cannot assure you that the service quality of the freight carriers, our freight forwarder business partners and other service providers will always meet our or our customers' standards or requirements. There may be occasions where the freight carriers, our freight forwarder business partners and other service providers are not able to deliver goods on time or there may be instances where goods are damaged during transfer. If the freight carriers, our freight forwarder business partners and other service providers are unable to meet our customers' standards and requirements and we are unable to find suitable alternatives promptly, our reputation within the industry and therefore our business, sales performance and results of operations could be adversely affected.

We may be unable to sustain growth in gross profit, gross profit margin and net profit

We have experienced an increase in gross profit of 14.2% from FY2017 to FY2018 and of 2.8% from FY2018 to FY2019. We recorded gross profit margins of approximately 17.1%, 19.4%, 20.7% and 20.0% for FY2017, FY2018, FY2019 and 3M2020, respectively. Further, our net profit increased by HK$3.4 million, or 8.3%, from HK$41.1 million for FY2018 to HK$44.6 million for FY2019. Air freight forwarding services constituted 66.6%, 64.5%, 61.8% and 58.1% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively. Such business is largely affected by factors such as market competition, global and local economic conditions, market demands for our services, the fuel prices and other costs of services. Given the logistics industry is highly sensitive to these factors, it is probable that we may suffer a low or even negative profit margin due to a decrease in revenue and/or gross profit should the global economy be adversely affected. As such, there is no assurance that we will be profitable or be able to maintain positive gross profit margins in the future.

Our expansion has, and will continue to, put pressure on our managerial, financial, operational and other resources. We may need to enhance financial, risk and operational controls and recruit and train additional staff to keep pace with our expansion and to implement further planned expansion. We cannot assure you that we will be able to manage our future expansion and thus maintain our growth in gross profit and net profit effectively. If we are unable to effectively manage our expanding operations and costs, our business, financial condition and results of operations could be adversely affected.

Our business is dependent on IT

We depend on IT to maintain our electronic systems and database in the course of our business operations. Our suppliers' and customers' information, flight schedules, and information on our customers' goods at our distribution centres and CFSs are electronically recorded in our systems. If we are unable to promptly recover our systems and database at times of failure, our reputation, business and operations could be adversely affected.

We target to expand our distribution centres and upgrade our IT systems for business operations. Please refer to the paragraph headed "Business – Information Technology" in this prospectus for details of our IT systems. The ability to maintain effective information management depends, in part, upon the ability to make timely and cost-effective enhancements and additions to the technology underpinning our operational platform and to introduce new technological products and services that meet customer demands. There is no assurance that we will be able to successfully keep up with technological improvements in order to meet our customers' needs or that the technology developed by others will not render our services less competitive or attractive. In addition, hardware or software failure relating to IT systems could significantly disrupt customer workflows and cause economic losses for which we could be held liable, which could damage our reputation. We are also subject to hacking or other attacks on our IT systems.

There is no assurance that we can successfully block and prevent all hacking or other attacks. As a result, failure to meet customers' IT demand or to protect against technological disruptions of our operations could materially and adversely affect our business, financial condition and results of operations.

We may fail to identify referral consignments which carry goods of dangerous or illicit nature

Our freight forwarder business partners may refer business opportunities or engage us as their business partner for the provision of freight forwarding services in locations where we have presence. We may have no control over, and no comprehension of the consignors' nature or the consigned goods other than as declared in relevant declaration forms. Even if we perform background checks on new customers and file police reports for any unclaimed and/or suspicious cargo, and we undergo random verification and x-ray inspections in accordance with statutory requirement, there is no assurance that the implementation of such measures will successfully prevent the transporting of any illegal or dangerous goods. Should consignments carry goods of illicit or dangerous nature and we fail to identify their nature, such goods may end up being impounded by customs, or give rise to any unexpected accidents, where we may be subject to investigations for breaking local laws and be fined by authorities. In such event, our reputation, business and results of operations may be materially and adversely affected.

We are subject to risks of being involved in legal proceedings not covered by insurance

Our businesses carry the inherent risks of accidents, which could result in property loss as well as bodily injuries or loss of lives. As a result, we cannot be exempted from the risk of being involved in legal proceedings.

If we are involved in litigations, and that we are unsuccessful in defending any legal proceeding, or are unsuccessful in settling any legal proceeding on commercially reasonable terms, and the damages which we may be liable to pay in respect of such legal proceeding are not covered by our insurance policies, our business, financial condition and results of operations could be materially and adversely affected. In addition, our management's attention could be diverted from the operation of our business in order to pursue and defend the legal proceedings in which we are involved, which could also affect our business.

Our business is susceptible to disruptions in the business activities of our suppliers of cargo space

We need our suppliers to provide cargo space for our customers. Disruptions in the business activities of our suppliers may have negative impacts on our business. Such disruptions include: (i) suspension or cancellation of flight lines due to technical failures or extreme weather conditions, especially when we rely on one airline carrier for a particular destination; (ii) labour strikes due to disagreements between labour and management; (iii) massive occurrence of political or industrial actions at transportations hubs or destination ports; (iv) wars or terrorists attacks; (v) serious financial difficulties faced by our suppliers during their course of business operations; and (vi) the willingness of suppliers to offer cargo space at favourable price. In the event of occurrence of the above, we may have to arrange for alternative supplies of cargo space from other carriers for our customers within a tight time constraint.

If we are unable to source cargo space on alternative routes for our customers, our customers may switch to our competitors. Further, if there is any detrimental change to our business relationship with our major suppliers, our reputation, business, financial condition and results of operations could be adversely affected.

Our revenue is subject to seasonal fluctuations and market trends

According to the CIC Report, the integrated freight forwarding industry is subject to seasonality. In general, the whole industry receives fewer orders for freight forwarding during the first half of the year, and more orders during the second half of the year. Such seasonal pattern is mainly due to higher consignment demand driven by festive months in the second half of the year. During the Track Record Period, the percentage of our revenue derived from the second half of a year was higher than the first half of the relevant year, reflecting higher demand of our services. Further, notwithstanding that distribution and logistics services in general are not subject to seasonality, distribution and logistics services for high-end fashion products are subject to seasonal factors including fashion weeks and festive periods. Our revenue may vary from time to time as a result of change in seasonal demand for logistics services due to factors such as the impact of festive and trendy items and discount promotions on the demand for and seasonal cycles of goods. Accordingly, comparison of sales and operating results from different periods in any given financial year may not be relied upon as indicators of our performance. Further, if we cannot capture such change of market demand and arrange our cargo space with our suppliers flexibly, we may not be able to fulfill such customers' needs. As such, our business, financial performance and results of operations could be adversely affected.

We primarily focus on providing services in relation to high-end fashion products. The business of our customers in this sector is subject to fashion trends, consumer preferences and spending patterns which may change rapidly. As such, demand for our customers' products may drop swiftly and such customers may not require our services in the amount that we expect. If we fail to react to changes in market trends in a timely manner, for example finding new customers, we may experience a reduced demand for our services and a lower level of revenue. As such, our results of operations, financial performance and business could be materially and adversely affected.

We cannot assure you that the insurance policies we have taken out are always able to cover all losses we sustain during the course of our business operations

We have taken out insurance policies with coverage over claims for cargo loss or damage and legal liability arising from consignment delay and misdirection and other related legal liabilities that are in line with market practice. We have also taken out office comprehensive insurance policy against loss and damage to our office contents and stock, business interruption and public liability and other insurance policies required to be maintained by law in the course of our business. However, we cannot assure you that the insurance policies we have taken out are always able to cover all losses and quantify how much loss we will suffer from potential claims. In the case of an uninsured loss or a loss in excess of insured limits, including those caused by natural disasters and other events beyond our control, we may be required to pay for losses, damages and liabilities out of our own funds. If we face legal claims from parties that may not be adequately covered by the insurance policies we have taken out, our business, operations and financial condition could be adversely affected.

We do not own any real properties and we lease a number of properties for our business operations, in particular for our distribution and logistics services. Therefore, we are exposed to risks in relation to unpredictable and increasing rental costs and relocation costs

We have entered into lease agreements for a number of properties with our related parties and Independent Third Party landlords for our business operations. We do not own any real properties and manage and operate an asset-light model for our distribution and logistics services through a variety of leased distribution centres, including a semi-automated distribution centre of over 90,000 sq.ft. equipped with conveyor belts in Shanghai. Please refer to the paragraph headed "Statutory and General Information – Further Information about the Business of our Group – 10. Material properties of our Group" in Appendix IV to this prospectus for information on material properties leased by our Group as at the Latest Practicable Date.

Our landlords could increase the rent or impose more stringent payment terms when renewing our leases, which could in turn adversely affect our profitability and results of operations. If we find the terms of the proposed renewal leases unacceptable, we would consider relocating our distribution centres or offices to other sites. Such relocation will incur relocation costs, which may be substantial for certain of our distribution centres, such as our semi-automated distribution centre in Shanghai in view of the high capital expenditure involved for the installation of the conveyor belts, and in turn adversely affect our financial condition. Further, we cannot assure you that we will be able to relocate such operations to suitable alternative premises in a timely manner or at all, and any such relocation may result in disruption to our business operations. In the event that we fail to relocate our operations, our financial position, results of operations and reputation would be adversely affected.

We may suffer losses from credit exposures and counterparty risks

As at 31 December 2017, 2018 and 2019 and 31 March 2020, we recorded trade receivables of HK$294.7 million, HK$241.6 million, HK$250.6 million and HK$269.2 million, respectively, of which HK$85.1 million, HK$67.1 million, HK$88.5 million and HK$109.9 million had been past due. As at 31 December 2017, 2018 and 2019 and 31 March 2020, our average trade receivables (including trade related balance from related parties) turnover days were 77 days, 73 days, 71 days and 77 days, respectively. We generally grant our customers a credit period of between 30 and 60 days from the invoice date. Our business is subject to risks that customers or counterparties may delay or fail to perform their contractual obligations. There is no assurance that we will not experience any material difficulty in debt collections or potential default by customers in the future. While our finance department monitors material overdue payments closely, there is no assurance that we will be able to collect overdue payments. Any material non-payment or non-performance by customers or counterparties could adversely affect our financial position, results of operations and cash flows.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, we recorded trade payables of HK$204.2 million, HK$175.4 million, HK$159.7 million and HK$160.9 million, respectively. As at 31 December 2017, 2018 and 2019 and 31 March 2020, our average trade payables (including trade related balance from related parties) turnover days were 62 days, 58 days, 58 days and 57 days, respectively. Further, our suppliers generally grant us a credit period of between 30 and 60 days. There is no assurance that we will not experience any significant cash flow mismatch in the future. Further, there can be no assurance that our cash flow management measures will function properly. If we fail to properly manage the possible cash flow mismatch, we may suffer losses from credit exposures which may materially and adversely affect our financial position, results of operations and cash flow.

Goodwill impairment could negatively affect our financial position and results of our operations

We recorded goodwill of HK$23.5 million, HK$22.8 million, HK$23.2 million and HK$22.9 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively, as a result of our acquisition of 70% equity interest of Global Freight Forwarding. A goodwill arising on acquisition was recorded and carried at cost less accumulated impairment losses. The recoverable amount of the cash-generating units is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by our management and our management also chooses a suitable discount rate in order to calculate the present value of those cash flows. For details of our accounting policies and discussion on goodwill, please refer to Notes 2(e) and 14 to the Accountants' Report as set out in Appendix I to this prospectus.

The recoverable amount of cash-generating units is based on a number of assumptions made by our management. If any of these assumptions does not materialise, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-down of our goodwill and record a significant impairment loss, which could in turn adversely affect our financial position and results of our operations. Based on our impairment assessment, no impairment loss was recognised during the Track Record Period. However, we cannot assure you that we will not recognise any significant impairment loss for goodwill in the future.

Our business is susceptible to economic downturns and disruptions in the business activities of our customers caused by conditions beyond our control

Our customers include direct customers and freight forwarder customers. For FY2017, FY2018, FY2019 and 3M2020, our revenue contributed by our direct customers amounted to HK$939.3 million, HK$1,001.5 million, HK$957.3 million and HK$231.1 million, respectively, representing 61.6%, 65.1%, 64.5% and 63.8% of our total revenue, respectively. As such, our business is susceptible to downturns and disruptions in the business activities of our customers. If sales of our customers in a particular geographical market decline due to regional and/or global political and economic conditions beyond our control, such decline will likely lead to a corresponding plunge in demand for cargo space and logistics services from us and our business, financial condition and results of operations could be adversely affected.

Our net cash outflow from operating activities may affect our liquidity

We recorded an operating cash outflow of HK$21.3 million for 3M2020, which was due to the (i) cash used in our operations of HK$10.1 million; and (ii) tax paid of HK$11.2 million. We cannot assure you that we will not experience net cash outflow from operating activities in the future. Our liquidity in the future will, to an extent, depend on our ability to maintain adequate cash inflows from operating activities primarily generated from our trade receivables for the provision of air freight forwarding, distribution and logistics and ocean freight forwarding services. In the event of any sufficient deterioration in the quality of our trade receivable portfolio, our liquidity and cash flows from operating activities could be materially and adversely affected.

Breach of covenants under the banking facilities by our Group may result in repayment on demand, which may materially affect our liquidity position

During the Track Record Period, we had failed to comply with a financial covenant of a facility letter, details of which are set out in the paragraph headed "Financial Information – Indebtedness and Contingent Liabilities – Interest-bearing bank borrowings" in this prospectus. We had notified the relevant financial institution in relation to such breach once we were aware of the same. On 7 April 2020, we entered into a revised facility letter with the relevant financial institution, in which the relevant financial covenant has been removed. However, we cannot assure you that we can always negotiate or bargain with the relevant financial institution for any possible future breach. We cannot assure you that we will not breach any covenants under any loan agreements in the future, or that lending banks will not accelerate the repayment obligations or enforce other remedies against us. If we are required to make early repayment, our liquidity position may be materially and adversely affected. Further, if we fail to renew or obtain bank borrowings due to the failure to fulfil the financial covenants, in the future, our business, results of operations, liquidity and financial position may also be materially and adversely affected.

We may not be able to obtain finance from time to time to fund our operations and maintain our growth

In order to fund our operations and maintain our growth to achieve our business objectives, we may need to obtain finance from the banks from time to time. There may be occasions where we are unable to obtain finance at terms favourable or acceptable to us. If these circumstances arise, our business, results of operations and growth could be compromised.

Our growth prospects may be limited if we do not successfully implement our future plans

We formulate our business strategies and devise our future plans as set out in the paragraph headed "Business – Business Strategies and Future Plans" and section headed "Future Plans and Use of Proceeds" in this prospectus based on circumstances currently prevailing and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of implementation. Our growth is based on assumptions of future events which include (i) increasing demand for our services in the future; and (ii) effectiveness of our sales and marketing effort in the highly fragmented and competitive integrated freight forwarding industry.

We intend to expand our distribution centres and improved our IT systems following the Listing. Please refer to the paragraphs headed "Business – Business Strategies and Future Plans" and "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus for further details. Changes in the economic conditions in the specific industry sectors or any decision by our customers to terminate or not to renew their agreements with us may lead to excess capacity in our distribution centres. If we are unable to utilise the excess capacity in our distribution centres, we may incur losses which could materially and adversely affect the business, financial condition and results of operations.

Our prospects must be considered in light of the risks and challenges which we may encounter in various stages of development of our business. If the assumptions which underpin our future plans prove to be incorrect, our future plans may not be effective in enhancing our growth, in which case our business, financial condition and results of operations may be adversely affected.

We face risks in managing operations and expanding across a number of countries

As at the Latest Practicable Date, we operated local offices in 13 cities across eight countries and territories, including Hong Kong, Shanghai, Guangzhou, Taipei, Tokyo, Seoul, Paris and Chiasso. We are subject to laws, regulations and policies of the different countries in which we have presence or operations. Where there are changes to such laws, regulations and policies and we are unable to adjust our operations accordingly, our business may be adversely affected. Due to time zone, geographical, cultural and other differences, we may not be able to manage our operations as effectively as we wish, and there could be negative impact on our business and operations. As our operations expand across more countries, we will be increasingly subject to risks associated with such expansion, including but not limited to operational, political and foreign exchange risks.

Damage to our brand name or failure to protect our brand name may affect the attractiveness of our services

Our business is sensitive to customers' perception of the reliability and quality of our services. Our Group operates under the name "CN" and as at the Latest Practicable Date, we were the registered owner of one domain name which is material in relation to our business and we had not registered any trademarks. For further details of our intellectual property rights, please refer to the paragraph headed "Statutory and General Information – Further Information about the Business of our Group – 11. Intellectual property rights of our Group" in Appendix IV to this prospectus. If there is any misuse by third parties of our brand name or if we are unable to detect, deter and prevent misbehaviour and misconduct by our employees or if we fail to effectively protect our brand, our reputation could be damaged and our business and financial performance may be materially and adversely affected.

One of our leased properties in the PRC is subject to risks arisen from defective title of the land and we may be prevented from continuing to use our distribution centre erected on such land before the relocation of our operations completes

As advised by our PRC Legal Advisers, the allocated land use right of one of our existing distribution centres in Shanghai had expired and a new real estate certificate had not been obtained as at the Latest Practicable Date. For details of the title defect, please refer to paragraph headed "Business – Properties" in this prospectus. As such, the lessor of the said land may not legally have the right to lease such land. In addition, the lessor did not provide us with evidence that our lease of the relevant distribution centre, which is on the allocated state-owned land, was approved by the relevant and competent authority in accordance with the Interim Regulations of the PRC on the Assignment and Transfer of the Rights to the Use of State-owned

Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》). Under this situation, there is a risk that the lease contract may be deemed invalid, the buildings and other attachments on such land (including our distribution centre erected on the land) may be resumed and demolished, and that the right to use the land may be forfeited free-of-charge by the relevant and competent authority for sale. As a result, we may be prevented from continuing to lease the land and use our distribution centre erected on such land. Notwithstanding that we have planned to complete the relocation of our operations in such distribution centre in the fourth quarter of 2020 to another distribution centre in Shanghai (which we may lease such distribution centre, the area of which will be comparable to the area of our existing distribution centre, from our related party on normal commercial terms or from an Independent Third Party), we could not assure you that the competent authority would not take actions in relation to the defective title and/or order demolition of the relevant property before the relocation completes, as a result of which our operations may be adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

The integrated freight forwarding industry in which we operate is highly fragmented and competitive and there can be no assurance that we can compete successfully for customers in the future

The integrated freight forwarding industry in which we operate is highly fragmented and competitive. We compete with other freight forwarders on pricing, network of routes offered and range of services offered. Major airlines and shipping companies have also set up subsidiaries to offer freight forwarding services and related logistics services. Keen competition from other freight forwarders within the market may adversely affect our customer base and market share. We may have to adopt a more competitive pricing strategy by lowering our profit margin in order to maintain our customer base and market share, in the event that we fail to source cargo space from our suppliers at favourable prices. There can be no assurance that we can compete successfully over other industry players for customers in the future. If we are unable to maintain our customer base, our business, financial condition and results of operations could be adversely affected.

The demand for cargo space is easily affected by unpredictable factors

Demand for cargo space is affected by factors such as regional and/or global political and economic conditions, level of international trade activities, economic sanctions, outbreak of wars, changes in regulatory regimes and extreme weather conditions, all of which are beyond our control and the nature, timing and degree of which are largely unpredictable. Any decrease in demand for our services due to cyclical downturns could adversely affect our business, financial condition and results of operations.

An increase in fuel prices may reduce profitability

Fuel represents a sizable cost to the industry as it affects operations of companies through the land, ocean and air freight rates and hence an increase in fuel prices may increase our costs. In the event that we fail to transfer the costs to our customers, our profitability may be adversely affected. The cost of fuel can fluctuate significantly and is subject to many economic and political factors that are beyond our control, including but not limited to the political instability in oil-producing regions.

Natural disasters, acts of war and other events may adversely affect our operations

Natural disasters, acts of war, material interruptions in service or stoppages in transportation, whether caused by strike, work stoppage or lock-out, and other events which are beyond our control may adversely affect local economies, infrastructures, terminal or port facilities and international trade. They may also cause closure of terminals or ports and access to terminals or ports as well as disruptions to cargo flows, any of which could materially and adversely affect our results of operations and financial position.

Terrorist attacks may increase the costs of our operations and reduce demand for our services

The world continues to be threatened by terrorist attacks such as massive shootings and suicide bombings. Frequent terrorist attacks in major cities have called for tightened security procedures at major airports and ports. Frequent terrorist attacks have negative impacts on the logistics industry such as loss of traffic and revenues, increased security and insurance costs and port delays due to tightened security. Any future terrorist attack, or the threat of such attack, may increase the costs of our operations due to tightened security, delays or cancellations associated with new government decrees and reduce demand for our services. In such event, our business, financial condition and results of operations may be adversely affected.

We are exposed to foreign exchange risk

We are exposed to certain foreign exchange risks in respect of depreciation or appreciation amongst the currencies other than our functional currency. We have however not maintained any specific hedging policy or foreign currency forward contracts in respect of such foreign exchange risks. We recorded net foreign exchange loss of HK$2.5 million, HK$298,000 and HK$578,000 for FY2017, FY2019 and 3M2020, respectively, and we recorded net foreign exchange gain of HK$1.2 million for FY2018. Shall we face significant volatility in these foreign exchange rates and we cannot procure any specific foreign exchange control measures to mitigate such risks, our results of operations and financial performance shall be adversely affected.

We may be exposed to transfer pricing risk

As at the Latest Practicable Date, we operated local offices in 13 cities across eight countries and territories, including Hong Kong, Shanghai, Guangzhou, Taipei, Tokyo, Seoul, Paris and Chiasso. Subject to our overseas business presence and the terms of a particular transaction, we may provide services (i) either at the origin or the destination, with the corresponding services at the destination or the origin performed by our freight forwarder business partners; or (ii) both at the origin and the destination. During the Track Record Period, the intra-group transactions between our Group companies were conducted on arm's length basis and normal commercial terms with reference to the services we provided in different jurisdictions and in accordance with our internal control policy. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any investigation by any tax authority with respect to the intra-group transactions in jurisdictions where our major operating subsidiaries are located. However, our tax position may be subject to review and possible challenge by the relevant government authorities and any possible change or challenge in laws.

In the event that our tax position is subject to review and possible challenge by the relevant tax authorities or there is a change in the tax policy and relevant tax laws in relevant jurisdictions involving transfer pricing, it may result in higher tax expenses and liabilities for us and may affect our financial position and results of operations. In preparing our financial information, our Directors have reviewed and assessed our transfer pricing risk as it is possible that the tax authorities may challenge our policy for intra-group transactions, although our Directors believe that we have grounds to defend against such possible challenge. However, there can be no assurance that we will not be found to be operating in breach of the relevant transfer pricing-related laws, or that there will not be any modification of such laws which may in turn require changes to our practice or operating procedures in relation to intra-group transactions.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial condition and financial results

We conduct our business operations in the PRC which could be influenced by, among others, (i) political structure; (ii) level of the PRC government involvement and control; (iii) growth rate and level of development; (iv) level and control of capital investment and reinvestment; (v) control of foreign exchange; and (vi) allocation of resources.

We cannot predict whether changes in the PRC's economic, political and social conditions and its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations. In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. The PRC government has in the past implemented a number of measures intended to curtail certain segments of the economy, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

The enforcement of Chinese labour contract law, social insurance law and other labour related regulations may materially affect our business, financial condition and results of operations

Pursuant to Chinese Labour Contract Law, or the Labour Contract law of the PRC (《中華人民共和國勞動合同法》), effective in January 2008 and amended in December 2012, and its implementation rules which became effective in September 2008, employers are subject to strict requirements in terms of signing labour contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the term of employees' probation and unilaterally terminating labour contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labour practices, the Labour Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

On 28 October 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which became effective on 1 July 2011 and amended in December 2018. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. As the interpretation and implementation of the Labour Contract Law, the Social Insurance Law and other labour related regulations (the "**Labour-related laws and regulations**") are still evolving, we cannot assure you that our employment practice do not and will not violate the Labour-related laws and regulations, which may subject us to labour disputes or government investigations. If we are deemed to have violated the Labour-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be adversely affected.

Adverse developments in the PRC's economy or an economic slowdown in the PRC may reduce the demand for our services and have a material adverse effect on our business, financial condition, results of operations and prospects

We have operations in the PRC and generate substantial part of our revenue in the PRC. As a result, economic developments in the PRC have a significant effect on our business, financial condition and results of operations, as well as our prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued in the past few years has led to a marked slowdown in the economic growth of the PRC. For example, the GDP growth rate of the PRC decreased from 14.2% in 2007 to 6.6% in 2018, and further slowed down to 6.1% in 2019. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC's economy. Any significant slowdown in the PRC's economy could have a material adverse effect on our business and operations.

Our labour and other costs may also increase due to pressure from inflation. Any future calamities, such as natural disasters, outbreak of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect the economic growth in the PRC, Asia and elsewhere in the world. As such, if the PRC economy experiences significant adverse developments or a significant downturn, our business, financial condition and results of operations would be materially and adversely affected.

The PRC government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends

Conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the PRC current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State

Administration of Foreign Exchange ("**SAFE**"), but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

Inflation in the PRC could negatively affect our profitability and growth

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the PRC economy, including increasing interest rates and capital reserve thresholds at PRC commercial banks. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC government measures, our cost of services will likely increase and our profitability could be materially reduced, as we may not be able to pass any cost increases onto our customers.

Our business may be adversely affected by the introduction of new laws or changes to existing laws by the PRC government and uncertainties regarding interpretation and enforcement of the PRC laws and regulations

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is a codified system with written laws, regulations, circulars, administrative directives and internal guidelines. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are therefore subject to policy changes. Accordingly, the outcome of dispute resolutions may not be as consistent or predictable as in the other more developed jurisdictions and any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

Further, the PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions, or to obtain enforcement of a judgment by a court of another jurisdiction.

PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans to our PRC subsidiaries

We may make loans to our relevant PRC subsidiaries which are directly invested by offshore subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We expect that PRC laws and regulations may continue to limit our use of net proceeds from the Global Offering or from other financing sources. We may not be able to obtain these government registrations on a timely basis, if at all, with respect to future loans by us to finance our PRC subsidiaries. If we fail to receive relevant registrations, our ability to use the proceeds from the Global Offering and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

RISK RELATING TO THE INTERNATIONAL SANCTIONS

We could be adversely affected as a result of any services we provide in relation to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities

The U.S. and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, we provided co-loading services to assist our customers in delivery of goods to and from the Relevant Countries. These included Iran, which is subject to comprehensive sanctions, and Sudan, which was comprehensively sanctioned until 12 October 2017. The region of Crimea, which lies between Russian and Ukraine, is further subject to comprehensive sanctions. However, whilst we provided services related to each of Russia and Ukraine during the Track Record Period, we did not provide any services to the region of Crimea. Our revenue derived from provision of services to these customers and consignments to and from such countries amounted to approximately HK$7.6 million, HK$5.6 million, HK$11.1 million and HK$4.0 million, representing approximately 0.5%, 0.4%, 0.8% and 1.1% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively.

Please refer to the paragraph headed "Business – Licences and Compliance – Business Activities with Customers in relation to Countries subject to International Sanctions" for further details of our business activities with customers in relation to Countries subject to International Sanctions during the Track Record Period.

While the Relevant Countries were subject to certain sanction programs during the Track Record Period and up to the Latest Practicable Date, our business transactions relating to the Relevant Countries during the Track Record Period did not violate the International Sanctions Law. While we have implemented internal control measures to minimise our risk exposure to

International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of the United States, the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active and/or open trading market for our Shares may not develop as at or after the Listing

Prior to the Global Offering, there has not been a public market for our Shares. While we have applied for the listing of, and permission to deal in our Shares on the Stock Exchange, an active, open or liquid public market for our Shares may not develop as at or after the Listing or be sustained if developed. We remind our Shareholders that as one of the conditions for the Listing, there must be an open market in our Shares to develop at the time of Listing. The Stock Exchange will not grant the approval for, and the SFC may object to, the listing of our Shares if an open market in our Shares does not exist at the time of Listing. Besides, the SFC may exercise its power of suspension under section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) if, at any time after the Listing, it appears to the SFC that there may not have been an open market and that a suspension in the trading of Shares is necessary or expedient in the interest of maintaining an orderly and fair market in our Shares and in the interests of the investing public or for the protection of our investors.

The Offer Price may not be necessarily indicative of the market price of our Shares after the Global Offering is complete. An investor who purchases our Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares.

Liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders

The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;

- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenue and cost structure such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding the logistics industry;
- changes in applicable laws and regulations in the jurisdictions that we operate; and
- political, economic, financial and social developments in the jurisdictions that we operate and worldwide.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Termination of the Underwriting Agreements

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) by giving written notice to our Company upon the occurrence of any of the events stated in the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any series of events in the nature of force majeure.

Should the Joint Global Coordinators (for themselves and on behalf of the Underwriters) exercise its rights and terminate the Underwriting Agreements, the Global Offering will not proceed and will lapse.

Future sales of substantial amounts of our Shares in the public market may adversely affect the prevailing market price of our Shares

Except for our Shares in issue and to be issued under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, our Company has agreed with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) not to issue any of our Shares or securities convertible into or exchangeable for our Shares during the period up to the date which is six months from the Listing Date, except with the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Further, under the Underwriting Agreements, our Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for the period up to 12 months from the Listing Date. Our Company, our

Controlling Shareholders and the Pre-IPO Investors are also subject to certain restrictions on issuance or (as the case may be) disposal of our Shares under the Listing Rules or pursuant to the undertakings given by them (as the case may be). After these restrictions lapse, the market price of our Shares may decline as a result of sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, the issuance of the new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

Shareholders' interests may be diluted as a result of additional equity fund-raising

We may need to raise additional funds in the future to finance further expansion of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, their percentage ownership in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

Exercise of options granted under the Share Option Scheme may result in dilution to our Shareholders

We conditionally adopted the Share Option Scheme on 17 September 2020. As at the Latest Practicable Date, no option had been granted to subscribe for any Shares under the Share Option Scheme. Following the issuance of new Shares upon exercise of any options that may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of existing Shareholders which results in a dilution or reduction of our earnings per Share and net asset value per Share. In addition, the fair value of options to be granted to eligible participants under the Share Option Scheme will be charged to our consolidated statements of profit or loss and other comprehensive income over the vesting periods of the options. Fair value of the options shall be determined on the date of granting of the options. Accordingly, our financial results and profitability may be materially and adversely affected.

The interests of our Controlling Shareholders may not always coincide with our interests and those of our other Shareholders

Immediately following the completion of the Global Offering and Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), Mr. Lau, Ms. Cynthia Lau, LLEA & Company Limited, Hundred Honest Limited, CS Group, CS Holdings, CS Seafreight and CS Logistics will hold directly or indirectly (as applicable) approximately 66.0% of the issued share capital of our Company. Our Controlling Shareholders will be in a position which has significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate actions according to their own desires. If the interests of any of our Controlling Shareholders conflict with our and/or your interests, our Company or those other our Shareholders, including you, may be adversely affected as a result.

There may be difficulties in protecting your interests because our Company is incorporated under the Cayman Islands Companies Law

Our corporate affairs are governed by, among other things, our Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The law of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that our minority Shareholders may have different protection than they would have under the laws of Hong Kong and other jurisdiction. Please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Certain facts and statistics in this prospectus relating to our industry may not be reliable

Certain facts and statistics in this prospectus, including industry data and forecasts, have been derived from various official government publications and independent sources which we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such materials. None of us, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or our or their respective affiliates or advisers has independently verified, or made any representation as to, the accuracy of such facts, statistics, data and forecasts. Investors should not place undue reliance on such facts, statistics, data and forecasts. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, they may not be stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. We have not authorised the disclosure of any information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on any such information.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are "forward-looking" and may use forward looking terminology such as "aim", "anticipate", "believe", "can", "could", "estimate", "expect", "going forward", "intend", "target", "may", "might", "plan", "potential", "predict", "project", "schedule", "seek", "should", "will", "would" or similar expressions, or their negatives or other similar expressions. Those statements include, among other things, the discussion of our business strategies and the expectations of our future operations, liquidity and capital resources. Purchases and subscribers of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or our or their respective affiliates or advisers that our plans and objectives will be achieved. Investors should not place undue reliance on such forward-looking information.

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions, which would constitute non-exempted continuing connected transactions subject to reporting, annual review, announcement and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules after the Listing. Details about such transactions together with the application for waivers from strict compliance with the relevant announcement requirement and/or independent Shareholders' approval requirement under Chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, affiliates, advisors, agents or representatives or any person, or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, and the International Placing is expected to be fully underwritten by the International Underwriters. The Global Offering is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

The Global Offering is managed by the Joint Global Coordinators. If, for any reasons, the Offer Price is not agreed upon among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. Please refer to the section headed "Underwriting" in this prospectus for further details.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedures for applying for Hong Kong Public Offer Shares is set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" and the paragraph headed "How to Apply for the Hong Kong Public Offer Shares – 4. Terms and Conditions of an Application" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distributions of this prospectus in any jurisdiction, other than in Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus, and the offering and sale of the Offer Shares, in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares to be issued under the Capitalisation Issue and any Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme. Save as disclosed in this paragraph, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. Our Shares will be traded in board lots of 1,000 Shares. The stock code of our Shares is 2130.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

REGISTERS AND HONG KONG STAMP DUTY

All Offer Shares subscribed for pursuant to applications made in the Hong Kong Public Offering will be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Dealings in the Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in the Offer Shares. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of Offer Shares.

EXCHANGE RATE CONVERSION

Unless the context requires otherwise, amounts denominated in the following currencies have been converted into HK$, respectively, for the purpose of illustration only, using the exchange rate of:

HK$1.00 = RMB0.9

USD1.00 = HK$7.8

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Certain monetary amounts included in this prospectus have been subject to rounding adjustments. In particular, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise in this prospectus. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Ngan Tim Wing (顏添榮)	Flat C, Ground Floor Village Gardens Phase C 40 Fa Po Street Kowloon Hong Kong	Chinese
Ms. Chen Nga Man (陳雅雯)	Flat C, 3rd Floor Block 4, Grandeur Villa 21 Tat Chee Avenue Kowloon Hong Kong	Chinese
Mr. Cheung Siu Ming Ringo (張兆明)	Flat A, 25th Floor, Tower 7 The Palazzo 28 Lok King Street Shatin New Territories Hong Kong	Chinese
Non-executive Director		
Mr. Lau Shek Yau John (劉石佑)	Second Floor, Clement Court 56 Mount Butler Road Jardine's Lookout Hong Kong	Chinese
Independent non-executive Directors		
Mr. Lam Hing Lun Alain (林慶麟)	Flat A, 13th Floor Tower 6 Residence Bel-Air Island South 28 Bel-Air Avenue Hong Kong	Chinese
Mr. Chan Chun Hung Vincent (陳鎮洪)	Flat 2401 24th Floor, Block A Villa Lotto, 18 Broadwood Road Happy Valley Hong Kong	Chinese
Mr. Chun Chi Man (秦治民)	Flat A, 37th Floor Grand Deco Tower 26 Tai Hang Road Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**CMBC International Capital Limited** *A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities* 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	**CMBC Securities Company Limited** *A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities* 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
	Yuan Tong Global Securities Limited *A licensed corporation under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities* Suite 901, 9/F., 118 Connaught Road West Sai Ying Pun Hong Kong
Joint Bookrunners	**CMBC Securities Company Limited** *A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities* 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
	Yuan Tong Global Securities Limited *A licensed corporation under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities* Suite 901, 9/F., 118 Connaught Road West Sai Ying Pun Hong Kong

CCB International Capital Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CEB International Capital Corporation Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
22/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

Southwest Securities (HK) Brokerage Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

SPDB International Capital Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Zhongtai International Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Elstone Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
Suite 1601–04, 16/F., West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Joint Lead Managers

CMBC Securities Company Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Yuan Tong Global Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities
Suite 901, 9/F., 118 Connaught Road West
Sai Ying Pun
Hong Kong

CCB International Capital Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CEB International Capital Corporation Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
22/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

Southwest Securities (HK) Brokerage Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

SPDB International Capital Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Zhongtai International Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Elstone Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
Suite 1601–04, 16/F., West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Grand View Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) regulated activities
Suite 3303, 33/F, The Center
99 Queen’s Road Central
Hong Kong

China Sky Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
Unit 1803–04, West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Royston Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities
Room 502, 5/F, The Sun's Group Centre
200 Gloucester Road
Wanchai
Hong Kong

Aristo Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) regulated activities
Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

K.K.M. Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) regulated activities
23/F, 77–83 Wanchai Road
Wanchai
Hong Kong

Lego Securities Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities) regulated activities
Room 301, 3/F, China Building
29 Queen's Road Central
Central
Hong Kong

GLAM Capital Limited
A licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities
Rooms 908–911, 9/F, Nan Fung Tower
88 Connaught Road Central &
173 Des Voeux Road Central
Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to Hong Kong law:
Mr. Richard Leung
Barrister-at-law
Des Voeux Chambers
38th Floor
Gloucester Tower
The Landmark
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Beijing 100025
PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to French law:
Bignon Lebray
75, rue de Tocqueville
75017 Paris
France

As to Italian law:
Bonelli Erede Lombardi Pappalardo – Studio Legale
via Barozzi 1
20122 Milano
Italy

As to Japanese law:
Anderson Mori & Tomotsune
Otemachi Park Building 1-1-1 Otemachi
Chiyoda-ku
Tokyo 100-8136
Japan

As to Korean law:
HMP Law
9th Floor, Shinhan Bank Building
20, Sejong-daero 9-gil, Jung-gu
Seoul 04513
Korea

As to Marshall Islands law:
Mayer Brown
16th–19th Floors
Prince's Building
10 Chater Road
Central
Hong Kong

As to Swiss law:
Walder Wyss Ltd.
Via F. Pelli 12
P.O. Box 5162
6901 Lugano
Switzerland

As to Taiwan law:
Lee and Li, Attorneys-at-Law
8th Floor, No. 555
Sec. 4, Zhongxiao E. Road
Taipei 11072
Taiwan
Republic of China

As to US law:
Lewis Brisbois Bisgaard & Smith LLP
2020 West El Camino Avenue
Suite 700
Sacramento
California 95833
US

As to International Sanctions laws:
Hogan Lovells
11th Floor, One Pacific Place
88 Queensway
Hong Kong

Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong Law:* **Howse Williams** 27/F Alexandra House 18 Chater Road, Central Hong Kong *As to PRC law:* **King & Wood Mallesons** 25th Floor, Guangzhou CTF Finance Centre No. 6 Zhujiang East Road Zhujiang New Town, Tianhe District Guangzhou Guangdong 510623 PRC
Auditors and reporting accountants	**KPMG** *Certified Public Accountants* 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Industry consultant	**China Insights Industry Consultancy** 66th Floor, The Center 99 Queen's Road Central Hong Kong
Compliance adviser	**CMBC International Capital Limited** *A licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities* 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
Receiving bank	**Hang Seng Bank Limited** 83 Des Voeux Road Central Hong Kong

Registered Office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit B, 13th Floor, Park Sun Building 97–107 Wo Yi Hop Road Kwai Chung New Territories Hong Kong
Company website	**www.cnlogistics.com.hk** *(information on the website does not form part of this prospectus)*
Company secretary	Mr. Tsang Chiu Ho, *CPA (practicing)* Unit B, 13th Floor, Park Sun Building 97–107 Wo Yi Hop Road Kwai Chung New Territories Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Ngan Tim Wing Flat C, Ground Floor Village Gardens Phase C 40 Fa Po Street Kowloon Hong Kong Mr. Tsang Chiu Ho Unit B, 13th Floor, Park Sun Building 97–107 Wo Yi Hop Road Kwai Chung New Territories Hong Kong Alternate to the authorised representatives Mr. Cheung Siu Ming Ringo Flat A, 25th Floor Tower 7 The Palazzo 28 Lok King Street Shatin New Territories Hong Kong

Authorised representatives (for the purpose of the Companies Ordinance)	Mr. Tsang Chiu Ho Unit B, 13th Floor, Park Sun Building 97–107 Wo Yi Hop Road Kwai Chung New Territories Hong Kong
Audit Committee	Mr. Lam Hing Lun Alain *(Chairman)* Mr. Chun Chi Man Mr. Chan Chun Hung Vincent
Remuneration Committee	Mr. Chan Chun Hung Vincent *(Chairman)* Mr. Ngan Tim Wing Mr. Chun Chi Man
Nomination Committee	Mr. Lau Shek Yau John *(Chairman)* Mr. Lam Hing Lun Alain Mr. Chan Chun Hung Vincent
Corporate Governance Committee	Mr. Chun Chi Man *(Chairman)* Mr. Ngan Tim Wing Mr. Lam Hing Lun Alain
Risk and Compliance Committee	Mr. Ngan Tim Wing *(Chairman)* Mr. Cheung Siu Ming Ringo Mr. Lam Hing Lun Alain
Hong Kong Branch Share Registrar	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal share registrar and transfer office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal bankers	**Hang Seng Bank Limited** 83 Des Voeux Road Central Hong Kong **The Hongkong and Shanghai Banking Corporation Limited** HSBC Main Building 1 Queen's Road Central Hong Kong

The information presented in this section, including certain facts, statistics, and data, has been extracted and derived from the CIC Report as issued by CIC, which was commissioned by us and based on various official government publications and other publicly available sources, unless otherwise indicated. We believe that the sources of information in this section are appropriate and we have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information and statistics included herein have not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, or representatives, or any other person involved in the Global Offering (excluding CIC), and no representation is given as to the accuracy, completeness, or fairness of such information. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We have commissioned CIC, an independent market research and consulting company founded in Hong Kong and engaging in the provision of professional consulting services across multiple industries, to conduct an analysis of and report on the integrated freight forwarding markets, who prepared the CIC Report independent from our influence. The fees for the preparation of the CIC Report is in sum of HK$760,000, which we believe reflects the market rate for such report.

CIC analysed, assessed and validated the information and data it collected by using its in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysing market data obtained from several publicly available data sources, such as the International Monetary Fund, National Bureau of Statistics, and industry associations. The methodology used by CIC is based on analysing information gathered from multiple levels which ensures that the information presented is cross-referenced for reliability and accuracy.

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) the overall social, economic, and political environment in the PRC, Hong Kong, Taiwan, and Italy is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in the global integrated freight forwarding industry throughout the forecast period, including the gradual recovery of the world economy, and the growth of cross-border e-commerce activities; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected dramatically or fundamentally. In addition, CIC has taken into account the COVID-19 outbreak and its effects on our Group's industry. CIC believes that the assumptions used in preparing the CIC Report, including those used to make future projections, are factual, correct, and not misleading. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions as well as the choice of primary and secondary sources.

Our Directors confirm that after taking reasonable enquiries, there has been no material adverse change in the market information since the date of the CIC Report which may materially qualify, contradict, or have an impact on the information set forth in this section. Unless otherwise mentioned, all data and forecasts contained in this section have been extracted and derived from the CIC Report.

OVERVIEW OF INTEGRATED FREIGHT FORWARDING SERVICE

Most international freight transportation is completed via air or ocean. Typical products transported via air include high-value and time-sensitive products such as high-end fashion products, electronics, jewellery, pharmaceuticals, and fresh food. Petroleum products and gas and less time-sensitive dry cargo such as large equipment and consumer goods are usually transported via ocean.

Integrated freight forwarding services cover freight forwarding services and distribution and logistics services. Integrated freight forwarding services can be divided into integrated air freight forwarding services and integrated ocean freight forwarding services. Integrated air freight forwarding services consist of air freight forwarding services and distribution and logistics services. The air freight forwarding service is an integral part of conventional air freight forwarding services that help consignors to arrange the smooth transport of goods from origin to destination. It usually involves transportation from the factory to the storage yard at departure terminal, consolidation of the freight, custom clearance services for export and import, deconsolidation of freight, and transportation to the designated address. The distribution and logistics services provide distribution-related services including storage, assembly, handling, among other comprehensive services to prepare the goods for sale and conducts inventory sharing with consignees to improve efficiency of distribution of goods.

Value chain of integrated freight forwarding industry includes upstream carriers, midstream freight forwarders, and downstream consignors. Consignors entrust shipment and other issues such as customs clearance, and distribution solutions to freight forwarders who then based on the demand of consignors, order cargo space from carriers and arrange the shipment as well as other issues to deliver the cargo to designated consignees and provide value-added distribution services. Our Group primarily focus on (i) provision of integrated air freight forwarding services in the PRC and Hong Kong; and (ii) provision of integrated freight forwarding services in Taiwan and Italy. Our Group is specialised in the provision of freight forwarding services for high-end fashion and wine.

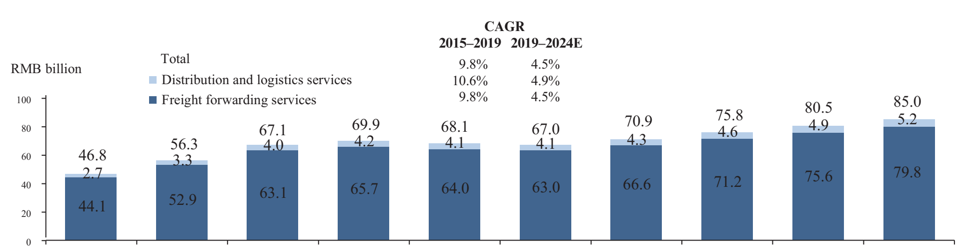
ANALYSIS OF INTEGRATED AIR FREIGHT FORWARDING MARKET IN THE PRC

Market Size of Integrated Air Freight Forwarding Market in the PRC

The PRC is a major manufacturing hub in the world, with strong export power for a variety of products including smartphones, computers, integrated circuits, high-end fashion and fast fashion products, etc. Meanwhile, China imports electrical machinery and equipment, optical, technical, and medical apparatus which accounts for 24% and 4.8% of import value, respectively in 2019. Between 2015 and 2019, total revenue for the PRC's integrated air freight forwarding industry grew from approximately RMB46.8 billion to RMB68.1 billion, driven by increasing international air freight. Total revenue for the PRC's integrated air freight forwarding industry went down in 2019 resulting from a decline in air freight rate due to the oversupply of global air freight capacity because of the lower-than-expected demand attributable to the trade war. Impacted by COVID-19, the size of this market is expected to further decrease due to the expected decline in the international air freight volume. With the expectation of COVID-19 to be effectively controlled by the end of 2020, global economy is expected to rebound, leading to an increase in the international air freight volume and recovering export volume for PRC market. The long-term growth of the PRC's integrated air freight forwarding industry is mainly attributable to the following factors: (i) expanding export volumes contributed by growing manufacturing industry in the PRC and the development of cross-border e-commerce; and (ii) rising competitiveness of air transports in the PRC. From 2019 to 2024, it is expected that revenue of the integrated air freight forwarding services will increase to reach approximately RMB85.0 billion by 2024, representing a CAGR of around 4.5%.

The following graph presents the total revenue of integrated air freight forwarding industry in the PRC between 2015 and 2024:

Total revenue of the integrated air freight forwarding industry, the PRC, 2015–2024E



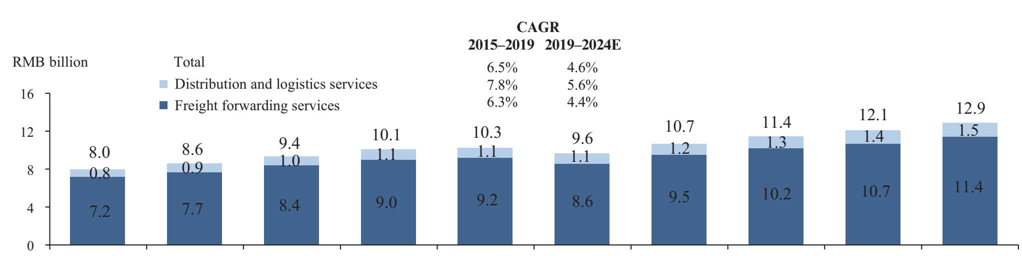
Source: CIC

Market Size of Integrated Air Freight Forwarding Industry for High-end Fashion Products in the PRC

Integrated air freight forwarding services for high-end fashion products from 2019 to 2024 is expected to demonstrate a slightly higher growth rate than the total market, mainly due to the fast-growing consumption of high-end fashion products driven by increasing number of above affluent individuals whose investable asset exceeding USD100,000 (expected CAGR of 10.4% between 2019 and 2024) and the time-sensitive nature of high-end fashion products that requires them to be transported via air. High-end fashion products, including both affordable luxury and luxury products, charge a premium price compared to ordinary fashion products, mainly due to their inherent value of the brand name and the lifestyle the brand name represents. Currently, most of the luxury products consumed in the PRC are imported from Europe, United States and Japan. Given their relatively higher selling price, most of the luxury products and a considerable portion of affordable luxury products are transported via air to ensure timely delivery and to lead the fashion trend. Between 2015 and 2019, total revenue of the integrated air freight forwarding industry for high-end fashion products registered a strong growth, increasing from approximately RMB8.0 billion to RMB10.3 billion, driven by rising demand for luxury products in China. Impacted by COVID-19, measures such as lockdown of cities, restrictions on travels, as well as a decrease in labour force for production of relevant products negatively influence both the demand and supply of high-end fashion products. It is expected that the consumption market for high-end fashion products will be hindered by the pandemic, thus leading to a decline in demand for integrated air freight forwarding services for the same. After decreasing to RMB9.6 billion in 2020, total revenue of the integrated air freight forwarding services for high-end fashion products is estimated to gradually recover and reach RMB12.9 billion, growing at a CAGR of around 4.6%, mainly due to the following factors: (i) China is and is anticipated to continue to be a major consumption market for high-end fashion products; (ii) GDP growth is expected to rebound strongly after 2020 before other countries do as China has started to recover from the pandemic; and (iii) demand for high-end fashion products will gradually restore after measures took to contain COVID-19 are removed. These factors are based on (i) the expected faster-than-global-average economic growth in the PRC market. In June 2020, the International Monetary Fund ("**IMF**") released its updated world economic outlook. In its revised projections, global GDP is estimated to shrink approximately 4.9% in 2020 and rebound and grow at approximately 5.4% in 2021 while the updated real GDP growth rate projections for the PRC were adjusted to approximately 1.0% and 8.2% in 2020 and 2021, respectively, indicating a major recovery since 2021; and (ii) the fact that leading high-end fashion brands in the PRC market have witnessed sales improvement starting from the end of March 2020. Such a recovery was mainly due to (a) enhanced consumer confidence as domestic pandemic was under control; (b) an increase in domestic high-end fashion consumption resulting from the fact that COVIID-19 keeps most Chinese from traveling so that mainland shoppers cancel their plans for overseas shopping in Hong Kong, Europe, U.S., etc.; and (c) favourable policies by the central Chinese government to support more mainland Chinese luxury shopping within its borders.

The following graph presents the total revenue of integrated air freight forwarding industry for high-end fashion products in the PRC between 2015 and 2024:

Total revenue of the integrated air freight forwarding industry for high-end fashion products, the PRC, 2015–2024E



Source: CIC

Market Drivers of Integrated Air Freight Forwarding Market in the PRC

1) An increase in international trade volume transported by air bolstered the growth of air freight forwarding industry:

Air freight forwarding industry is highly dependent on the volume of cargo transported. Rising disposable income, increasing demand for timeliness, as well as emerging airports in the PRC have contributed to the growth of air freight volume. As air freight volume is expected to continue to increase, the demand for air freight forwarding solutions will rise accordingly.

2) Strong demand for imported luxury goods fuelled the demand for integrated air freight forwarding industry:

Riding on the robust development of the PRC's economy, potential consumers of luxury goods has expanded significantly. A shift in consumption pattern in younger generations and their higher willingness to purchase luxury goods have extended the potential consumers base of luxury goods to above affluent individuals. The number of above affluent individuals increased from approximately 26.9 million in 2016 to approximately 41.5 million in 2019 *(Note)*. As the number of above affluent individuals continues to expand in the PRC, it is expected that there will be growing demand for imported luxury goods, which in turn fosters the demand for integrated air freight forwarding industry, in particular, for high-end fashion products in the PRC.

Note: According to CIC's research on the wealth management industry in China, total population can be categorised into four segments including high net worth individuals with investable asset exceeding USD1 million, affluent population with investable asset ranging from USD100,000 to USD1 million, well-off population with investable asset ranging from USD5,000 to USD100,000 and mass population with investable asset lower than USD5,000. Above-affluent individuals refer to individuals with investable asset exceeding USD100,000 who are target customers of high-end fashion products.

3) Rising demand for distribution and logistics services:

As young generation has become the new growth engine for sales of luxury products, high-end fashion brands increasingly embraced digitalisation of sales channels, resulting in online sales accounting for a growing share of total sales. Propelled by rising demand for B2C delivery service for online orders by high-end fashion brands, demand for distribution and logistics services is expected to grow accordingly. In addition, increasing demand for freight forwarding services for high-end fashion products also contribute to the growth of demand for distribution and logistics services as such services are usually offered in a bundle for high-end fashion brands.

4) An improvement in airport infrastructure is expected to continue to stimulate the demand for integrated air freight forwarding industry:

Continuous improvements in airport infrastructure have laid a solid foundation for the development of air freight forwarding industry. The number of civil aviation airports in the PRC grew from 210 units in 2015 to 238 units in 2019, at a CAGR of around 3.2%. Shanghai, Beijing, Guangzhou, Shenzhen, and Hangzhou, which are considered major air freight forwarding hubs within the PRC, ranked top five in terms of air cargo throughput in 2019. Going forward, respective expansion plans and new construction of airports are on schedule for these cities. Renovation of current runway systems, new construction of terminals, as well as brand new airports are expected within the next 10 years in order to expand the capacity of airports to cater for growing volumes of cargo and improve the efficiency of air freight transportation, which is expected to propel the development of air freight forwarding industry.

ANALYSIS OF INTEGRATED AIR FREIGHT FORWARDING MARKET IN HONG KONG

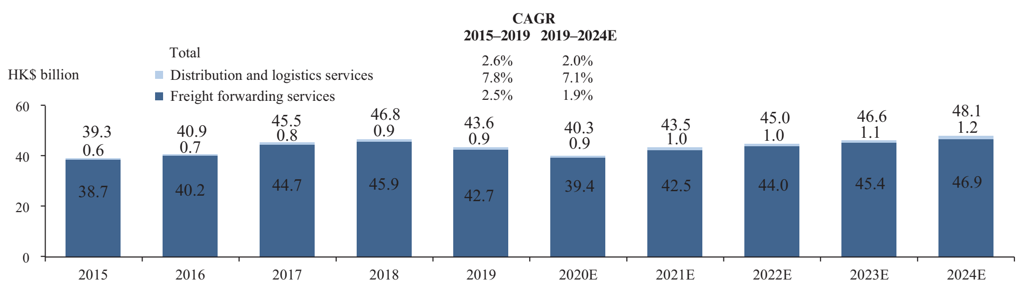
Market Size of Integrated Air Freight Forwarding Market in Hong Kong

The revenue of Hong Kong's integrated air freight forwarding industry grew from approximately HK$39.3 billion in 2015 to HK$43.6 billion in 2019, representing a total CAGR of around 2.6%. This overall growth was mainly driven by the increasing air cargo import and re-export volume of products manufactured in the PRC and the rising import and re-export activity stimulated by the initial development of cross-border e-commerce industry in the PRC. However, as a result of the decreased volume of international air cargo in Hong Kong in 2019 due to the trade conflict between the US and the PRC and unstable social environment, the revenue declined from HK$46.8 billion in 2018 to HK$43.6 billion in 2019.

Since the outbreak of COVID-19 has become a global issue, the imports and exports in Hong Kong have been adversely influenced, which is attributed to the smaller demand for non-essential goods and the severe contraction in manufacturing activities. After the pandemic is effectively controlled, it is expected that consumer confidence will be restored and existing factories will go back to normal, resulting in a recovery in the integrated air freight forwarding industry in Hong Kong accordingly. Driven by the closer economic connections between Hong Kong, the PRC and the Association of Southeast Asian Nations (the "**ASEAN**"), the revenue of the integrated air freight forwarding industry in Hong Kong is expected to rebound and reach HK$48.1 billion by 2024, representing a CAGR of around 2.0% between 2019 and 2024.

The following graph presents the total revenue of the integrated air freight forwarding industry in Hong Kong between 2015 and 2024:

Total revenue of the integrated air freight forwarding industry, Hong Kong, 2015–2024E



Source: HKC&SD, CIC

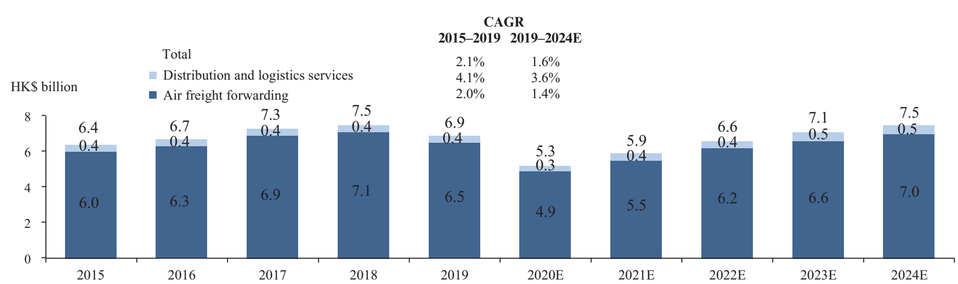
Market Size of Integrated Air Freight Forwarding Industry for High-end Fashion Products in Hong Kong

Hong Kong serves as an important port to import high-end fashion products from developed countries such as Italy, France, the US and Japan, and re-exports them to the PRC, Taiwan, and neighboring countries. Between 2015 and 2019, the total revenue of the integrated air freight forwarding industry for high-end fashion products increased at an overall CAGR of 2.1%, mainly due to increased demand for high-end fashion products locally, resulting from local high-net-worth individual base and inbound tourists, and the growth in demand for high-end fashion products in the PRC and emerging Asian countries. However, due to the decreased number of tourists caused by the unstable social environment, the revenue declined to HK$6.9 billion in 2019. With the combined factors of relatively weak demand and insufficient supply of high-end fashion products caused by the unclear development trend of the social environment in 2020 and the significant negative impacts caused by the outbreak of COVID-19, the revenue in 2020 is expected to further decline to HK$5.3 billion. It is expected to have a growth in Hong Kong high-end fashion industry in 2021 taking into account that the outbreak of COVID-19 is assumed to be effectively controlled by the end of 2020. There have been indications that the outbreak of COVID-19 will be effectively controlled in the near future based on the latest developments in Hong Kong. In August 2020, the Hong Kong Airport Authority confirmed that air passengers would be allowed to transit via Hong Kong International Airport from the PRC until October 2020 and the Hong Kong government announced that a health code plan to enable cross border travel would be unveiled as soon the pandemic situation in Hong Kong stabilises, which set a solid foundation for re-opening border and restoring normal cross-border travel in the near future. Further, restrictions on evening dine-in services in Hong Kong were softened towards the end of August 2020, while cinemas, beauty parlours and some outdoor sports venues were allowed to reopen and the removal of masks was permitted while exercising outdoor. After the COVID-19 pandemic is effectively controlled, cross-border travel is expected to resume, thereby restoring local consumer confidence as well as increasing the consumption of inbound tourists, which in turn is expected to benefit the high-end fashion market. To be more specific, the expected increasing consumption of inbound tourists is mainly due to the following reasons: (i) with the release of the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region in June 2020, the social environment in Hong Kong is expected to return to the stable state, and thus it is expected that a stable environment will make Hong Kong a popular tourism attraction again because of its price advantages for shopping; (ii) with the relatively better control of the COVID-19 pandemic in Hong Kong as compared with that in Europe and the U.S., tourists in the PRC would prefer to travel to Hong Kong in the future for the sake of safety and health.

In addition, the increasing consumption of high-end fashion products in the PRC will have positive impact on the air freight forwarding industry for high-end fashion products in Hong Kong. Benefiting from the geographic position of Hong Kong in Asia and its geographical closeness to the PRC, Hong Kong is an important re-export hub of high-end fashion products. The PRC's rising demand for high-end fashion products since March 2020 supported the demand for the integrated freight forwarding services in Hong Kong. Propelled by the restored consumer confidence as well as the fact that COVID-19 prevented people in the PRC from travelling for overseas shopping in Europe and the U.S., domestic consumption of high-end fashion products in the PRC has recovered. Leading high-end fashion brands witnessed sales improvement since the end of March 2020 in the PRC, which supported the demand for freight forwarding services for high-end fashion products in Hong Kong as some of these products sold in the PRC were imported from Hong Kong. As Hong Kong continues to benefit from its free port position once the pandemic is controlled, it is expected that the size of the integrated air freight forwarding industry for high-end fashion products in Hong Kong will recover gradually and increase to approximately HK$7.5 billion in 2024, growing at a CAGR of around 1.6% between 2019 and 2024.

The following graph presents the total revenue of the integrated air freight forwarding industry for high-end fashion products in Hong Kong between 2015 and 2024:

Total revenue of the integrated air freight forwarding industry for high-end fashion products, Hong Kong, 2015–2024E



Source: CIC

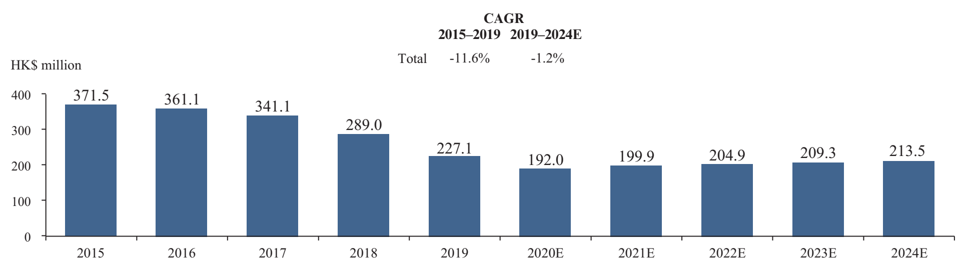
Market Size of Integrated Freight Forwarding Industry for Wine in Hong Kong

Leveraging zero wine duty, rich experience in wine trading, and deep understanding of Asian cuisines and wine pairing, Hong Kong is Asia's wine hub with active international trade of wine. For table wine, ocean transportation is utilised to minimise the transpiration costs while fine wine is usually transported via air to ensure the relatively higher requirements storage condition are met.

Between 2015 and 2019, total revenue of the integrated freight forwarding industry for wine decreased since 2015, resulting from anti-corruption policy of the PRC government that hindered the re-export of wine to the PRC and reached HK$227.1 million in 2019, registering a negative CAGR of 11.6%, which was mainly due to the decrease in the volume of imported wine and exported wine since 2015. With the outbreak of the COVID-19, factors including the requirements of social distancing and the decreasing number of tourists in Hong Kong are expected to lead to the decreased consumption of wine; hence, the revenue of the integrated freight forwarding industry for wine in Hong Kong is expected to decrease to HK$192.0 million in 2020. As the negative impact of the anti-corruption policy released by the PRC government has already been reflected in the continuous reduction of the revenue of the integrated freight forwarding industry for wine between 2015 and 2019, the negative impact is expected to be no longer such significant in the following years. After the pandemic is effectively controlled, driven by an expected rising disposable income of local residents, increasing wine consumption in high-end catering services industry locally, as well as the greater demand for wine in the PRC due to an expectedly increasing number of affluent individuals in the PRC, it is expected that the integrated freight forwarding industry for wine will recover gradually and reach HK$213.5 million by 2024, with a negative CAGR of 1.2% between 2019 and 2024.

The following graph presents the total revenue of the integrated freight forwarding industry for wine in Hong Kong between 2015 and 2024:

Total revenue of the integrated freight forwarding industry for wine, Hong Kong, 2015–2024E



Note: Integrated freight forwarding services for wine include both integrated ocean freight forwarding services and integrated air freight forwarding services.

Source: CIC

Market Drivers of Integrated Air Freight Forwarding Market in Hong Kong

1) The development of the Greater Bay Area:

The Greater Bay Area has gradually evolved from a preliminary concept into a promising national strategic region for the PRC. The plan includes the establishment of a global manufacturing centre, a trade centre, and a logistics hub in the Greater Bay Area, which can further strengthen Hong Kong's competitiveness as an international logistics hub, and help realise the trans-regional coordination of multimodal transportation services connecting cities located in the PRC, Hong Kong, and overseas markets.

The plan also sets out major infrastructure projects, including the expansion of existing airport in Hong Kong, which will largely boost the capacity of cargo throughput, and further drive the development of the air freight forwarding industry in Hong Kong. In particular, according to the Constitutional and Mainland Affairs Bureau, land has been reserved in the South Cargo Precinct of the Hong Kong International Airport (the "**HKIA**") to support the growth in transhipment, cross-boundary e-commerce and high value-added air cargo business, thus facilitating the development of air cargo industry. With the expansion works commencing in Q4 2019 and expected to commission in 2022, the handling capacity of the express air cargo terminal will increase by 50% to 1.06 million tonnes per annum. Furthermore, a joint venture led by Cainiao Network (the logistics arm of Alibaba Group) with shareholders including China National Aviation Corporation (Group) Limited and YTO Express will develop a premium logistics centre at Kwo Lo Wan in the South Cargo Precinct of the HKIA, which is scheduled to be completed and put into operation in 2023. The centre will address the need of warehousing and distribution of e-commerce more effectively and is conducive to unleashing the potentials of the HKIA as an aviation hub, which is expected to facilitate the development of Hong Kong's integrated air freight forwarding industry.

2) Increasing demand from high-end fashion industry attributable to development of tourism and increasing disposable income of local consumers:

Benefiting from the free trade policy, Hong Kong is a free port, which means no tariff is charged on import or export of goods. Thus, the prices are almost always lower than those found in other countries, especially for high-end fashion products. Chinese tourists are the key consumers of high-end fashion products in Hong Kong and the growth in their spending power has brought a positive and steady performance to Hong Kong's luxury market. Despite the temporary decline in the number of mainland tourists in Hong Kong, it is anticipated that after the COVID-19 is effectively controlled, rising number of inbound tourists will continue to be a driver in the long term. In addition, steady growth of disposable income of local consumers is expected to support the consumption of high-end fashion products in Hong Kong as well.

3) Free Trade Agreements (the "FTA") and Hong Kong's merchandise trade with ASEAN:

The FTAs between Hong Kong and the PRC and a number of other foreign countries has strengthened the trade relationship in goods and services, promoted trade and investment, and facilitated the long-term trade development between Hong Kong and other economies. The growing trade volume has laid a solid foundation for the development of the freight forwarding industry in Hong Kong.

Furthermore, as the FTAs with Laos, Myanmar, Singapore, Thailand and Vietnam enter into force in June 2019, FTA with Malaysia enters into force in October 2019, FTA with the Philippines enters into force in May 2020, and FTA with Indonesia enters into force in July 2020, the agreements have been extending Hong Kong's FTA network to cover all major economies in Southeast Asia. The FTAs with ASEAN are comprehensive in scope, encompassing trade in goods, trade in services, and economic and technical cooperation, which will bring legal certainty, better market access and fair and equitable treatment in trade, thus creating new business opportunities, enhancing trade flows between Hong Kong and ASEAN, and thus, further driving the development of the integrated air freight forwarding industry in Hong Kong.

Southeast Asia and South Asia are playing increasingly vital roles in the integrated air freight forwarding industry. Export trade activity is expected to increase in these regions as they are establishing to become another global manufacturing hub for fashion products. The consumption power of consumers living in these regions have increased gradually over the years, showing stronger demands for high-end fashion products. Hong Kong's integrated air freight forwarding industry is likely to benefit from this development for its advantageous location as well as its high level of sophistication and maturity as a major logistics hub.

4) Increase demand for integrated freight forwarding services for wine:

With no value-added tax or goods and services tax, Hong Kong is the first free wine port among major economies and becomes wine trading and distribution hub in Asia, enabling it to offer a wide range of selections of wine from all over the world for consumption and export. Propelled by rising per capita income, local consumption of wine continues to rise, especially for consumption in full-service restaurants and bars. Meanwhile, the proximity to the PRC, one of the largest wine consumption market in the world, also contributes the growth of demand for exports of wine.

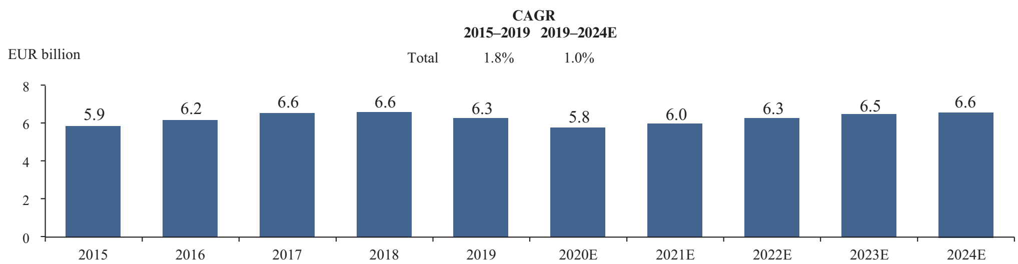
ANALYSIS OF INTEGRATED FREIGHT FORWARDING MARKET IN ITALY

Market Size of Integrated Freight Forwarding Market in Italy

Machinery and vehicles are usually transported via ocean in Italy, accounting for around 19.0% and 7.8% of total export value, respectively. Key exported products via air include electrical machinery and equipment and pharmaceuticals, the export value of which accounted for 6.0% and 6.3%, respectively, of total export value. Renowned for high quality, craftsmanship, and taste, high-end fashion products made in Italy retains its leadership in the global personal luxury goods market which drives the demand for air freight forwarding industry for high-end fashion products. The integrated freight forwarding industry (including both air and ocean) in Italy recorded an overall growth at a CAGR of around 1.8% between 2015 and 2019. The decline in 2019 is mainly due to the following reasons: (i) the imported and exported volume of goods decreased by approximately 0.8%, which was caused by the conflict between the Italian government and the European Union and the decreased consumption attributed to the economic recession in Italy in 2019; and (ii) the lower prices due to the general downturn in demand for freight forwarding. Influenced by the COVID-19, it is expected that the revenue in 2020 will further decrease by approximately EUR0.5 billion, or approximately 7.9%, reaching EUR5.8 billion in 2020. With an already efficient network of airport infrastructure being continuously developed, and Italy's strategic role as a port connecting Europe and the Mediterranean, Italy's integrated freight forwarding industry is expected to maintain steady growth after 2020. Total revenue of the industry is expected to grow to reach approximately EUR6.6 billion in 2024, registering a CAGR of around 1.0% during the period.

The following graph presents the total revenue of the integrated freight forwarding industry in Italy between 2015 and 2024:

Total revenue of integrated freight forwarding services, Italy, 2015–2024E



Source: Italian National Institute of Statistics, CIC

Market Drivers of Integrated Freight Forwarding Market in Italy

1) The stable development of the luxury goods market:

Italy has been able to retain its luxury leadership position in terms of number of Italian luxury brands in the global personal luxury goods market. Chinese spending represented around 35.0% of the global luxury market in 2019, and this percentage is expected to increase to around 40.0% by 2025. Driven by strong consumer demand in all regions, especially in Asia Pacific, luxury retail sales are expected to grow, with demand from Asia Pacific being the fastest. As some Asian countries coordinate prices and lower import tariffs, consumers are more likely to make purchases in their home country, which means that the demand for imported Italian luxury products will increase. The expected growth in export of luxury products will facilitate the development of the integrated air freight forwarding industry in Italy.

2) Strategic location and well-developed airports infrastructure:

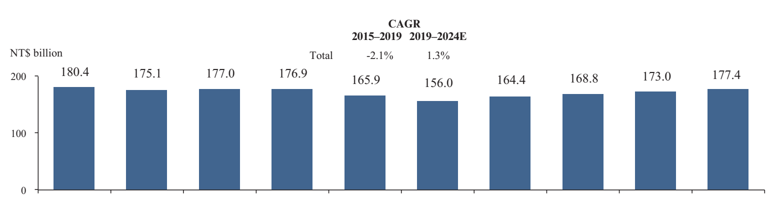
Contributed by its strategic location in the central of the Mediterranean and adjacent to Western Europe, the volume of foreign trade between Italy and its surrounding economies has grown significantly over the years. Italy has a well-developed air infrastructure system nationwide. In 2018, Venice Marco Polo Airport received a EUR150 million loan from the European Investment Bank to support its development plan which includes the terminal upgrade and extension, runway renewal, and the upgrade and construction of additional taxiway and aircraft parking facilities. In addition, Milan's Malpensa Airport is under construction to increase the capacity by building second line distribution centres for freight forwarders and e-commerce operators, and new facilities for cargo support services. Following the upgrading construction of airport infrastructure, Italian airports will be able to sustain increasing cargo volumes, which will contribute to the continued development of the integrated air freight forwarding industry in Italy.

ANALYSIS OF INTEGRATED FREIGHT FORWARDING MARKET IN TAIWAN

International trade plays an indispensable role in Taiwan's economy, leading to Taiwan's considerable exposure to fluctuations in global trade. Apparel and textiles, machinery and components, chemical products, and furniture are major types of ocean freight transported in Taiwan while integrated circuits and micro-assemblies products are commonly transported via air. Integrated circuits industry serves as a pillar for Taiwan's economy, with its export value accounting for 28.5% of total export value in 2019. Between 2015 and 2019, total revenue of the integrated freight forwarding industry in Taiwan demonstrated a general downward trend, mainly due to a slowdown in the growth of international freight volume between 2015 and 2019 and a decrease in international air freight rate in 2019. Total revenue of the freight forwarding industry in Taiwan decreased from NT$180.4 billion in 2015 to NT$165.9 billion in 2019, representing a negative CAGR of 2.1%. Contraction in revenue of the integrated freight forwarding industry in Taiwan is expected to continue between 2019 and 2020, mainly attributable to the outbreak of COVID-19 globally that is expected to hinder the demand for transportation of international air freight and seaborne freight to and from Taiwan resulting from softening global economy. Revenue of the freight forwarding industry is projected to recover after 2020 and reach NT$177.4 billion in 2024, representing a CAGR of 1.3% between 2019 and 2024 assuming that (i) COVID-19 is expected to be effectively controlled by the end of 2020; and (ii) global economy is expected to rebound after 2020 as global production and services provision recover to pre-pandemic levels and consumer confidence is restored. It is expected that long-term growth of integrated freight forwarding services in Taiwan is mainly attributable to political tension between the US and China starting from 2020 which is expected to have two major impacts: (i) enhanced connectivity with major trading partners such as the US and ASEAN countries which is expected to increase the trade volume between Taiwan and these countries and regions given that trade between the US and China declined; and (ii) rising trade volume of products in relation to semi-conductor industry in Taiwan. Taiwan, as an industry leader in semi-conductor industry is expected to enhance its position and benefits from the rising demand for semi-conductors due to the continuous development of 5G, Internet of Things, and Blockchain.

The following graph presents the total revenue of the integrated freight forwarding industry in Taiwan between 2015 and 2024:

Total revenue of integrated freight forwarding services, Taiwan, 2015–2024E



Source: CIC

COMPETITIVE LANDSCAPE OF INTEGRATED FREIGHT FORWARDING MARKET

Competitive Landscape of Integrated Air Freight Forwarding Market in the PRC

In 2019, approximately 5,000 market participants provide three types of services in the integrated air freight forwarding market in the PRC, including: (i) merely air freight forwarding services; (ii) merely distribution and logistics services; and (iii) both air freight forwarding services and distribution and logistics services. The integrated air freight forwarding market in the PRC was fragmented, with the top 5 market participants accounting for approximately 16.6% of the total market in terms of revenue. In 2019, our Group generated a revenue of approximately RMB463.5 million in the integrated air freight forwarding services industry in China, accounting for a share of approximately 0.7% of the market.

The table below indicates the top 5 market participants in the integrated air freight forwarding market in terms of revenue in the PRC in 2019:

Ranking of the Top 5 Market Participants in the Integrated Air Freight Forwarding Market, the PRC, 2019

Rank	Company	Introduction	Revenue (RMB million)	Market share (%)
1	Company A	• Established in 2006 and headquartered in Germany, it is a division providing air and ocean freight forwarding services.	2,980.0	4.4
2	Company B	• Established in 2002 and headquartered in Beijing, it is one of the world's leading integrated logistics service providers.	2,430.0	3.6
3	Company C	• Established in 2001 and headquartered in Hong Kong, it is a leading freight forwarder with a diverse cultural background.	2,270.0	3.3
4	Company D	• Established in 1984 and headquartered in Shanghai, it is a leading integrated logistics service provider with over 90 branches, covering over 160 countries and regions.	2,230.0	3.3
5	Company E	• Established in 2003 and headquartered in Shanghai, it is a leading freight forwarder with services including air, ocean and road freight forwarding, and customs clearance services.	1,350.0	2.0
	Top 5		11,260.0	16.6
	Others		56,840.0	83.4
	Total		68,100.0	100.0

Note: The revenue of each company includes the revenue generated from air freight forwarding services and distribution and logistics services in the companies or subsidiaries in the PRC.

Source: CIC

Currently, over 100 market participants are able to provide all or part of integrated air freight forwarding services for high-end fashion products in the PRC. In 2019, the integrated air freight forwarding industry for high-end fashion products in the PRC was fragmented, with the top 5 market participants accounting for approximately 17.0% of the total market in terms of revenue, in which our Group ranked the 5th with a revenue of approximately RMB169.0 million, accounting for a share of approximately 1.6% of the market.

The table below indicates the top 5 market participants in the integrated air freight forwarding market for high-end fashion products in terms of revenue in the PRC in 2019:

Ranking of the Top 5 Market Participants in the Integrated Air Freight Forwarding Market for High-end Fashion Products, the PRC, 2019

Rank	Company	Introduction	Revenue *(RMB million)*	Market share *(%)*
1	Company B	• Established in 2002 and headquartered in Beijing, the company is one of the world's leading integrated logistics service providers.	570.0	5.5
2	Company D	• Established in 1984 and headquartered in Shanghai, the company is a leading integrated logistics service provider with over 90 branches, covering over 160 countries and regions.	455.0	4.4
3	Company F	• Established in 1995 and headquartered in Beijing, the company is a leading Sino-foreign joint venture that provides freight forwarding services with the focus on Sino-Japanese routes.	285.0	2.8
4	Company G	• Established in 2010 and headquartered in Shanghai, the company is a leading Sino-foreign joint venture that provides freight forwarding services with the focus on Sino-Japanese routes.	280.0	2.7
5	Our Group	• Established in 1991 and headquartered in Hong Kong, our Group is a leading freight forwarder with a far-reaching global network.	169.0	1.6
	Top 5		1,759.0	17.0
	Others		8,541.0	83.0
	Total		10,300.0	100.0

Note: The revenue of each company refers to the revenue generated from integrated air freight forwarding services for high-end fashion products in the companies or subsidiaries in the PRC, including air freight forwarding and relevant customised distribution solutions.

Source: CIC

As discussed above, integrated air freight forwarding services for high-end fashion products can be divided into air freight forwarding services and customised distribution solutions for high-end fashion products. Customised distribution solutions for high-end fashion products in the PRC include services such as labelling, packing, ironing, and reprocessing. In 2019, the customised distribution solutions market for high-end fashion products in the PRC was relatively concentrated, with the top 5 market players accounting for approximately 34.1% of the total market in terms of revenue. As one of the earliest market participants to provide air freight forwarding and customised distribution solutions in the PRC, our Group has been equipped with semi-automated equipment to improve operating efficiency and quality. In 2019, our Group generated a revenue of approximately RMB89.3 million for customised distribution solutions for high-end fashion products in the PRC and ranked the 1st among the market participants, accounting for a share of approximately 8.1% of the market.

Competitive Landscape of Integrated Air Freight Forwarding Market in Hong Kong

In 2019, the integrated air freight forwarding market in Hong Kong was relatively fragmented, with the top 5 market participants accounting for approximately 23.4% of the market in terms of revenue. Our Group generated a revenue of approximately HK$472.7 million in the integrated air freight forwarding market in Hong Kong, and accounting for a share of approximately 1.1% of the market.

The table below indicates the top 5 market participants in the integrated air freight forwarding market in terms of revenue in Hong Kong in 2019:

Ranking of the Top 5 Market Participants in the Integrated Air Freight Forwarding Market, Hong Kong, 2019

Rank	Company	Introduction	Revenue *(HK$ million)*	Market share *(%)*
1	Company A	• Established in 2006 and headquartered in Germany, it is a division providing air and ocean freight forwarding services.	2,300.0	5.3
2	Company H	• Established in 1890 and headquartered in Switzerland, it is a global transport and logistics company that provides ocean freight forwarding and air forwarding, contract logistics, and overland businesses.	2,160.0	5.0
3	Company I	• Established in 1976 and headquartered in Denmark, it is a transport and logistics company offering transport services worldwide by road, air, sea and train.	2,075.0	4.8
4	Company D	• Established in 1984 and headquartered in Shanghai, it is a leading integrated logistics service provider with over 90 branches, covering over 160 countries and regions.	1,820.0	4.2
5	Company J	• Established in 1979 and headquartered in the U.S., it is a global logistics service provider with services including supply chain solutions, transportation, customs and compliance, and warehousing and distribution.	1,790.0	4.1
	Top 5		10,145.0	23.4
	Others		33,455.0	76.6
	Total		43,600.0	100.0

Note: The revenue of each company includes the revenue generated from air freight forwarding services and distribution and logistics services in the companies or subsidiaries in Hong Kong.

Source: CIC

Fewer than 100 market participants provide all or part of integrated air freight forwarding services for high-end fashion products in Hong Kong. In 2019, the integrated air freight forwarding market for high-end fashion products in Hong Kong was relatively fragmented, with the top 10 market participants accounting for approximately 31.4% of the total market in terms of revenue. Our Group ranked the 6th among the leading market participants for high-end fashion products in Hong Kong. It generated a revenue of approximately HK$183.4 million in the integrated air freight forwarding market for high-end fashion products in Hong Kong, accounting for a share of approximately 2.6% of the market.

The table below indicates the top 10 market participants in the integrated air freight forwarding market for high-end fashion products in terms of revenue in Hong Kong in 2019:

Ranking of the Top 10 Market Participants in the Integrated Air Freight Forwarding Market for High-end Fashion Products, Hong Kong, 2019

Rank	Company	Introduction	Revenue *(HK$ million)*	Market share *(%)*
1	Company H	• Established in 1890 and headquartered in Switzerland, it is a global transport and logistics company that provides ocean freight forwarding and air forwarding, contract logistics, and overland businesses.	390.0	5.6
2	Company D	• Established in 1984 and headquartered in Shanghai, it is a lending integrated logistics service provider with over 90 branches, covering over 160 countries and regions.	310.0	4.5
3	Company A	• Established in 2006 and headquartered in Germany, it is a division of Deutsche Post DHL Group providing air and ocean freight forwarding services.	275.0	4.0
4	Company K	• Established in 1981 in Hong Kong, the company is a leading freight forwarder with extensive operations across the globe.	270.0	3.9
5	Company I	• Established in 1976 and headquartered in Denmark, it is a transport and logistics company offering transport services worldwide by road, air, sea and train.	250.0	3.6
6	Our Group	• Established in 1991 in Hong Kong, our Group is a leading freight forwarder with a far-reaching global network.	183.4	2.6
7	Company L	• Established in 1999 in Hong Kong, the company is a leading air freight forwarder with 24 branches throughout the Far East.	150.0	2.2
8	Company J	• Established in 1979 and headquartered in the U.S., the company is a global logistics service provider with services including supply chain solutions, transportation, customs and compliance, and warehousing and distribution.	130.0	1.9
9	Company M	• Established in 1995 in Hong Kong, the company is an air and ocean freight forwarder which also provides warehousing and value-added logistics and distribution.	110.0	1.6
10	Company N	• Established in 1978 in Hong Kong, the company specialises in freight forwarding, warehousing, fulfillment, B2B&B2C distribution of merchandise and bulk freight around the globe.	105.0	1.5
	Top 10		2,173.4	31.4
	Others		4,756.3	68.6
	Total		6,929.7	100.0

Note: The revenue of each company refers to the revenue generated from integrated air freight forwarding services for high-end fashion products in Hong Kong, including air freight forwarding and relevant customised distribution solutions.

Source: CIC

Customised distribution solutions for high-end fashion products have high requirements on market participants in the integrated air freight forwarding market for high-end fashion products. In addition, it becomes an advantage for those companies who have established their own distribution centres to avoid high rental costs caused by the shortage of land use in Hong Kong. As of 2019, the customised distribution solutions market for high-end fashion products in Hong Kong was relatively concentrated, with the top 5 market participants accounting for approximately 69.3% of the total market in terms of revenue. As one of the first movers among market participants to provide services including air freight forwarding and customised distribution solutions for high-end fashion products in Hong Kong, our Group is capable of offering a full range of services from source to shelf. In 2019, our Group ranked the 1st, generating a revenue of approximately HK$91.8 million and accounting for a share of approximately 21.8% of the market.

There are two types of market participants providing services in the integrated air freight forwarding market for high-end fashion products in Hong Kong, namely: (i) international air freight forwarders with branches in Hong Kong; and (ii) local air freight forwarders with the headquarter in Hong Kong. Among the local market participants, the top 5 local market participants accounted for a share of approximately 11.8% in the integrated air freight forwarding market for high-end fashion products in terms of revenue, and our Group ranked the 2nd in 2019. Especially, our Group ranked the 1st among the local market participants in the customised distribution solutions market for high-end fashion products, with the top 5 local market participants accounting for approximately 48.0% of the market in terms of revenue in 2019.

Competitive Landscape of Integrated Freight Forwarding Market for Wine in Hong Kong

Due to the high requirements on freight forwarding services and distribution and logistics services such as temperature control and the transportation and storage of fragile articles, fewer than 20 market participants in Hong Kong have the capability to provide freight forwarding services and warehousing services for wine. In 2019, the integrated freight forwarding market for wine in Hong Kong was concentrated, with the top 5 market participants accounting for approximately 80.6% of the total market in terms of revenue. Among them, our Group has specialist expertise in offering international air and ocean freight forwarding and storage services for wine, especially moving fine wine. In 2019, our Group ranked the 1st in the integrated freight forwarding market for wine in Hong Kong, generating a revenue of approximately HK$53.2 million in 2019 and accounting for a share of approximately 23.4% of the market.

The table below indicates the top 5 market participants in the integrated freight forwarding market for wine in terms of revenue in Hong Kong in 2019:

Ranking of the Top 5 Market Participants in the Integrated Freight Forwarding Market for Wine, Hong Kong, 2019

Rank	Company	Introduction	Revenue *(HK$ million)*	Market share *(%)*
1	Our Group	• Established in 1991 in Hong Kong, our Group is a leading freight forwarder with a far-reaching global network.	53.2	23.4
2	Company K	• Established in 1981 in Hong Kong, the company is a leading freight forwarder with extensive operations across the globe.	42.0	18.5
3	Company O	• Established in 1978 and headquartered in the U.S., the company is a well-known global freight forwarding and logistics provider.	37.0	16.3
4	Company P	• Established in 1844 and headquartered in Germany, the company is a leading global player in the alcoholic beverage integrated logistics industry, providing services including freight forwarding, warehousing, insurance and inventory management.	33.0	14.5
5	Company Q	• Established in 1888 in Australia, the company operates a vast global logistics network that provides diverse freight transport and logistics services.	18.0	7.9
	Top 5		183.2	80.6
	Others		43.9	19.4
	Total		227.1	100.0

Note: The revenue of each company refers to the revenue generated from air and ocean freight forwarding and relevant distribution and logistics services for wine in Hong Kong.

Source: CIC

Competitive Landscape of Integrated Freight Forwarding Market in Italy

As of 2019, the integrated freight forwarding market in Italy was relatively fragmented, with the top 5 market participants accounting for approximately 12.7% of the total market in terms of revenue. In 2019, our Group generated a revenue of approximately EUR31.6 million in the integrated freight forwarding market in Italy, accounting for a share of approximately 0.5% of the market.

Competitive Landscape of Integrated Freight Forwarding Market in Taiwan

With the support and encouragement for the development of the local freight forwarders by the Taiwan government, the integrated freight forwarding market in Taiwan mainly consists of local freight forwarders in Taiwan and some large-sized international freight forwarders. As of 2019, the integrated freight forwarding market in Taiwan was concentrated, with the top 5 freight forwarders accounting for approximately 65.0% of the total market in terms of revenue. In 2019, our Group generated a revenue of approximately NT$352.8 million in the integrated freight forwarding market in Taiwan, accounting for a share of approximately 0.2% of the market.

Entry Barriers of Integrated Air Freight Forwarding Market

1) Sources to establish partnerships with clients and suppliers:

Given that the industry remains highly competitive, a well-established cooperative relationship with clients is essential in order to ensure repeat business and help to engage potential clients. Furthermore, most air freight forwarders cooperate directly with airlines to book cargo space. Thus, establishing direct relationships with airlines enables air freight forwarders to respond to clients' demand more rapidly. Steady relationships with clients and airlines are formed by long-term cooperation and trust, which is considered an entry barrier for new entrants.

2) Capital:

Capital investment acts as a financial barrier for new market participants. The long period of accounts receivable, together with investment in renting distribution centres and recruiting labour require freight forwarders to have access to a large amount of capital for daily operations and business development. Furthermore, in order to operate in air freight forwarding industry in the PRC and Hong Kong, a certain amount of bank guarantee is needed to cooperate with airlines, which is a promise from a freight forwarder's bank that the freight forwarder is able to make the payment by default, otherwise the bank will cover the loss. New entrants without sufficient capital may find it difficult to enter the industry.

3) Brand awareness:

The integrated air freight forwarding industry, especially for clients of high-end fashion products, has high requirements for air freight forwarders. These clients prefer to choose an air freight forwarder with a sound brand reputation, rich industry experience in transportation and distribution of luxurious and premium products, efficient operation systems, and extensive business networks. New entrants may find it difficult to establish such expertise and gain full recognition from clients in a short period of time.

Key Success Factors of Market Participants in Integrated Air Freight Forwarding Market

1) Well-established partnership with upstream carriers:

The well-established partnership with upstream carriers is one of the most important factors to consider in the integrated air freight forwarding market. Successful companies, including our Group, have benefitted from first-mover advantages in the market, maintaining stable and long-term partnerships with upstream carriers. By developing close partnerships with broad range of upstream carriers, an air freight forwarder gains knowledge of upstream carriers' capacities, which makes it easier to provide accurate air freight forwarding solutions at the best prices. Even confronted with negative external impacts such as COVID-19 virus, the long-lasting stable cooperation with certain airlines would secure the stable and sufficient cargo space, which benefits the business operation of the air freight forwarders' downstream customers.

2) Provision of regular high-quality services and tailored value-added services:

Regular high-quality services and tailored value-added services can help air freight forwarders in attracting more clients in the fragmented air freight forwarding service market, such as the market for high-end fashion products. The leading players in the integrated air freight forwarding industry for high-end fashion products have expertise in fashion, and are more efficient at custom clearance, which is crucial for air freight forwarders to adapt to ever-changing fashion trends and deliver the high-end fashion products as scheduled. In addition, the capability of air freight forwarders to provide the value-added services, such as labelling, packing, and ironing, plays an important role to serve high-end fashion brands as these services enhance the brand image and bring convenience to high-end fashion brands.

3) Semi-automated distribution centre facility:

Automation is rapidly changing the distribution and logistics services market. Being equipped with semi-automated distribution centre facilities, the processes of storage, retrieval and relocation of goods will be automated, which means that distribution centre operators do not have to perform heavy or tedious tasks and minimise errors. These factors create a decisive competitive advantage for existing market participants in the integrated air freight forwarding industry.

4) Capability to provide integrated logistics solutions to high-end fashion brands:

As online B2C model has become increasingly prevalent among high-end fashion brands, it is crucial that freight forwarders are able to extend the current service scope to arrange delivery from the distribution centre to end customers so as to provide integrated logistics solution for high-end brands to enhance the value-added services.

5) Establishment of a far-reaching global network:

The establishment of a far-reaching global network helps the air freight forwarders to stand out in the industry, as local offices and business partners can greatly reduce the potential inconvenience among cargo originations, air freight forwarders and their clients. The understanding of local regulations and local business operations is beneficial to the improvement of the services that the air freight forwarders provide.

Future Trends and Opportunities of Integrated Air Freight Forwarding Market

1) Extensive services provision along the value chain:

The services provided by air freight forwarders will not be limited to traditional air freight forwarding services, which involves coordinating the shipment of goods from one destination to another. Air freight forwarders will provide more comprehensive services, including supply chain management consulting services, warehousing, packaging, inland transportation and logistics to enhance competitiveness.

2) Adoption of digital technology:

The integrated freight forwarding industry is likely to embrace the trend of digital technology adoption. Air freight forwarders are using digital technologies such as reporting tools, dashboards, warehouse management system to track and provide operational data to customers, which provides customers with greater control and visibility of their cargo. The application of digital technology will increase freight forwarders' operational efficiency and meet customer-centric needs.

3) Growing recognition in the role of distribution centres along the supply chain

Distribution centres are increasingly seen as strategic business assets. In the past, distribution and logistics services simply referred to the provision of storage services for goods, whereas modern distribution and logistics services include more value-added services, such as categorisation, repackaging, pick and pack, labelling, alarm installing, etc., and are capable of supporting brick-and-mortar, e-commerce (B2B and B2C), home deliveries and parcel shipping. As more high-end fashion brands become aware of the value of modern distribution and logistics services, which include streamlining the process of getting products on store shelves, and managing inventory more efficiently, the demand for distribution and logistics services is rising.

4) Recycled and waste material management:

Recycled and waste material management services have become a growing trend for the integrated air freight forwarding industry for high-end fashion products. There are many recyclable materials, such as paper, cardboard, plastic hanger, etc. In the past, high-end fashion stores normally discarded these materials after use, whereas modern air freight forwarders will help their customers to maximise recycling and minimise the effort required to achieve better environmental, social and corporate governance performance. The promotion of recycled and waste management services will have a positive impact on the continued development of the integrated air freight forwarding industry.

Challenges and Threats of Integrated Air Freight Forwarding Market

1) Fluctuations in currency exchange rate:

Air freight forwarders face the threats of fluctuations in currency exchange rate as their costs and revenue may be settled in different currencies. Unfavourable fluctuation in currency exchange rate is likely to hinder the profit margins. In addition, fluctuations in currency exchange rate potentially influence international trade flows and may suppress the demand for international transportation between specific regions when purchase of products from a specific region becomes less economical and the customers shift to purchase domestically, leading to a decline in international freight volume transported and a decrease in revenue of air freight forwarders.

2) Land shortage:

Land shortage poses another threat to the development of the integrated freight forwarding industry in Hong Kong, as it faces shortage of land for integrated freight forwarding services due to limited supply of land and Hong Kong's land policy that prioritises commercial and residential properties.

Impact of the Trade War on Integrated Air Freight Forwarding Industry

The U.S. has implemented three rounds of import tariffs on Chinese goods since July 2018. In the first round in 2018, the U.S. imposed a 25% tariff on US$50 billion worth of Chinese goods, and the tariff was set to take effect in July and August 2018 respectively. In September 2018, the U.S. implemented a 10% tariff on US$200 billion worth of Chinese goods, and this tariff was subsequently increased to 25% in May 2019. On 1 September 2019, the U.S. imposed new 15% tariffs on about US$112 billion of Chinese imports and will impose additional tariffs on a further list of additional categories of products of Chinese origin in December 2019. In October 2019, the U.S. and the Chinese governments achieved phase one trade agreement after the meeting in Washington. Pursuant to which, the U.S. has delayed a tariff increase scheduled to go into effect on 15 October 2019. The delay will apply to tariffs that were scheduled to increase from 25% to 30% on US$250 billion of Chinese goods. China agreed to buy more agricultural products from the U.S. The U.S. implemented a tariff ranging from 15% to 25% on approximately US$362 billion worth of goods imported from China. China imposed 5% to 10% tariffs on one-third of the 5,078 goods it imports from the U.S., with tariffs on the remainder scheduled for 15 December 2019.

The U.S. and China signed a phase one trade agreement on 15 January 2020 aimed at easing the China-U.S. trade war. According to the phase one agreement, both countries agreed on, *inter alia*, expanding trade in the future through cutting U.S. tariffs and boosting China's purchases of U.S. products. On 6 February 2020, the Chinese government announced that it will halve its tariff on US$75 billion worth of goods effective from 14 February 2020, to reciprocate the fulfillment of commitment by the U.S. to slash its tariffs from 15.0% to 7.5% on US$120 billion worth of Chinese goods on the same date. On 17 February 2020, China has granted tariff exemptions on about 700 U.S. items to support purchase effective from 2 March 2020. Further, on 21 February 2020, China has unveiled two new tariff exempt lists for U.S. imports from 28 February 2020. On 12 May 2020, China announced a new list of 79 U.S. products eligible to be excluded from retaliatory tariffs. In July, China booked its biggest single-day U.S. corn purchase, buying 1.937 million metric tons of American corn. In view of the various attempts to de-escalate the tension of the trade war, it is expected that the negative impact on international trade in 2019 is cooling-off from 2020 onward.

The trade war has put pressure on China's external trade market and may have indirectly affected the market environment of the freight forwarding logistics industry. The tariffs imposed by the U.S. and China may have impacts on the trading transactions between the consignees and consignors for the goods delivered between the two countries, which would not have any direct impact on the freight forwarding industry, since the tariffs are borne by the consignors and/or consignees, but not the freight forwarding service providers. The tariffs imposed on the products delivered by the freight forwarding service providers did not and would not directly affect the service fees received by them for the freight forwarding services. Further, Chinese goods are relatively competitive and China is the largest exporter in the world. For some commodities, such as motors, electrical machinery and parts, telecommunications, etc., it is difficult for the U.S. companies to find substitutes in a short time. Moreover, China's export to other regions is still prosperous and the export structure is getting more diversified.

Impact of the Outbreak of COVID-19 on Integrated Air Freight Forwarding Industry

As of March 2020, since the pandemic has spread to over 80 countries, the outbreak of COVID-19 has become a global issue. Measures have been taken to contain the pandemic by various countries, including but not limited to the lockdown of cities, closing of public venues, restrictions on public activities, travel bans for foreign visitors, etc. The recent development of COVID-19 globally is likely to adversely impact the global air freight forwarding industry due to: (i) falls in consumer confidence globally which negatively influence consumption and the demand for air freight forwarding services accordingly; (ii) shrink in labour supply for air freight forwarding and logistics industry resulting from lockdown of cities and quarantine policies that limit the flow of labour force; (iii) a decrease in demand for freight forwarding services as leading high-end fashion brands closed a couple of factories located in Italy and France; and (iv) a decline in seasonal products and holiday-related consumption that is likely to reduce the demand for air freight forwarding services.

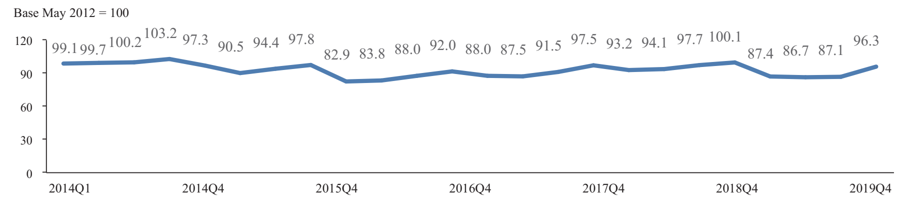
The outbreak of COVID-19 is expected to adversely impact the sales of high-end fashion products globally, which in turn will hinder the demand for air freight forwarding industry for high-end fashion products. However, the impact is limited to the following factors: (i) online sales of high-end fashion products is anticipated to compensate for the loss of offline sales to some extent; (ii) the pandemic is estimated to have less of an impact on the distribution and logistics services due to the fact that such services are conducted in the warehouse from which the high-end fashion products are delivered to end-customers to fulfil online orders; and (iii) the PRC is one of the largest high-end fashion products consumption market where the containment of pandemic is proven to be effective and offline sales of luxury products start to recover, which is expected to help air freight forwarding industry for high-end fashion products in the PRC to rebound. After the pandemic is effectively controlled, it is expected that consumer confidence will be restored and demand for high-end fashion products will recover gradually, resulting in a recovery in air freight forwarding industry for high-end fashion products accordingly.

COST ANALYSIS OF INTEGRATED AIR FREIGHT FORWARDING MARKET

Historical Prices of Cargo Space supplied by Air Carriers

Different factors influence air freight price, including oil prices, freight capacities, the length of transportation, etc. In 2014, increasing quantities of cargo being transported by air, coupled with a slow expansion of freight capacities, led to an excess demand for freight capacities. Therefore, air freight prices have remained relatively high despite the significant decline in oil prices as recorded in the third quarter of 2014. Along with the trend in declining oil price, air freight price gradually decreased between 2015 and 2016. Between 2017 and 2018, the recovery of the global economy and the stabilisation of global politics have provided a boost to international commercial activity and increased the demand for air freight forwarding services. The prices for air freight forwarding services tend to follow the changes of prices of cargo space. In 2019, due to the general downturn in demand for airfreight, the prices of air freight cargo space are lower compared to that in the same quarters of the previous year.

Air freight price index, 2014Q1–2019Q4



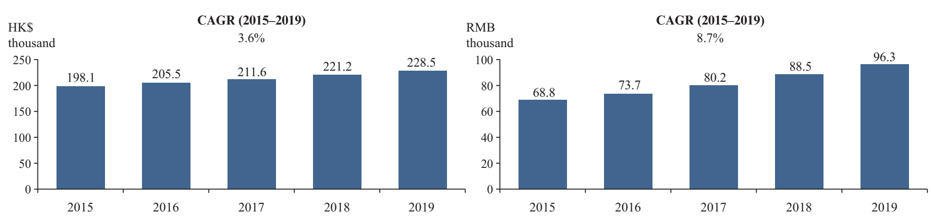
Note: The air freight price index is calculated based on the all-in freight rates paid by freight forwarding companies to carriers on 21 major routes from Eastern countries to Western countries for cargos weighing above one metric ton.

Source: CIC

Average Cost of Labour Force in Freight Forwarding Industry in Hong Kong and PRC

Historical average cost of labour force in freight forwarding industry in Hong Kong and PRC demonstrated an upward trend between 2015 and 2019. The average annual salary of labour force in freight forwarding industry in Hong Kong rose from approximately HK$198,100 in 2015 to approximately HK$228,500 in 2019, representing a CAGR of 3.6%. The average annual salary of labour force in freight forwarding industry in the PRC increased from RMB68,800 in 2015 to approximately RMB96,300 in 2019, registering a CAGR of 8.7%.

Average annual salary of labour force in freight forwarding industry, Hong Kong and PRC, 2015–2019



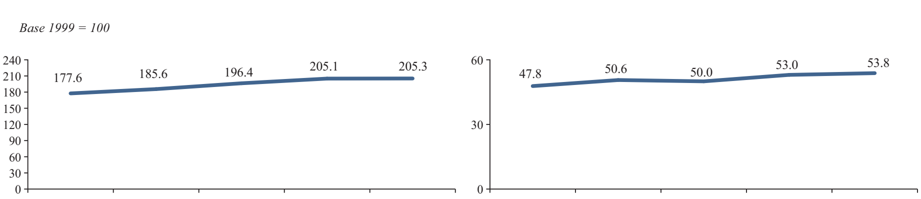
Note: Figures for Hong Kong refer to the average salary of employees in logistics industry and figures for PRC refer to the average salary of employees in transportation, storage and post industry.

Source: HKC&SD, National Bureau of Statistics, CIC

Average Rental Cost of Warehousing in Integrated Air Freight Forwarding Industry in Hong Kong and the PRC

Average rental cost of warehousing in freight forwarding industry in Hong Kong and PRC demonstrated a general growth trend. Warehousing rental price index in Hong Kong increased from 177.6 to 205.3 between 2015 and 2019 while that in PRC grew from 47.8 to 53.8 during the same period.

Warehousing rental price index, Hong Kong and PRC, 2015–2019



Note: Figures for Hong Kong refer to year-end rental index of private flatted factories.

Source: China Federation of Logistics & Purchasing, Rating and Valuation Department of Hong Kong, CIC

Our major operating subsidiaries are located in Hong Kong, the PRC, Taiwan, Italy and France. This section sets out summaries of certain major laws and regulations, which are relevant to our business and operation.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN HONG KONG

The following sets forth a summary of the major laws and regulations which are relevant to our business in Hong Kong:

Business Registration Ordinance

Every person, (a company or individual), who carries on a business in Hong Kong is required under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) to apply for a business registration certificate from the Inland Revenue Department within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. Business registration does not serve to regulate business activities and it is not a licence to trade. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong. Business registration certificate will be issued on submission of the necessary document(s) together with payment of the relevant fee. A business registration certificate is renewable every year or every three years (if business operators elect for issuance of business registration certificate that is valid for three years). Any person who fails to apply for business registration shall be guilty of an offence and shall be liable to a fine of HK$5,000 and to imprisonment for one year.

Aviation Security Ordinance

The Aviation Security Ordinance (Chapter 494 of the Laws of Hong Kong) is an ordinance to make provisions for the prevention and suppression of acts of violence against civil air transport and for connected purposes and constitute the comprehensive legislation for implementation of the conventions and agreements on aviation security promulgated by the International Civil Aviation Organisation ("**ICAO**"). To safeguard aircraft against acts of unlawful interference, the ICAO has laid down standards and recommended practice in Annex 17 to the Convention on International Civil Aviation ("**CICA**") on the security measures required to be implemented by contracting states. For the security of air cargo to be in line with Annex 17 to the CICA, the Hong Kong Aviation Security Programme, which is enforceable under the Aviation Security Ordinance, has incorporated the Regulated Agent Regime ("**RAR**") since March 2000.

A cargo agent, freight forwarder or a consignor of air cargo may apply for registration as a regulated agent ("**RA**") under the RAR. An RA is required to comply with the requirements in respect of the RA in the Hong Kong Aviation Security Programme in order to prevent the unauthorised carriage of explosives and incendiary devices in consignments of cargo intended for carriage by air.

Under the RAR, an RA is obliged, among other obligations, to ensure that the appropriate security controls acceptable by the Civil Aviation Department are properly implemented upon the acceptance of cargo for carriage by air unless the consignment is from a known consignor recognised by an RA and to ensure that a consignment of cargo is safeguarded against unauthorised interference after its reception and to make best endeavours to protect it from unauthorised interference until the consignment is accepted by another RA or an airline. An RA shall also ensure that a consignment of cargo accepted from a known consignor or another RA is:

- accompanied by a full description of the contents in shipping documents (e.g. air waybills, cargo manifests or shipper's instructions), that the RA's registration code or the known consignor's code on the shipping documents of the consignment is checked;

- checked against the description in the shipping documents in respect of quantity of cargo tendered and any signs of the package having been tampered with;

- declared as known cargo by checking the annotation of the tendering RA's registration code or otherwise stated as unknown cargo on shipping documents in inter-RA's handling; and

- safeguarded from unauthorised interference after it has been received until accepted by the next RA or an airline, or until loaded onto an aircraft. RAs shall also maintain an orderly documentation and record system. Documents such as airway bills, cargo manifests and relevant instructions from consignors should be kept for at least 31 days after the consignment is flown.

Dangerous Goods (Consignment by Air) (Safety) Ordinance and Dangerous Goods (Consignment By Air) (Safety) Regulations

The Dangerous Goods (Consignment by Air) (Safety) Ordinance (Chapter 384 of the Laws of Hong Kong) ("**DGO**") is to control, in the interests of safety, the preparation, packing, marking, labelling and offering of dangerous goods for carriage by air. Under the DGO, dangerous goods ("**Dangerous Goods**") is defined as any article or substance which is listed in the Technical Instructions for the Safe Transport of Dangerous Goods by Air ("**Technical Instructions**") published by the ICAO and any article or substance not so listed by name but having properties corresponding to those of one of the general classifications of articles and substances in the Technical Instructions. When offering or handling Dangerous Goods for air carriage, consignors are required under the DGR to ensure all Dangerous Goods are properly classified, packed, marked, labelled and documented.

Any person who consigns Dangerous Goods in contravention of the Dangerous Goods (Consignment By Air) (Safety) Regulations (Chapter 384A of the Laws of Hong Kong) (**"DGR**") commits an offence and on conviction on indictment is liable to a fine of HK$250,000 and imprisonment for two years or on summary conviction to a fine of HK$50,000 (level 5) and to imprisonment for one year. Furthermore, where a company commits an offence, every director and every officer concerned in the management of the company may be convicted of the like offence as specified under the DGO. Those Dangerous Goods and any packaging for Dangerous Goods may be foreited.

Additionally, as required under the DGR, staff of a freight forwarder shall not perform the function of processing Dangerous Goods, processing cargo (not containing Dangerous Goods) or handling, loading and storage of cargo unless he/she has completed training programmes which fulfill the requirement under the DGR. Staff who process Dangerous Goods without completing the necessary training programmes commits an offence and the freight forwarder and such staff each commits an offence and is liable to a fine of HK$25,000 (level 4) and to imprisonment for six months. Also, a freight forwarder commits an offence where it did not ensure its staff who process cargo (not containing Dangerous Goods) or handle, load and store cargo to complete the necessary training programmes and it is liable to a fine of HK$25,000 (level 4) and to imprisonment for six months.

Import and Export (Registration) Regulations

Regulation 4 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) ("**IER**") provides that every person who imports any article other than an exempted article shall lodge an accurate and complete import declaration with the Commissioner of Customs and Excise within 14 days after the importation of the article. Any person who fails to declare within 14 days after the importation without reasonable excuse is liable to a fine of HK$1,000 upon summary conviction and a daily fine of HK$100. The IER also provides that any person knowingly or recklessly lodges any declaration that is inaccurate in any material particular shall be liable.

Textiles, which include any natural or artificial fibre products and any combination of natural and artificial fibre as defined under the IER, are currently not a "prohibited article" under the provision of the Import and Export Ordinance and its subsidiary legislations. Thus, a licence issued by the Director-General of Trade and Industry for permission of importation and exportation is not necessary under the Import and Export Ordinance. However, we can apply for registration under the Import and Export (General) Regulations as a registered textiles trader under the textiles trader registration scheme ("**TTRS**"). TTRS is a voluntary registration scheme and is not a mandatory requirement for us to conduct our business. The Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), a subsidiary legislation of the Import and Export Ordinance, provides that when importing or exporting any articles into or out of Hong Kong, the importer or exporter must lodge an accurate and complete import or export declaration with the Customs and Excise Department.

Dutiable Commodities Ordinance

The Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) ("**DCO**") is an ordinance which provides for the law relating to the taxation and control of liquors, tobacco, hydrocarbon oil, methyl alcohol and other substances, for providing for the licensing of certain dealings in liquors and for purposes connected therewith. According to section 17 of the DCO, no person shall import and export certain alcoholic and/or liquors except under a licence issued by the Customs and Excise Department. Any person who contravenes such provisions commits an offence and shall be liable to a maximum fine of HK$1,000,000 and imprisonment for two years.

The DCO also states that no licence is required for the import and export of Type 2 and Type 3 wines and liquors into and out of Hong Kong. As for the import of Type 1 liquors into Hong Kong, only licensed importers under the authority of an effective import licence issued by the Customs and Excise Department may import such liquors into Hong Kong. The export of Type 1 liquors out of Hong Kong is not regulated so long as such liquors are duty-paid within Hong Kong.

Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) ("**FIUO**") imposes general duties on proprietors of and persons employed at industrial undertakings, including without limitation cargo and container handling undertakings, factories and other industrial workplaces, to ensure health and safety at work in such undertakings. Proprietor includes any person, body corporate, a firm, an occupier and the agent of such an occupier having the management or control of the business carried on in an industrial undertaking for the time being. Section 6A(1) of the FIUO provides that "*It shall be the duty of every proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking*". Contravention of such duty is an offence and is liable to a fine of HK$500,000. A proprietor willfully contravene with the duty imposed by section 6A(1) without reasonable excuse commits an offence and is liable to a fine of HK$500,000 and to imprisonment for 6 months. There are 30 sets of subsidiary regulations under the FIUO, covering various aspects of hazardous work activities in various workplaces, containing detailed health and safety standards on work situations, plant and machinery, processes and substances.

Under the FIUO, there are over 30 sets of subsidiary regulations covering various aspects of hazardous work activities in factories, building and engineering construction sites, catering establishments, cargo and container handling undertakings and other industrial workplaces. The subsidiary regulations prescribe detailed safety and health standards on work situations, plant and machinery, processes and substances.

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) ("**OSHO**") provides for the safety and health protection to employees in workplace, both industrial and non-industrial. Under section 6 of the OSHO, every employer must, so far as reasonably practicable, ensure the safety and health at work of all the employer's employees by:

- providing and maintaining plant and systems of work that are safe and without risks to health;

- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant and substances;

- providing information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;

- as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health or providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and

- providing or maintaining a working environment for the employees that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for six months.

The Commissioner for Labour may serve an improvement notice on an employer against contravention of the OSHO or the FIUO, or a suspension notice against activity or condition or use of workplace or of any plant or substance located on the workplace which may create an imminent risk of death or serious bodily injury to the employees. Failure to comply with a requirement of an improvement notice or contravenes a suspension notice without reasonable excuse constitutes an offence and the employer is liable on conviction to a fine of HK$200,000 and HK$500,000, respectively, and to imprisonment for 12 months.

Occupiers Liability Ordinance

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land. The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitors will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) ("**EO**") regulates the general conditions of employment and matters connected therein in Hong Kong. It provides for various employment-related benefits and entitlements to employees. All employees covered by the EO, irrespective of their hours of work, are entitled to protection including payment of wages, restrictions on wages deductions and the granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Employees' Compensation Ordinance

The Employee's Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("**ECO**") establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or deaths caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the ECO, all employers are required to take out insurance policy to cover their liabilities both under the ECO and at common law for injuries at work in respect of all employees (including full-time and part-time employees) for an amount not less than the applicable amount specified under the ECO. An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK$100,000) and to imprisonment for two years, and on summary conviction to a fine at level 6 (currently at HK$100,000) and to imprisonment for one year.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) ("**MWO**") provides for a prescribed minimum hourly wage rate (currently set at HK$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (except those specified under section 7 of the MWO). A provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the MWO is void.

Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) ("**MPFSO**") provides for, *inter alia*, the establishment of a system of privately managed, employment related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement. Subject to the minimum and maximum relevant income levels, it is mandatory for both employers and their employees to contribute 5% of the employee's relevant income to the mandatory provident fund scheme. Currently, the minimum and maximum relevant income levels for employees who are paid monthly are HK$7,100 and HK$30,000 respectively. Further, employers are obliged to enroll their employees aged 18 to 65 to a Mandatory Provident Fund Scheme within 60 days of his or her employment.

Inland Revenue Ordinance

As our Group carry out business in Hong Kong, we are subject to the profits tax regime under the (Chapter 112 of the Laws of Hong Kong) ("**IRO**"). The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of person, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations was at 8.25% on assessable profits up to HK$2,000,000; and 16.5% on any part of assessable profits over HK$2,000,000. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN THE PRC

The following sets forth a summary of the major laws and regulations which are relevant to our business in the PRC:

Laws and Regulations relating to Foreign Investment

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) ("**the FIL**") was promulgated on 15 March 2019 by the National People's Congress ("**NPC**") and became effective on 1 January 2020, as the fundamental law governing the foreign investment in PRC, which replaced the Sino-foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law (《中華人民共和國外資企業法》). Pursuant to the FIL, the foreign-invested enterprises established prior to the effective of the FIL may keep their corporate forms within five years; "foreign investors" means natural person, enterprise, or other organisation of a foreign country; "foreign-invested enterprises" means any enterprise established under PRC law that is wholly or partially invested by foreign investors and "foreign investment" means any foreign investor's direct or indirect investment in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining shares, equities, property shares or other similar rights and interests of enterprises within the territory of China; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) making investment through other means provided by laws, administrative regulations, or State Council provisions.

The FIL stipulates that China implements the management system of pre-establishment national treatment plus a negative list to foreign investment and foreign investors are barred from investing in prohibited industries on the negative list and must comply with the specified requirements when investing in restricted industries on that list. When a license is required to enter a certain industry, the foreign investor must apply for one, and the government must treat the application the same as one by a domestic enterprise, except where laws or regulations provide otherwise. And pursuant to the FIL, the government generally will not expropriate foreign investment, except under special circumstances, in which case it will provide fair and reasonable compensation to foreign investors.

The Implementing Regulations of the Foreign Investment Law of the PRC (《中華人民共和國外國投資法實施條例》) was promulgated on 26 December 2019 by the State Council and became effective on 1 January 2020, which replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法實施條例》), the Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprises (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外商投資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》). The Implementing Regulation of the FIL specifies that no foreign investor may invest in any industry forbidden by the negative list and foreign investors making investments the restricted industry shall comply with the special administrative measures for restricted access as requirements on shareholding and senior executives as stipulated in the negative list. In addition, foreign investors or foreign-invested enterprises are required to file information reports and foreign investment which affects or is likely to have effect on the national security shall be subject to the national security review. Pursuant to the Implementing Regulation of the FIL, foreign investors or foreign-invested enterprises shall submit the investment information to the competent department of commerce through the enterprise registration system and the National Enterprise Credit Information Publicity System. The competent department of commerce and the department for market regulation under the State Council shall effectively ensure the linkage of relevant business systems, and provide guidance for foreign investors or foreign-invested enterprises on submission of investment information.

According to Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》), and Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version) (《外商投資准入特別管理措施(負面清單) (2019年版)》), which were jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce ("**MOFCOM**") on 30 June 2019 and implemented on 30 July 2019, the road freight companies, the public air transportation companies and the international marine transportation companies are among the Catalogue of Industries for Encouraging Foreign Investment.

Laws and Regulations Relating to our Business

International Freight Forwarding Business

According to the Interim Rules Regarding the Filing of the International Freight Forwarding Enterprises (《國際貨運代理企業備案(暫行)辦法》), issued by MOFCOM on 2 March 2005 and effective as of 1 April 2005, and amended on 18 August 2016, the enterprises conducting international freight forwarding business shall file for record with the MOFCOM or an agency commissioned by the MOFCOM upon commencement of the business after the business licenses have been obtained.

Customs Clearance Agency Business

The Customs Law of the PRC ("**the Customs Law**") (《中華人民共和國海關法》) was promulgated by Standing Committee of the NPC on 22 January 1987 and was respectively amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017. Pursuant to the Customs Law, all import and export goods must be declared and the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted Customs brokers that have registered with the Customs. In addition, the consignor or consignee of the goods exported or imported and the Customs broker must register themselves for declaration activities at the Custom offices.

Pursuant to the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) issued by the General Administration of Customs on 13 March 2014 and came into effect on the same day, was amended on 20 December 2017, 29 May 2018 and became effective respectively on 1 February 2018 and 1 July 2018, customs declaration entities shall go through the applicable registration procedures with Customs, and the consignor or consignee of imported and exported goods may complete the registration procedure with their local Customs.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) promulgated by Standing Committee of the NPC on 21 February 1989 and amended on 28 April 2002, 29 June 2013, 27 April 2018, 29 December 2018 and its implementation rules (《中華人民共和國進出口商品檢驗法實施條例》) promulgated on 23 October 1992, and amended on 31 August 2005, 18 July 2013, 6 February 2016, 1 March 2017, 2 March 2019. Pursuant to the aforesaid relevant laws and regulations, the import and export commodities that are subject to compulsory inspection listed in the catalog compiled by the General Administration of Customs ("**the catalog**") shall be inspected by the entry-exit inspection and quarantine organs, and the import and export goods which are not subject to compulsory inspection listed in the catalog shall be inspected randomly. The import and export commodities listed in the catalog that comply with the conditions for exemption of inspection as prescribed by the state shall be exempted from inspection by the entry-exit inspection and quarantine organs upon the application of the consignees and consignors or the production enterprises and the examination and approval of the General Administration of Customs.

Laws and Regulations relating to Dividend Distribution

The principal regulation governing distribution of dividends of foreign-invested enterprises is the Company Law of the PRC ("**the Company Law**") (《中華人民共和國公司法》), which was promulgated on 29 December 1993 and last amended on 26 October 2018. Under the Company Law, when the company distributes their after-tax profits for a given year, they shall allocate 10% of after-tax its profits to their statutory common reserve. Companies shall no longer be required to make allocations to their statutory common reserve once the aggregate amount of such reserve exceeds 50% of their registered capital unless the provisions of laws regarding foreign investment otherwise provided. If a company's statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profit for the current year prior to making allocations to the statutory common reserve pursuant to the preceding paragraph. These reserves cannot be distributed as cash dividends.

Laws and Regulations relating to Foreign Exchange Management System

According to the Regulation of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 5 August 2008, the government imposes regulation on foreign exchange income and expenditure and foreign exchange business operations of PRC domestic institutions and foreign exchange income and expenditure and foreign exchange business operations within the territory of PRC by overseas institutions.

According to the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors (《外國投資者境內直接投資外匯管理規定》) promulgated by the SAFE on 11 May 2013, implemented on 13 May 2013 and amended on 10 October 2018 and 30 December 2019, direct investment from foreign investors within the PRC territory shall be subject to registration management. Enterprises involved in domestic direct investment shall register with the SAFE and its branch offices. Banks shall provide the relevant domestic direct investment service in accordance with the registration information filed with the foreign exchange authorities.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on 13 February 2015 and amended on 30 December 2019, policies for the Foreign Exchange Administration of Direct Investment has been improved and simplified as follows: (i) the SAFE cancels two administrative approval items: confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment; instead, banks shall directly examine and handle foreign exchange registration under direct investment pursuant to the Operating Guidelines for Foreign Exchange Business in Direct Investment (《直接投資外滙業務操作指引》) and the SAFE and its branch offices shall indirectly supervise the foreign exchange registration under direct investment through banks; (ii) cancels the registration for confirmation of the non-cash capital contribution of foreign investors under domestic direct investment and the registration for confirmation of the capital contribution made by foreign investors for acquisition of the equity interests from China; (iii) cancels filing of foreign exchange under overseas reinvestment; and (iv) cancels the annual foreign exchange inspection of direct investment and instead, change to the registration of inventory interests.

Laws and Regulations relating to Employment and Social Welfare

Employment

The relevant labor laws in the PRC include the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Regulation on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》) and other laws and regulations released from time to time by relevant governmental departments.

Pursuant to the Labour Law (《中華人民共和國勞動法》) implemented on 1 January 1995 and last amended on 29 December 2018 by Standing Committee of the NPC, the employer shall establish and improve the rules and regulations in accordance with law, which guarantee that laborers enjoy labor right and fulfill labor obligations.

Pursuant to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) effective from 1 January 2008 and amended on 28 December 2012 by Standing Committee of the NPC, and the Regulation on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated and implemented by the State Council on 18 September 2008, enterprise or organisation which will establish or has established labour relationship with workers should make it official with written labour contract. No enterprise or institution may force workers to work over time, and employer should pay over-time fee to workers in line with relevant national provisions.

Pursuant to the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》), which were implemented by the Ministry of Human Resources and Social Security of the PRC ("**MOHRSS**") on 1 March 2014, employers may employ despatched workers in temporary, auxiliary or substitutable positions only which shall not exceed 10% of the total number of its workers. If the employer violates the relevant labour despatch regulations, according to the Labour Contract Law, the labour administrative department shall order it to make corrections within a time limit; if it fails to make corrections within the time limit, penalty shall be imposed on the basis of more than RMB5,000 and less than RMB10,000 per person.

Social Insurance and Housing Provision

Pursuant to the Work-related Injury Insurance Regulations (《工傷保險條例》) effective from 1 January 2004 and amended on 20 December 2010 by the State Council, and Provisional Measures for Enterprise Employee Birth Insurance (《企業職工生育保險試行辦法》) released on 14 December 1994 by Labour Ministry (now the MOHRSS), the Decision on the Establishment of Unified Basic Pension System for Enterprise Employees (《關於建立統一的企業職工基本養老保險制度的決定》) released on 16 July 1997 by the State Council, the Decision on the Establishment of Basic Medical Insurance System for Urban Employees (《關於建立城鎮職工基本醫療保險制度的決定》) released by the State Council on 14 December 1998, the Regulations on Unemployment Insurance (《失業保險條例》) released by the State Council on 22 January 1999, the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) released by the State Council on 22 January 1999 and last amended on 24 March 2019, and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) effective from 1 July 2011, and amended on 29 December 2018 by Standing Committee of the NPC, employer should purchase social insurance policies for employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. Employer failing to make timely and full payment for social insurance shall be demanded by relevant administrative departments to furnish payment plus overdue surcharge within designated time period. If such employer shall fail to make up for overdue payment within designated time period, related administrative department shall enforce punitive measures on the employer.

Pursuant to Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) released on 3 April 1999 and amended on 24 March 2002 and on 24 March 2019 by the State Council, enterprises should file for housing accumulation fund registration with housing accumulation fund management center, and set up housing accumulation fund account for employees at bank designated by the housing accumulation fund management center after audited by the housing accumulation fund management centre. Enterprises should make timely and full payment for employee housing accumulation fund.

On 18 September 2018, the general meeting of State Council announced that the policies for social insurance shall remain unchanged until the reform has been completed for the transfer of the authority for social insurance from the MOHRSS to the State Administration of Taxation. On 21 September 2018, the MOHRSS released an Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilisation the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On 16 November 2018, the State Administration of Taxation released the Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), which provided that the policy for social insurance shall remain stable and the State Administration of Taxation will pursue to lower the social insurance contribution rates with the relevant authorities, ensure that the overall burden of enterprises is not increased and that the actual burden of social insurance payment of enterprises is substantially reduced.

Laws and Regulations relating to Taxation

Enterprise Income Tax

The Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》), which was issued by Standing Committee of the NPC on 16 March 2007 and became effective from 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, prescribes the enterprise income tax rate of 25% and the tax rate of 20% on dividends and other China-sourced income of non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the set up institutions or establishments. However, the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated on 6 December 2007 and became effective on 1 January 2008 and was amended on 23 April 2019, reduced the tax rate on dividends and income of non-resident enterprises, which have not established institutions or branches in China, or have established institutions or branches but the income obtained by the enterprises has no actual connection with the established institutions or branches from 20% to 10% since 1 January 2008.

Value-added Tax

In accordance with the Provisional Regulations of the PRC on Value-added Tax ("**VAT**") (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994 and was last amended 19 November 2017 and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance and the State Administration of Taxation ("**SAT**") on 15 December 2008, came into effect on 1 January 2009 and was last amended on 28 October 2011, came into effect on 1 November 2011, entities and individuals selling goods, services and intangible assets in PRC are VAT taxpayers and shall pay VAT. Taxpayers that sell transport services, postal services, basic telecommunications services, construction services, or real property leasing services, sell real property, transfer the land use right, or sell or import the goods concerned shall be subject to an 11% tax rate.

On 16 November 2011, the Ministry of Finance ("**MOF**") and the SAT jointly promulgated the Pilot Plan for Levying Value-Added Tax in lieu of Business Tax (《營業稅改徵增值稅試點方案》). Starting from 1 January 2012, the central government of the PRC has been gradually implementing a pilot program in certain provinces and municipalities, two lower tax rates of 11% and 6% shall be added, and the lease of tangible movable properties shall apply to the tax rate of 17%, and the transportation, construction and other related industries shall apply to the tax rate of 11%, and the tax rate of 6% shall be applicable to some other modern service industries. And on 23 March 2016, the MOF and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (《關於全面推開營業稅改徵增值稅試點的通知》) which confirms that business tax will be completely replaced by the VAT from 1 May 2016. Pursuant to the Decision of the State Council on Repealing the Interim Regulation of the PRC on Business Tax and Amending the Interim Regulations of the PRC on Value-Added Tax《國務院關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》promulgated by the State Council on 19 November 2017, the business tax has been abolished.

Furthermore, in accordance with the Notice on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) which was promulgated by the MOF and the SAT on 4 April 2018 and came into effect on 1 May 2018, where a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively. Moreover, according to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) which was issued jointly by MOF, STA and General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%, the currently applicable VAT rate of 10% shall be adjusted to 9%.

Tax Benefits

According to the Announcement on Value-added Tax Issues concerning International Freight Transportation Agency Services (《關於國際貨物運輸代理服務有關增值稅問題的公告》) promulgated by the SAT on 4 July 2014 and implemented on 1 September 2014, a pilot taxpayer that, on behalf of its client, indirectly goes through the formalities for such business related to goods and shipping agency services as international freight transportation, vehicles going in and out of ports for international transportation and arrangement for pilotage, berthing, loading and unloading via other agents shall be exempted from VAT in accordance with Item 14 of Article 1 of Appendix III to the Circular of the Ministry of Finance and the State Administration of Taxation on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2013] No. 106) (《財政部國家稅務總局關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》).

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN TAIWAN

The following sets forth a summary of the major laws and regulations which are relevant to our business in Taiwan:

Regulations relating to Foreign Investment and PRC Investment

Foreign investors (as distinguished from investors from mainland China) who wish to purchase or invest in shares of Taiwanese companies (other than portfolio investment in exchange traded funds) are required to obtain foreign investment approval ("**FIA**") from the Investment Commission, Ministry of Economic Affairs ("**MOEA**") under the Statute for Investment by Foreign Nationals of Taiwan. Without obtaining the required FIA approval, the foreign investor may be prohibited from repatriating invested capital, profits or dividend from Taiwan or be requested to divest. In general, foreign investors may invest in most business sectors in Taiwan. The prohibitions and restrictions on foreign investment are specified in the Negative List for Investment by Overseas Chinese and Foreign Nationals promulgated by Taiwan Executive Yuan. No foreign investment is allowed in designated "Prohibited Industries." As at the Latest Practicable Date, our Taiwan subsidiary did not engage in the designated "Prohibited Industries."

The investment by a PRC investor is governed by the Regulations Governing Investments by Nationals in Mainland Area and relevant regulations, under which "PRC Investor" is defined as any individual, juristic person, organisation or any other institution of Mainland China (a "**Mainland Person**"); and any company located in any "third area" (an area other than the PRC or Taiwan) and invested in by a Mainland Person or Mainland Persons whereby (i) the capital contributed or shares held directly or indirectly by Mainland Person(s) in aggregate exceed 30% of the total number of shares or total amount of capital contribution of such third-area company, or (ii) such third-area company is controlled by Mainland Person(s). A company invested by a PRC Investor may only operate the businesses on the Positive List as promulgated by the Executive Yuan in Taiwan, which does not include ocean freight forwarding, air freight forwarding and customs brokerage business.

Foreign Exchange Control

Current foreign exchange related regulations in Taiwan, including the Foreign Exchange Control Statute, favor trade-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may be retained and used freely by exporters. Aside from trade-related foreign exchange transactions, companies and individual residents in Taiwan may, without foreign exchange approval, remit to and from Taiwan foreign currencies of up to US$50 million (or its equivalent) and US$5 million (or its equivalent), respectively, in each calendar year. These limits apply to remittances involving a conversion between New Taiwan Dollars and U.S. Dollars or other foreign currencies. A foreign person may, subject to certain requirements but without foreign exchange approval, remit to and from Taiwan foreign currencies of up to US$100,000 (or its equivalent) per remittance if the required documentation is provided to the competent authorities. This limit applies to remittances involving a conversion between New Taiwan Dollars and U.S. Dollars or other foreign currencies.

Ocean Freight Forwarding Services

The operation of an ocean freight forwarder company is governed by the Shipping Act and the Regulations for Administrating Ocean Freight Forwarders of Taiwan. Under the Shipping Act, the establishment of an ocean freight forwarder company should be approved by the competent authority in advance.

The Regulations for Administrating Ocean Freight Forwarders also provide obligations for an ocean freight forwarder to comply with, such as that the ocean freight forwarder shall submit samples of the bill of lading or certificate of receipt issued by it to the shipping administration for record and inspection.

Any alteration to the organisation or name of an ocean freight forwarder shall be reported to the shipping administration for submission to the competent authority for approval in advance, and application for reissuance of the license and application for registration of the alteration shall be submitted within 30 days upon completion of company registration of such alteration. Any alteration of the responsible person, manager, capital, address, directors or supervisors of the corporation, or suspension or resumption of business, of an ocean freight forwarder shall be reported to the shipping administration within 30 days upon completion of company registration of such alteration.

Air Freight Forwarding Services

Air freight forwarders are governed by the Civil Aviation Act and the Regulations Governing Air Freight Forwarder of Taiwan. The Civil Aviation Act requires an air freight forwarding company to obtain the license of air freight forwarder before it may engage in air freight forwarding business. Under the Regulations Governing Air Freight Forwarder, an air freight forwarder shall keep for a period of two years all the house air waybills it has made out and all original data related to accounting matters.

An air freight forwarder shall report to the Civil Aeronautics Administration of the Ministry of Transportation and Communications ("**CAA**") for prior approval for any change to its English name. Any change to its Chinese company name, business organisation, responsible person, share capital or address, or occurrence of business suspension, business resumption, formation or dissolution of its branch company shall be reported to the CAA for record within 30 days from completion of company registration. CAA may inspect the various equipment and operations of an air freight forwarder, who must not refuse, evade or obstruct such inspections. If the air freight forwarder fails to cure any deficiency within a specific time limit, or it refuses, avoids or hinders the CAA's inspections, it may be ordered by the Ministry of Transportation and Communications to suspend its business, or its permit may be cancelled.

Labor and Employment

The Labor Standards Act of Taiwan sets forth the minimum, compulsory and restrictive requirements of employment terms and conditions. Employment terms and conditions agreed to by an employer and an employee are required to be no less favorable to the employees than the mandatory requirements set forth under the Labor Standards Act. The requirements under the Labor Standards Act include restriction on termination, minimum salary, days off, work hours and overtime, annual leave and statutory leave, and establishment of work rules. For employment terms and conditions not stated in an employment contract or the employer's work rules or policies, the mandatory requirements under the Labor Standards Act apply. For employment terms and conditions provided in an employment contract or the employer's work rules or policies which are more favorable than the LSA requirements, such favorable terms and conditions prevail.

Laws and Regulations relating to Taxation

A corporation duly incorporated pursuant to the Company Act of Taiwan is considered a domestic corporation for taxation purpose, regardless of whether it is wholly or partially owned by foreign investors. In general, domestic corporations are subject to (i) 20% income tax on their worldwide taxable income, and (ii) 5% business tax (also known as value added tax) on the sale of goods or services within Taiwan and the importation of goods. When a domestic corporation distributes dividends to its foreign shareholder(s), it should withhold income tax at 21% on the amount of the distribution in the case of cash dividends or on the par value of the common shares in the case of stock dividends, unless a lower withholding rate is provided under a tax treaty between Taiwan and the jurisdiction where the shareholder is a tax resident. For the sale of shares of a domestic corporation (assuming the corporation has issued share certificate(s) to its shareholder(s)), the seller will be subject to Taiwan securities transaction tax at 0.3% of the transaction price; however, the seller will be exempt from income tax for any capital gains generated from the share sale.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN ITALY

The following sets forth a summary of the major laws and regulations which are relevant to our business in Italy:

Laws and regulations in relation to logistics activities in Italy

A logistic operator directly manages and coordinates several activities belonging to different fields on behalf of its client. In this respect, a logistic operator manages the overall execution of many "typical" activities, inclusive of carriage activities, freight forwarding activities, storage activities and any other related activity.

A logistic operator's duties mainly include the following business fields:

- freight forwarding business;
- road carriage of products;
- storage activities.

The said business fields are governed by Italian Law as follows.

Freight forwarding activities

The principal laws and regulations which could be relevant in the freight forwarding business are:

- Law no. 1442 of 14 November 1941, as subsequently amended, which requires for the performance of the logistics activity (a) moral; (b) professional and (c) economic requirements.
- Law Decree no. 59 of 26 March 2010 (article 76), implementing the UE Directive 2006/123/CE, which provides that the start of the professional activity requires the filing of a self-declaration of staring business ("**SCIA**") with the Register held by the territorially competent Chamber of Commerce.
- Decree of the Ministry of Economic Development no. 10 of 26 October 2011, which requires the competent Chamber of Commerce to verify every four years whether the company performing the professional activity declared in the "SCIA" still meets the moral, professional and economic requirements required by the law.
- Ministry for Economic Development Decree no. 10 of 13 January 2012, which provides for the registration process in the aforementioned Register held by the territorially competent Chamber of Commerce.

Any natural or legal entity operating in the freight forwarding field may start its activity by submitting to the competent Chamber of Commerce a statement of commencement of its business, stating that it meets the requirements provided for in the said regulations. If the requirements are effectively met (and sustained over time), the competent Chamber of Commerce records the freight forwarder in a "special" list and enables it to carry out its business. If the requirements are not met, the competent authority may order the suspension or the termination of the activity. Registration is not subject to time limits.

A freight forwarder could also be authorised to carry out customs activities. In this respect, the principal laws and regulations which could be relevant are the following:

- Law no. 1612 of 22 December 1960;
- Presidential Decree no. 43 of 23 January 1973 (Articles 40 – 54);
- Law no. 66, 6 February 1992;
- Ministerial Decree 31 March 1992;
- Ministerial Decree no. 549 of 11 December 1992;
- Law no. 213 of 25 July 2000;
- Presidential Decree no. 137 of 7 August 2012;
- Presidential Decree no. 156 of 24 September 2015.

The said regulations establish that a custom agent must be register in the Register held by the competent Departmental Inspectorates. A custom operator shall meet and maintain over the time specific (a) moral; (b) professional and (c) economic requirements. Please refer to the paragraph headed "Customs operations services activity" in this section for further details.

Road carriage activities

The principal laws and regulations which could be relevant in the road carriage business are:

- Law no. 298 of 6 June 1974;
- Law Decree no. 84 of 14 March 1988 and Law Decree no. 85 of 14 March 1998;
- Law Decree 21 November 2005, no. 286;
- Law no. 244 of 24 December 2007;
- Decree of the President of the Council of Ministers of 8 January 2015;

- Council Regulation (CE) no. 1071/2009;
- Italian Highway Code (main reference is made to Article 88 which provides for authorisation requirements on the vehicle registration certificate in case of carriage for hire).

Any natural or legal entity operating in the road carriage field must be registered in a national register held by the Ministry of Infrastructure and Transport (the transporter must meet specific professional, moral and economics requirements to be enabled to carry out the business). The Ministry reviews every three years the maintenance of those requirements.

Storage activities

No specific regulations regulate storage activities. Specific sector regulations can be envisaged in relation to the storage of certain categories of goods (dangerous products, drugs, food etc.).

Qualifications and Other Administrative Law Aspects

"Regulated agent" qualification

A regulated agent is defined under the EU regulation no. 300/2008 as the entity who ensures security controls in respect of cargo and mails. Indeed, under the same European regulation all cargos and mail shall be subject to security checks prior to be loaded on an aircraft. Therefore, an air carrier shall not accept cargo or mail for carriage on an aircraft unless it has applied such controls itself or their application has been confirmed and accounted for by a regulated agent.

Under UE Regulation no. 185/2010, a company can be qualified as regulated agent only if it complies with specific professional requirements, subject to the approval by the competent national authority (in Italy, the Italian Airport traffic Authority: ENAC). The qualification as regulated agent concerns a specific site and shall be confirmed every 5 years.

CN Italy qualifies as a "regulated agent" at the Milan Linate airport (via Luraghi).

IATA European Air Cargo Program (EACP) Intermediary

Under IATA regulation, in order to qualify as an IATA EACP Intermediary, companies must comply, among others, with (i) minimum professionality requirements of the staff; (ii) financial standing; and (iii) ethical business practices.

IATA EACP Intermediary qualification requires companies to comply with some IATA Resolutions (such as IATA Resolutions nos. 016aa on "Commission for IATA Cargo Agents", 805zz on "Cargo Agency rules", and 801re on "Reporting and Remittance Procedures"). IATA EACP Intermediary status can be withdrawn by IATA, should the operator fail to meet the necessary requirements.

Customs operations services activity

Under Article 38 of UE Regulation no. 952/2013 ("**European Customs Code**"), UE companies carrying out manufacturing, export, shipment, logistics activity, which are subject to the European customs regulation, may apply – on a voluntary basis to – the "authorised economic operator" (AEO) authorisation.

AEO authorisations can be distinguished in (a) AOES authorisation, which grants the operator some advantages in terms of security checks; and (b) AEOC authorisation, which implies some customs simplifications. In particular, an AEOC authorisation allows, among others: (i) the reduction of physical and documental controls; (ii) the right to ask for a specific place for customs checks; (iii) priority when selected for customs checks. Through an AEOC authorisation the national Customs Authority ("**Autorità Doganale**") attests (i) the constant compliance of the operator with tax and customs regulations; (ii) the absence of serious crimes relating to the exercise of the activity; (iii) the good management of accounting records; (iv) financial solvency.

Under Article 38 of EU Regulation no. 952/2013, the national Customs Authority shall monitor the compliance of the operator with the prescribed requirements on a constant basis.

Fitness for use of the building where the business is performed

Under Italian Presidential Decree No. 380 of 6 June 2001 ("**Decree 380/2001**"), the holder of a building permit (or of a self-declaration in lieu of a building permit, as permitted by Decree 380/2001 for certain building works) for any new construction, renovations, additional floors or any other works that could affect a building's health and safety conditions and/or energy efficiency must submit a self-declaration (SCIA) to the competent building office ("**Sportello Unico dell'Edilizia**") attesting that: (a) the building and plants comply with energy efficiency, health and hygiene regulations; (b) the works comply with the works plan; and (c) the building is fit for occupancy.

Failure to file the SCIA results in an administrative fine of up to EUR464. If the building fails to meet all the fitness-for-use requirements, the competent authority may: (a) order the owner/user of the building to cure the breach by a certain deadline (which must be at least 30 days following the order) – in the most extreme cases it may order that the business be suspended until it complies; and (b) declare the building (or a part of it) unfit for use ("**inagibile**"), thus prohibiting its use.

Fire prevention

Italian Presidential Decree No. 151 of 1 August 2011 on fire prevention measures ("**Decree 151/2011**") identifies – under Annex I – specific activities that are subject to fire prevention measures.

These activities are divided into three categories – "A", "B" and "C" – based on a number of aspects, including: (a) the size of the business, (b) the sector in which it operates, and (c) the requirement to fulfil any specific technical rules.

Under Decree 151/2011, the person in charge of any of the activities listed in Annex I must file a self-declaration (SCIA) with the competent fire brigade. By filing the SCIA, the person in charge of the activity declares that he/she is aware of fire prevention regulations and intends to comply with them. The declaration must be certified by a technician who confirms compliance.

The activity can be started once the SCIA is filed. Additional requirements apply to category "B" and "C" activities, in particular:

(a) for category "B" activities, the person in charge must first submit a project plan to the competent fire brigade. Once the fire brigade receives all documentation related to the plan, within 30 days it issues its opinion on the plan's compliance with the applicable fire prevention regulations. The person in charge of the activities then implements the plan and – once this phase is completed – files the SCIA with the fire brigade and begins the activity. The fire brigade may conduct an inspection while the activity is being carried out to verify the statements included in the SCIA, but this inspection is not mandatory.

(b) for category "C" activities, which are particularly relevant from a fire prevention perspective, the competent fire brigade must also issue a fire prevention certificate ("**FPC**"). Once the plan is approved and the SCIA filed, the fire brigade carries out an inspection within 60 days and then issues the FPC. However, the activities can begin as soon as the SCIA is filed.

Every five years from the filing of the SCIA, the person in charge of the activity must declare, by filing a statement of periodical renewal, that no changes have occurred to the activity's fire prevention conditions that would prevent the fire prevention compliance from being periodically renewed.

Tax

Corporate Income Tax

Italian Corporate Income Tax ("**CIT**" or "**IRES**") applies to resident and non-resident companies.

Resident companies are subject to IRES based on the so-called "worldwide taxation principle", whereby any income – including foreign-sourced income – is included in the relevant taxable base and is taxed at the ordinary rate of 24%. The taxable base is the worldwide income shown in the profit and loss account drafted for the relevant financial year according to company law rules and adjusted according to the tax law provisions concerning business income. Under Article 73(3) of the Presidential Decree 22 December 1986, No. 917 (the "**Italian Tax Code**" or "**ITC**"), a company is resident for tax purposes in Italy provided that its legal seat, or place of effective management or main business activity is in Italy for the greater part of the fiscal year (i.e. at least 183 days per year).

Non-resident companies without a permanent establishment[2] ("**PE**") in Italy are subject to IRES on income items "sourced" in Italy as defined under Article 23 of the ITC. Pursuant to Article 23(1)(e) of the ITC, business income is taxable in Italy only if derived through a permanent establishment. If a permanent establishment exists, all Italian-sourced income is taxable under a so-called "force-of-attraction" principle under Article 151(1) of the ITC by way of applying the same rules as those applicable to resident companies. Double Taxation Treaties and other domestic and international measures may, however, restrict Italy's taxing rights.

Dividend Distributions and Outbound Payments

Domestic dividends and capital gains

Under Article 89 of the ITC, dividends distributed to resident companies by other resident companies are subject to IRES only on 5% of their amount, with a final IRES tax burden of 1.2% (i.e. 5% * 24%).

Capital gains realised by an Italian company upon the disposal of assets are, in principle, ordinarily subject to IRES. However, under Article 87(1) of the ITC, capital gains realised on the sale of a shareholding in an Italian company could benefit from a 95% IRES exemption, with an overall IRES tax burden of 1.2% (i.e. 5% * 24%), provided that the following conditions are met: (a) the participation is continuously held as from the first day of the twelfth month preceding the month in which the sale occurs; (b) the participation at stake is accounted for as a fixed financial asset in the first financial statement closed during the holding period; (c) residence for tax purposes of the participated entity in a country or territory other than those identified under Article 47-*bis* of the ITC; (d) the company the shares of which have been transferred is engaged in the conduct of an actual trade or business activity[3] during the 3 years preceding the year of the disposal.

Outbound payments of dividends, interest and royalties

Under Italian tax law, Dividends, interest and royalties distributed by Italian companies to foreign shareholders are generally subject to a final Italian withholding tax (the "**Italian WHT**") at the ordinary rate of 26% (increased to 30% for royalties). The Italian WHT may, however, be reduced/exempted if the conditions under the EU Directives (i.e. Parent/Subsidiary and Interest and Royalties Directives), Double Taxation Treaties or certain domestic provisions are met.

Capital gains realised by non-resident shareholders upon the sale of the shares in Italian companies

Capital gains realised by non-resident shareholders without a PE in Italy (to which the shares are effectively connected) upon the transfer of shares or other participations in Italian companies will be, in principle, subject to a 26% substitute tax ("**Capital Gain Tax**").

2 As defined under Article 162 of the ITC and under Article 5 of the OECD Model Tax Convention, when applicable.

3 Please note that Article 87(1)(d) of the ITC expressly excludes the existence of an actual business activity in the case of real-estate companies the assets of which are predominantly constituted – on the basis of their market value – by real estate properties other than those the construction or the trade of which constitute the business of the company.

However, the Capital Gains Tax will not apply:

(a) provided that (i) the shares are listed on regulated markets and (ii) the amount of the participation sold does not exceed 2% of the voting rights at the ordinary shareholders' meeting or 5% of the capital of the same company (so-called "non-qualified participation")[4], or

(b) if (i) the shareholder is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree dated 4 September 1996, as further amended from time to time; (ii) the shares are not listed on regulated markets and (iii) the amount of the participation sold does not exceed 20% of the voting rights at the ordinary shareholders' meeting or 25% of the capital of the same company[5]; or

(c) the shareholder (i) is resident for tax purposes in a country having a Double Tax Treaty in force with Italy envisaging the exclusive taxation of capital gains in the seller's country of residence and (ii) is entitled to benefit from the tax relief of such Double Taxation Treaty. Pursuant to this rule, capital gains realised by a foreign shareholder upon the disposal of shares or quotas in Italian companies are not subject to taxation in Italy.

Tax Losses

Under Article 84 of the ITC, Italian companies are entitled to carry forward their tax losses indefinitely, but the loss carried forwards may be used in each fiscal year to offset up to 80% of the taxable income (i.e. 20% of the taxable income, if any, would be in any case taxable, irrespective of the amount of the tax losses available). However, losses incurred in the first three years of business activities are fully deductible.

Interest Expenses

Under provision sets forth under Article 96 of the ITC, interest expense is deductible up to an amount equal to interest income accrued in the same fiscal year.

If interest income is greater than interest expense, excess interest income may be carried forward without limitation to allow deduction of (excess) interest expense in the following fiscal years.

On the other hand, where interest expense is greater than interest income, the excess is deductible up to 30% of the gross operating income of the company ("**EBITDA**"), which is calculated as the difference between: (a) the value of production (i.e. item A of the profit and loss account contained in Article 2425 of the Italian civil code), and (b) costs of production (i.e. item B of the profit and loss account contained in Article 2425 of the Italian civil code), excluding depreciation, amortisation and financial leasing instalments relating to business assets, as well as capital gains or losses upon transfer of going concern. The EBITDA shall be adjusted in order to take in account different characterisations (if any) applicable to the mentioned above items based on the applicable tax rules as set forth by the ITC. Any excess of the EBITDA or any excess of interest expense may be carried forward pursuant to specific rules.

4 See Article 23(1)(f) of the ITC.
5 See Article 5(5) of Legislative Decree 21 November 1997, No. 461.

ACE Regime

Under the ACE Regime, pursuant to Article 1 of Law Decree 6 December 2011, N. 201, Italian companies are allowed to deduct from their net taxable income for IRES purposes an amount corresponding to a notional interest on qualifying equity increases (net of any qualifying equity decreases) contributed after the fiscal year 2010. In particular, the allowance at stake is computed by applying a defined rate[6] to the increase of a company's net equity as compared to its accounting net equity on 31 December 2010.

The ACE deduction can be used to off-set the net taxable basis (after reduction of tax losses carried forward, if any). Any excess of ACE deduction may be carried forward or, effective from fiscal year 2014, converted into a tax credit to be used for IRAP purposes only. Effective from fiscal year 2019, ACE regime was abolished but – pursuant to Article 1(287) of Law 27 December 2019, N. 160 (the "**Italian Budget Law**") – starting from the same fiscal year 2019, ACE deduction has been reintroduced at 1.3% rate.

Regional Tax on Productive Activities

Pursuant to Article 2 of Legislative Decree 15 December 1997, No. 446 ("**Decree No. 446/1997**"), IRAP is levied at the ordinary rate of 3.9%[7] on Italian companies that carry on an autonomously organised activity aimed at either the manufacturing/trading of goods or the supplying of services. The taxable base for IRAP purposes is determined by reference to the accounting results of the company (so-called "*valore della produzione netta*") without regard to the adjustments that are required for IRES purposes. It is worth noting that the way the taxable base is computed depends on the type of taxpayer and on the nature of its activity carried out in each Italian region.

Under Article 12(2) of Decree No. 446/1997, non-resident companies are subject to IRAP if they maintain a PE in Italy for at least 3 months. In the latter case, the computation of IRAP follows the rules laid down for Italian companies.

Italian VAT

In general terms, the Italian Value Added Tax ("**VAT**") is imposed on all transactions concerning the supply of goods and services and on importation of goods at the ordinary rate of 22%. The reduced VAT rate is 10%. Furthermore, certain goods and services are subject to the super-reduced rates of 4% and 5%.

More in detail, Article 1 of Presidential Decree of 26 October 1972, No. 633 (the "**Italian VAT Code**") provides that Italian VAT applies to all supplies of goods and services carried out within the Italian territory in the course or furtherance of any business or professional activity and on all importation of goods, irrespective of the status of the importer.

6 The rate was 3% from 2011 to 2013, 4% in 2014, 4.5% in 2015, 4.75% in 2016 and 1.6% in 2017. In fiscal year 2018, the rate was 1.5%.

7 In this respect, please consider that each Italian region may increase or decrease the tax rate at stake by up to 0.92 per cent.

Under provisions set forth by Article 19(1) and (2) of the Italian VAT Code, as a general rule, VAT paid on goods and services acquired in or imported into Italy by a taxable person ("**Input VAT**"), to be used for the purposes of his business, may be offset against the VAT due on sales ("**Output VAT**")[8]. Input VAT on the acquisition of goods or services is recoverable at the time VAT is due and the corresponding right of deduction may be exercised at the latest, with the VAT return related to the fiscal year in which the right arises.

Pursuant to Article 13 of the Italian VAT Code, the taxable amount of goods and services supplied is the gross consideration received, excluding the VAT itself.

If a non-resident company performs a provision of goods or services which, under provisions set forth by the Italian VAT Code, is regarded as carried out within the Italian State to an Italian client, the Italian VAT is applied through the so-called "reverse charge mechanism" by the Italian client provided that: (i) the Italian client is a VAT taxable person in Italy and (ii) the non-resident supplier has not either applied for a direct VAT registration in Italy or appointed a VAT representative in order to fulfil the relevant obligations set forth under the Italian VAT Code[9].

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN FRANCE

The following sets forth a summary of the major laws and regulations which are relevant to our business in France:

Foreign Direct Investment

Role played by France's government in regulating foreign direct investment

The role of the State and government – since France is a centralised State, foreign investments are exclusively regulated at the State level. The government is empowered by law to ensure the defense of the national interests and may as such, for instance, regulate capital movements between France and other countries. Moreover, foreign investments in an activity are subject to prior authorisation of the Minister of Economy if such activity:

i. participates, even occasionally, in the public authority; or

ii. falls into a list of activities:

   A. of research, production and sale of weapons and ammunitions; or

   B. the nature of which has an impact on public order, public safety or national defense interests (article L.151-3 CMF).

The list of the latter activities is defined by decree, and thus by the government, and not by law. Therefore, the list is monitored by the government which has the ability to complete it quickly. This is exactly what happened in May 2014 when a decree of 14 May

8 As a result, the actual VAT payable by a VAT taxable person is the difference between the Output VAT relating to supplies of good or services made by him during the taxable period and the amount of Input VAT due or paid by him in relation to purchases and expenses incurred during the period concerned.

9 See Article 17(3) of the Italian VAT Code.

2014, commonly known as "the Alstom decree", was enacted in order to enable the government to regulate the pending sale of the energy branch of the French giant, Alstom, to potential purchasers, namely Siemens and General Electric. The foreign investments this regulation is aimed at are:

i. the change of control within the meaning of the French Commercial Code (*Code de commerce*), the acquisition of all or part of a branch, or of 1/3 of the capital or voting rights of a company having its registered office in France; and

ii. the acquisition of a branch by a French company controlled by a foreign individual or company.

The government does not delegate any of its powers to another entity or authority, and acts directly through one of its departments (currently, the Direction Générale du Trésor). If a foreign investment is implemented in one of the above-mentioned activities without prior authorisation, an administrative fine up to twice the invested amount may be imposed on the investor by the Minister of Economy. Criminal sanctions may also be imposed. Moreover, any contract forming part of the transaction will be considered as null and void. Nevertheless, foreign investors have the means to maximise the chances of having their investment authorised since the content of the application files is regulated and since a benchmark of satisfactory investments already exists. These can therefore be used as precedents. In addition, the Minister of the Economy may not discretionarily refuse such investments and refusal decisions may be challenged before the administrative courts.

Other means of influence of the State and of local authorities – the State and local authorities also have influence over other investment-related transactions. For instance, the transfer between two entities of contracts entered into with the State/local authorities (such as procurements and public service concessions) is subject to prior authorisation. Such contracts may also provide for their prior authorisation in case of change of capital/control of the contract operator, which is invariably the case in the most important public service concessions. Moreover, regulations governing administrative authorisations usually provide that their transfer to another entity is subject to the prior approval of the authority having granted it (whether at the State or local level). For instance, this is the case of authorisations to operate the most potentially dangerous classified installations for the protection of the environment.

Finally, the State and local authorities also take measures to encourage investments (whether foreign or not), for instance by enabling investors to benefit from State aids falling either into an ad hoc or a framework regime which complies with the European Union competition rules.

Specific industries or parts of the economy in France which are barred or highly restricted for foreign investors

The regulatory framework distinguishes between investments made by residents of European Union/European Economic Area States which have signed a convention to fight against tax fraud and evasion, and residents of other States.

As regards residents of other States, the investments in the following activities are subject to prior authorisation of the Minister of the Economy, whether made by legal entities or physical persons:

i. gambling (with the exception of casinos);

ii. private safety regulated activities;

iii. research and development or manufacturing of material for the illicit use in the field of terrorist activities, of pathogenic or toxic agents;

iv. activities on materials aiming at intercepting correspondences and detecting conversations;

v. services in the field of assessment centers relating to assessment and certification of information technologies systems safety;

vi. manufacturing of goods or safety service provision in the information systems safety field run by a company having signed a contract with an operator managing defense installations;

vii. dual use technology;

viii. cryptology;

ix. activities performed by entities holding national defense secrets;

x. research on, manufacturing and sale of weapons and ammunitions;

xi. companies having signed equipment, study or provision contracts with the Ministry of Defense; and

xii. activities added by the decree dated 14 May 2014 (see paragraph (c) below).

Moreover, by a decree dated 14 May 2014 (Decree No. 2014-479 of 14 May 2014), this list was completed by the following activities relating to materials, products or services, including as they relate to the safety and operation of installations and equipment essential to the safeguarding of France's interest in terms of public order, public safety or national defense: integrity, safety and continuity of provision/operation of electricity, gas, hydrocarbons, or other energetic resources, water, transport networks and services, electronic communications, installation of vital importance, public health protection. This decree also modified the limited grounds on which the Minister of the Economy is entitled to refuse a foreign investment. The reasons for this extension were mainly that:

i. many major companies in these sectors were no longer State-owned, and thus the State privatisation control process does not apply any more in the case of change of control by a foreign investor; and

ii. the government wanted to regulate the sale of French giant Alstom's energy branch which was being offered for sale.

The (i) investments of residents of the above-mentioned European Union/Economic Area States consisting in a change of control of companies and (ii) the acquisition of a branch by a French company controlled by a foreign individual or company, may be subject to prior authorisation. In case the investments of residents of the above-mentioned European Union/Economic Area States consist in the acquisition of a branch, the list of activities subject to prior authorisation is different. Thus, no specific industry or parts of the economy are barred for foreign investors. However, foreign investments in the above-mentioned activities are highly controlled since they are subject to prior authorisation. The investments may be authorised subject to certain conditions. They may only be refused based on a limited list of grounds. These grounds relate mainly to serious presumptions of criminal offence or to the absence of guaranty that the national interests will be safeguarded.

Nevertheless, the way the lists of activities and grounds for refusal are drafted, combined with the lack of case-law having annulled decisions of refusals, means that the Minister of the Economy has considerable scope for interpretation of the list of activities and grounds for refusal. Thus, foreign investors will maximise their chances to obtain an approval from the Minister of the Economy if their application is carefully prepared, justified and presented from a legal perspective.

Repatriation of profits, loans between related companies, or the return capital of foreign investors in France

Earnings of a French company may be repatriated through a transfer pricing set up, a dividend or interest on loans. Inter-company transactions (product price, royalties, service fees, interest on loans) can be paid by the French entity to a related party as long as they meet the arm's length principle (that is they reflect a market price and are not paid to a tax-haven country). These payments are deductible from the corporate income tax base and thus reduce the French corporate tax liability of the French company. Net profits can be distributed to foreign shareholders. If distributed to an EU parent company (i.e. owning more than 10% of the French distributing entity), no withholding tax applies.

Dividends paid to an individual residing in the EU are subject to a 21% withholding tax. Any distribution made to a non-EU tax resident is subject to a 30% withholding tax potentially reduced by the tax treaties. A further 3% tax applies to dividends paid out by large French companies (i.e. those which are not defined as small and medium-sized enterprises (SMEs) as per the European definition).

Interest on the loan is subject to specific conditions to meet deductibility standards (thin cap rules, debt to equity ratio and so on). It is generally exempt from withholding tax when paid to an EU resident parent company or reduced between 0 to 15% under the applicable tax treaty.

It should also be noted that any interest dividend received through a financial institution located in a tax-haven country (referred to as a non-cooperative state or territory) is subject to a 75% withholding tax.

Employment

The relationship of subordination between employer and employee is the specificity of the employment contract. The employee must respect the constraints imposed by the employer such as working hours or work instructions. The employer must also respect obligations. There are several types of employment contracts: ordinary law contracts: the CDI (open-ended contract) precarious contracts: the CDD (fixed-term contract) and the CTT (temporary employment contract).

Individual and collective freedoms frame the powers of the employer. For example, the employer must respect the private life of his employees, freedom of expression and must act in accordance with the fight against discrimination, particularly during recruitment. The employee's collective freedoms mainly concern the right to strike. In respect of overtime, every employee is entitled to 5 weeks paid leave per year. The agreed wage may not fall below the SMIC (minimum interprofessional growth wage). These freedoms and rights are defended by the trade unions.

Resignation is the termination of a fixed-term contract at the employee's initiative. The employee's decision must be free, clearly formulated and cannot be contested by the employer. Dismissal is the termination of a fixed-term contract at the initiative of the employer due to "real and serious cause". The important legal framework protects the rights of employees. The employer must pay compensation to the employee. The economic dismissal is independent of the person of the employee but due to a bad economic situation of the company. It can take the form of a preventive termination or a conventional separation. The permanent contract ensures stable work for the employees but economic realities require a flexibility of work allowed by the precarious contracts. Precarious contracts can only be terminated "in the event of serious misconduct or force majeure". In the event of unfair dismissal and following legal proceedings, the employee can receive the salary he should have received throughout the duration of the contract.

Tax

The below sets out an overview of the main types of taxes in France.

The main types of taxes and various levies in France

In general, four groups or categories of taxes can be distinguished: income, consumption, CSG, and local taxes. But there are also other classifications, such as distinguishing between direct and indirect taxes. The four categories are summarised as follows:

a. Income tax (IR) – for individuals, businesses (corporate tax) or other similar entities.

b. Consumption – VAT (Value Added Tax) is a tax on consumption, TICPE (domestic consumption tax on energy products), excise duties, tobacco taxes, etc.

c. CSG Contribution Sociale Généralisée – it contributes to the financing of social security in France, CRDS, etc.

d. Local taxes and local taxation – real estate tax, housing tax, territorial economic contribution (CET), etc.

Taxes payable by business

All companies have to pay a certain number of taxes. Single-entry accounting and double-entry accounting are useful for defining the tax base. The latter is the amount that serves as the basis for calculating the tax. All operating income and expenses are recorded in the tax base to estimate the amount of tax. Depending, for example, on the level of profit, a certain amount of income tax must be paid. There are, however, other taxes that a business owner must take into account, such as:

a. Corporate taxes – it is the tax on profits. Generally speaking, all companies are taxed on their profits. There is a distinction according to the legal status of the company: income tax (IR) for sole proprietorships and corporation tax (IS) for companies. To determine the tax base, the actual expenses of the company must be deducted from the turnover.

b. Territorial economic contribution (CET, or *Contribution Economique Territoriale*) – the territorial economic contribution (CET) is made up of the land contribution of companies (CFE) and the contribution on the added value of companies (CVAE). This has replaced the business tax since 2010. The amount of the CFE is calculated by the municipality where a company's business premises are located. The CVAE, on the other hand, is only for companies with a turnover in excess of 500,000 euros.

c. VAT – value added tax is an indirect tax on consumption. Every company is required to pay taxes on its sales. The amount of the tax is proportional to the sales price excluding tax. The person or company subject to VAT must collect it by increasing their prices excluding tax by the legal rate of value added tax (5.5, 10 or 20%) and must then pay the difference between the total VAT collected on their operations and the total deductible VAT on their expenses to the state. Thus, in the end, the VAT is paid by consumers; the taxable persons therefore play the role of tax collectors.

d. Import VAT and customs duties – goods imported by a company are subject to the same VAT rate as domestic goods. This VAT can also sometimes be reclaimed. However, customs duties are not recoverable and are compulsory for the majority of goods coming from outside the European Union.

Laws and regulations in relation to logistics activities in France

Restriction of movement or prohibition of certain goods

As an exception to the principle of free movement, imports and exports of certain goods are, because of their sensitive nature, subject to restrictions on movement or strictly prohibited. Customs is responsible for applying a number of restrictive national and international regulations, in cooperation with other administrations. These restrictions and prohibitions are designed to protect public health, to defend public order, to ensure public safety and morality, and to safeguard France's cultural and environmental heritage. There is also special surveillance (goods subject to the production of import or export licences).

Prohibited goods

a. On import – counterfeits, paedophile products (i.e. "*objects of any kind containing images or representations of minors of a pornographic nature*"), asbestos or products containing it, with the exception of those referred to in Article 7 (Decree of 24 December 1996), products containing certain dangerous substances (e.g. lead salts, nickel), plants, plant products and other products (bark, seeds, soil and growing media) whose introduction is prohibited in all Member States under Annex III of the Order of 24 May 2006, animal foodstuffs or foodstuffs of animal origin that are subject to prohibitions under the national or Community health regulations in force, polycarbonate baby bottles for infants produced from 2,2-bis (4-hydroxyphenyl) propane, also known as bisphenol A, cat and dog skins or fur and any products containing them, etc. As far as foodstuffs are concerned, this list is not exhaustive and may be updated according to crisis situations that may arise.

b. On export – counterfeits, paedophile products (i.e. "*objects of any kind containing images or representations of minors of a pornographic nature*"), asbestos or products containing asbestos, with the exception of those referred to in Article 7 (Decree of 24 December 1996).

c. Goods subject to compulsory quality and safety rules – national and/or Community technical regulations have made quality and safety rules mandatory for certain products or product families. In trade with third countries (outside the European Union) the application of these regulations will be controlled on import. On the other hand, such controls are not carried out in trade between Member States of the European Community. In the event of serious and immediate danger, the French Consumer Code (*Code de la consommation*) allows, by means of an order, the suspension of the import of the product recognised as dangerous, for a period of one year.

Freight Transport Tax

Import transport

The transport of goods on importation into France, the cost of which is included in the taxable amount of the importation, is exempt up to the first place of destination (place mentioned on the consignment note or any other transport document under cover of which the goods are imported) or, failing this, up to the first place of breakage of load. Carriage from the first place of destination is taxable under the conditions of ordinary law. However, where the imported goods are placed or are intended to be placed under a customs procedure or a tax warehouse, such transport is then exempt or carried out under suspension of tax.

Export transport

Transport directly related to exports (third countries and territories) is exempt from VAT. The same applies to other services. The exemption applies on condition that the principal or the person acting on its behalf (forwarding agent, customs agent, etc.) issues the carrier with a certificate certifying that the transport involves goods intended for export.

Exempt transport

The following transport is exempted from tax:

i. direct transport of goods to third countries, irrespective of the mode of transport used;

ii. transport to an airport, a bus station open to international traffic in goods, a town or a frontier station for the purpose of transhipment of goods immediately exported from France or a Member State;

iii. the carriage of goods intended for the fuelling of ships and aircraft exempt from tax and transhipped for that purpose in a port or airport;

iv. the carriage of goods intended to be placed in an export warehouse, including in a free warehouse for export;

v. approach transport operations carried out with a view to transporting goods outside the European Union. This also includes national and intra-Community approach transport of goods which are then (directly or after transhipment) immediately exported from France or another Member State;

vi. transport operations carried out by mail companies established in France, ensuring on behalf of French senders the routing of mail to countries outside the European Union.

Specific laws and regulations applying to the transport of wine in France

EORI number

The Community EORI (Economic Operator Registration and Identification) number is used in the electronic declarations related to the customs clearance of goods. Before the first export, it is mandatory to request an EORI number from the competent customs office for the company to be integrated into the Community database (in France, this number is made up of the letters FR completed with the company's registration number).

Invoicing and circulation of wines

As a matter of principle, excise duties and VAT are not due in France for products not consumed on national territory, with the exception of wines purchased by tourists who are nationals of other EU Member States and taken away by themselves. The transport of wine requires the creation, on the beginning of the shipment, of an accompanying document drawn up by the actual holder of the goods, whether or not it is the owner. A simple invoice is sufficient for direct sales to private individuals who transport their goods themselves. Examples: export of wine to the United States (or to a third country): excise duties will not be due and the wine will be invoiced duty-free. An Electronic Administrative Document (DAE) for export shall be drawn up in this context. This document must accompany the merchandise to the customs office where the export customs declaration (DAU) will be filed. Sending wine to another Member State under duty suspension to a professional with an excise duty number in its country (approved warehouse keeper or approved consignee): the company will draw up an EAD, via the GAMMA electronic declaration. The purchase invoice must be exclusive of VAT and must mention the intra-Community VAT number as well as that of the buyer. The invoice must also make reference to article 262 ter I of the General Tax Code (CGI), which authorises to make this delivery tax-free. Sending wine to a professional which does not have an excise tax number: the company will have to issue an invoice excluding VAT with the mention of the VAT number of this professional as well as that of article 262 ter I of the CGI. The wine will be sent under cover of a simplified accompanying document (DSA). The company will have to pay the excise duties in France and the duties due in the country of destination must have been paid in advance. Once the goods have arrived in the country of destination, the excise duties can be refunded on request.

Sending wine to a private individual in another Member State – this is a distance selling transaction: the invoice will include VAT and the excise duties of the country of consumption. The company will have to use a tax representative or a special agent to pay these to the tax authorities in the country of destination. The DSA will be drawn up with prior consignment of the excise duties at destination.

Declaration formalities (DELTA, DEB)

Export declaration for "large export" – the exporter can complete its export customs clearance formalities himself via the DELTA electronic declarations, but it is also possible to use the services of a customs clearance professional. This is the solution most frequently used by operators. The purpose of all the declaration formalities is to certify the reality of the export and to justify the tax-free invoicing. France has provided for an automated system for the clearance of export AEDs by linking the GAMMA and DELTA electronic declarations.

SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisers, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the European Union, the United Nations and Australian sanctions in their entirety.

U.S.

Treasury regulations

OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organised under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest – no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) – except pursuant to an authorisation or license from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia/Ukraine (the comprehensive OFAC sanctions programme against Sudan was terminated on 12 October 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union

Under European Union sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

OFAC guidance

OFAC guidance clarified the scope of secondary U.S. sanctions that target certain activities involving Iran's "shipping sector" under sections 1244(c) and (d) of the Iran Freedom and Counter-Proliferation Act of 2012 ("**IFCA**"). Specifically, OFAC's FAQ 293 indicated that "*[w]e anticipate that regulations to be promulgated will define 'shipping sector of Iran to include activities involving the transportation of goods by seagoing vessels, including oil tankers and cargo vessels, flying the flag of the Islamic Republic of Iran, or owned, controlled, chartered, or* *operated directly or indirectly by the Government of Iran*." OFAC's FAQ 294 states that "*[p]ersons determined to be part of Iran's energy, shipping, or shipbuilding sectors, or a port operator in Iran for purposes of IFCA section 1244(c) will be identified as such on the SDN List*." Moreover, OFAC's FAQ 295 further clarifies that "*regulations to be promulgated will define goods and services used in connection with Iran's energy, shipping and shipbuilding sectors to include:*

…

b. Shipping Sector: In the case of Iran's shipping sector,

- *The provision of crude and product tankers to Iran;*
- *The provision of registry, flagging, or classification services of any kind;*
- *The supervision of and participation in the repair of ships and their parts;*
- *The inspection, testing, and certification of marine equipment materials and components;*
- *The carrying out of surveys, inspections, audits and visits, and the issuance, renewal or endorsement of the relevant certificates and documents of compliance, as they relate to ships and shipping; and*
- *Any other goods or services relating to the maintenance, supply, bunkering, and docking of vessels flying the flag of the Islamic Republic of Iran, or owned, controlled, chartered, or operated directly or indirectly by, or for or on behalf of the Government of Iran (GOI) or an Iranian person."*

Executive Order 13846 from 7 August 2018 ("**EO 13846**") contains similar provisions related to the Iranian shipping sector and OFAC's guidance in FAQs 600–607 do not change the scope of activities involving Iran's shipping sector that are targeted by these secondary U.S. sanctions.

HISTORY AND DEVELOPMENT

We are 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. During the Track Record Period, services provided in respect of high-end fashion products were our single largest revenue contributor, followed by our services for fast fashion products. Headquartered in Hong Kong, our global business spans multiple cities in the PRC, Europe and Asia through our own business presence and our freight forwarder business partners. Mr. Lau was the founder of our Group and was re-designated as non-executive Director on 1 April 2020. We first commenced our business of provision of air freight forwarding services in 1991 through CS Airfreight which was then incorporated as our air freight forwarding operating arm. In August 1994, Mr. Ngan, who is the chief executive officer of our Group and an executive Director, joined us and since then has been responsible for the development and operation of our air freight forwarding and distribution and logistics services business. Over the years under the leadership of Mr. Ngan, we have developed into a well-established international logistics solutions provider and has expanded our operation from Hong Kong to other parts of the world through our major operating subsidiaries in the PRC, Taiwan, France and Italy. Mr. Ngan has been a substantial shareholder of CN MI since May 2016. In December 2019, as part of the Reorganisation, Mr. Ngan transferred to our Company his entire issued share capital of CN MI in consideration for the allotment of Shares in our Company. Upon completion of such transfer, Mr. Ngan became a substantial shareholder of our Company while Mr. Lau remained as one of our Controlling Shareholders. Please refer to the paragraph headed "The Reorganisation" in this section for further details. Please also refer to the paragraph headed "Directors and Senior Management – Board of Directors" in this prospectus for further details on Mr. Ngan and Mr. Lau.

Our business and corporate milestones are set out below. Please refer to the section headed "Business" in this prospectus for further details of our business operation.

Milestones

The following events are our key business and corporate milestones since our establishment:

Year	Business development
1991	First commenced our business of provision of air freight forwarding services through CS Airfreight
1994	CS Airfreight, the first member of our Group, became an IATA member
1999	We began to provide air freight forwarding services and distribution and logistics services to our first major customer
January 2003	Continuous improvement in our service standard allowed us to meet the service quality requirements for high-end customers. While we continued to develop this targeted customer segment, The Lane Crawford Joyce Group engaged us to provide freight forwarding services, which is now one of our major customers
July 2005	CN Jiada was established in the PRC
June 2007	The Lane Crawford Joyce Group engaged us to provide distribution and logistics service
January 2012	We began to provide air freight forwarding services and distribution and logistics services to Kering Group, one of our major customers focusing on high-end fashion (including luxury and affordable luxury)

Year	Business development
March 2012	We began to provide freight and logistics services for wine
May 2012	We expanded our presence out of Asia into Europe through the incorporation of CN Italy
December 2015	CN HK was incorporated strategically for the expansion to countries outside Hong Kong and the PRC and to act as the holding company of our overseas subsidiaries outside of Hong Kong and the PRC
March 2016	We expand into Taiwan through the acquisition of Global Freight Forwarding
August 2018	We started to operate our customised distribution centre in Shanghai
March 2019	We started to operate our first specialty storage for wine in Hong Kong

ESTABLISHMENT AND MAJOR CHANGES CONCERNING OUR COMPANY AND THE MAJOR OPERATING SUBSIDIARIES OF OUR COMPANY

During the Track Record Period, our principal business had been operated under nine major operating subsidiaries of our Company, namely CS Airfreight, CN Logistics HK, CS International, CN Jiada, CN Guangzhou, Global Freight Forwarding, CN France, CN Italy and CN Siyan. These major operating subsidiaries made material contribution to our operating activities. The establishment and major changes concerning our Company and each of these major operating subsidiaries are set out below.

(1) Our Company

Our Company was incorporated on 14 December 2017 as part of the Reorganisation. Upon incorporation, one subscriber Share was allotted and issued at par by our Company to a subscriber who transferred such Share to CS Logistics at par. On the same day, an aggregate of 49,999 Shares were allotted and issued, credited as fully-paid, at par by our Company to CS Logistics. As a result, the entire issued share capital of our Company was wholly-owned by CS Logistics.

Please refer to the paragraph headed "The Reorganisation – Corporate Reorganisation" in this section for further details on the changes concerning our Company pursuant to the Reorganisation.

(2) CS Airfreight

CS Airfreight was incorporated in Hong Kong as a limited liability company on 25 September 1990. It principally engages in the provision of air freight forwarding services and commenced its business in 1991. Upon its incorporation, CS Airfreight had an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each and two subscriber shares were allotted and issued at par by CS Airfreight to two initial subscribers, both of which were Independent Third Parties, respectively. In November 1991, CS Airfreight was activated whereby each of the initial subscribers transferred its respective entire issued share capital of CS Airfreight to each of Mr. Lau and an Independent Third Party, respectively, at par.

In July 1993, the authorised share capital of CS Airfreight was increased to HK$1 million by the creation of 990,000 shares at HK$1 each. Immediately upon the increase in its authorised share capital, an aggregate of 999,998 shares of CS Airfreight were allotted and issued at par, of which 99,999 shares were issued to Mr. Lau and the remaining 899,999 shares were issued to CS Far East, an indirect non-wholly owned subsidiary of CS Seafreight (a member of the Controlling Shareholder Group). In the same month, the Independent Third Party who took up the one share of CS Airfreight in November 1991 transferred such share, representing the entire issued share of CS Airfreight then owned by him, to CS Far East at par. As a result, CS Airfreight was owned as to 10% by Mr. Lau and as to 90% by CS Far East.

Pursuant to various share transfers and increase in authorised share capital of CS Airfreight after July 1993, CS Airfreight was beneficially wholly-owned by CN Logistics HK since January 2009. On 28 June 2017, CS Shanghai BVI, a subsidiary of our Company which principally engages in investment holding, acquired from CN Logistics HK its then entire issued share capital of CS Airfreight, at a consideration of approximately HK$1.5 million. Such consideration was determined with reference to the net asset value of CS Airfreight as at 30 April 2017 and was settled on 13 March 2020. One share of CS Airfreight was registered under the name of Cargo Services (Nominee) Limited ("**CS Nominee**") and was held on trust for CS Shanghai BVI. As a result, CS Airfreight was beneficially wholly-owned by CS Shanghai BVI.

On 2 January 2020, as part of the Reorganisation, at the direction of CS Shanghai BVI, CS Nominee transferred back the one share of CS Airfreight to CS Shanghai BVI at nil consideration, and the trust arrangement ceased. Please refer to the paragraph headed "The Reorganisation – Corporate Reorganisation – (8) Transfer back of the one share of CS Airfreight by CS Nominee to CS Shanghai BVI" in this section for further details. As at the Latest Practicable Date, CS Airfreight was an indirect non-wholly owned subsidiary of our Company.

(3) CN Logistics HK

CN Logistics HK was incorporated in Hong Kong as a limited liability company on 19 March 2004. It principally engages in the provision of air freight forwarding services, distribution and logistics services, and freight and logistics services for wine and commenced its business in November 2007. Upon its incorporation, CN Logistics HK had an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each and one subscriber share was held by an initial subscriber, which was an Independent Third Party.

Pursuant to various share transfers, in June 2007, Cargo Services (Sea & Air) Ltd. ("**CS Sea & Air**"), a then non-wholly owned subsidiary of CS Holdings (one of our Controlling Shareholders), acquired from the then sole shareholder of CN Logistics HK, an investment holding company controlled by Mr. Lau, its entire issued share capital of CN Logistics HK at par. In the same month, the authorised share capital of CN Logistics HK was increased to HK$1,500,000 by the creation of 1,490,000 shares at HK$1 each. Subsequently, an aggregate of 1,499,999 shares of CN Logistics HK were allotted and issued at par, of which 974,999 shares were issued to CS Sea & Air, 450,000 shares were issued to Mr. Ngan, and the remaining 75,000 shares were issued to Mr. Cheung. As a result, CS Airfreight was owned as to 65% by CS Sea & Air, 30% by Mr. Ngan and 5% by Mr. Cheung.

Pursuant to various share transfers of CN Logistics HK after June 2007, CN Logistics HK was wholly-owned by CN Logistics MI since November 2009. On 6 December 2017, CN BVI, the then sole shareholder of CN Logistics MI, acquired from CN Logistics MI its entire issued share capital of CN Logistics HK at nil consideration pursuant to distribution in specie due to voluntary liquidation of CN Logistics MI. As a result, CN Logistics HK was wholly-owned by CN BVI. As at the Latest Practicable Date, CN Logistics HK was an indirect non-wholly owned subsidiary of our Company.

(4) CN Jiada

CN Jiada was established in the PRC as a wholly foreign owned enterprise on 15 July 2005 with an initial registered capital of US$1 million which had been fully paid up. It principally engages in the provision of air freight forwarding services and commenced its business in July 2005. At the time of establishment, CN Jiada was wholly-owned by Independent Cargo Consolidators Limited (宏高貨倉有限公司), an indirect non-wholly owned subsidiary of CS Seafreight (a member of the Controlling Shareholder Group).

In April 2008, CS Airfreight acquired from Independent Cargo Consolidators Limited its entire equity interest in CN Jiada, representing the then entire equity interest in CN Jiada, at a consideration of US$1 million. Such consideration was determined between the parties with reference to the amount of the registered capital then owned by Independent Cargo

Consolidators Limited. The above transfer was completed on 9 April 2008. As a result, CN Jiada was wholly-owned by CS Airfreight. As at the Latest Practicable Date, CN Jiada was an indirect non-wholly owned subsidiary of our Company.

(5) CN Guangzhou

CN Guangzhou was established in the PRC as a wholly foreign owned enterprise on 26 November 2007 with an initial registered capital of RMB5 million which had been fully paid up. It principally engages in the provision of air freight forwarding services and commenced its business in November 2007. At the time of establishment, CN Guangzhou was wholly-owned by CS Airfreight.

In December 2016, CN Logistics HK acquired from CS Airfreight its entire equity interest in CN Guangzhou, representing the then entire equity interest in CN Guangzhou, at a consideration of RMB9,732,200. Such consideration was determined between the parties with reference to primarily the then registered capital of CN Guangzhou. The above transfer was completed on 17 January 2017. As a result, CN Guangzhou was wholly-owned by CN Logistics HK. As at the Latest Practicable Date, CN Guangzhou was an indirect non-wholly owned subsidiary of our Company.

(6) CS International

CS International was incorporated in Hong Kong as a limited liability company on 12 November 2014. It principally engages in the provision of air freight forwarding services and commenced its business in January 2017. Upon its incorporation, CS International had an issued share capital of HK$1 divided into one share which was wholly-owned by CS Shanghai BVI. Since its incorporation, CS International was wholly-owned by CS Shanghai BVI. As at the Latest Practicable Date, CS International was an indirect non-wholly owned subsidiary of our Company.

(7) Global Freight Forwarding

Global Freight Forwarding was established in Taiwan as a company limited by shares on 9 November 2009. It principally engages in the provision of air and ocean freight forwarding services and commenced its business in November 2009. At the time of establishment, Global Freight Forwarding had a registered capital amounting to NT$10,000,000 divided into 1,000,000 shares. Immediately prior to 12 March 2016, Global Freight Forwarding was owned as to 55% by Ms. Yang Shu Yu (楊淑鈺) ("**Ms. Yang**"), 15% by Ms. Ho Mei Chih (何美智) ("**Ms. Ho**"), 15% by Ms. Liao Jo Tung (廖若彤) ("**Ms. Liao**") and 15% by Mr. Wang Te Ting (王得定) ("**Mr. Wang**").

On 12 March 2016, CN HK entered into a stocks sale and purchase agreement with each of Ms. Yang, Ms. Ho, Ms. Liao and Mr. Wang, all of which were the then shareholders of Global Freight Forwarding, pursuant to which CN HK agreed to acquire in aggregate 2,450,000 shares of Global Freight Forwarding, representing 70% of its then entire issued shares by installments, as to 43% from Ms. Yang, 9% from Ms. Ho, 9% from Ms. Liao and 9% from Mr. Wang, at an aggregate consideration of HK$35 million. Such consideration was determined among the parties on an arm's length basis by reference to approximately 3.5 times of average retained earning of Global Freight Forwarding between 2013 and 2015. Global Freight Forwarding became a direct non-wholly owned subsidiary of CN HK since then. As at the Latest Practicable Date, Global Freight Forwarding was owned as to 70% by CN HK, 12% by Ms. Yang, 6% by Ms. Ho, 6% by Ms. Liao and 6% by Mr. Wang and an indirect non-wholly owned subsidiary of our Company.

(8) CN Italy

CN Italy was incorporated in Italy as a limited liability company on 25 May 2012. It principally engages in the provision of air and ocean freight forwarding services and commenced its business in May 2012. Upon incorporation, CN Italy had an issued corporate capital of EUR100,000 and was wholly-owned by CN Logistics HK.

In May 2016, each of Mr. Fabio Di Nello ("**Mr. Fabio**") and Ms. Augusta Morandin ("**Ms. Augusta**"), both of whom were then executive of CN Italy, acquired 15% of the then entire issued corporate capital of CN Italy from CN Logistics HK, at a consideration of EUR150,000, respectively. Such consideration was determined between the parties with reference to the then issued corporate capital of CN Italy then owned by CN Logistics HK. As a result, CN Italy was owned as to 70% by CN Logistics HK, 15% by Mr. Fabio and 15% by Ms. Augusta.

In December 2016, CN HK acquired from CN Logistics HK its entire issued corporate capital of CN Italy, representing 70% of the then entire issued corporate capital of CN Italy, at a consideration of EUR700,000. Such consideration was determined between the parties with reference to the then issued corporate capital of CN Italy then owned by CN Logistics HK. As a result, CN Italy was owned as to 70% by CN HK, 15% by Mr. Fabio and 15% by Ms. Augusta. Please refer to the disclosure in respect of CN Italy under Note 3 to the chart under the paragraph headed "Corporate Structure" in this section for the details of the relationship of each of these minority shareholders with our Group. As at the Latest Practicable Date, CN Italy was an indirect non-wholly owned subsidiary of our Company.

(9) CN France

CN France was incorporated in France as a simplified joint-stock company on 13 July 2017. It principally engages in the provision of air freight forwarding services and freight and logistics services for wine and it commenced its business in August 2017. Upon its incorporation, CN France had an authorised capital of EUR40,000 divided into 40,000 shares of EUR1 each and 40,000 shares were allotted and issued at par, of which 20,400 shares were allotted and issued to CN HK, and the remaining 19,600 shares were allotted and issued to Blue Bird System. As a result, CN France was owned as to 51% by CN HK and 49% by Blue Bird System.

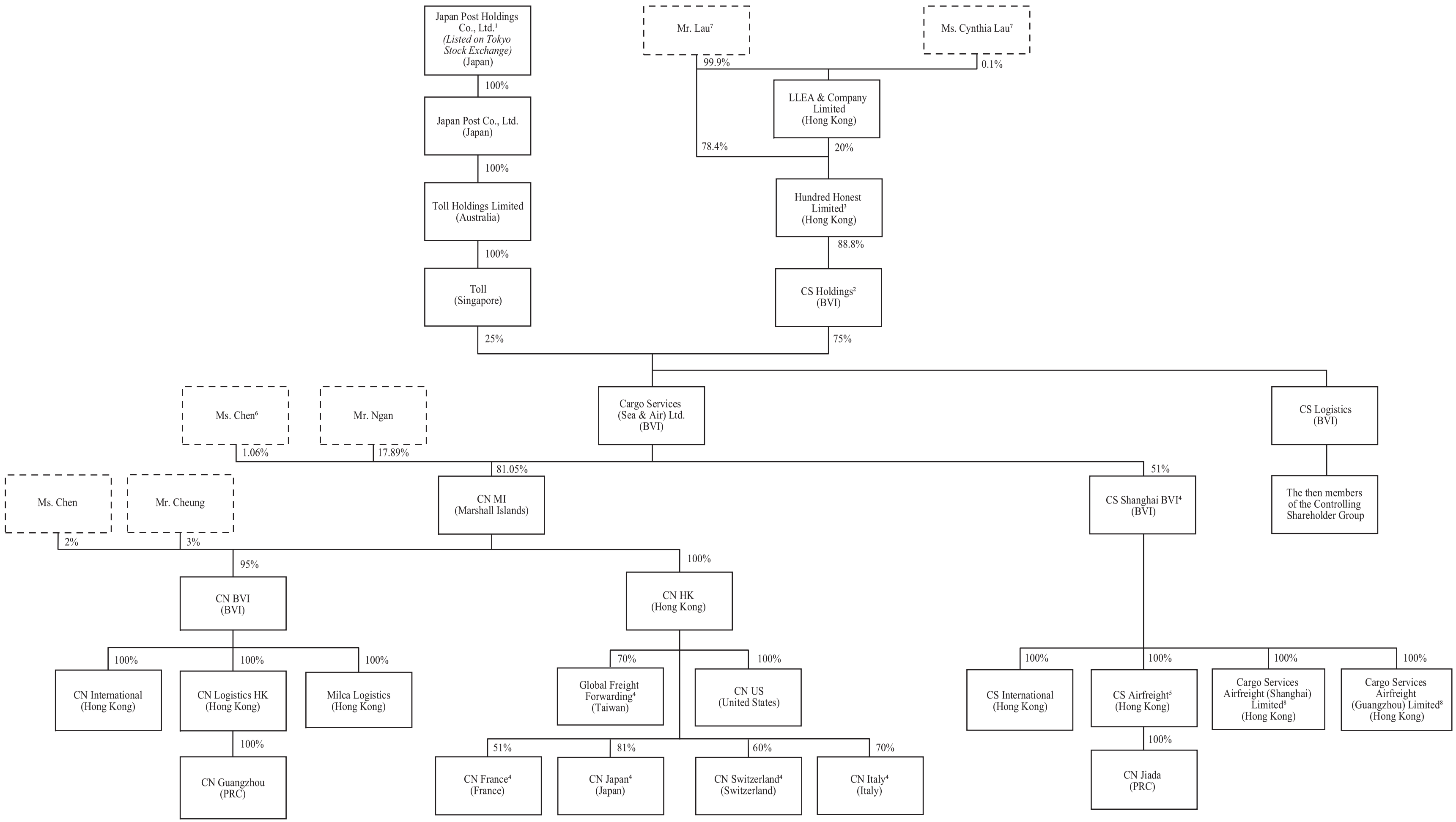
Pursuant to various share transfers of CN France after July 2017, CN France was owned as to 51% by CN France HK, 33.0% by Blue Bird System and 16.0% by Wise Pointer Limited (an investment holding company wholly-owned by Ms. Chen) since July 2019. On 16 December 2019, Blue Bird System transferred its entire issued shares of CN France to Prolinair SAS (a then subsidiary of Blue Bird System), representing 33% of the entire issued share capital of CN France. As a result, CN France was owned as to 51% by CN France HK, 33.0% by Prolinair SAS and 16.0% by Wise Pointer Limited. As at the Latest Practicable Date, CN France was an indirect non-wholly owned subsidiary of our Company.

(10) CN Siyan

CN Siyan was established in the PRC as a wholly foreign owned enterprise on 18 January 2019 with an initial registered capital of RMB1.0 million which had been fully paid up. It principally engages in the provision of distribution and logistics services in the PRC and commenced its business in April 2019. Since its establishment, CN Siyan was wholly-owned by CN Logistics HK. As at the Latest Practicable Date, CN Siyan was an indirect non-wholly owned subsidiary of our Company.

THE REORGANISATION

Immediately prior to the Reorganisation (i.e. as at 13 December 2017), the shareholding structure of our Group was as follows:



Notes:

1. Japan Post Holdings Co., Ltd is a company listed on the Tokyo Stock Exchange. Based on the information as disclosed by Japan Post Holdings Co., Ltd., as at 31 March 2020, approximately 63.29% of its entire issued shares are held by the Minister of Finance and the remaining of its entire issued shares are held by other shareholders. Japan Post Holdings Co., Ltd. is an Independent Third Party.

2. The remaining entire issued share capital of CS Holdings, representing approximately 11.2% of the then entire issued share capital of CS Holdings was owned by Princetonhall Limited, a subsidiary of Allport. Princetonhall Limited disposed of its entire issued share capital of CS Holdings to CS Group (one of our Controlling Shareholders) on 27 December 2017.

3. The remaining entire issued share capital of Hundred Honest Limited, representing approximately 1.6% of the then entire issued share capital of Hundred Honest Limited was owned by Mr. Ng Chin Hung, an Independent Third Party. Mr. Ng Chin Hung disposed of his entire issued share capital of Hundred Honest Limited to Mr. Lau on 29 November 2018.

4. The table below sets out the identity of the other shareholders which held the remaining shareholding interests of such non-wholly owned subsidiaries immediately prior to the Reorganisation (i.e. as at 13 December 2017):

Name of our non-wholly owned subsidiary	Name of the other shareholder (percentage of shareholding interests)	Relationship with our Group as at the Latest Practicable Date
CS Shanghai BVI	Princetonhall Limited (49%)	Substantial shareholder of CS Shanghai BVI and therefore a connected person of our Company
Global Freight Forwarding	Ms. Yang Shu Yu (楊淑鈺) (12%)	Substantial shareholder of Global Freight Forwarding and therefore a connected person of our Company
	Ms. Ho Mei Chih (何美智) (6%)	A director of Global Freight Forwarding and therefore a connected person of our Company
	Ms. Liao Jo Tung (廖若彤) (6%)	An existing employee of Global Freight Forwarding and an Independent Third Party
	Mr. Wang Te Ting (王得定) (6%)	An existing employee of Global Freight Forwarding and an Independent Third Party
CN France	Blue Bird System (33%)	An Independent Third Party. Blue Bird System owns approximately 20% of the entire issued shares of Prolinair SAS, a substantial shareholder of CN France. Blue Bird System is also a freight forwarder business partner of our Group. Prolinair SAS is not regarded as a connected person of our Company pursuant to Rule 14A.09 of the Listing Rules
	Ms. Chen (16%)	Executive Director, a minority shareholder of our Company and CN BVI and a substantial shareholder of CN France HK and CN France through her wholly-owned investment company, and therefore a connected person of our Company
CN Japan	Kanematsu Logistics & Insurance Ltd. (19%)	Substantial shareholder of CN Japan and also a freight forwarder business partner of our Group. It is not regarded as a connected person of our Company pursuant to Rule 14A.09 of the Listing Rules
CN Switzerland	Mr. Fabio Di Nello (20%) Ms. Augusta Morandin (20%) The above shareholding interests in CN Switzerland were registered under the name of CN HK who held such shares on trust for Mr. Fabio Di Nello and Ms. Augusta Morandin, respectively	Each a director and substantial shareholder of CN Switzerland and CN Italy and each an executive of CN Italy and therefore a connected person of our Company
CN Italy	Mr. Fabio Di Nello (15%) Ms. Augusta Morandin (15%)	Each a director and substantial shareholder of CN Switzerland and CN Italy and each an executive of CN Italy, and therefore a connected person of our Company

5. Immediately prior to the Reorganisation, one share of CS Airfreight was registered under the name of CS Nominee and was held on trust for CS Shanghai BVI.

6. The approximately 1.06% issued share capital of CN MI beneficially owned by Ms. Chen was registered under the name of Mr. Ngan who held such shares on trust for Ms. Chen.

7. Mr. Lau is the father of Ms. Cynthia Lau.

8. Each of Cargo Services Airfreight (Shanghai) Limited and Cargo Services Airfreight (Guangzhou) Limited remained dormant since its incorporation and was dissolved by deregistration on 6 July 2018.

9. Certain of the percentages shown in the chart are approximate figures.

Corporate reorganisation

To rationalise our structure in preparation for the Listing, we underwent various corporate reorganisation as more particularly described as follows:

(1) Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 December 2017 with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1 each and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 6 May 2020. Upon incorporation, (i) one subscriber Share was allotted and issued at par by our Company to a subscriber and who transferred such Share to CS Logistics at par; and (ii) an aggregate of 49,999 Shares were allotted and issued, credited as fully paid, at par by our Company to CS Logistics. As a result, the entire issued share capital of our Company was wholly-owned by CS Logistics.

(2) Acquisition of 51.0% of the entire issued share capital of CS Shanghai BVI by our Company

On 22 December 2017, our Company acquired from CS Sea & Air, a then non-wholly owned subsidiary of CS Holdings (one of our Controlling Shareholders), its entire issued share capital of CS Shanghai BVI, representing 51.0% of the entire issued share capital of CS Shanghai BVI, for cash at a consideration of US$25,500. The consideration of the acquisition was determined by the parties with reference to the issued share capital of CS Shanghai BVI then owned by CS Sea & Air. The consideration for the acquisition was settled on 13 March 2020. As a result, the entire issued share capital of CS Shanghai BVI was owned as to 51.0% by our Company and 49.0% by Princetonhall Limited, a subsidiary of Allport, and CS Shanghai BVI became a direct non-wholly owned subsidiary of our Company. Please refer to the paragraph headed "Relationship with our Controlling Shareholders – Our Controlling Shareholders – Background of the Controlling Shareholder Group" in this prospectus for details on the relationship of our Group and Allport.

(3) Acquisition of approximately 81.05% of the entire issued share capital of CN MI by our Company

On 22 December 2017, our Company acquired from CS Sea & Air, a then non-wholly owned subsidiary of CS Holdings (one of our Controlling Shareholders), its entire issued share capital of CN MI, representing approximately 81.05% of the entire issued share capital of CN MI, for cash at a consideration of HK$1,155,000. The consideration of the acquisition was determined by the parties with reference to the issued share capital of CN MI then owned by CS Sea & Air. The consideration for the acquisition was settled on 13 March 2020. As a result, the entire issued share capital of CN MI was owned as to approximately 81.05% by our Company and beneficially owned as to approximately 17.89% by Mr. Ngan and 1.06% by Ms. Chen and CN MI became a direct non-wholly owned subsidiary of our Company. The approximately 1.06% issued share capital of CN MI beneficially owned by Ms. Chen was registered under the name of Mr. Ngan who held such issued share capital on trust for Ms. Chen.

(4) Incorporation of CN France HK and transfer of 51% of the entire issued share capital of CN France

On 28 May 2019, CN France HK was incorporated by CN HK and Wise Pointer Limited as a limited liability company under the laws of Hong Kong. Upon incorporation, 7,000 shares and 3,000 shares of CN France HK were allotted and issued, credited as fully paid, by CN France HK to CN HK and Wise Pointer Limited (an investment holding company wholly-owned by Ms. Chen), respectively. As a result, the entire issued share capital of CN France HK was owned as to 70% by CN HK and 30% by Wise Pointer Limited.

On 29 July 2019, CN HK transferred its entire issued share capital of CN France, representing 51.0% of the entire issued share capital of CN France, to CN France HK for cash at a consideration of EUR20,400. The consideration for the transfer was determined by reference to the issued share capital of CN France then owned by CN HK. The consideration for the transfer was settled on 29 July 2019. As a result, the entire issued share capital of CN France was owned as to 51.0% by CN France HK, 33.0% by Blue Bird System, an Independent Third Party, and 16.0% by Wise Pointer Limited, a connected person of our Company. Please refer to the disclosure in respect of CN France under Note 4 to the chart under the paragraph headed "The Reorganisation" and Note 3 to the chart under the paragraph headed "Corporate Structure" in this section for details of the relationship of each of these substantial shareholders with our Group.

(5) Increase in authorised share capital of our Company and subdivision of Shares

Immediately prior to the subdivision, our Company had an authorised share capital of US$50,000 divided into 50,000 Shares with a par value of US$1 each and was wholly-owned by CS Logistics. In preparation for the Listing and the Reorganisation, on 16 December 2019, the authorised share capital of our Company was subdivided from US$50,000 divided into 50,000 Shares having a par value of US$1 each to US$50,000 divided into 50,000,000 Shares having a par value of US$0.001 each.

On the same day, the authorised share capital of our Company was increased from US$50,000 to US$500,000 divided into 500,000,000 Shares having a par value of US$0.001 each by the creation of 450,000,000 new Shares.

(6) Transfer of an aggregate of approximately 18.95% of the entire issued share capital of CN MI by Mr. Ngan and Ms. Chen to our Company

Mr. Ngan, who is the chief executive officer of our Group and an executive Director, joined our Group in August 1994 and has been responsible for the development and operation of our air freight forwarding and distribution and logistics services business. Ms. Chen, an executive Director and the assistant managing director of our wine department, joined our Group in October 2001 as the sales executive of CS Airfreight. Since we began to lay more emphasis on logistic services for wine in 2012, Ms. Chen has been responsible for the development and operation of such business. Since May 2016, Mr. Ngan and Ms. Chen beneficially owned approximately 17.89% and 1.06% of the entire issued share capital of CN MI, respectively.

In preparation for the Listing and in the light of Mr. Ngan's and Ms. Chen's management roles in our Group as a whole (including both CN MI and CS Shanghai BVI and their respective subsidiaries), on 31 December 2019, (i) Mr. Ngan transferred to our Company his entire beneficial interest in the issued share capital of CN MI, which represents approximately 17.89% of the entire issued share capital of CN MI; and (ii) Ms. Chen transferred to our Company her entire beneficial interest in the issued share capital of CN MI, representing approximately 1.06% of the entire issued share capital of CN MI, in consideration for the allotment and issue, credited as fully paid, of an aggregate of 12,000,000 Shares, as to 11,330,000 Shares to Mr. Ngan and 670,000 Shares to Ms. Chen, representing 11.33% and 0.67% of the enlarged issued share capital of our Company upon completion of the acquisition and the capitalisation issue as mentioned below, respectively. Such consideration was determined between the parties on an arm's length basis by reference to the fair value of CN MI and our Company as at 31 October 2019.

Immediately prior to the completion of the transfer of the remaining issued share capital of CN MI, our Company was wholly-owned by CS Logistics, and an aggregate of 50,000,000 Shares (after the subdivision of Shares as set out in paragraph 5 above) were issued to CS Logistics. In order to avoid the allotment of fractional shares to Mr. Ngan and Ms. Chen on one hand and to maintain the relative shareholding percentage in our Company of CS Logistics after the issue of Shares to Mr. Ngan and Ms. Chen pursuant to the transfers referred to above on the other hand, on 31 December 2019, our Company capitalised US$38,000 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 38,000,000 Shares for allotment and issue to CS Logistics. Such Shares allotted and issued rank *pari passu* in all respects with the then existing issued Shares.

Completion of the transfers and the capitalisation issue took place on 31 December 2019 and as a result, our Company became owned as to 88.0% by CS Logistics, 11.33% by Mr. Ngan and 0.67% by Ms. Chen.

(7) Disposal of the entire issued share capital of CN US by CN HK to Cargo Sea

CN US was originally set up by us for the provision of air freight forwarding services in the US. However, due to customers demand in the US, the provision of ocean freight forwarding services for the import of low-end fashion products to the US was larger than the air freight forwarding business of CN US. As such business model does not coincide with the strategy of our Group in focusing on air freight forwarding services and distribution and logistics services targeting on high-end fashion and fine wine market, after considering the market potential, our Group has no current intention to develop the air freight forwarding and the distribution and logistics services businesses in the United States. Therefore, the following Reorganisation steps were taken to dispose CN US to a member of the Controlling Shareholder Group. Please refer to the paragraph headed "Relationship with our Controlling Shareholders – The Controlling Shareholder Group – (b) United States" in this prospectus for further details on the basis of the disposal of CN US to the Controlling Shareholder Group.

Prior to the disposal, CN HK has granted a shareholder's loan to CN US in the principal amount of US$1,429,820.19 ("**Principal Amount**") with accrued and unpaid interest of US$4,751.60 ("**Unpaid Interest**") as at 27 December 2019. On 27 December 2019, CN US and CN HK entered into a debt conversion agreement pursuant to which the parties agreed that (i) the Principal Amount shall automatically be converted into existing common stock of CN US held by CN HK; and (ii) CN US shall pay the Unpaid Interest.

On 31 December 2019, Cargo Services (Sea) Limited ("**Cargo Sea**"), an indirect non-wholly owned subsidiary of CS Seafreight (a member of the Controlling Shareholder Group), acquired from CN HK its entire issued share capital of CN US at a cash consideration of US$770,380. The consideration for the acquisition was determined between the parties on an arm's length basis by reference to the net asset value of CN US as at 31 December 2019 and was settled on the same day. Completion of the disposal of CN US took place on 31 December 2019 and as a result, CN US ceased to be a subsidiary of our Company.

(8) Transfer back of the one share of CS Airfreight by CS Nominee to CS Shanghai BVI

CS Shanghai BVI has been the beneficial owner of the entire issued share capital of CS Airfreight since June 2017. One share of CS Airfreight was registered under the name of CS Nominee who held such share on trust for CS Shanghai BVI. On 2 January 2020, at the direction of CS Shanghai BVI, CS Nominee transferred back the one share of CS Airfreight to CS Shanghai BVI at nil consideration, and the trust arrangement ceased.

(9) Acquisition of certain business assets from CS China

Prior to April 2019, our distribution and logistics services to several customers (including the Kering Group) in the PRC was carried out under the management of our Group and Mr. Ngan through Cargo Services (China) Limited* (嘉宏國際運輸代理有限公司) ("**CS China**") (a member of the Controlling Shareholder Group). As part of the business delineation arrangements between our Group and the Controlling Shareholder Group, since April 2019, our distribution and logistics services to these customers have been provided through CN Siyan instead. To facilitate the provision of the services, on 29 February 2020, CN Siyan acquired from CS China certain business assets for operation of the customised distribution centre in Shanghai, principally comprising of conveyor belts, shelves and chains and elevator, at a consideration of approximately RMB25.6 million (inclusive of relevant taxes) which was determined by the parties with reference to the net book value of such assets as at 29 February 2020. Completion took place on 19 March 2020 and our Group has become owner of these business assets since then. The consideration was settled on 26 May 2020.

Considering (1) our Group and CS China were under common control throughout the Track Record Period, (2) the distribution and logistics services carried out through CS China are different and clearly delineated from the businesses and operations of the Controlling Shareholder Group and (3) the management of such business have been led by our Group and Mr. Ngan since its commencement, the distribution and logistics services carried out through CS China since its commencement was accounted for part of our Group's business on the merger basis of accounting. Apart from the acquisition of certain business assets as set out above, we also paid for certain leasehold improvement costs of the customised distribution centre in Shanghai, which were determined by the parties with reference to the net book value of such leasehold improvement and amounted to approximately RMB7.8 million (inclusive of relevant taxes). For details of the relevant accounting treatment, please refer to Notes 1.1 and 26(c) of the Accountants' Report set forth in Appendix I to this prospectus.

Upon completion of the Reorganisation, our Company became the holding company of the members of our Group.

PRE-IPO INVESTMENTS

For the long-term business development of our Group, we entered into the below Pre-IPO Investments.

Subscription of Shares

On 2 March 2020, each of Mr. Charles Lau, Mr. Wu, Global Megain and Yuantong Taiwan, as our Pre-IPO Investors, entered into a subscription agreement with our Company, CS Logistics and Mr. Lau for the subscription of an aggregate of 4,705,884 Shares, representing approximately 4.5% of the total issued share capital of our Company prior to the Global Offering and the Capitalisation Issue, and the Pre-IPO Investors have become our Shareholders since then.

The subscription agreements mentioned above are collectively referred to as, the "**Subscription Agreements**" and each a "**Subscription Agreement**".

A summary of the Pre-IPO Investments made by each of the Pre-IPO Investors and principal terms and conditions of the respective Subscription Agreements are set out below:

Pre-IPO Investor	Mr. Charles Lau	Mr. Wu	Global Megain	Yuantong Taiwan
Date of subscription of Shares	2 March 2020			
Consideration paid for the subscription of Shares	HK$5 million	HK$5 million	HK$5 million	HK$5 million
Basis of consideration	Based on arm's length negotiation between the parties after taking into consideration of the historical financial performance and the business prospects of our Group			
Date on which the consideration was fully and irrevocably settled	4 March 2020	3 March 2020	28 February 2020	5 March 2020
Number of Shares subscribed and approximate percentage of shareholding in our Company upon completion of the subscription	1,176,471, 1.1%	1,176,471, 1.1%	1,176,471, 1.1%	1,176,471, 1.1%
Number of Shares and approximate percentage of shareholding in our Company immediately upon Listing *(Note 1)*	2,205,619, 0.9%	2,205,619, 0.9%	2,205,619, 0.9%	2,205,619, 0.9%
Investment cost per Share	Approximately HK$2.3			
Discount to the mid-point of the indicative Offer Price range *(Note 2)*	Approximately 13.2%			
Use of proceeds	The proceeds from the Pre-IPO Investments will be used for working capital of our Group and expansion of our customised distribution centre in Shanghai for Kering Group. As at the Latest Practicable Date, such proceeds had been partly utilised.			
Strategic benefits to our Group	Widen our Group's capital base. Furthermore, our Directors are of the view that our Company could benefit from Pre-IPO Investors' commitment to our Company as their investment demonstrates their confidence in the operations of our Group and serves as an endorsement of our Group's performance, strength and prospects.			
Lock-up period and public float	The Shares held by each of the Pre-IPO Investors as of the Listing Date will be subject to lock-up for a period of six months from the Listing Date. In the view of (i) the Pre-IPO Investors are Independent Third Parties; (ii) as represented by each of the Pre-IPO Investors, he/it is independent of and not acting upon or accustomed to take instructions from, or directly or indirectly, funded or backed by, or acting in concert with (as defined in the Takeovers Code), any connected persons of our Company in relation to the control of our Company or any acquisition, disposal, voting or any other disposition of securities in our Company; and (iii) none of the Pre-IPO Investors will become a substantial shareholder of our Company upon Listing, the Shares held by the respective Pre-IPO Investors immediately after Listing will be considered as part of the public float after Listing for the purpose of Rule 8.08 of the Listing Rules.			

Notes:

1. Based on the number of Shares held by each of the Pre-IPO Investors, the total number of Shares to be issued to each of them pursuant to the Capitalisation Issue and the total number of Shares in issue upon completion of the Capitalisation Issue and the Global Offering, taking no account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

2. Based on the Offer Price of HK$2.65 per Share (being the mid-point of the indicative Offer Price range).

Special rights granted to the Pre-IPO Investors

Pursuant to each of the Subscription Agreements, CS Logistics has granted to each of the Pre-IPO Investors a put option (collectively, the "**Put Options**" and each a "**Put Option**") exercisable in accordance with the terms and conditions of the respective Subscription Agreements to require CS Logistics to purchase all (but not part) of the Shares allotted and issued under the respective Subscription Agreements and legally and beneficially owned by the respective Pre-IPO Investors ("**Option Shares**"). The respective Pre-IPO Investors may exercise the Put Option in the event that the Listing is not consummated on or before the day falling one year after the completion date of the subscription of Shares pursuant to the respective Subscription Agreements (or such later date as our Company and the respective Pre-IPO Investors may agree).

Upon completion of the exercise of the Put Option, CS Logistics shall pay to the relevant Pre-IPO Investor (or its directed nominee) a cash consideration to be calculated based on the formula as set out under the respective Subscription Agreements, which is determined by reference to an agreed rate of return of 8% per annum.

If the Put Options have become exercisable but is not exercised by the Pre-IPO Investors in accordance with the terms and conditions of the respective Subscription Agreements, the Put Options shall lapse. If the Listing takes place before the date of completion of the exercise of the Put Options, the Put Options shall be deemed not exercisable and shall lapse and be of no further effect automatically upon Listing.

Save for the Put Options, no other special rights were granted to the Pre-IPO Investors.

Guarantee

A guarantee was granted by Mr. Lau in favour of each of the Pre-IPO Investors under the respective Subscription Agreements for the due and punctual performance and observance by CS Logistics and our Company of each and all of their respective obligations, agreements, covenants, commitments and undertakings under the respective Subscription Agreements, including our Company's obligations upon completion of the Subscription Agreements and CS Logistics' obligation to purchase the Option Shares under the Put Options (the "**Guaranteed Obligations**") and Mr. Lau agreed to indemnify each of the Pre-IPO Investors against all losses which the Pre-IPO Investors may suffer through or arising from any breach of the Guaranteed Obligations. As at the Latest Practicable Date, the only outstanding Guarantee Obligations were CS Logistics' obligations under the Put Options, which shall lapse upon Listing or completion of the exercise of the Put Option, whichever is earlier.

Information about the Pre-IPO Investors

(1) Mr. Charles Lau

Mr. Charles Lau is the executive director and company secretary of Sitoy Group Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1023) (together with its subsidiaries, the "**Sitoy Group**"). He has approximately 30 years of executive experiences in corporate control, financial management, risk management and internal control gained from international listed companies. Prior to joining the Sitoy Group in 2015, Mr. Charles Lau held key corporate executive position in various conglomerates, including, vice president of China Resources Beer (Holdings) Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 291), deputy head of internal audit for Hutchison Whampoa Limited, and chief financial officer and company secretary of Miramar Hotel and Investment Company, Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 71). As confirmed by Mr. Charles Lau, he mainly invests in securities of Hong Kong listed companies, and the source of funding for his investment in our Company came from his own personal savings.

Mr. Charles Lau became acquainted with Mr. Ngan in 2013 through his position in one of the customers of our Group at that time. Mr. Charles Lau has witnessed the successes and achievements of our Group developed over the years. Given our Group's reputation in the industry and our niche positioning as a logistics solutions provider with a primary focus on providing services in relation to high-end fashion (including luxury and affordable luxury) products and fine wine, Mr. Charles Lau invested in our Company as he believes the market in which our Group serves has great potentials and that the investment in our Group would be worthwhile. Save for being a Pre-IPO Investor, Mr. Charles Lau does not have any relationship with our Group or any connected person of our Company, and is an Independent Third Party.

(2) Mr. Wu

Mr. Wu is a merchant and a director of the landlords of one of the properties leased by us in Hong Kong as at the Latest Practicable Date. He has approximately 20 years of experience in investment in properties in Hong Kong and property leasing. As confirmed by Mr. Wu, he mainly invests in bonds, mutual funds and term deposit, and he financed his investment in our Company through bank financing.

Mr. Wu became acquainted with Mr. Ngan through introduction by one of their common friends in a social event in 2000. Mr. Wu has witnessed the successes and achievements of our Group developed over the years and he is therefore optimistic about the development of the freight forwarding and logistics industry in Hong Kong. Given our Group's reputation in the industry and our niche positioning as a logistics solutions provider with a primary focus on providing services in relation to high-end fashion (including luxury and affordable luxury) products and fine wine, Mr. Wu invested in our Company as he believes the market in which our Group serve has great potentials and that the investment in our Group would be worthwhile. Save as disclosed and being a Pre-IPO Investor, Mr. Wu does not have any relationship with our Group or any connected person of our Company, and is an Independent Third Party.

(3) Global Megain

Global Megain is an investment holding company incorporated in Belize on 23 December 2014. It is wholly-owned by Mr. Cheng Hsien-Wei. Mr. Cheng has over 11 years of experience in the compatible cartridge related industries. He is a founder, an executive director and one of the controlling shareholders (as defined in the Listing Rules) of MEGAIN Holding (Cayman) Co., Ltd. ("**Megain Holding**"), which is one of the leading providers of compatible cartridge chips based in the PRC. As confirmed by Mr. Cheng, apart from his investment in Megain Holding, he also has other investments including funds and real estates, and the source of funding for the investment of Global Megain in our Company came from his own personal resources.

Mr. Cheng became acquainted with Mr. Ngan in a social event in November 2019 and was subsequently interested in the investment opportunity in our Group. Given our Group's reputation in the industry, long-standing track record and the growth potentials of the market in which our Group serves, Global Megain invested in our Company as it believes that the investment in our Group would be worthwhile. Save for being a Pre-IPO Investor, neither Global

Megain nor its beneficial owner has any relationship with our Group or any connected person of our Company, and is an Independent Third Party.

(4) Yuantong Taiwan

Yuantong Taiwan is a company incorporated in Taiwan on 9 July 1999. It is wholly-owned by the estate of the late Ms. Wong Yuk Hung. Yuantong Taiwan is an overseas agent of 圓通速遞股份有限公司 (YTO Express Group Co., Ltd.*) ("**YTO Express**", together with its subsidiaries "**YTO Express Group**"), a joint stock limited liability company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600233), and principally engages in the provision of local express service, international express service and freight forwarding services. As confirmed by Ms. Wong, apart from her investment in Yuantong Taiwan, she also has other investments, and the source of funding for the investment in our Company came from her own internal resources.

Yuantong Taiwan became acquainted with our Group through introduction by our business partner, YTO Express Group in May 2019. Given our Group's reputation in the industry and the synergy effect with our Group in the development of B2C distribution services to our high-end fashion products customers and freight forwarding services in the long run, Yuantong Taiwan invested in our Company as it believes that the investment in our Group would be worthwhile. Save for being a Pre-IPO Investor, neither Yuantong Taiwan nor its beneficial owner has any relationship with our Group or any connected person of our Company, and is an Independent Third Party.

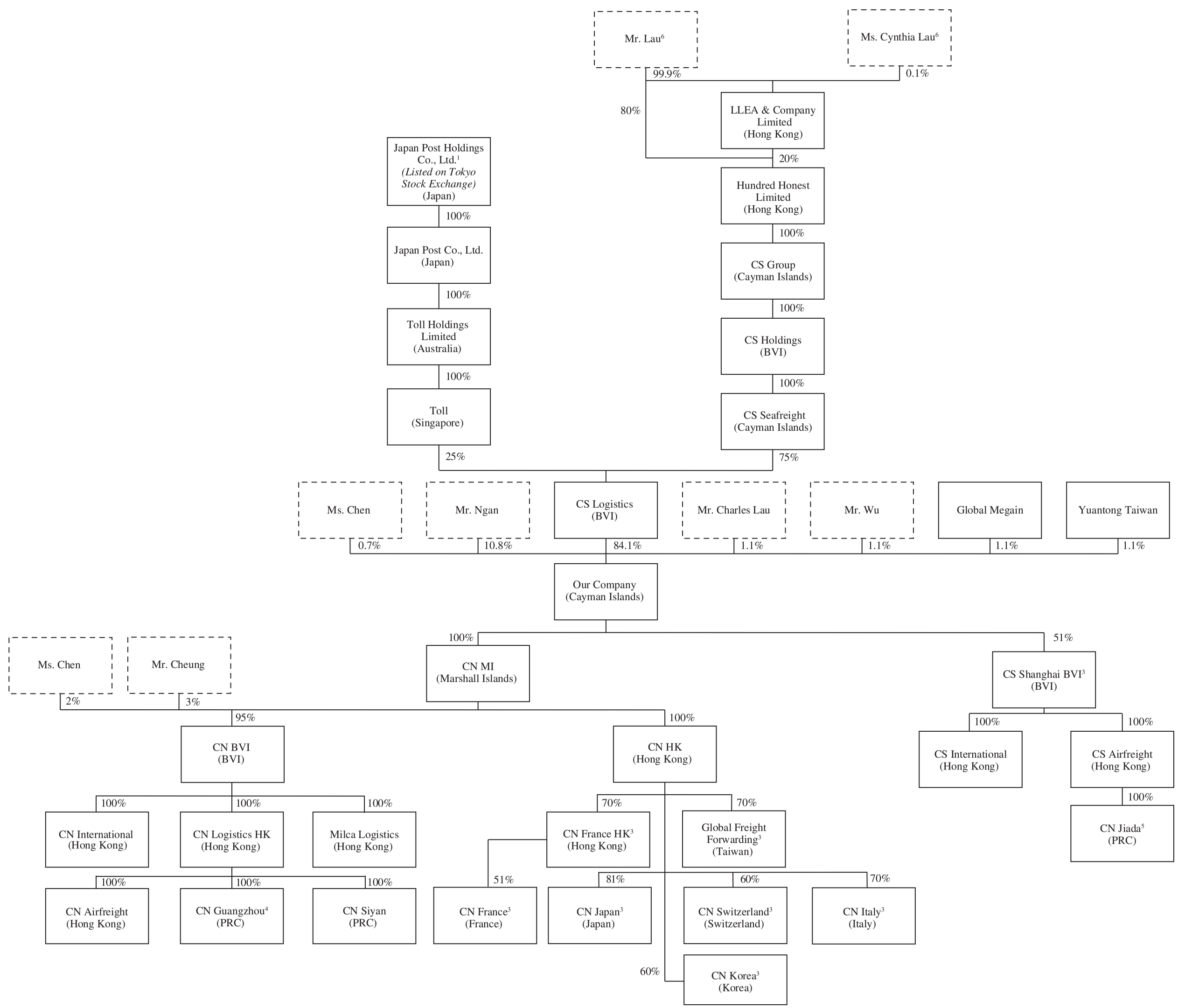
As confirmed by each of the Pre-IPO Investors, save for the Pre-IPO Investments, they have not invested in other companies conducting businesses similar or related to those of our Group. To the best of our Directors' knowledge and as confirmed by the Pre-IPO Investors, save for the Subscription Agreements, there is no other agreement, arrangement or undertaking, verbal or in writing, with our Group, its shareholders and directors and/or among the Pre-IPO Investors as regards their investments in our Group.

Sole Sponsor's confirmation

Since the consideration for the Pre-IPO Investments was fully settled by the Pre-IPO Investors more than 28 clear days before the date of submission of the initial listing application by our Company and the Put Options granted to the Pre-IPO Investors will only become exercisable if the Listing does not take place on the date as specified above and will lapse upon Listing, the Sole Sponsor is of the view that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments HKEx-GL29-12 and the Guidance on Pre-IPO Investments HKEx-GL43-12 issued by the Stock Exchange.

CORPORATE STRUCTURE

The following chart sets out the shareholding structure of our Group immediately before completion of the Capitalisation Issue and the Global Offering:



1. Japan Post Holdings Co., Ltd is a company listed on the Tokyo Stock Exchange. Based on the information as disclosed by Japan Post Holdings Co., Ltd., as at 31 March 2020, approximately 63.29% of its entire issued shares are held by the Minister of Finance and the remaining of its entire issued shares are held by other shareholders. Japan Post Holdings Co., Ltd. is an Independent Third Party.

2. The following table sets out the brief details of our Company and the major operating subsidiaries of our Company as at the Latest Practicable Date:

	Name	**Date of incorporation (or establishment)**	**Place of incorporation (or establishment)**	**Principal activities**
1.	Our Company	14 December 2017	Cayman Islands	Investment holding
2.	CS Airfreight	25 September 1990	Hong Kong	Air freight forwarding services
3.	CN Logistics HK	19 March 2004	Hong Kong	Air freight forwarding services, distribution and logistics services, and freight and logistics services for wine
4.	CN Jiada	15 July 2005	The PRC	Air freight forwarding services
5.	CN Guangzhou	26 November 2007	The PRC	Air freight forwarding services
6.	CS International	12 November 2014	Hong Kong	Air freight forwarding services
7.	Global Freight Forwarding	9 November 2009	Taiwan	Air and ocean freight forwarding services
8.	CN Italy	25 May 2012	Italy	Air and ocean freight forwarding services
9.	CN France	13 July 2017	France	Air freight forwarding services and freight and logistics services for wine
10.	CN Siyan	18 January 2019	The PRC	Distribution and logistics services

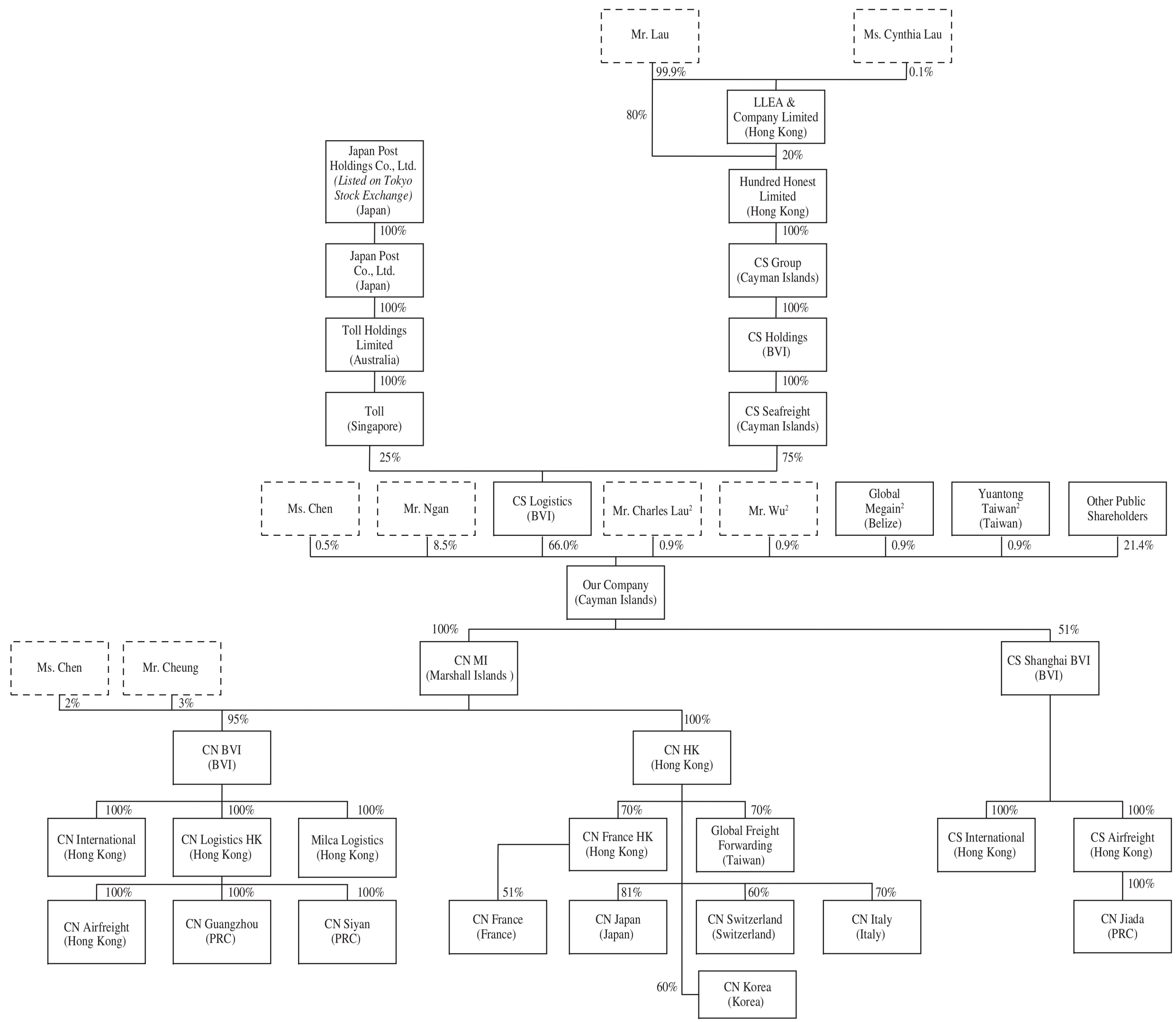
3. The table below sets out the identity of the other shareholders which held the remaining shareholding interests of such non-wholly owned subsidiaries as at the Latest Practicable Date:

Name of our non-wholly owned subsidiary	**Name of the other shareholder (percentage of shareholding interests)**	**Relationship with our Group as at the Latest Practicable Date**
CS Shanghai BVI	Princetonhall Limited (49%)	Substantial shareholder of CS Shanghai BVI and therefore a connected person of our Company
CN France HK	Wise Pointer Limited (30%)	Investment holding company wholly-owned by Ms. Chen and a substantial shareholder of CN France HK and CN France, and therefore a connected person of our Company
Global Freight Forwarding	Ms. Yang Shu Yu (楊淑鈺) (12%)	Substantial shareholder of Global Freight Forwarding and therefore a connected person of our Company
	Ms. Ho Mei Chih (何美智) (6%)	A director of Global Freight Forwarding and therefore a connected person of our Company
	Ms. Liao Jo Tung (廖若彤) (6%)	An existing employee of Global Freight Forwarding and an Independent Third Party
	Mr. Wang Te Ting (王得定) (6%)	An existing employee of Global Freight Forwarding and an Independent Third Party

Name of our non-wholly owned subsidiary	Name of the other shareholder (percentage of shareholding interests)	Relationship with our Group as at the Latest Practicable Date
CN France	Prolinair SAS (33%)	Substantial shareholder of CN France and also a freight forwarder business partner of our Group. It is not regarded as a connected person of our Company pursuant to Rule 14A.09 of the Listing Rules
	Wise Pointer Limited (16%)	Investment holding company wholly-owned by Ms. Chen and a substantial shareholder of CN France HK and CN France, and therefore a connected person of our Company
CN Japan	Kanematsu Logistics & Insurance Ltd. (19%)	Substantial shareholder of CN Japan and also a freight forwarder business partner of our Group. It is not regarded as a connected person of our Company pursuant to Rule 14A.09 of the Listing Rules
CN Switzerland	Mr. Fabio Di Nello (20%) Ms. Augusta Morandin (20%)	Each a director and substantial shareholder of CN Switzerland and CN Italy and each an executive of CN Italy, and therefore a connected person of our Company
CN Italy	Mr. Fabio Di Nello (15%) Ms. Augusta Morandin (15%)	Each a director and substantial shareholder of CN Switzerland and CN Italy and each an executive of CN Italy, and therefore a connected person of our Company
CN Korea	Han Saeng Express Co., Ltd. (40%)	Substantial shareholder of CN Korea and also a freight forwarder business partner of our Group. It is not regarded as a connected person of our Company pursuant to Rule 14A.09 of the Listing Rules

4. CN Guangzhou has two branch offices in the PRC.
5. CN Jiada has four branch offices in the PRC.
6. Mr. Lau is the father of Ms. Cynthia Lau.
7. Certain of the percentages shown in the chart are approximate figures.

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Capitalisation Issue and Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme):



Notes:

1. Certain of the percentages shown in the chart are approximate figures.
2. The Shares held by each of Mr. Charles Lau, Mr. Wu, Global Megain and Yuantong Taiwan will be considered as part of the public float after Listing for the purpose of Rule 8.08 of the Listing Rules.

OVERVIEW

We are 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. During the Track Record Period, services provided in respect of high-end fashion products were our single largest revenue contributor, followed by our services for fast fashion products. Headquartered in Hong Kong, our global business spans multiple cities in the PRC, Europe and Asia through our own business presence and our freight forwarder business partners.

Our strong B2B distribution and logistics capability (as demonstrated by our semi-automated distribution centre of over 90,000 sq.ft. equipped with conveyor belts in Shanghai and our network of distribution centres in Hong Kong) allows us to offer customer-oriented, cost-effective and efficient services to our customers, which in turn attracts them to engage us for providing air freight forwarding services and a comprehensive logistics solution, thereby allowing us to build a broad customer base. Our B2B capability has also laid a solid foundation for us to offer B2C solutions to our customers, in particular those in the high-end fashion and wine sectors. According to the CIC Report, we are one of the few specialists in providing freight forwarding and distribution and logistics services for wine in Hong Kong. As a logistics solutions provider offering B2B services with integrated air freight forwarding solutions, we are able to provide comprehensive logistics services covering at the same time freight forwarding services worldwide and distribution and logistics services (including the provision of value-added services through our abovementioned semi-automated distribution centre in Shanghai and network of distribution centres in Hong Kong), thereby creating synergy and enhancing our competitiveness in attracting customers for engaging us to provide both freight forwarding services and distribution and logistics services. In particular, companies in the high-end fashion industry generally incline to engage one-stop service providers that offer comprehensive range of logistics services, including freight forwarding services and distribution and logistics services, especially value-added services such as pick and pack and labelling, according to the CIC Report.

In order to better satisfy our customers' demands and improve efficiency, we are one of the earliest in the PRC to establish its own semi-automated distribution centre to provide tailor-made logistics solutions for high-end fashion products, according to the CIC Report. We ranked fifth in the integrated air freight forwarding market for high-end fashion products in the PRC with a market share of 1.6% and ranked sixth in Hong Kong with a market share of 2.6%, for the year ended 31 December 2019 in terms of revenue, according to the CIC Report. For the year ended 31 December 2019, we ranked first in the distribution and logistics market for high-end fashion products in both the PRC and Hong Kong, with a market share of 8.1% and 21.8%, respectively, according to the CIC Report.

Our customer base mainly includes direct customers and freight forwarder customers. Our direct customers cover high-end fashion retailers, including The Lane Crawford Joyce Group, brand owners such as Kering Group, as well as wholesalers and retailers of wine including L'Imperatrice.

Our business model principally involves providing freight forwarding services which include obtaining cargo space primarily from airline carriers (for air freight forwarding services) and shipping companies (for ocean freight forwarding services) for delivering consignments to the required destinations, cargo pick up, cargo handling, arrangement of customs clearance and providing distribution and logistics services to our direct customers. We principally engage in the following three business segments:

- *Air freight forwarding services.* We provide air freight forwarding services for high-value products which are time sensitive, in particular, we focus on high-end fashion products and fine wine, mainly in the PRC, Hong Kong, Taiwan and Europe (in particular Italy). Our revenue from this segment was mainly contributed by air freight forwarding services provided in the PRC, Hong Kong, Taiwan and Italy, which include the import and export of goods such as high-end fashion products, fast fashion products, electronics, machineries and equipment. Our services include arranging for consignment upon receipt of booking instructions from customers, cargo pick up, obtaining cargo space, 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, we pride ourselves as one of the few specialists in providing freight forwarding services for the export of wine from France and the U.K. to Hong Kong.

- *Distribution and logistics services.* We provide distribution and logistics services to brand owners, retailers and other customers worldwide (primarily comprising high-end fashion brands) with cost-effective supply chain solutions. Our distribution and logistics services operations are primarily located in Hong Kong, the PRC, Italy and Taiwan, with the PRC and Hong Kong being the two largest contributors of revenue for this segment, contributing in aggregate 98.0%, 96.0%, 92.0% and 91.5% of our revenue for this segment for FY2017, FY2018, FY2019 and 3M2020, respectively. This business segment involves the provision of a wide range of logistics services, such as organising and optimising warehousing usage, transportation routes and trucking service providers, storage, palletising, trucking and distribution, managing vendor inventory, picking and packing finished goods, reverse logistics services and recycling, providing quality control and various ancillary value-added services such as supply chain management and storage services through our proprietary CN WMS. We would also advise our customers on complying with local customs regulations. In addition, as one of the few specialists in providing distribution and logistics services for wine in Hong Kong, our comprehensive logistics services include specialty storage, logistics and other value-added services such as branded packaging, polymorph repacking, same day local door-to-door and temperature-controlled delivery in Hong Kong. We manage a storage and distribution space of approximately 58,000 sq.ft. dedicated to wine storage, of which the temperature and humidity are kept at an optimal level.

- *Ocean freight forwarding services.* Our holistic logistics solutions also include the provision of ocean freight forwarding services mainly to our air freight forwarding services customers and other customers in Italy and Taiwan when they require us to ship some of their products by sea incidentally or on a stand-alone basis. Our ocean freight forwarding operations in Italy and Taiwan were the largest revenue contributors of this segment during the Track Record Period, which included the export of electronics, machineries and large equipment from Taiwan and furniture and household and electric appliances which do not have too much time constraint from Italy.

Since our establishment in 1991, we have been able to ride on our experience and expand our operation from Hong Kong to other parts of the world through our major operating subsidiaries in the PRC, Taiwan, Italy and France. For details of our history and development, please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus. As at the Latest Practicable Date, we operated local offices in 13 cities across eight countries and territories, including Hong Kong, Shanghai, Guangzhou, Taipei, Tokyo, Seoul, Paris and Chiasso. During the Track Record Period, our worldwide reach covered over 100 countries, through our operation hubs and our international network of freight forwarder business partners. Other than our overseas offices, we work with our freight forwarder business partners located overseas on a case-by-case basis, primarily for the handling and execution of customer orders generally involving locations where we have no presence. Our network of freight forwarder business partners around the world assists us to extend the coverage of our freight forwarding services to locations worldwide.

For FY2017, FY2018, FY2019 and 3M2020, our revenue was HK$1,523.9 million, HK$1,538.7 million, HK$1,483.8 million and HK$362.2 million, respectively, whilst our total net profit for the same periods amounted to HK$47.9 million, HK$41.1 million, HK$44.6 million and HK$385,000, respectively.

With our strong capability in providing B2B distribution and logistics services and our focus on customers in the high-end fashion and wine sectors, we believe we are well-positioned to offer B2C solutions to our customers, in particular those in the high-end fashion and wine sectors, and execute our growth strategies to increase our profitability. Further, our historical base of stable customers in the high-end fashion and wine sectors, which have relatively low propensities to switch providers, would also allow us to maintain and potentially improve our market position in these sectors.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that will continue to drive our future success:

We focus on providing customer-centric logistics solutions to our long-standing customers which consist of reputable brands in the high-end fashion and wine sectors

Our core business is on providing comprehensive logistics services, which include air freight forwarding services and distribution and logistics services, in relation to fashion products and fine wine, with a primary focus on high-end fashion (including luxury and affordable luxury) products. Our revenue contributed by services to high-end fashion products and wine in aggregate amounted to HK$540.8 million, HK$574.1 million, HK$649.8 million and HK$108.1 million for FY2017, FY2018, FY2019 and 3M2020, respectively, accounting for 35.5%, 37.4%, 43.8% and 29.8% of our total revenue for the corresponding years/periods. Our long-standing customers in the high-end fashion market consist of various international, well-known, premium and luxury brands which include Gucci, Saint Laurent, Balenciaga, Bottega Veneta, Cerruti 1881, Alexander Wang, Stella McCartney, Alexander McQueen, Brioni and other apparel as well as goods of brands carried by The Lane Crawford Joyce Group. Our Group has strategically set up a wine department, which is headquartered in Hong Kong, to handle customer services and communications with our customers in relation to wine whereas our operating subsidiary in France liaises with relevant wineries locally. During the Track Record Period, our customers in the wine sector mainly included wine wholesalers and retailers such as L'Imperatrice, as well as individual direct customers.

We focus on developing and maintaining a strong relationship and thorough understanding of our customers. We maintain close and effective 24/7 communication with our customers in order to understand and cater to their different needs, to ensure that we are kept up-to-date with the latest market information as well as to obtain feedback from them on our services. It enables us to provide customised services and review the quality and level of our services in a timely manner, which in turn helps us to retain existing customers as well as to obtain new customers by way of referral. Our Group takes a holistic and flexible approach in the provision of our services by discussing with our customers on their requirements and expectations in relation to their own or, in the case of our freight forwarder customers, the end customers' (i) delivery plan, including points of delivery and delivery schedule; (ii) warehousing plan, including storage requirements; and/or (iii) other logistics requirements. We believe that this also enables us to familiarise ourselves with the organisation, culture, sourcing logistics and production process of each customer, in particular the high-end fashion retailers and brand owners. Our approach is to accompany our customers in their growth and in the optimisation of their total logistics needs in all aspects: by identifying problems and proposing the best solutions to strike a balance between immediate and long-term logistics needs and costs, given our stable business relationships with our freight forwarder business partners and airline carriers. We believe that our focus-based approach has enabled us to anticipate our customers' needs and offer flexible solutions to their problems and therefore has allowed us to establish long-standing relationships with our major customers. Many of our major customers engaged our services on a recurring basis throughout the Track Record Period and have been working with us for a period of five to more than 20 years.

As a customer-centric and socially responsible corporation, we are aware of the growing trend of environmental awareness in the high-end fashion industries in which many of our customers operate and the importance of integrating social and environmental considerations into our business which we believe can bring contributions to a sustainable society. In view of the large amount of hangers, plastic and paper involved in the high-end fashion industry, The Lane Crawford Joyce Group launched a sustainability and recycling project which is a not-for-profit scheme aimed to promote waste reducing, reusing and recycling in the PRC and Hong Kong. As an important logistics services provider to The Lane Crawford Joyce Group in the PRC and Hong Kong who shares similar value and awareness in terms of social responsibility, we were invited to participate in this project and have been working closely with The Lane Crawford Joyce Group since April 2018 as the sole coordinator for this project, responsible for promoting the project among our other customers, providing logistics advice and services, managing the recycling process and liaising with the recycling partners. According to the CIC Report, we are one of the first movers in the integrated freight forwarding industry that lay emphasis on recycled or waste material management.

As a result of our customer-centric approach, our major customers, which include brand owners and retailers in the high-end fashion and wine sectors, have engaged us as their logistics service provider in Hong Kong, the PRC, Taiwan, France and Italy. Leveraging our in-depth understanding of our customers' supply chain operations through our customer-centric approach, we are well-positioned to expand our service level for each customer and offer customised supply chain solutions.

Our strong and comprehensive B2B distribution and logistics capability allows us to offer customised, cost-effective and efficient services and build a broad customer base

We provide customised B2B distribution and logistics services to meet our customers' warehousing and logistics needs and our supply chain solutions cover a wide range of logistics services. These include traditional inventory storage, trucking and distribution services, reverse logistics services (including recycling services as discussed above) as well as diverse value-added services designed for different types of customers at our distribution centres in Hong Kong, the PRC, Taiwan and Italy to accommodate their needs at the local markets. We possess the requisite knowledge, skills and know-how to provide insightful advice and consultation services as part of our value-added services to our customers on their supply chain and logistics arrangements in the PRC, including advising on the import requirements for customs clearance of their goods. Further, we operate a semi-automated distribution centre of over 90,000 sq.ft. equipped with conveyor belts in Shanghai. The semi-automation system of this distribution centre allows us to operate in a more effective and efficient way. According to the CIC Report, we are one of the earliest in the PRC to establish its own semi-automated distribution centre to provide customised logistics solutions for high-end fashion products. We believe that our step into semi-automation has helped us to establish unified service standards to ensure consistent and high service quality while saving time, reducing human error and labour costs and increasing service efficiency. Further, we manage a storage and distribution space in Hong Kong of over 58,000 sq.ft. dedicated to wine, of which the temperature and humidity are kept at an optimal level. As recognition of our wine storage management system, we obtained a Wine Storage Management Systems qualification certified by the Hong Kong Quality Assurance Agency in October 2011.

Through our B2B distribution and logistics capability, we are capable of adding value to customers' supply chains through flexible solutions that optimise the end-to-end supply chain and total logistics costs. This creates opportunities for us to become an integral part of our customers' operations. As a result, our major customers, which include brand owners and retailers in the high-end fashion and wine sectors, have engaged us to be their comprehensive logistics service provider by using our freight forwarding services and B2B distribution and logistics services, and in the case of wine, local B2C distribution services in Hong Kong.

We believe that our comprehensive supply chain solutions has not only allowed us to better serve our existing customers but also showcase our capability in providing customised solutions in the high-end fashion and wine sectors, which in turn helped us to attract potential customers and build a broad customer base. Further, our strong B2B distribution and logistics capability has laid a solid foundation for us to build and expand our range of services to offer more B2C solutions to our customers in the high-end fashion and wine sectors.

We have proprietary IT systems that provide efficient operational management serving the supply chain needs of our customers

We utilise our proprietary IT systems to enable efficient operational management and to better serve our customers' supply chain needs. Our proprietary IT systems include our CN WMS, which provides real-time statistics in relation to goods in our distribution centres and is deployed globally to manage our logistics operations and work allocation at our distribution centres. Our CN WMS can be integrated with our customers' POS system to provide end-to-end supply chain visibility and real-time update on their inventory at our distribution centres. It could also be integrated and linked directly with e-commerce platforms to enable our customers who have established online stores on those platforms to operate their supply chain more efficiently. As such, some of our customers, especially those in the high-end fashion sector, rely on the records of our CN WMS to support their inventory management.

Our CN OMS can be integrated directly with third party e-commerce platforms for handling purchase and sales orders from our customers' online shops on such platforms in respect of their goods stored at our distribution centres, thereby allowing us to manage our customers' supply chain more efficiently. Further, in view of the integration of our CN WMS and CN OMS to our customers' systems and other e-commerce platforms, our Directors believe that we are experienced in handling orders of high-end fashion products from consumers and therefore we are well-positioned to offer more B2C services to our direct customers in the high-end fashion sector.

Our CargoAir system, which is also internally designed, developed and supported, is a freight management system we use to maintain prompt access to consignment information for our air freight forwarding business. Under this system, we key-in the job code into the system to provide the freight forwarding solution to our customers efficiently.

We provide quality and reliable services and have a solid reputation in the logistics industry in Hong Kong and the PRC

According to the CIC Report, we ranked fifth in the integrated air freight forwarding market for high-end fashion products in the PRC with a market share of 1.6% and ranked sixth in Hong Kong with a market share of 2.6%, for the year ended 31 December 2019 in terms of revenue. For the year ended 31 December 2019, we ranked first in the distribution and logistics market for high-end fashion products in both the PRC and Hong Kong, with a market share of 8.1% and 21.8%, respectively, according to the CIC Report.

We strive to provide quality and reliable services to our customers. Our Group was first awarded the ISO 9001:2008 Quality Management System and the ISO 28000:2007 Supply Chain Security Management System standards certificates in January 1996 and March 2014, respectively, and we also obtained a Wine Storage Management Systems qualification certified by the Hong Kong Quality Assurance Agency in October 2011. Our Directors believe that these recognitions contribute to boosting our customers' confidence in the services provided by our Group. Our Group has in place standard operation procedures with the aim to control and enhance the quality of our services. In addition, we constantly obtain feedback from our customers and review the quality and level of our services in a timely manner. Apart from customer services, we maintain our quality and reliable distribution and logistics and other value-added services by ensuring that our distribution centres dedicated to our customers in the high-end fashion and wine sectors are air-conditioned and equipped with temperature and/or humidity controls, 24-hour security and alarm systems supported by regular guard patrols and our customers can track their inventory, purchase order and delivery status via our CN WMS.

Given our quality and reliable services and solid reputation in the industry, coupled with increasing demand in high-end fashion products and fine wine, our focus in such segments will enable us to increase our exposure and to reach out to both existing and potential customers who require air freight forwarding, logistics and other related value-added services, allowing us to capture additional market share in the industry.

Our diversified global network of freight forwarder business partners allows us to provide a wide portfolio of cargo routes to our customers for transporting their goods

In order to expand our business coverage overseas, we have developed a global network of freight forwarder business partners to handle and execute customer orders generally involving locations where we have no presence. During the Track Record Period, we worked with a network of over 100 freight forwarder business partners, covering over 100 countries around the world, which has allowed us to extend our worldwide reach. Our network of freight forwarder business partners has enabled us to offer one-stop and end-to-end freight forwarding services to customers across multiple geographies. Our freight forwarder business partners may be our customers or suppliers in different transactions. For details of such arrangement, please refer to the paragraph headed "Overlapping of Customers and Suppliers" in this section below.

Our diversified network of freight forwarder business partners has minimised the risks posed by reliance on a particular freight forwarder business partner and allowed us to offer a wide portfolio of cargo routes to our customers depending on their needs. We believe that this further encourages customer loyalty and enhances customer experience, thereby strengthening our sales performance.

We have a stable business relationship with airline carriers which enhances our competitiveness in our air freight forwarding business

We have maintained stable business relationships with airline carriers. Of our five largest suppliers for FY2019 and 3M2020, two were international airlines with headquarters in Europe, with which we have eight and 17 years of business relationships, respectively. Our established market presence and reputation have earned us the respect and trust of the airline carriers, as evidenced by the fact that we have entered into various block space agreements, which are terminable by either party to the relevant agreement on notice without penalty, with airline carriers for cargo space we either deploy ourselves during the course of providing air freight forwarding services to our customers or on-sell to other freight forwarders for co-loading purpose as a cost-effective arrangement. We had four, eight, 11 and nine block space agreements with four, six, eight and eight airline carriers, which generally guarantee us allocation of agreed quantities of air cargo space at pre-determined rates normally over a duration of 12 months, for FY2017, FY2018, FY2019 and 3M2020, respectively. As at the Latest Practicable Date, we had three block space agreements with three airline carriers. Due to the uncertainty surrounding the availability of flights and on whether they can commit to allocate the agreed quantities of air cargo space to us under block space agreements amid the COVID-19 pandemic, a number of airline carriers have yet to enter into new block space agreements after the expiration of our then existing block space agreements. Nevertheless, in view of our stable business relationships with airline carriers, we can still source cargo space from them without entering into any block space agreements and the decrease in number of our block space agreements therefore did not have a material impact on our business operations. Further, our financial performance had not been materially affected despite the decrease in number of our block space agreements, as we could still obtain cargo space at market rates (instead of pre-determined rates) and we were able to charge higher fees in respect of our air freight forwarding services under our cost-plus pricing policy when freight charges increased. During the Track Record Period, we were able to utilise the agreed quantities of air cargo space under our block space agreements.

We believe that our stable business relationships with the airline carriers allowed us to stimulate synergy along the supply chain of cargo space by strengthening our ability to source cargo space and thereby enhancing our competitiveness in the air freight forwarding industry.

Experienced management team with a proven track record and focus on human capital

We have an experienced management team with an average of 20 years of experience in the logistics industry. In particular, Mr. Ngan, our chief executive officer and executive Director has over 25 years of experience in management of logistics and freight forwarding business and through his leadership and expertise in the logistics and freight forwarding business, has led our Group to grow into a well-established Hong Kong-based transport and logistics solution provider in the high-end fashion sector. Ms. Chen, an executive Director and assistant managing director of our wine department, has more than 18 years of experience in sales and marketing in the freight forwarding industry. In addition, Mr. Cheung, an executive Director and the director of our import, export and co-loading department, has over 22 years of experience in management. Our management team has in-depth knowledge of the logistics and air freight forwarding businesses. We believe that the industry expertise of our Directors, coupled with their vision and entrepreneurial spirit, have enabled us to compete successfully in the market by timely adjusting our business strategies and operations based on our customer's needs and market conditions. For further details on the backgrounds and experience of our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

Further, we believe that success in logistics is primarily made possible by the quality and dedication of the people in the organisation. We consider our employees to be our most crucial asset and we are committed to cultivating our employees' capabilities and qualifications internally and recruiting talent externally. We develop our employees' knowledge, skills and know-how through regular in-house and external trainings and foster a strong sense of belonging among employees by providing a rewarding work environment. Our global environment offers opportunities for skilled and willing employees to gain international exposure. We believe that we have built a team of high-quality management and workforce.

BUSINESS STRATEGIES AND FUTURE PLANS

We aim to maintain and improve our market position in Hong Kong and the PRC by continuing to seek market share gain and growth and intend to deliver higher value solutions to our customers by pursuing the following strategies:

Enhancement of Capability in Distribution and Logistics Business and Optimisation and Expansion of our Local Presence

According to the CIC Report, the capacity of freight forwarders to provide value-added services, such as labelling, packing and ironing, plays an important role to serve high-end fashion brands as these services enhance the brand image and bring convenience to high-end fashion brands. As such, we intend to further enhance our capability in distribution and logistics business and optimise and expand our offices and distribution centres, which we believe would increase our revenue and profitability through offering a wider range of sophisticated logistics solutions to better meet our existing customers' changing needs and to address a larger potential customer pool.

As at the Latest Practicable Date, we operated local offices in 13 cities and 36 distribution centres in six cities across Asia and Europe, namely Hong Kong, Shanghai, Chengdu, Taoyuan, Origgio and Chiasso. For the size of our distribution centres, please refer to the paragraph headed "Our Services – Distribution and Logistics Services" in this section below.

We intend to further penetrate the integrated freight forwarding market in the PRC, Hong Kong, Taiwan, Italy, Japan and Thailand. In order to penetrate the integrated freight forwarding market in these jurisdictions, we will continue to work closely with our long-standing customers by providing our customer-centric logistics solutions to them so as to secure more business from them and increase our market shares. As confirmed by our Directors, being part of our marketing strategies, we also encourage our existing customers to share their experience of using our services to other market players of their industry so as to attract new customers to try our services, since the endorsement of our existing customers on our service quality will give confidence to new customers, especially high-end fashion brand owners with whom we do not have business relationship before. On the other hand, we will also monitor the market information and development so as to seize new opportunities to start business with new customers, including those in Japan and Thailand, where our market shares are relatively small. Please refer to the paragraph headed "Business Strategies and Future Plans – Continuing Expansion and Diversification of our Customer Base" in this section for our plan on diversification of our customer base. We believe that our plan of expanding our B2C services in Hong Kong and the PRC will also give impetus to expand our market share in the integrated freight forwarding industry.

Please refer to the paragraph headed "Business Strategies and Future Plans – Expansion of our B2C Services" in this section for the details of our B2C services expansion plan. We will be able to source new customers after we expand our B2C services and set up new distribution centres as discussed below.

Expansion in the PRC

For our business plan in the PRC, in view of the increasing needs of our customers, in particular customers of high-end fashion products, for our services provided in our semi-automated distribution centre, we intend to expand our semi-automated distribution centre in Shanghai by conducting internal refurbishment and installing additional conveyor belt and control system in a warehouse adjacent to our existing distribution centre and is owned by a member of the Controlling Shareholder Group, which we will take up to around 45,000 sq.ft. of distribution centre space. As confirmed by our Directors, such warehouse was used by the Controlling Shareholder Group as a CFS for their ocean freight forwarding business before and had been vacated when we commenced our expansion plan of our customised distribution centre in Shanghai for Kering Group. The estimated useful lives of the new conveyor belt, equipment and control system to be installed under this expansion plan are set out below, which will be similar to those of the existing conveyor belts, equipment and control system installed in the existing semi-automated distribution centre in Shanghai:

–	conveyor belt	10 years
–	warehouse equipment	10 years
–	control system	10 years

After such expansion, which is solely for our business with Kering Group, including the installation of the conveyor belt, control system and refrainment as a whole, our storage capacity in terms of volume of products is expected to largely increase as compared to the average storage capacity for FY2019. We believe this expanded semi-automated distribution centre would become our flagship distribution centre to further demonstrate our strong B2B distribution and logistics capability and to attract potential customers. For details of our capital expenditure for expansion of our customised distribution centre in Shanghai for Kering Group, please refer to the paragraph headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus.

After the commencement of operation of conveyor belts in Shanghai distribution centre in 2018, the volume of products handled by us has been increasing gradually and reached our maximum storage capacity in 2019. The utilisation rate remained high in the first quarter of 2020. For illustrative purpose only and based on the estimation of our Directors, the estimated utilisation rates of the semi-automated distribution centre in Shanghai as at 31 December 2019 and 31 March 2020 were both more than 90%, which are calculated by dividing the inventory as at the particular date by the total merchandise storage capacity. The inventory is recorded as the total number of pieces of our products, which disregards the actual size of each product. The total merchandise storage capacity is estimated by multiplying the average capacity per rack/layer by the total number of racks/layers in the relevant distribution centre, plus the estimated capacity for products that are not stored on racks. When estimating the average capacity per rack/layer, our management assesses and estimates the average size of each category of products and the percentage of each category in terms of product compositions based on management's experience.

According to the CIC Report, strong demand for imported luxury goods fuelled the demand for integrated air freight forwarding industry for high-end fashion products and fine wine in the PRC. Riding on the robust development of the PRC's economy, potential consumers of luxury goods have expanded significantly. As the number of above affluent individuals continues to expand in the PRC, it is expected that there will be growing demand for imported luxury goods in the PRC as advised by CIC. Further, as advised by CIC, although sales of high-end fashion products globally is expected to be adversely impacted by the outbreak of COVID-19, the impact will be limited by the various factors as discussed in the paragraph headed "Summary - Recent Development and Material Adverse Change" in this prospectus. After the global pandemic is effectively controlled, it is expected that consumer confidence will be restored and demand for high-end fashion products will recover gradually, resulting in a recovery in the air freight forwarding industry for high-end fashion products accordingly in the long term, according to the CIC Report. Further, based on the discussion with our customers during our daily operations, we understand that a customer requested us to provide sufficient and additional distribution centre space to accommodate the then level of inventory and the possible increase, which is over our current maximum storage capacity as confirmed by our Directors. Such request is not affected by the COVID-19 impact on the market based on the latest communication with our customer. The current level of storage quantities at the relevant existing distribution centre has almost utilised the available space at the existing distribution centre. As such, based on our close discussion with our customer about their such distribution and storage requirements and with CIC on the market trend, our Directors are of the view that our expansion plan of our customised distribution centre in Shanghai for Kering Group commensurate with our business need. The new distribution centre will be set up with a distribution centre area up to about 45,000 sq.ft. and equipment like the existing semi-automated distribution centre with conveyor belts, which we expect will largely increase the storage capacity. As the newly setup semi-automated distribution centre with conveyor belt is expanded for one of our major customers with long term relationship for over 9 years without interruption, based on the discussion with our customer as well as the historical increasing demands of our customer, our Directors believe we can maintain our good relationship with our customer and the expanded storage capacity can be supported by our customer's demand. Moreover, as confirmed by our Directors, we are in the process of negotiating with our customer for a new service agreement for the provision of distribution and logistics services, which would require our services to be provided in the expanded semi-automated distribution centre in Shanghai. Further, according to the CIC Report, growing recognition of distribution and logistics services in the supply chain and the requirement of semi-automated warehousing facilities are two of the future trends and opportunities for the global integrated air freight forwarding industry for high-end fashion products and fine wine. Based on the discussions between our management and other customers who did not in the past utilise our semi-automated distributor centre, these customers have also showed their interest in utilising the semi-automated distributor centre with conveyor belt.

Further, we plan to relocate one of our existing distribution centres in Shanghai (which is erected on the land with defective title) to another distribution centre in Shanghai in order to optimise our storage and distribution management. We may lease such distribution centre from our related party on normal commercial terms or from an Independent Third Party. The area of which will be comparable to the area of our existing distribution centre. For the details of the defective title of the land, please refer to the paragraph headed "Properties" in this section. As confirmed by our Directors, the relocation of the operations of the distribution centre with defective title of the land will be completed in the fourth quarter of 2020 and we plan to fund such relocation with our internal resources.

Refurbishment and upgrade of our distribution centres in Hong Kong

In addition, as some of our existing distribution centres in Hong Kong have aging infrastructures and fixtures, we therefore intend to (i) optimise and upgrade the infrastructure of our existing distribution centres by way of refurbishment; and (ii) set up one new distribution centre in Hong Kong. We believe that by refurbishing our existing distribution centres, we can enhance the service quality provided to our customers, which may lead to further business opportunities.

The estimated useful lives of our warehouse equipment range from three to five years, and as at 31 December 2019, the weighted average remaining useful life of our warehouse equipment was approximately 1.36 years. In respect of leasehold and improvement, the useful life is the lease terms, which range from two to six years, and as at 31 December 2019, the weighted average remaining useful life was approximately 2.3 years. The estimated useful lives of the new equipment and facilities that will replace the obsoleted equipment in three existing distribution centres under this expansion plan are set out below, which will be similar to those of the existing equipment and facilities installed and used in the relevant distribution centres in Hong Kong:

– computers	3–5 years
– furniture	5 years
– forklifts	4 years
– warehouse equipment	3–5 years

As confirmed by our Directors, the operation strategy for our distribution and logistics business in Hong Kong is that, generally, we may not lease new distribution centres unless we have received concrete requests from our customers, since our customers may have specific or special requirements for the distribution centres and such operation strategy provides us flexibilities to cater customers' needs and we expect the expansion of additional storage capacities is supported by customer demand. As confirmed by our Directors, we generally rent new distribution centre area after we have agreed with our customers in advance stage of discussion or signed service contracts with our customers, subject to the relationship with such customers. As such, the storage area can be better utilised and optimised up to our customers' satisfaction. During the Track Record Period, for the occasions that we rented after we had reached an agreement in principle with our customers in advance stage of discussion but yet signed the relevant services contracts, there was no occasion that we failed to secure the business with such customers after we rented new distribution centre area, as confirmed by our Directors.

With the abovementioned operation strategy, most of our existing distribution centres are allocated to and utilised by existing customers (which are mainly high-end fashion brands) in providing our distribution and logistics services. In this situation, our expansion decision was not made based on the specific utilisation rates of the distribution centres, but primarily the customers' request and management's operation experience. Nevertheless, for illustrative purpose only and based on the estimation of our Directors, the estimated average utilisation rate of the distribution centres in Hong Kong as at 31 December 2019 and 31 March 2020 were both more than 90%, which is calculated by dividing the inventory as at the particular date by the total merchandise storage capacity. The inventory is recorded as the total number of pieces of products, which disregards the actual size of each product. The total merchandise storage capacity is estimated by multiplying the average capacity per rack/layer by the total number of racks/layers in the relevant distribution centre. When estimating the average capacity per rack/layer, our management assesses and estimates the average size of each category of products and the percentage of each category in terms of product compositions based on our management's experience.

We are currently in the process of negotiating with one of our major customers (which is a company principally engaging in the provision of high-end fashion retailing and brand management) on their additional request of distribution and logistics services for considerable amount of fashion and beauty products. As assessed by our Directors and our discussion with the customer, we need to set up one new distribution centre with a proposed size of approximately 30,000 sq.ft. to satisfy the customer's requirements. For purpose of convenience, we plan to set up such new distribution centre at the location in proximity to our existing distribution centres, the monthly rental cost of which is estimated to be around HK$250,000. For details of our capital expenditure for refurbishment and upgrade of our distribution centres in Hong Kong, please refer to the paragraph headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus. The capital expenditure for setting up a new distribution centre in Hong Kong (which would be approximately HK$3.9 million) is proposed to be much smaller than the capital expenditure for setting up a new semi-automated distribution centre in Shanghai (which would be approximately HK$42.8 million) as the costs of the conveyor belt, refurbishment for catering the setup of conveyor belt, equipment and control system for semi-automation purpose would amount to approximately HK$38.7 million, taking up the majority of the capital expenditure for such expansion, and such costs are not required in the expansion plan in Hong Kong.

Expansion of our local presence

According to the CIC Report, the revenue of the integrated freight forwarding market in Asia increased at a CAGR of 7.1% between 2015 and 2019, and is expected to further grow at 6.0% from 2019 to 2024. To capitalise on the market growth of the Asia market, we intend to continue to strengthen our regional presence in logistics solutions across Asia. We will continue to seek to expand our logistics operations into new countries or cities in Asia with high growth potential. In particular, we intend to expand our global network of overseas offices by expanding our presence in both air freight forwarding and distribution and logistics services to new geographic markets, with a focus on growing markets in Southeast Asia since according to the CIC Report, the market size of the integrated freight forwarding industry in Southeast Asian countries in terms of revenue increased at a CAGR of approximately 13.0% between 2015 and 2019. Driven by rising trade volume from and to Southeast Asian countries, the market size is expected to grow at a CAGR of approximately 6.0% from 2019 to 2024. In this respect, we plan to acquire company(ies) as our subsidiary(ies) to hold more than 50% of its/their equity interest that (i) is/are located in Southeast Asia; (ii) is/are specialised in freight forwarding and distribution and logistics services which has/have sound track record in providing such services and sufficient staff with experience in the integrated freight forwarding industry for both international freight forwarding services and local services; and (iii) has/have considerable scale of operations with not less than five staff with reference to our overseas offices with similar scale and profitable business model with net profit ranging from HK$1.0 million to HK$3.0 million per year and revenue of more than HK$30.0 million, and will potentially provide investment return or additional revenue stream to us. The proposed consideration for the potential acquisition is HK$14.6 million which is expected to be settled by the net proceeds from the Global Offering. Such proposed consideration is determined with reference to, amongst others, the price to earnings ratio of listed company with its business primarily focuses in Southeast Asia (taking into account a discount due to illiquidity of shares) and the expected range of net profit of the potential acquisition target(s). Given our successful ventures in setting up new offices to expand our global presence, such as our offices in Taiwan, Italy, Japan, Korea and Thailand, our Directors believe that we have the requisite knowledge and understanding to continue to do so to enhance our business. Our Group will consider recruiting local staff to form a management team based in the location, who will have the relevant knowledge of local standards and skills required for managing operations on a daily basis, while Mr. Ngan, our executive Director, and our senior management team will manage and oversee operations from a global perspective. As at the Latest Practicable Date, we had not identified any suitable target for such potential acquisition or opportunities.

The expected capital expenditure for enhancement and expansion of our distribution and logistics business and local presence will be approximately HK$71.6 million, of which approximately HK$68.2 million is expected to be settled by the net proceeds from the Global Offering and approximately HK$3.4 million is expected to be satisfied with our internal resources. No capital expenditure had been incurred as at the Latest Practicable Date.

For details of our enhancement of capability in distribution and logistics business and optimisation and expansion of our local presence, please refer to the paragraph headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus.

The addition of these new infrastructure and business presence will allow us to provide more extensive services to meet our customers' supply chain needs, thereby increasing their demand for, and reliance on, our services and enhancing our position as their key logistics service provider. Leveraging our existing capabilities and international presence, we will seek to continue to be the chosen logistics partner for our customers in each new market as they expand by delivering solutions underpinned by our capabilities. We intend to create real value for customers by adapting our logistics solutions to local practices and environment, as well as offering differentiated services to meet their supply chain needs.

Expansion of our B2C Services

During the Track Record Period, we generally focused on providing B2B services and we offered limited B2C local distribution services to our direct customers. According to the CIC Report, high-end fashion brands become more aware of the importance of B2C services as a result of the fast growing e-commerce sector and consumer preference towards home deliveries of products. As advised by CIC, between 2015 and 2019, online sales of high-end fashion products in Hong Kong increased from HK$484.6 million to HK$719.9 million, representing a CAGR of 10.4%; while online sales of high-end fashion products increased from RMB135.9 billion to RMB342.3 billion in the PRC, representing a CAGR of 26.0%. Propelled by continued shift from offline sales to online sales, B2C e-commerce sales of high-end fashion brand is estimated to further expand and reach HK$1,007.3 million by 2024 in Hong Kong, representing a CAGR of 7.0%; while the same is estimated to expand and reach RMB549.4 billion by 2024 in the PRC, representing a CAGR of 9.9%, which in turn stimulating the demand for B2C services for high-end fashion products. Furthermore, as advised by CIC, our Group was among the limited number of first movers in Hong Kong and the PRC to start such service provision in the industry and we have established strong customer relationship with leading high-end fashion brands, notwithstanding the fact that freight forwarding services for B2C model become a trend and almost all companies are capable of providing services needed by high-end fashion brands. Based on the current industry information and market trend, our Directors observed business opportunities for developing our B2C services in Hong Kong and the PRC, especially those driven by the increasing B2C e-commerce sales of high-end fashion brands. During the Track Record Period, we generally focused on providing B2B services for our corporate customers, under which we provided distribution and logistics services of local delivery to the customers' stores or warehouses according to their instructions. For the expansion of our B2C services, we expect to provide more distribution and logistics services of local delivery to the end customers according to our customers' instructions, especially for the transactions under the e-commerce sales of high-end fashion brands.

Riding on our strong B2B distribution and logistics capability and experience accumulated from providing B2C local distribution services to our direct customers of the wine sector, we plan to expand and extend our B2C services to our customers in other segments, including our high-end products customers especially those under B2C e-commerce sales. We believe that the existing linkage and integration between our CN WMS and CN OMS with our customers' POS system and third party e-commerce platforms would allow us to undergo such service expansion smoothly and offer a seamless addition of B2C services to customers of our B2B distribution and logistics services. For further details of our IT systems, please refer to the paragraph headed "Information Technology" in this section below. We are actively seeking to expand our B2C services provided to our direct customers, under which we are responsible for managing and monitoring the inventory of our customers in our distribution centres in Hong Kong or the PRC and providing value-added services in respect of goods in preparation for B2C distribution in Hong Kong or the PRC.

With our current capability and experience, ability to expand our service smoothly and seamlessly, as well as the growing demand in the e-commerce sector, we believe that the expansion of our B2C services will allow us to further enhance our comprehensive logistics solutions and better cater to our customers' needs for such services in view of the market trend, which will in turn contribute to our continue growth.

To support the expansion of our B2C services, we plan to establish a new designated team comprising of our existing staff members and new staff and manager who are experienced in distribution and logistics services to operate our B2C services in Hong Kong and the PRC and renovate one of our distribution centres in Hong Kong to be the designated centre for our B2C services. We intend to gradually recruit (i) one manager, two clerks and 20 workers for our B2C operations in Hong Kong, each with an estimated monthly salary of HK$29,000, HK$17,000 and HK$14,000, respectively; and (ii) two managers, three supervisors and 60 workers for our B2C operations in the PRC, each with an estimated monthly salary of RMB19,000, RMB12,000 and RMB7,500, respectively, starting from October 2020 to expand our B2C services. We have set different recruitment criteria for different positions. For the manager role, the candidate shall have more than eight years' experience on warehousing operation with previous experience of supervising international third party logistics operation and he/she is also expected to be knowledgeable on luxury and fashion logistics and able to handle B2C operations with different platforms. In respect of the supervisor role, the candidate shall have more than five years' experience on warehousing operation with previous international third party logistics operation experience and he/she is also expected to be knowledgeable on luxury and fashion logistics and able to handle B2C operations with different platforms. When recruiting workers, the requirements will be adjusted according to their previous experience. Approximately HK$9.5 million of the proposed salaries of the new staff to be hired for expanding our B2C services will be settled by the net proceeds from the Global Offering and the remaining amount is expected to be satisfied by our internal resources. We believe that such expansion will allow us to supplement our B2B services by expanding our B2C local distribution coverage in Hong Kong and extend our range of services to our high-end fashion customers such as The Lane Crawford Joyce Group and Kering Group.

In view of the growing demand for B2C services, we also plan to operate e-marketplace platforms as a neutral platform provider to further enhance our scope of services in Hong Kong and/or the PRC. Such neutral e-marketplace platforms provide additional channels for our customers, with or without their own e-commerce platforms, to display and sell their products to their end customers. Some of our customers do not have their own e-commerce platforms. Displaying their products on our e-marketplace platforms can increase their product exposure to the market. For our customers having their own e-commerce platforms, our e-marketplace platforms are not intended to compete with their e-commerce platforms or any other third party e-commerce platforms. We do not expect to charge our customers for displaying their products on our e-marketplace platforms and we do not expect to generate any revenue from providing e-marketplace platforms service. Our e-marketplace platforms are not online stores selling products of our customers, but only platforms for our customers who do not have their own e-commerce platforms or alternative platforms for our customers in addition to their own e-commerce platforms to display their products and match our customers with their end customers, so that our customers can have additional channel to promote their products while their end customers will have additional platforms to source the products. According to the CIC Report, B2C services become more important nowadays as a result of the fast growing e-commerce sector and consumer preference towards home delivery of products. We expect there may be keen competition for e-commerce services. However, as discussed above, we do not consider the e-marketplace platforms as a separate business, but just neutral platforms provided as an ancillary service to our customers, with an intention to further drive our principal business of integrated freight forwarding services. We expect the sales transaction and payment would be separately handled by our customers and their end customers and we will mainly handle the integrated freight forwarding services and respective B2C delivery services arising from the transactions. We expect that our e-marketplace operations will mainly involve setting up our neutral online platforms in Hong Kong and/or the PRC where our existing direct customers can promote and market their products, such as fashion products (including apparels and footwear) and wine, through such platforms. Our Directors believe that the e-marketplace platforms could be an ancillary service provided to our customers which could drive up our customers' demand for our freight forwarding services and distribution and logistics services, including our B2C services.

As we already have warehousing, distribution, consolidation capabilities and in-house IT support for adapting our IT infrastructure and its tracking, tracing, purchase order management and other functions for our e-marketplace operations, we do not plan to specifically hire any new staff for our e-marketplace operations as they will be handled by our then existing B2C staff and we will engage external service provider to design the e-marketplace platforms. We believe that any capital expenditure required for the setup of our e-marketplace operations will be around HK$200,000, which is minimal and will be funded by our internal resources only instead of the net proceeds from the Global Offering.

The expected capital expenditures for expansion of our B2C services will be approximately HK$28.9 million, of which approximately HK$16.9 million is expected to be settled by the net proceeds from the Global Offering and approximately HK$12.0 million is expected to be satisfied with our internal resources. No capital expenditure had been incurred as at the Latest Practicable Date.

For details of the expansion plan for our B2C services, please refer to the paragraph headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus.

Development and enhancement of recycling services

After years of working with our reputable customers in the high-end fashion sector, our Directors are aware that luxury brands place more and more attention to being eco-friendly and sustainability has become a new core value for most of such luxury brands. According to the CIC Report, recycled and waste material management services have become a growing trend for the global air freight forwarding industry for high-end fashion products. There are many recyclable materials, such as paper, cardboard and plastic hanger, which high-end fashion stores would normally discard after use in the past. Nowadays, modern freight forwarders will help their customers to maximise recycling and minimise the effort required to achieve better environmental, social and corporate governance performance. The promotion of recycled and waste management service will have a positive impact on the continued development of the air freight forwarding industry.

Keeping up with such trends, we also target to operate our business in a more environmental-friendly way. As an important logistics services provider to The Lane Crawford Joyce Group in the PRC and Hong Kong who shares similar awareness in terms of social responsibility, we were invited to participate in the sustainability and recycling project launched by The Lane Crawford Joyce Group and have since been working closely with them as the sole coordinator for the project, responsible for promoting the project among our other customers, providing logistics advice and services, managing the recycling process and liaising with the recycling partners. We plan to actively promote the project to our customers, especially those in the high-end fashion sector, for the recycling and reusing of hangers, polybags and cardboard during the course of provision of our reverse logistics services.

As at 31 March 2020, 12 of our customers including Kering Group and Stella McCartney had joined and participated in the project and we had been working closely with a number of recycling partners to recycle hangers, polybags and cardboard collected from our customers. Going forward, we intend to attract more participation in the project from our other customers by way of direct communication through our sales and marketing staff. We will re-designate our existing staff and reallocate our resources for the development and enhancement of our recycling services. We believe that any capital expenditure required for such development and enhancement and other associated expenses will be minimal and can be met out of our general working capital.

Continuing expansion and diversification of our customer base

We believe our optimisation and expansion plans above in our air freight forwarding business and distribution and logistics business will allow us to better serve our existing or new customers, focusing on those which require air freight forwarding services and distribution and logistics services, to which we can offer comprehensive logistics solutions to meet their supply chain needs. By pursuing these expansion efforts, we intend to achieve a larger network scale, create synergies to generate higher revenue and enhance operational efficiency, and benefit from knowledge transfer across businesses. For example, as part of our strategy to expand and diversify our customer base, we began to provide freight forwarding services to customers for the import of other high-end and/or high value products, such as food from Japan, Italy and Thailand to Hong Kong and the PRC, taking into account the gradually improved living standard, indicated by increasing annual per capita income of Hong Kong citizens, and a stable number of inbound tourists in the long term.

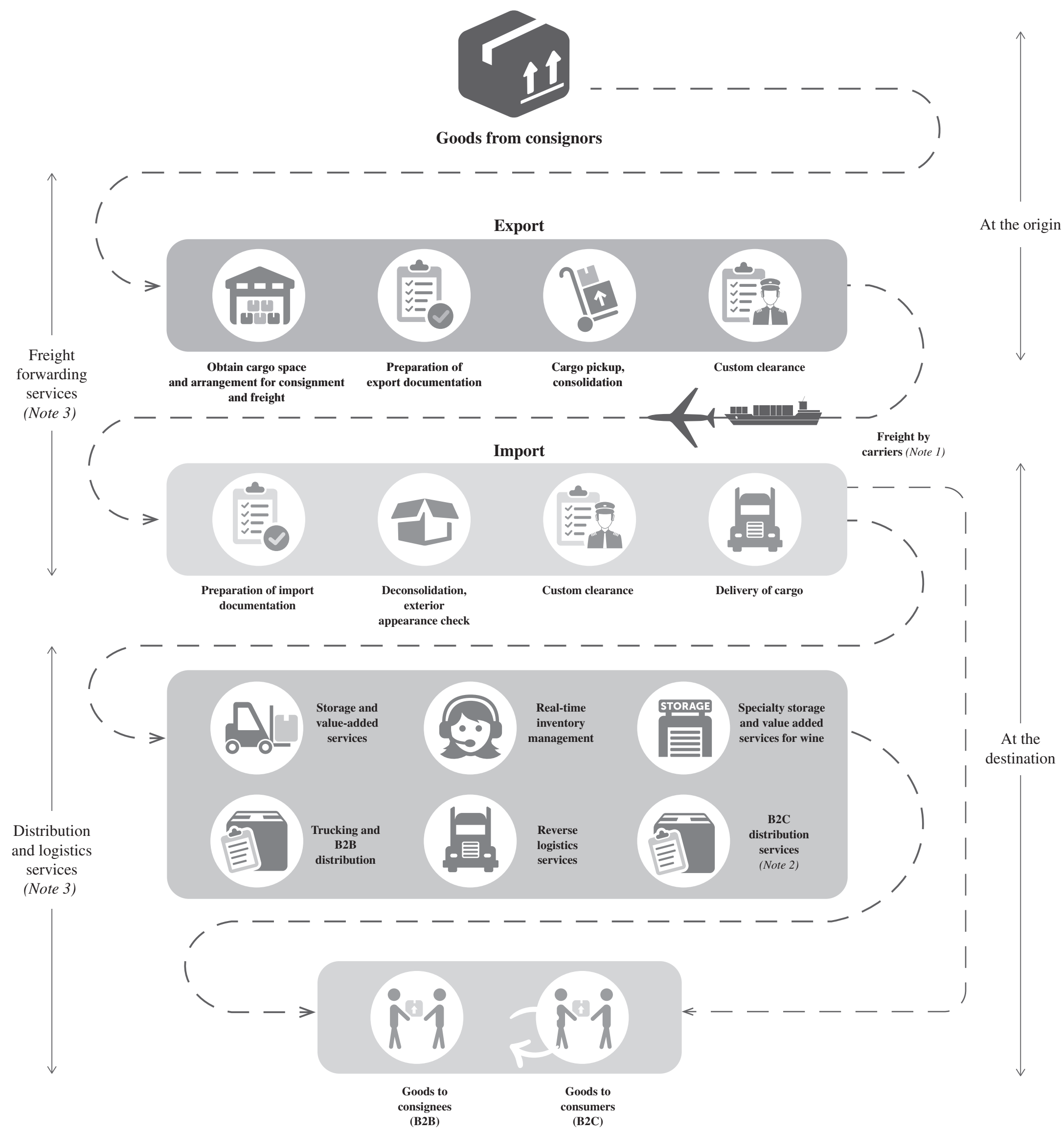
OUR SERVICES

We formulate and implement end-to-end logistics solutions for our customers with the provision of air freight forwarding services, distribution and logistics services and ocean freight forwarding services as our principal businesses.

Our business model principally involves providing freight forwarding services (including air freight forwarding and to a lesser extent ocean freight forwarding) through obtaining cargo space principally from airline carriers and shipping companies to enable the smooth flow of consignments from consignors to consignees (or consumers, as the case may be), handling of documents needed for imports and exports and providing distribution and logistics services to our direct customers, including storage and value-added services, distribution services and reverse logistics services.

Our services cover those typically provided by logistics solutions providers to customers at both the origin and the destination as shown in the diagram below, including the arrangement for consignment and freight of the relevant goods and provision of distribution and logistics services at the request of the relevant customer. Subject to our overseas business presence and the terms of a particular transaction, we may provide services (i) either at the origin or the destination, with the corresponding services at the destination or the origin performed by our freight forwarder business partners; or (ii) both at the origin and the destination.

The following diagram illustrates the typical processes of air and ocean freight forwarding services and distribution and logistics services undertaken by our Group in a consignment from consignor to consignee (or consumer):



Notes:

1. The typical processes for air freight forwarding and ocean freight forwarding are similar, except for the primary difference that the carriers for air freight forwarding are airline carriers whereas shipping companies are the carriers for ocean freight forwarding.

2. During the Track Record Period, we offered limited B2C distribution services and offered them mainly to our customers of distribution and logistics services for wine.

3. We may provide one or more types of services under export, import and/or distribution and logistics services depending on the request of our customers.

The following table shows the segment results for our principal businesses for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Air freight forwarding services	1,014,855	66.6	992,046	64.5	916,951	61.8	194,878	55.2	210,254	58.1
Distribution and logistics services	234,296	15.4	285,173	18.5	313,669	21.1	79,515	22.5	74,072	20.4
Ocean freight forwarding services	274,752	18.0	261,476	17.0	253,229	17.1	78,905	22.3	77,895	21.5
	1,523,903	100.0	1,538,695	100.0	1,483,849	100.0	353,298	100.0	362,221	100.0

Air freight forwarding services are one of our principal businesses and contribute to a predominant portion of our total revenue, with our primary focus being high-end fashion products and fine wine. For FY2017, FY2018, FY2019 and 3M2020, segment results for air freight forwarding services were HK$1,014.9 million, HK$992.0 million, HK$917.0 million and HK$210.3 million, respectively, which accounted for 66.6%, 64.5%, 61.8% and 58.1%, respectively, of our total revenue. Our revenue from this segment was mainly contributed by air freight forwarding services provided in Hong Kong, the PRC, Taiwan and Italy. The goods handled by our Group primarily included high-end fashion products, fast fashion products, electronics, machineries and equipment. In addition, we provide freight forwarding for the export of wine from France and the U.K. to Hong Kong. As a freight forwarding service provider, our services include arranging for consignment upon receipt of booking instructions from customers, cargo pick up, obtaining cargo space, 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 and warehousing for freight forwarding purposes. In order to optimise the utilisation of cargo space, we may consolidate cargo from different customers and/or on-sell extra cargo space to other freight forwarders for co-loading purpose. For details of our typical workflow, please refer to the paragraph headed "Business Operations and Workflow" in this section.

Our distribution and logistics services involve the provision of a wide range of services, such as organising and optimising warehousing usage, transport routes and trucking services providers, storage, palletising, trucking and distribution, managing vendor inventory, picking and packing finished goods, reverse logistics services (including recycling services) and providing quality control and various ancillary value-added services such as supply chain management and storage services, through utilising our distribution centres in Hong Kong, the PRC, Taiwan and

Italy. During the Track Record Period, we primarily focused on providing B2B distribution and logistics services for high-end fashion products. In addition, we provide distribution and logistics services for wine in Hong Kong, which include specialty storage, logistics and other value-added services. For FY2017, FY2018, FY2019 and 3M2020, segment results for distribution and logistics services were HK$234.3 million, HK$285.2 million, HK$313.7 million and HK$74.1 million, respectively, which accounted for 15.4%, 18.5%, 21.1% and 20.4%, respectively, of our total revenue. Our operations of distribution centres and provision of distribution and logistics services in Hong Kong and the PRC, including our semi-automated distribution centre equipped with conveyor belts in Shanghai and the specialty distribution centre for wine equipped with temperature and humidity control systems in Hong Kong, were the main contributors of revenue for this segment during the Track Record Period.

In addition to air freight forwarding services and distribution and logistics services, our operating subsidiaries in Taiwan and Italy also provide stand-alone ocean freight forwarding services to our customers, which represent the provision of ocean freight forwarding services to customers who do not require our air freight forwarding services. We would also offer incidental ocean freight forwarding services to serve customers' different needs in terms of cost, transit time and routing in locations where we have presence. For instance, while our customers for wine logistics services mainly require our air freight forwarding services, they may also require us to arrange for table wine, which is less time-sensitive or of lesser value per bottle, to be transported by sea. During the Track Record Period, our ocean freight forwarding operations in Italy and Taiwan were the largest revenue contributors of the ocean freight forwarding segment, which included the export of electronics, machineries and large equipment from Taiwan and furniture and household and electric appliances which do not have too much time constraint from Italy. For FY2017, FY2018, FY2019 and 3M2020, segment results for ocean freight forwarding services were HK$274.8 million, HK$261.5 million, HK$253.2 million and HK$77.9 million, respectively, which accounted for 18.0%, 17.0%, 17.1% and 21.5%, respectively, of our total revenue.

Revenue by geographical location and business segment

The tables below set out the breakdown of our total revenue by (i) geographical location based on the location at which services were provided; and (ii) business segment, during the Track Record Period:

For the year ended 31 December 2017

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	520,284	51.2	81,915	35.0	5,593	2.0	607,792	39.9
Hong Kong	333,726	32.9	147,605	63.0	39,030	14.2	520,361	34.1
Italy	108,142	10.7	463	0.2	81,425	29.6	190,030	12.5
Taiwan	48,322	4.8	4,313	1.8	145,497	53.0	198,132	13.0
Other countries	4,381	0.4	–	–	3,207	1.2	7,588	0.5
	1,014,855	100.0	234,296	100.0	274,752	100.0	1,523,903	100.0

For the year ended 31 December 2018

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	478,361	48.2	113,793	39.9	8,570	3.3	600,724	39.0
Hong Kong	304,684	30.7	160,033	56.1	41,797	16.0	506,514	32.9
Italy	145,648	14.7	5,414	1.9	108,295	41.4	259,357	16.9
Taiwan	46,860	4.7	4,215	1.5	88,718	33.9	139,793	9.1
Other countries	16,493	1.7	1,718	0.6	14,096	5.4	32,307	2.1
	992,046	100.0	285,173	100.0	261,476	100.0	1,538,695	100.0

For the year ended 31 December 2019

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	399,492	43.6	126,613	40.4	6,499	2.6	532,604	35.9
Hong Kong	310,871	33.9	161,832	51.6	30,236	11.9	502,939	33.9
Italy	125,805	13.7	20,487	6.5	130,777	51.6	277,069	18.7
Taiwan	36,443	4.0	3,935	1.3	49,114	19.4	89,492	6.0
Other countries	44,340	4.8	802	0.2	36,603	14.5	81,745	5.5
	916,951	100.0	313,669	100.0	253,229	100.0	1,483,849	100.0

For the three months ended 31 March 2019

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
PRC	81,234	41.7	32,394	40.7	1,528	1.9	115,156	32.6
Hong Kong	58,857	30.2	42,706	53.7	6,571	8.3	108,134	30.6
Italy	34,338	17.6	3,263	4.1	51,352	65.1	88,953	25.2
Taiwan	8,489	4.4	1,005	1.3	10,922	13.9	20,416	5.8
Other countries	11,960	6.1	147	0.2	8,532	10.8	20,639	5.8
	194,878	100.0	79,515	100.0	78,905	100.0	353,298	100.0

For the three months ended 31 March 2020

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	65,926	31.4	30,192	40.8	846	1.1	96,964	26.8
Hong Kong	89,094	42.4	37,564	50.7	6,381	8.2	133,039	36.7
Italy	36,630	17.4	1,211	1.6	53,644	68.9	91,485	25.2
Taiwan	9,443	4.5	1,012	1.4	11,562	14.8	22,017	6.1
Other countries	9,161	4.3	4,093	5.5	5,462	7.0	18,716	5.2
	210,254	100.0	74,072	100.0	77,895	100.0	362,221	100.0

Revenue by product type

The table below sets out the breakdown of our total revenue by product type during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
High-end fashion	486,199	31.9	514,688	33.5	596,598	40.2	133,505	37.8	94,901	26.2
Fast fashion	337,464	22.1	331,120	21.5	360,827	24.3	86,533	24.5	50,534	14.0
Wine	54,644	3.6	59,442	3.9	53,186	3.6	17,680	5.0	13,192	3.6
Electronics, equipment and machinery	97,562	6.4	98,987	6.5	45,443	3.1	10,596	3.0	24,180	6.7
Furniture, household and electric appliances	83,828	5.5	66,029	4.3	68,856	4.6	16,853	4.8	27,815	7.7
Beauty, supplements and pharmaceuticals	34,928	2.3	28,089	1.8	21,893	1.5	3,866	1.1	9,678	2.7
Automotive parts	21,069	1.4	17,367	1.1	19,912	1.3	5,277	1.5	4,446	1.2
Cruise logistics services	18,097	1.2	18,773	1.2	70,526	4.8	18,632	5.3	38,563	10.6
Other products and services *(Note)*	286,946	18.8	334,304	21.7	165,767	11.2	41,844	11.8	71,150	19.6
Sub-total	1,420,737	93.2	1,468,799	95.5	1,403,008	94.6	334,786	94.8	334,459	92.3
Co-loading	103,166	6.8	69,896	4.5	80,841	5.4	18,512	5.2	27,762	7.7
	1,523,903	100.0	1,538,695	100.0	1,483,849	100.0	353,298	100.0	362,221	100.0

Note: These products and services include, among others, printing and packaging products, food and beverage and audio appliances. For 3M2020, we recorded revenue from services provided for hygiene products in the amount of approximately HK$11.2 million, representing approximately 3.1% of our total revenue for the period. Our revenue from services provided for hygiene products for FY2017, FY2018, FY2019 and 3M2019 was immaterial.

Breakdown of revenue from direct customers and freight forwarder customers

For FY2017, FY2018, FY2019 and 3M2020, our revenue was primarily generated from direct customers, which accounted for HK$939.3 million, HK$1,001.5 million, HK$957.3 million and HK$231.1 million, representing 61.6%, 65.1%, 64.5% and 63.8% of our total revenue, respectively. The table below sets out the breakdown of our total revenue generated from our direct customers and freight forwarder customers during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Direct customers	939,267	61.6	1,001,538	65.1	957,346	64.5	235,102	66.5	231,139	63.8
Freight forwarder customers	584,636	38.4	537,157	34.9	526,503	35.5	118,196	33.5	131,082	36.2
	1,523,903	100.0	1,538,695	100.0	1,483,849	100.0	353,298	100.0	362,221	100.0

Breakdown of revenue generated from export consignments by destination

The table below sets out the breakdown of our revenue generated from export consignments by destination during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Europe	440,995	50.6	369,818	43.1	324,319	41.1	57,440	31.2	61,213	30.4
Asia	142,732	16.4	175,566	20.5	174,946	22.2	49,321	26.8	43,103	21.4
North America	145,365	16.7	165,586	19.3	165,565	21.0	51,153	27.8	64,880	32.2
Oceania	74,528	8.6	84,455	9.9	78,185	9.9	16,682	9.1	19,060	9.5
South America	53,349	6.1	39,198	4.6	29,589	3.7	6,724	3.6	7,486	3.7
Africa	14,407	1.6	22,614	2.6	16,882	2.1	2,780	1.5	5,700	2.8
Total:	871,376	100.0	857,237	100.0	789,486	100.0	184,100	100.0	201,442	100.0

For FY2017, FY2018 and FY2019, most of our revenue generated from export consignments was from the export of goods to Europe, which contributed 50.6%, 43.1% and 41.1% of our revenue generated from export consignments, respectively. The exported goods to Europe handled by our Group include fast fashion products, electronics, machineries and equipment. For 3M2020, most of our revenue generated from export consignments was from the export of goods to North America, which contributed 32.2% of our revenue generated from export consignments. Our revenue generated from export consignments to North America increased by HK$13.7 million from HK$51.2 million for 3M2019 to HK$64.9 million for 3M2020 primarily due to the increased demand from other freight forwarders to co-load with us for consignments to North America in view of the limited supply of cargo space and our ability to obtain cargo space from suppliers.

Breakdown of revenue generated from import consignments by origin

The table below sets out the breakdown of our revenue generated from import consignments by origin during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Europe	167,458	40.0	151,704	38.3	196,589	51.6	50,313	56.1	31,406	36.2
Asia	200,093	47.8	203,960	51.4	148,417	39.0	31,473	35.1	48,566	56.0
North America	39,992	9.6	30,945	7.8	28,214	7.4	5,938	6.6	3,904	4.5
South America	2,901	0.7	2,278	0.6	3,243	0.9	1,447	1.6	946	1.1
Africa	2,023	0.5	2,227	0.6	2,603	0.7	231	0.3	1,421	1.7
Oceania	5,764	1.4	5,171	1.3	1,628	0.4	281	0.3	464	0.5
Total:	418,231	100.0	396,285	100.0	380,694	100.0	89,683	100.0	86,707	100.0

For FY2017, FY2018 and 3M2020, most of our revenue generated from import consignments was from the import of goods from Asia, which contributed 47.8%, 51.4% and 56.0% of our revenue generated from import consignments, respectively. For FY2019, import of goods from Europe was the main contributor of our revenue generated from import consignments, with 51.6% of such revenue generated from the import of goods from Europe. The imported goods handled by our Group include high-end fashion and fast fashion products. The decrease in our revenue generated from import consignments from Europe of HK$18.9 million from HK$50.3 million for 3M2019 to HK$31.4 million for 3M2020 was mainly due to the adverse impact of the COVID-19 outbreak on sales of high-end fashion products which in turn negatively affected the demand for our services for import of such products from Europe. Our revenue generated from import consignments from Asia increased from HK$31.5 million for 3M2019 to HK$48.6 million for 3M2020 primarily due to the increased demand for our services for the import of hygiene products and food from Asia during 3M2020.

As at the Latest Practicable Date, we operated local offices in 13 cities across eight countries and territories, including Hong Kong, Shanghai, Guangzhou, Taipei, Tokyo, Seoul, Paris and Chiasso. Subject to our overseas business presence and the terms of a particular transaction, we may provide services (i) either at the origin or the destination, with the corresponding services at the destination or the origin performed by our freight forwarder business partners; or (ii) both at the origin and the destination. We have adopted measures to ensure our compliance with relevant law and regulations on transfer pricing and intra-group transactions. We have established mechanisms identifying related party transactions under tax law, monitoring and addressing to potential risks on regular basis. We specifically focus on compliance issues for material intra-group transactions among our operating subsidiaries involving different jurisdictions. It is our internal control policy that the intra-group transactions shall be priced and performed in accordance with the arm's length principle.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had observed the transfer pricing laws and regulations of the relevant jurisdictions and we were not aware of any investigation by any tax authority with respect to the intra-group transactions in jurisdictions where our major operating subsidiaries are located. Based on the above, our Directors consider that our Group entities involved in the intra-group transactions during the Track Record Period had achieved reasonable profits range and had complied with the arm's length principle.

For more detailed discussions of our results of operations, please refer to the paragraph headed "Financial Information – Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this prospectus.

Air Freight Forwarding Services

Through our global network and cooperation with air carriers and freight forwarder business partners, we engage in the air freight forwarding business to transport cargo internationally. We principally offer air freight forwarding services to a number of cities worldwide for the transportation of various products including high-end fashion products, fast fashion products, electronics, equipment and machinery and wine. For FY2017, FY2018, FY2019 and 3M2020, our revenue generated from air freight forwarding services amounted to HK$1,014.9 million, HK$992.0 million, HK$917.0 million and HK$210.3 million, respectively.

Our revenue from this segment was mainly contributed by air freight forwarding services provided in the PRC, Hong Kong, Taiwan and Italy. For FY2017, FY2018 and FY2019, a majority of our revenue from air freight forwarding services was generated from the PRC, with export from the PRC being the main revenue contributor. The exported goods handled by our Group to Europe and the U.S. primarily comprise of fast fashion products, and to a lesser extent, high-end fashion products, whereas high-end fashion products were imported by our Group from Europe to the PRC. During the Track Record Period, we primarily generated more revenue from the import of high-end fashion products from Europe to the PRC than the export of the same from the PRC to Europe. For 3M2020, due to the adverse impact brought by the outbreak of COVID-19 on the PRC market, sales of high-end fashion products were negatively affected which in turn impacted the demand for our services in respect of high-end fashion products.

Our revenue generated from the provision of air freight forwarding services in Hong Kong during the Track Record Period was mainly from (i) export of various products including high-end fashion products, electronics and fast fashion products to Asia, the U.S. and Europe; and (ii) import of various products including high-end fashion products from Europe. As the demand of high-end fashion products in Hong Kong is relatively high, fashion brands would normally make their latest items available for sale first in Hong Kong. In view of the time sensitive nature of the fashion industry, our customers in the fashion industry would generally prefer to arrange for consignments to be transported by air. Further, our customers may also arrange for products manufactured in the PRC to first be transported to Hong Kong before exporting, which may be cheaper than exporting directly from the PRC as there are generally more flights available in Hong Kong for certain routes, resulting in more competitive prices offered by airlines for flights in Hong Kong.

Majority of our revenue generated by the provision of air freight forwarding services in Italy was from export during the Track Record Period, where various products including high-end fashion products were exported by our Group from Italy to Hong Kong and the PRC while high-end fashion products would also be imported by our Group in Italy by air due to the time sensitive nature of the products.

During the Track Record Period, goods that we arranged for export from Taiwan included machineries, electronics and equipment. The goods imported to Taiwan include high-end fashion products from Europe and the U.S.

Our services typically commence when we receive consignment instructions from a customer specifying the quantity and nature of cargo to be delivered and/or the expected date of arrival. Based on the specific needs of the customer, we provide a quotation for the customer's consideration based on the freight rates and charges, carriage conditions and consignment schedules. After our quotation is accepted, we would assist the customer in arranging for the cargo to be delivered from the origin to its destination. For local cargo pick up for freight forwarding purpose at the origin and local cargo delivery at the destination, we provide such services to our customers by engaging third-party trucking service providers. The following charts set out the general provision of air freight forwarding services by our Group for exports and imports respectively:

Chart 1: Exports

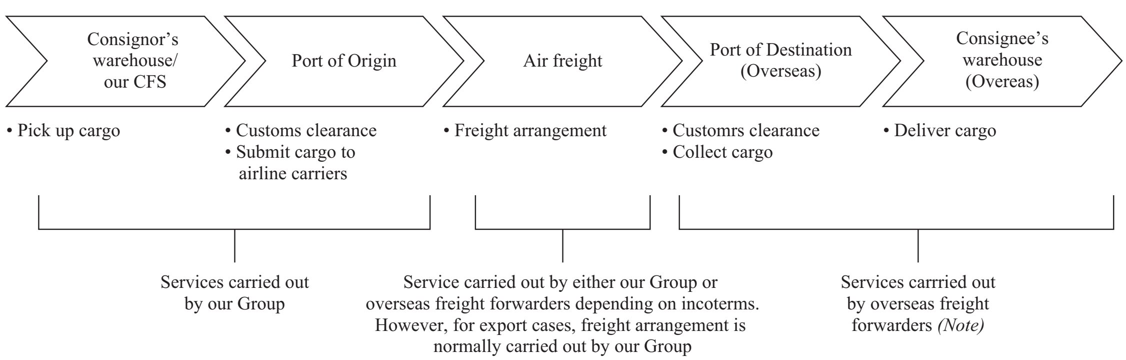
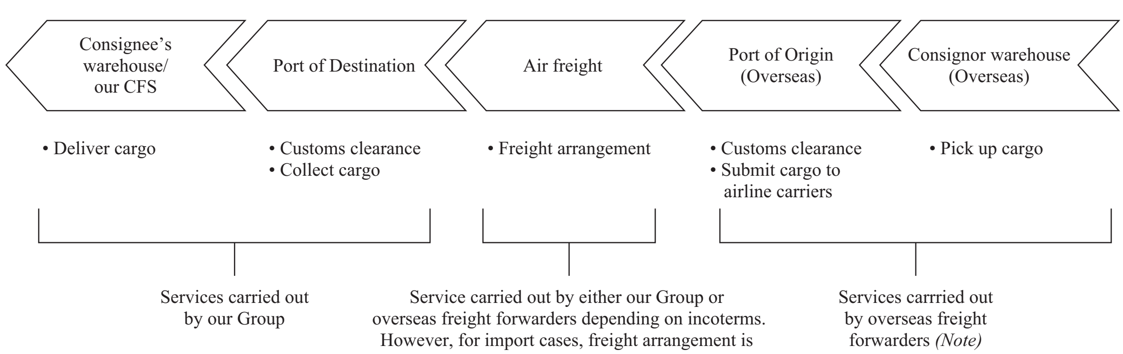


Chart 2: Imports



Note: Subject to our overseas business presence, "overseas freight forwarders" may refer to (i) us if we have business presence at the relevant origin or destination; or (ii) our freight forwarder business partners generally if we do not have business presence at the relevant origin or destination.

For export consignment, it involves arranging for consignment upon receipt of booking instructions from customers, cargo pick up, obtaining cargo space, document preparation, engaging overseas freight forwarders for the customs clearance and delivery at destination. Our Group normally obtains cargo space from airline carriers. For import consignment, it involves checking of the estimated date of arrival and preparation of the documentation for customs clearance upon receiving the pre-alert notification from overseas freight forwarders or our direct customers. Goods will be delivered upon receiving the instruction from overseas freight forwarders or our direct customers.

For a general description of our typical workflow, please refer to the paragraph headed "Business Operations and Workflow" in this section.

Our fees for air freight forwarding services typically consist of freight charges and charges for cargo handling, which we charge on a transactional basis. The prices we charge our customers are generally determined by reference to the size, weight and type of cargo, freight rate of the carrier and the customers' delivery time requirement. Our invoice is typically payable within 30 to 60 days of issue. Further, for freight forwarding transactions involving the provision of freight forwarding services in ports along the freight routes by us and our freight forwarder business partners, under our cost-plus pricing model, we also generally take into consideration of the profit-sharing ratio of 40% to 50% of the total estimated profit to be generated from the whole freight, being the estimated revenue after deducting the relevant estimated freight charges and costs to be incurred by us and the relevant freight forwarder business partner when determining our fees. The actual percentage of shared profit between us and the freight forwarder customers depends on a number of factors, including the services provided by, involvement of and the geographical locations covered by us and the counterparty in respect of the particular freight forwarding transaction. According to the CIC Report, such pricing factor and range of profit-sharing ratio are in line with the industry norm.

We currently do not own or operate any aircraft. We are an IATA agent in Hong Kong, Taiwan, Italy and France with access to space procurement for air cargo routes worldwide from these locations and we are also capable of procuring air cargo space directly from airline carriers in the PRC. During the Track Record Period, we entered into block space agreements with airline carriers which generally guarantee us the allocation of agreed quantities of air cargo space at pre-determined rates normally over a duration of 12 months, terminable by either party to the relevant agreement on notice without penalty. For further details of our block space agreements, please refer to the paragraph headed "Suppliers" in this section. We are committed to obtaining the allocated volume of air cargo space as agreed under the block space agreements and the block space agreements typically contain provisions requiring us to make payments to the airline carriers by reference to the agreed volume of cargo space, regardless of whether the cargo space has been utilised in full or at all. During the Track Record Period, we had been able to utilise the agreed quantities of air cargo space under our block space agreements. For FY2017, FY2018, FY2019 and 3M2020, we had four, eight, 11 and nine block space agreements with four, six, eight and eight airline carriers, respectively. As at the Latest Practicable Date, we had three block space agreements with three airline carriers. Due to the uncertainty surrounding the availability of flights and on whether they can commit to allocate the agreed quantities of air cargo space to us under block space agreements amid the COVID-19 pandemic, a number of airline carriers have yet to enter into new block space agreements after the expiration of our then existing block space agreements. Nevertheless, in view of our stable business relationships with airline carriers, we can still source cargo space from them without entering into any block space agreements and the decrease in number of our block space agreements therefore did not have a material impact on our business operations.

We assess whether our secured cargo space would satisfy the needs of our customers regularly. In the event that additional air cargo space is required, we will notify the airline carriers which we have contractual or regular business relationships with and purchase such additional air cargo space by way of direct booking or we will obtain such additional space through co-loading with other freight forwarders. Upon our customers' confirmation for consignments, we will prepare and issue the relevant airway bills pursuant to which the airline carriers will provide air cargo space in accordance with the terms of the bill. We are typically granted a credit term of 30 to 60 days for procurement of air cargo space.

Price of cargo space payable to the airline carriers generally comprise freight charges, terminal handling charges, fuel surcharges, security charges and other miscellaneous items. When cargo space is sold to freight forwarders such as our Group, airline carriers typically charge freight forwarders the actual gross weight of the cargo. Except for terminal handling charges which are generally less responsive to market changes, any change in external market conditions such as changes in fuel price will primarily have an impact on the price of cargo space, especially fuel surcharges. Similarly, price of air cargo space we offer to our customers comprises significant components such as freight charges, terminal handling charges and fuel surcharges. For details of the analysis of our results of operations, please refer to the paragraph headed "Financial Information – Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this prospectus. Price of cargo space we charge to our customers is marked up at cost plus a profit margin. For details of our pricing policy, please refer to the paragraph headed "Sales and Marketing – Pricing policy" in this section. Our Directors expect that price of cargo spaces we source and sell will continue to be affected by external market conditions such as fuel price and global economic conditions.

Freight forwarder business partners

As at the Latest Practicable Date, we operated local offices in 13 cities across eight countries and territories, including Hong Kong, Shanghai, Guangzhou, Taipei, Tokyo, Seoul, Paris and Chiasso, to serve our customers worldwide where our employees are able to provide freight forwarding and local logistics services for export and import consignment as discussed above. In addition, we maintain a large freight forwarder business partners network across more than 100 countries to extend the coverage of our air freight forwarding services to many more locations worldwide. We work with our freight forwarder business partners on a case-by-case basis, primarily for the handling and execution of customer orders generally involving locations where we have no presence.

We will check and evaluate our freight forwarder business partners' background prior to any business cooperation. We will follow up and monitor the consignment closely to ensure that the logistics services provided by our freight forwarder business partners are satisfactorily carried out. For all business transactions between us and our freight forwarder business partners, we generally handle the freight, local transportation and customs clearance where we have business presence, whilst our relevant freight forwarder business partners will provide similar services in locations where we do not have business presence.

We believe that the benefits of having a large network of freight forwarder business partners include the following:

- we have access to quality freight forwarder business partners in various parts of the world, whom we can rely on to carry out customs clearance and cargo handling at the overseas ports for both imports and exports;
- there are more opportunities for us to attract new business through referrals by these business partners; and
- we can utilise our network of freight forwarder business partners worldwide to provide a complete range of freight forwarding services internationally which allows our customers to obtain point-to-point pick-up and delivery services from origins to destinations globally.

Consolidation of cargo space and co-loading with other freight forwarders

Consolidation of cargo space is an essential part of the freight forwarding business. It is the process by which a number of consignments of goods of different weights, volumes and sizes from different consignors are grouped together into a single consignment for carriage in order to optimise the utilisation of cargo space on transportation vehicles; and the practice of combining consignments from more than one freight forwarder with the same destination in one unit load device on an aircraft or a container on a vessel is known as co-loading.

For export consignments, upon the request of customers (including our direct customers and freight forwarder customers), we would prepare our quotation based on the rates of our suppliers, which contain the freight charges, as well as other restrictions such as nature of cargo on certain routes operated by airline carriers. Once our customer confirms our quotation, we will then lodge a booking request with the airline carrier. All booking requests are then passed on to our operation staff at our export department which will process these booking requests and combine the consignments. In order to optimise the utilisation of cargo space, in case we have extra cargo space after fulfilling our customers' orders for a particular consignment, we usually proceed to on-sell such extra cargo space to other freight forwarders for co-loading purpose. Co-loading with other freight forwarders allows us to generate revenue from the secured cargo space. The amount of revenue generated from co-loading with other freight forwarders was HK$103.2 million, HK$69.9 million, HK$80.8 million and HK$27.8 million, representing 6.8%, 4.5%, 5.4% and 7.7% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively.

Distribution and Logistics Services

We provide distribution and logistics services to brand owners, retailers and other customers worldwide (primarily comprising customers of high-end fashion brands) with cost-effective supply chain solutions. As an important part of this business, we manage and operate an asset-light model through a variety of leased distribution centres mainly in Hong Kong, the PRC, Italy and Taiwan. For FY2017, FY2018, FY2019 and 3M2020, our distribution and logistics services operations were primarily located in Hong Kong, the PRC, Italy and Taiwan, with the PRC and Hong Kong being the two largest contributors of revenue for this segment, contributing in aggregate 98.0%, 96.0%, 92.0% and 91.5%, respectively, of our revenue for this segment. We mainly provided distribution and logistics services to direct customers in the high-end fashion industry, including The Lane Crawford Joyce Group and Kering Group. Our operation in Italy had grown during the Track Record Period after we moved our operations to a larger space in Milan in FY2018, thereby increasing our service capacity.

Further, we began to lay more emphasis on distribution and logistics services for wine and strategically set up a separate business unit in 2012 when Hong Kong became a wine trading and distribution hub for Asia and we saw good business prospects and opportunities in providing distribution and logistics services for wine. Our Group has been actively developing our distribution and logistics services for wine and set up our wine department headquartered in Hong Kong. Our wine department handles customer services and communications with our customers in relation to wine whereas our operating subsidiary in France liaises with relevant wineries locally. In addition to distribution and logistics services, we also offer air and ocean freight forwarding services for the export of wine from France and the U.K. to Hong Kong. As recognition of our wine storage management system, we obtained a Wine Storage Management Systems qualification certified by the Hong Kong Quality Assurance Agency in October 2011 for (i) fine wine transportation; (ii) commercial wine transportation; (iii) fine wine storage; and (iv) commercial wine storage.

As at the Latest Practicable Date, we managed and operated 36 distribution centres with a total gross floor area of approximately 994,000 sq.ft. The following table shows certain information relating to these distribution centres leased, managed and operated by us as at the Latest Practicable Date:

Location (City)	**Number of distribution centres**	**Total gross floor area (approximately)**
		'000 sq.ft.
Hong Kong	30	660
PRC:		
Shanghai	2	131
Chengdu	1	11
Taiwan:		
Taoyuan	1	8
Italy:		
Origgio *(Note)*	1	183
Switzerland:		
Chiasso *(Note)*	1	1
Total:	36	994

Note: Also handles CFS operations.

We possess the requisite knowledge, skills and know-how to provide insightful advice and consultation services as part of our value-added services to our customers on their supply chain and logistics arrangements. In particular, we advise our customers on the specific translation and import requirements for customs clearance of their goods in the PRC. Further, we offer a wide range of distribution and logistics services to cater our customers' needs in addition to traditional inventory storage, trucking and distribution services to provide customers with cost-effective supply chain solutions. The scope of distribution and logistics services that we provide to each customer varies and may depend on, among other things, each customer's supply chain process, its outsourcing needs, industry practice, home and local market practice, and the size and coverage of its distribution network, which are generally categorised as follows:

- *Storage and value-added services.* We offer inventory storage and diverse value-added services to brand owners, retailers, manufacturers and other customers along their supply chains at our distribution centres to accommodate the needs of our customers. While our staff would perform stock checks and sorting as part of our services, we also offer value-added services including pick and pack, garment-on-hanger, tagging, sorting, labelling, gift packing, branded packaging, polymorph repacking stamping and various ancillary value-added services such as supply chain management through our CN WMS. We charge our customers a monthly fee and service fees based on the rate for each service specified in the agreement and the quantity of services we render in that particular month.

- *Trucking and distribution services.* We provide B2B domestic trucking services to distribute our customers' goods to their retail stores or other designated locations. Our services also include transportation between specific locations and coordinating the B2C distribution of our direct customer's finished products to end customers. Further, due to the efficiency of our CN WMS, we are also able to offer same day local door-to-door and temperature-controlled B2C delivery services in Hong Kong upon request by our customers of distribution and logistics services for wine. We deploy third-party trucking service providers in connection with our trucking and distribution services. During the Track Record Period, we offered limited B2C distribution services and generally offered them to our customers of distribution and logistics services for wine.

- *Reverse logistics services.* We provide reverse logistics services to our customers, such as handling returned products. We collect returned products or out-of-season products from points of sale, transport them back to our distribution centres and conduct quality checks and other value-added services and arrange for putaway. In addition, through our participation in the sustainability and recycling project launched by The Lane Crawford Joyce Group, we also provide recycling services in respect of hangers, polybags and cardboard we collect from our customers in the course of provision of our reverse logistics services. For re-sale products, we will re-tag, re-pack and re-distribute the products to retail stores and dispose of the other returned products in accordance with our customers' instructions.

We conduct a substantial part of our distribution and logistics operations at our distribution centres, where we assign dedicated space(s) to each customer in accordance with the terms of agreement between us and the customer. We typically install equipment tailored to each customer's supply chain in order to meet the different needs of our customers. Our distribution centres are well-equipped to provide quality storage and distribution space. In particular, we operate a semi-automated distribution centre of over 90,000 sq.ft. equipped with conveyor belts in Shanghai. Our distribution centre in Fujin Road, Shanghai mainly serves the entire network of fashion brands of one of our customers in the PRC. In addition, we manage a storage and distribution space in Hong Kong of over 58,000 sq.ft. dedicated to wine, of which the temperature and humidity are kept at an optimal level.

A majority of our customers utilising our distribution and logistics services were direct customers in the high-end fashion and wine sectors during the Track Record Period. Through focusing on serving customers in the high-end fashion and wine industries, we have developed substantial experience and expertise in the supply chains, logistics and IT models in these industries. We have leveraged such experience and expertise to specialise in offering industry-specific solutions to better serve our customers and we believe we can build on our strong service capabilities to realise cross-selling opportunities to our customers in other segments.

Our agreements in relation to distribution and logistics services with customers typically have a term of one to two years, with a renewal option subject to further negotiation. In general, we charge our customers based on the rate for each service specified in the agreement and the quantity of services we render. The rates for a particular agreement are determined by our sales and marketing department with reference to factors including the type of storage space, value-added services and other services required. Our customers who require customised storage space or complex value-added services are subject to a higher unit rate accordingly. Our customers may also utilise our distribution centres for storage purpose on a short-term basis, typically with a term of less than one year. We generally grant a credit period ranging from 30 to 60 days.

Ocean Freight Forwarding Services

We offer stand-alone ocean freight forwarding services mainly to our customers in Taiwan and Italy, which were the largest contributors of this segment during the Track Record Period. Our ocean freight forwarding operations in Taiwan mainly involved export of electronics, machineries and large equipment whereas the provision of ocean freight forwarding services in Italy mainly involved export of various products including furniture and household and electric appliances. We established our Italy office in 2012 with a view to capture the business opportunities from existing and potential customers, given that a lot of our high-end fashion or brand customers or potential customers were located in Italy. As a lot of these customers also required ocean freight forwarding services for furniture and fashion products which do not have too much time constraint, the ocean freight forwarding business in Italy has naturally grown over the years. On the other hand, our business operation in Taiwan was initially developed and owned by an Independent Third Party before we obtained a controlling interest in the business in March 2016. The air and ocean freight forwarding services in Taiwan were initially developed by its original management and its then shareholders prior to our investment and are integral parts of its business, which provides services to brand owners including the Trinity Group, which carries brands including Cerruti 1881, Kent & Curwen, Gieves & Hawkes and D'Urban. As the original management of the Taiwan business wanted to capture business opportunities presented by demand for ocean freight forwarding services from customers, they developed ocean freight forwarding services in addition to air freight forwarding services in order to offer one-stop freight forwarding services to customers.

We would also be involved in the provision of incidental ocean freight forwarding services in addition to our air freight forwarding services and/or distribution and logistics services in the ordinary course of our business. For example, while The Lane Crawford Joyce Group has engaged us for the provision of air freight forwarding services and distribution and logistics services in relation to its fashion products (such as apparels and footwear), which are seasonal products and therefore are preferred to be transported by air due to time constraint, it may incidentally require us to ship some of its products by sea (for example, for fashion products that can be shipped in batches for the purpose of stock replenishment which do not have too much time constraint). Further, while our customers for wine logistics services mainly require our air freight forwarding services, they may also require us to arrange for table wine, which is less time-sensitive or of lesser value per bottle, to be transported by sea. As it would not be practical for these customers to separately engage another Independent Third Party freight forwarder to provide ocean freight forwarding services, in order to better serve our customers and increase the loyalty of customers, we therefore also provide incidental ocean freight forwarding services to customers on complementary basis.

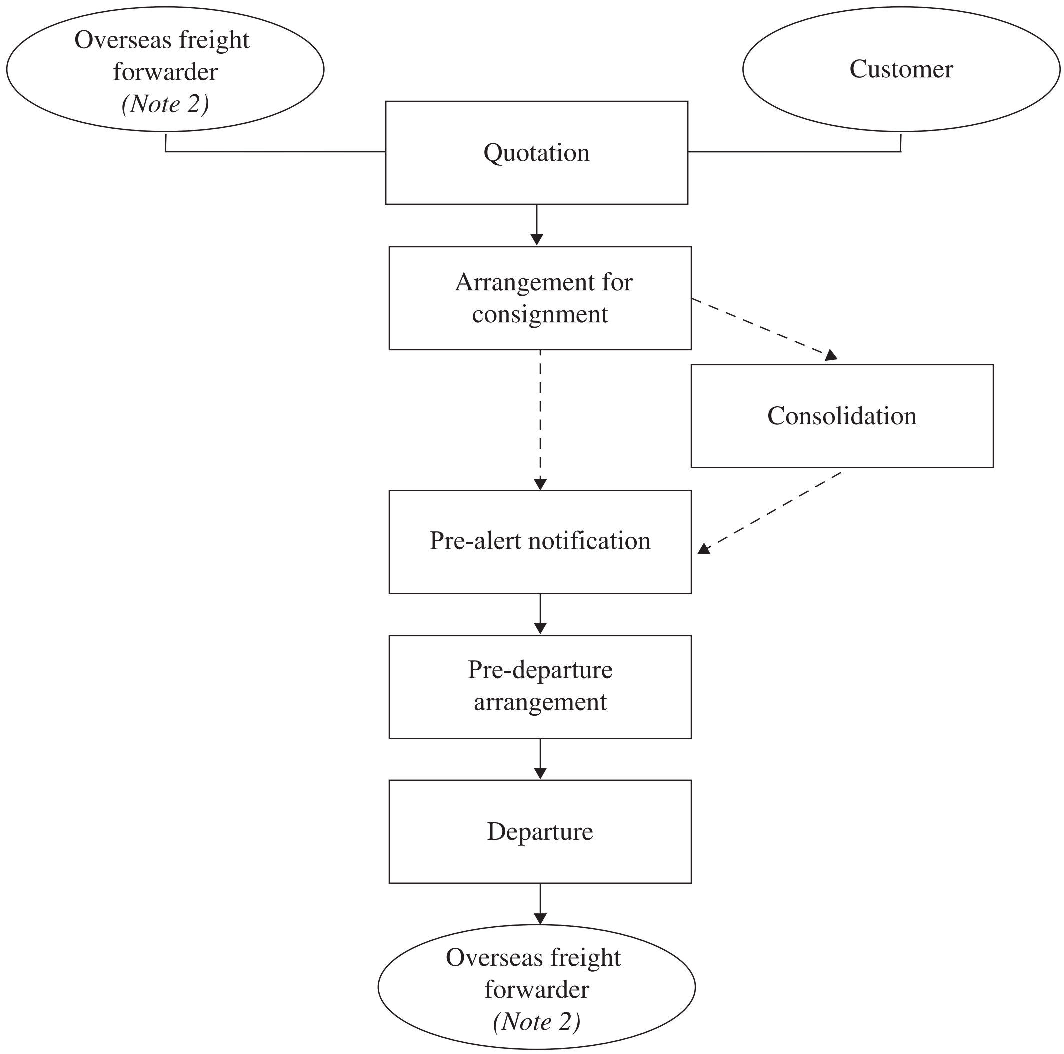
During the Track Record Period, there were some occasional circumstances whereby we provided stand-alone ocean freight forwarding services to our customers which were neither in Taiwan or Italy, nor due to incidental ocean freight forwarding services, nor related to our freight and logistics services for wine. The stand-alone ocean freight forwarding services provided by us during the Track Record Period overlapped with the ocean freight forwarding services provided by the Controlling Shareholder Group. Such occasional circumstances were mainly applicable to ocean freight forwarding services provided in France, Japan, Switzerland, Hong Kong and the PRC. For FY2017, FY2018, FY2019 and 3M2020, revenue generated from such stand-alone ocean freight forwarding services was HK$3.0 million, HK$5.4 million, HK$7.8 million and HK$1.6 million, which accounted for 0.2%, 0.4%, 0.5% and 0.5%, respectively, of our total revenue. However, we have decided to cease such stand-alone ocean freight forwarding services in the aforesaid locations after the Listing as they are not in line with our business development and expansion strategies, and the revenue derived from such stand-alone ocean freight forwarding services during the Track Record Period was immaterial to us. Furthermore, our freight forwarding services and distribution and logistics services overlapped with that of the Allport Group.

Our provision of ocean freight forwarding services involves major steps similar to those in our air freight forwarding services. We do not enter into any long-term agreements with shipping companies and we obtain cargo space on an as-needed basis via direct booking with shipping companies.

BUSINESS OPERATIONS AND WORKFLOW

The following business workflow illustrates the general process by which we fulfill our customers' requests for air freight forwarding services:

Export *(Note 1)*



Notes:

1. This flowchart of export air freight forwarding services is based on the general arrangement with customer/overseas freight forwarder. There will be some variation of workflow for different incoterms.

2. Subject to our overseas business presence, "overseas freight forwarders" may refer to (i) us if we have business presence at the relevant origin or destination; or (ii) our freight forwarder business partners generally if we do not have business presence.

(1) Quotation

Upon receiving an enquiry from a customer or an overseas freight forwarder, our customer service staff would obtain rates and information from our suppliers, which are generally airline carriers, and pass them on to our sales and marketing department to provide a quotation to the customer or the overseas freight forwarder based on such information plus a certain profit margin.

(2) Arrangement for consignment

If the customer or the overseas freight forwarder agrees with the quotation, they will send us the relevant consignment instruction form or booking order and the cargo flow will commence. We will make a booking with the airline carrier by lodging a standardised booking form containing details of booking of our customer (which may be a direct customer or a freight forwarder customer). Our customer service staff would contact our customer to confirm booking and consignment schedule, coordinate with our customer for consignment arrangement and obtain consignment documents for booking. Depending on the needs of our customer, we offer related logistics services, including cargo pick up when cargo is ready and transportation of the cargo, before the consignment is loaded on to an aircraft.

Consolidation

Our operation staff will gather and process all bookings made by our customer and where necessary consolidate cargo from different customers in order to optimise the utilisation of cargo space.

Upon the receipt of goods, we would weigh and measure the cargo received and compare the figures with the consignment instruction form and check and inspect the condition of the cargo and put relevant labels on the cargo. If the weight or measurement of the cargo has more than a prescribed difference as compared to the consignment instruction form, our customer service staff would notify the customer immediately and request for instructions.

(3) Pre-alert notification

Once a booking is acknowledged by our suppliers, we will issue an airway bill when the consignment is loaded on to the aircraft. Our customer service staff and operations staff will send a pre-alert notification to the receiving party or customer together with a full set of documents (including a copy of the cargo's relevant commercial invoice, our debit/credit note, airway bills, cargo packing list, cargo manifest and cargo receipt list).

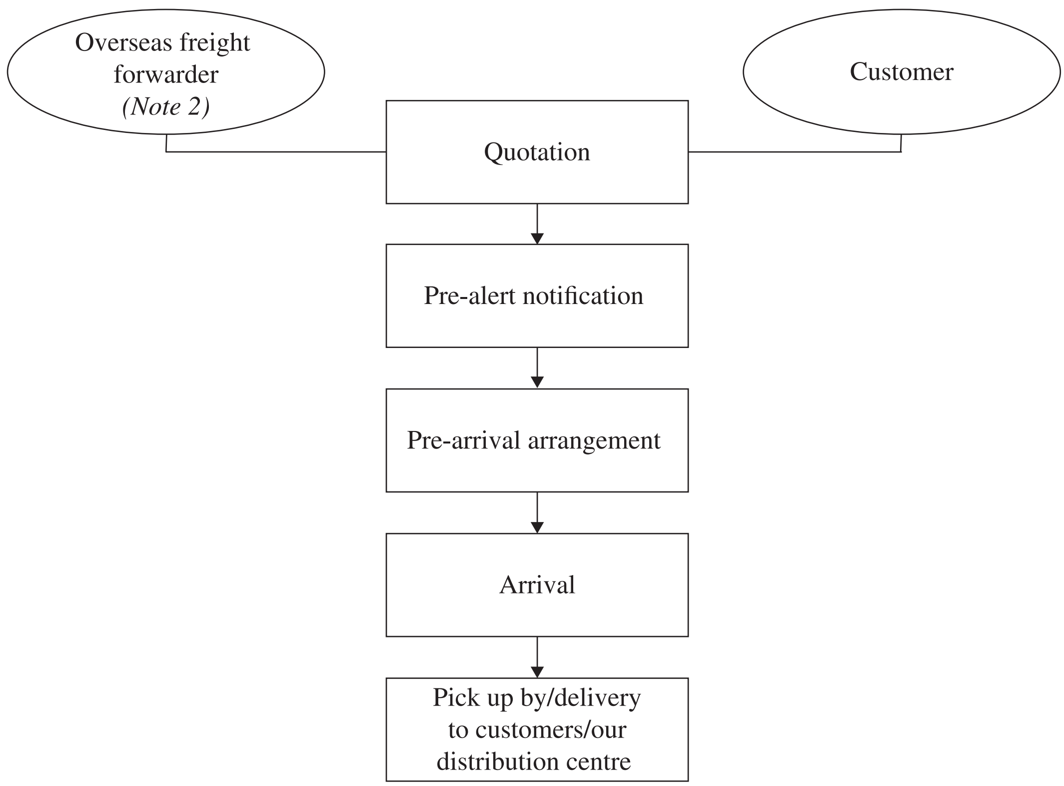
(4) Pre-departure arrangement

We would arrange for palletisation and labelling according to the loading sheet provided by our operations staff and then arrange for delivery to the relevant airport terminal directly or co-loader's warehouse for departure. We would generally handle the customs clearance at the origin on behalf of our customers.

(5) Departure

After the consignment is loaded on to the aircraft and departed, we will notify our customer accordingly and update the status of the consignment in our CargoAir system.

Import *(Note 1)*



Notes:

1. This flowchart of import air freight forwarding services is based on the general arrangement with customer/overseas freight forwarder. There will be some variation of workflow for different incoterms.

2. Subject to our overseas business presence, "overseas freight forwarders" may refer to (i) us if we have business presence at the relevant origin or destination; or (ii) our freight forwarder business partners generally if we do not have business presence.

(1) Quotation

A customer or an overseas freight forwarder sends an enquiry to us which may contain details of reservation indicating the proper incoterm and freight terms, such as destination, preferred route, type, dimension, weight, measurement of consignment and expected date of arrival.

Our customer service staff would then obtain rates and information from our suppliers and pass them on to our sales and marketing department to provide a quotation to our customer based on such information plus a certain profit margin.

(2) Pre-alert notification

After our quotation has been accepted, the customer or the overseas freight forwarder will send us the booking instruction regarding the consignment. After the aircraft at the origin has departed, the overseas freight forwarder at the origin will send us a pre-alert message together with a full set of documents (including a copy of the commercial invoice of the goods, airway bills, cargo packing list, and cargo manifest).

(3) Pre-arrival arrangement

Our customer service staff would coordinate the consignment arrangement and provide regular updates to our customers of the consignment progress. Our operations staff will input the consignment information of our import consignments into an import consignment checklist and pass the same to designated truckers from third-party trucking service providers. Our customer service staff would advise our customer on the estimated or planned delivery schedule and issue a debit note to them for payment in advance or upon delivery.

(4) Arrival

Upon arrival of the goods, our Group generally handles the relevant customs clearance. After completion of customs clearance, the designated truckers would pick up the relevant goods at the airport and check the physical condition and quantity of goods against the relevant consignment documents. If the cargo is intact with no variance, the designated truckers would sign the consignment release form and proceed with delivering the cargo for de-consolidation.

If irregularities are found, our customer service staff would obtain instructions from our customer before arranging for the cargo to be collected from the terminal when such irregularities have been accepted. If our customer refuses to accept the cargo, independent surveyors may be engaged to inspect the relevant cargo.

In the event that any legal claim is anticipated regarding the damaged cargo, our operation staff would send a pre-claim notice to the relevant carrier and inform our operation department to initiate the claim process.

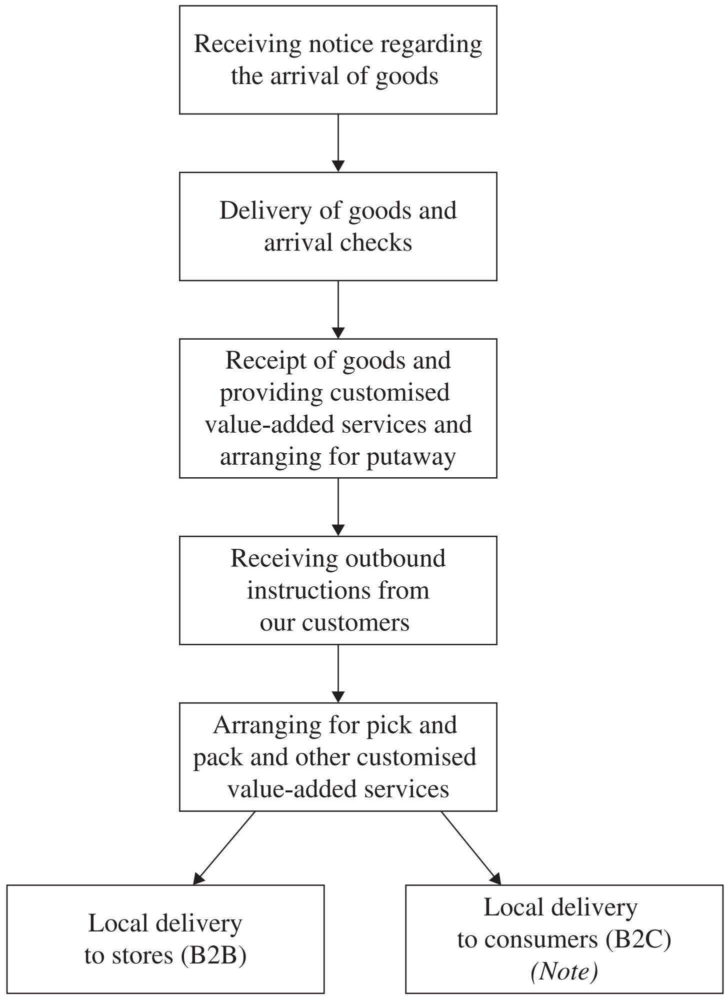
Upon de-consolidation, we would examine the goods in terms of quantity, exterior condition of the cargo and information on the consignment documents to prepare a daily warehouse receiving report.

(5) Pick up by/delivery to customers/our distribution centre

Our customer service staff would check with our customers regarding the delivery schedule and our fee settlement status. Customers can arrange for the collection of goods or we can deliver the goods to the specified local destination. After the goods have been delivered or collected, our staff would collect the signed cargo receipt or proof of delivery from customers or truckers for our records.

Distribution and Logistics Services

The following flow chart depicts the general process by which goods of our customers are handled in our distribution centres:



Note: During the Track Record Period, we offered limited B2C distribution services and generally offered them to our customers of distribution and logistics services for wine.

(1) Receiving notice regarding the arrival of goods

After our staff receives an arrival notice, airway bill and packing list from our customer or our import department, they would coordinate with the customer or our import department for the receipt of goods or consignments and obtain the proposed arrival date and time in advance.

(2) Delivery of goods and arrival checks

For a full container load cargo, upon arrival, our staff would first arrange for container devanning and unloading of goods from the inbound container at the distribution centre. In the case of a less than container load cargo, upon arrival, our staff would check the exterior conditions of the cartons, count the quantity of the cartons and check the cartons' label against the packing list. If the cartons are in good conditions and order, our staff would sort and palletise the goods and confirm receipt via our CN WMS.

If there is any incident of short or over consignment, or the cartons are not in good condition, or there is variance between carton label of physical goods and the advanced consignment note, our staff would take photos of the cartons in question and make a remark of the issue on the cargo receipt and inform the customer immediately. We may engage independent surveyors to inspect the relevant cargo and initiate insurance claims if required.

(3) Receipt of goods and providing customised value-added services and arranging for putaway

Based on the instructions from our customers, our staff would open the carton to scan the merchandise manually. If required, we can also provide value-added services including repackaging, carton barcode labelling, packaging removal, inventory checking and photo taking. Our staff would then arrange for putaway in the distribution centre.

As a logistics solution provider focusing on high-end fashion products and fine wine, we offer customised value-added services for customers in these sectors for their goods upon arrival at our distribution centres. As an example, our value-added services for customers in the high-end fashion industry include labelling, price label printing and security-tagging. Our distribution centre dedicated to wine is air-conditioned and equipped with temperature and humidity control systems to maintain optimal level for the storage of wine. In addition, we may also assist in product return and recall management and clearance sales activities through our reverse logistics services, for which we collect goods from retail stores, re-pack them for re-sales, re-tag price tags and deliver the goods to sales outlets. For a more detailed discussion on the workflow of our reverse logistics services, please refer to the paragraph headed "Reverse logistics services" in this section below.

(4) Receiving outbound instructions from our customers

We utilise our proprietary IT systems at our distribution centres to enable efficient operational management and to better serve our customers' supply chain needs. In particular, our CN WMS provides real-time statistics in relation to goods in our distribution centres and can be integrated with our customers' POS systems to receive outbound instructions from our customers and provide end-to-end supply chain visibility and real-time update on their inventory at our distribution centres. Upon receiving outbound instructions from our customers, our staff would attend to the instructions and arrange accordingly.

(5) Arranging for pick and pack and other customised value-added services

Cross-checking labels on the boxes and our CN WMS allow us to identify the cargo which requires delivery or further handling. Upon receiving the pick list, our staff would locate the goods and pick the required items and scan the label on each of the picked items and check them against the pick list. They would then pack the goods into cartons and sort them according to the instructions of our customer, prepare carton labels and affix them onto each carton.

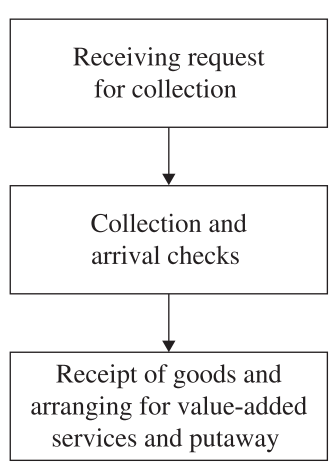
We offer customised value-added services for customers in the high-end fashion industry, which include labelling, packing, security-tagging, repacking, trucking and distribution services. For our customers in the wine sector, our customised value-added services include branded packaging and polymorph repacking.

(6) Local delivery

The cartons would be moved to the dispatch area of our distribution centre ready for external delivery by our third-party trucking service providers. Our staff would prepare the relevant delivery note and check all picked cartons and quantity with the delivery note and acknowledge receipt of the picked orders on the delivery note. Upon delivery of the goods to the destination, if the goods are in good condition and of the correct quantity, the recipient would acknowledge receipt by chopping or signing on the delivery note.

We offer B2B and B2C distribution and delivery services to our customers, in particular to our customers in high-end fashion and wine sectors. Riding on the efficiency of our CN WMS, we are capable of providing same day local door-to-door temperature-controlled delivery in Hong Kong to our customers in the wine sector. During the Track Record Period, we offered limited B2C distribution services and generally offered them to our customers of distribution and logistics services for wine.

Reverse logistics services



(1) Receiving request for collection

Our direct customers normally send us a collection request indicating the total number of goods and the proposed collection date and time one working day in advance. Upon receipt of the request, our staff would coordinate with our third-party trucking service provider for the collection of goods from our B2B customers or B2C customers. In addition, our customers participating in the sustainable and recycling project may also request us to pick up hangers, polybags, cardboard and textile for recycling when we collect the goods.

(2) Collection and arrival checks

Our third-party trucking service provider would collect the goods from our B2B customers or B2C customers. Our customer's POS system would also send an advanced consignment notice to our CN WMS with the transfer note number. Upon receipt of the transfer note number, our staff would locate and obtain the relevant transfer note from our CN WMS and check the quantity of the goods against the transfer note.

(3) Receipt of goods and arranging for value-added services and putaway

Our staff would confirm receipt of the goods via our CN WMS and if required, we can also provide value-added services including price label re-printing, repackaging, and quality check. We would arrange for putaway of the goods accordingly and the collected hangers, polybags, cardboard and textile to be delivered to the recycling partners for processing.

SALES AND MARKETING

Our executive Directors, together with our customer service staff in the import and export departments and the wine department as well as our sales and marketing department, have been maintaining a stable and harmonious business relationship with our existing customers, which are either direct customers or freight forwarder customers. Where appropriate, we encourage our sales and marketing department to cross-sell our distribution and logistics services on top of the freight forwarding services we provide to customers which require customised value-added services. Our sales and marketing department is capable of providing relevant up-to-date market information and advice on our capability to offer customised value-added logistics services, thereby ensuring that we provide cost-effective ways of delivering and handling our customers' goods as a one-stop service provider. A majority of our customers were either recurring customers or customers referred by our existing or previous customers during the Track Record Period. We are able to maintain a close relationship with our customers who would make referrals for our freight forwarding services and distribution and logistics services. We believe our high quality services provided to our customers form the crux to achieving customer loyalty and retention. Customer loyalty strengthens our corporate and brand image and brings in new customers. We also conduct calls to solicit business from potential customers who have no prior business relationship with us. Through our sales and marketing efforts, we target to diversify and expand our customer base thereby boosting sales performance and fostering a more diversified customer network.

Pricing Policy

Freight forwarding services

Our quotations for freight forwarding services are determined by our sales and marketing department, or our wine department in respect of services for wine. We adopt a cost-plus approach for our pricing for freight forwarding services. We take into account the following factors in determining our fees we charge our customers:

(i) freight rates offered by our competitors;

(ii) future business opportunity;

(iii) reputation of the customer within the industry;

(iv) cost of services, including freight charge, handling charge, security charge, terminal charge, customs clearance charge, documentation charge and fuel surcharge;

(v) seasonality;

(vi) level of acceptance of the current market rates for similar services; and

(vii) volume of cargo space required.

Distribution and logistics services

Our pricing for distribution and logistics services is also on a cost-plus basis that is determined by our sales and marketing department, or our wine department in respect of services for wine, based on the costs of our services plus a profit margin. The relevant profit margin is determined based on the type and nature of goods to be handled by us. For instance, we generally charge a higher rate for handling goods of a higher value as it would require a higher degree of care from our staff. In general, we also take into account the volume of goods (calculated either by cbm or number of pieces) handled and may offer discounts for high volume orders.

CUSTOMERS

Our customers comprise direct customers and freight forwarder customers. Our business model principally involves providing freight forwarding services to our direct customers and freight forwarder customers and providing distribution and logistics services to our direct customers. During the Track Record Period, we had a vast amount and diversified base of direct customers which contributed to a majority of our total revenue while the number of freight forwarder customers was comparatively lower as we worked closely with our network of freight forwarder business partners. Over the years, we have established long-standing relationships with our major customers. For FY2017, FY2018, FY2019 and 3M2020, our five largest customers contributed to 32.3%, 32.5%, 34.7% and 32.4% of our total revenue, respectively. For FY2017, FY2018, FY2019 and 3M2020, our largest customer accounted for 11.8%, 10.3%, 10.4% and 13.0% of our total revenue, respectively.

Major Customers

The following tables set out the details of our five largest customers during the Track Record Period:

For the year ended 31 December 2017

Rank	Name of customer	Background	Type of customer	Types of services provided	Years of business relationship with our Group	Typical credit period offered *(days)*	Typical method of settlement	Revenue contributed *(HK$'000)*	Approximate percentage of our total revenue *%*
1.	Allport Group *(Notes 1 and 2)*	A group of companies headquartered in the UK which principally engages in the provision of supply chain, logistics and freight forwarding services	Freight forwarder customer	Air freight forwarding services	21	30	Bank transfer	180,492	11.8
2.	Customer A	A company which principally engages in the provision of high-end fashion retailing and brand management	Direct customer	Air freight forwarding services, distribution and logistics services and ocean freight forwarding services	17	30	Bank transfer	144,922	9.5
3.	Customer B *(Note 3)*	A company established in the US which principally engages in the provision of air & sea freight forwarding services, logistics and supply chain solutions	Freight forwarder customer	Air freight forwarding services	5	30	Bank transfer	63,375	4.2
4.	Customer C	A company which is a part of an international fashion group which principally engages in the provision of high-end fashion retailing and brand management	Direct customer	Air freight forwarding services, distribution and logistics services and ocean freight forwarding services	9	30–60	Telegraphic transfer	56,539	3.7
5.	Blue Water *(Note 4)*	A company established in Denmark which principally engages in the provision of all logistics services in modern supply chain management	Freight forwarder customer	Air freight forwarding services and ocean freight forwarding services	20	30	Bank transfer	47,466	3.1
							Total:	492,794	32.3

For the year ended 31 December 2018

Rank	Name of customer	Background	Type of customer	Types of services provided	Years of business relationship with our Group	Typical credit period offered *(days)*	Typical method of settlement	Revenue contributed *(HK$'000)*	Approximate percentage of our total revenue %
1.	Allport Group *(Notes 1 and 2)*	A group of companies headquartered in the UK which principally engages in the provision of supply chain, logistics and freight forwarding services	Freight forwarder customer	Air freight forwarding services	21	30	Bank transfer	158,323	10.3
2.	Customer A	A company which principally engages in the provision of high-end fashion retailing and brand management	Direct customer	Air freight forwarding services, distribution and logistics services and ocean freight forwarding services	17	30	Bank transfer	151,889	9.9
3.	Customer C	A company which is a part of an international fashion group which principally engages in the provision of high-end fashion retailing and brand management	Direct customer	Air freight forwarding services, distribution and logistics services and ocean freight forwarding services	9	30–60	Telegraphic transfer	86,091	5.6
4.	Blue Water *(Note 4)*	A company established in Denmark which principally engages in the provision of all logistics services in modern supply chain management	Freight forwarder customer	Air freight forwarding services and ocean freight forwarding services	20	30	Bank transfer	52,723	3.4
5.	Controlling Shareholder Group *(Note 5)*	A group of companies principally engages in the provision of ocean freight forwarding services in the PRC	Freight forwarder customer	Air freight forwarding services and ocean freight forwarding services	29	30	By cheque	50,510	3.3
							Total:	499,536	32.5

For the year ended 31 December 2019

Rank	Name of customer	Background	Type of customer	Types of services provided	Years of business relationship with our Group	Typical credit period offered *(days)*	Typical method of settlement	Revenue contributed *(HK$'000)*	Approximate percentage of our total revenue %
1.	Allport Group *(Notes 1 and 2)*	A group of companies headquartered in the UK which principally engages in the provision of supply chain, logistics and freight forwarding services	Freight forwarder customer	Air freight forwarding services	21	30	Bank transfer	154,518	10.4
2.	Customer A	A company which principally engages in the provision of high-end fashion retailing and brand management	Direct customer	Air freight forwarding services, distribution and logistics services, ocean freight forwarding services	17	30	Bank transfer	137,080	9.2
3.	Customer C	A company which is a part of an international fashion group which principally engages in the provision of high-end fashion retailing and brand management	Direct customer	Air freight forwarding services, distribution and logistics services, ocean freight forwarding services	9	30–60	Telegraphic transfer	104,409	7.0
4.	Controlling Shareholder Group *(Note 5)*	A group of companies principally engages in the provision of ocean freight forwarding services in the PRC	Freight forwarder customer	Air freight forwarding services and ocean freight forwarding services	29	30	By cheque	65,796	4.4
5.	Blue Water *(Note 4)*	A company established in Denmark which principally engages in the provision of all logistics services in modern supply chain management	Freight forwarder customer	Air freight forwarding services, ocean freight forwarding services	20	30	Bank transfer	52,713	3.6
							Total:	514,516	34.7

For the three months ended 31 March 2020

Rank	Name of customer	Background	Type of customer	Types of services provided	Years of business relationship with our Group	Typical credit period offered *(days)*	Typical method of settlement	Revenue contributed *(HK$'000)*	Approximate percentage of our total revenue *%*
1.	Controlling Shareholder Group *(Note 5)*	A group of companies principally engages in the provision of ocean freight forwarding services in the PRC	Freight forwarder customer	Air freight forwarding services and ocean freight forwarding services	29	30	By cheque	47,053	13.0
2.	Customer C	A company which is a part of an international fashion group which principally engages in the provision of high-end fashion retailing and brand management	Direct customer	Air freight forwarding services, distribution and logistics services and ocean freight forwarding services	9	30–60	Telegraphic transfer	23,132	6.4
3.	Customer A	A company which principally engages in the provision of high-end fashion retailing and brand management	Direct customer	Air freight forwarding services, distribution and logistics services and ocean freight forwarding services	17	30	Bank transfer	20,898	5.8
4.	Allport Group *(Notes 1 and 2)*	A group of companies headquartered in the UK which principally engages in the provision of supply chain, logistics and freight forwarding services	Freight forwarder customer	Air freight forwarding services	21	30	Bank transfer	13,473	3.7
5.	Blue Water *(Note 4)*	A company established in Denmark which principally engages in the provision of all logistics services in modern supply chain management	Freight forwarder customer	Air freight forwarding services and ocean freight forwarding services	20	30	Bank transfer	12,878	3.6
							Total:	117,434	32.4

Notes:

1. Notwithstanding that Allport, the holding company of the Allport Group, was a subsidiary of CS Holdings during FY2017 and until 19 April 2018, it was under separate management from the Controlling Shareholder Group and subsequently ceased to be an associate of the Controlling Shareholder Group in December 2019. Therefore, our revenue generated from the Allport Group during the Track Record Period is disclosed separately from our revenue generated from the Controlling Shareholder Group. For further details of the relationship between our Group, Allport Group and the Controlling Shareholder Group, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

2. To the best knowledge of our Directors upon making reasonable enquiries, the Allport 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. It focuses on providing services to retail customers and small and medium enterprises, mainly supermarkets and department stores.

3. To the best knowledge of our Directors upon making reasonable enquiries, Customer B focuses on the provision of logistics services in the U.S. and Canada with a network of more than 100 logistics agents and mainly provides services in relation to electronics and baby products.

4. To the best knowledge of our Directors upon making reasonable enquiries, Blue Water has 50 offices in 26 countries with around 1,800 employees with a diversified customer base. According to its 2019 annual report, Blue Water recorded a revenue of Danish Krone 5,117.7 million and a profit for the year of Danish Krone 75.8 million for the year ended 31 December 2019.

5. The Controlling Shareholder Group has operations in the PRC, Hong Kong, the United States, the Philippines, India, South Africa and Singapore, providing services to customers which are mainly supermarkets and department stores in the PRC, United Kingdom and Australia. It has staff of over 5,000 and a network of freight forwarder agents in over 80 countries.

Save for:

(i) the Allport Group, the holding company of which is (a) an indirect minority shareholder holding 49% shareholding interest in CS Shanghai BVI, a 51% owned subsidiary of our Company; and (b) wholly-owned by EV Holdings, which is in turn owned as to 18% by ACS Logistics (which is wholly-owned by CS Group) and as to 2% by JL Enterprises Holdings Limited (an investment holding company wholly-owned by Mr. Lau); and

(ii) the Controlling Shareholder Group,

as at the Latest Practicable Date, (i) all of our five largest customers during the Track Record Period were Independent Third Parties; and (ii) none of our Directors, their close associates or our Shareholders (whom to the knowledge of our Directors own more than 5% of the issued Shares) had any interest in any of our five largest customers during the Track Record Period. We have maintained good business relationships with our five largest customers for an average of over 10 years.

The Allport Group and the Controlling Shareholder Group are our freight forwarder business partners, and we began our business relationship with them in 1998 and 1991, respectively. Given the historical relationship among us, the Controlling Shareholder Group and the Allport Group, and the industry norm of collaboration between freight forwarders, we had freight forwarding business with each of the Allport Group and the Controlling Shareholder Group, and they were two of our largest customers during the Track Record Period. Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for a detailed discussion on the background of the Allport Group and the Controlling Shareholder Group and the relationship among us, the Controlling Shareholder Group and the Allport Group. Please also refer to the paragraph headed "Overlapping of Customers and Suppliers" in this section for details of the industry norm of cooperation among freight forwarders. Being our major customers, during the Track Record Period, the Allport Group and the Controlling Shareholder Group engaged us as their business partner to provide freight forwarding services in locations where we have presence, mainly in Hong Kong and the PRC. We were responsible for handling the relevant import or export consignments in the manner in accordance with the requirements of the Allport Group and the Controlling Shareholder Group (as the case may be).

Except for a three-year service agreement with Customer C for the provision of distribution and logistics services, we do not have any long term contracts with our customers, or those which restrict the customers to use our services for specific durations or to fulfil a minimum volume of consignments over any duration. The salient terms of the three-year service agreement with Customer C are set out below:

Contractual period:	Continue for a period of three years from 1 July 2018, and may be extended for a further term of two years.
Termination:	Any parties may unilaterally terminate the agreement due to reasons not attributed to any parties with a six-month notice; or in case of winding up or insolvency of any parties; or breach of agreement as provided under the agreement.
Service scope:	Provision of services including receiving and handling goods and storage of goods, labelling and tagging of goods, order dispatching, stock-taking and inventory management and reverse logistics.
Fee:	The service fees to be charged under the agreement shall be calculated based on the rates of the services fees as provided in the agreement.
Payment:	All sum due to us shall be paid in accordance with the terms of the agreement within thirty working days after receipt of the monthly statement of accounts submitted by us.

In line with industry practice, we generally do not enter into any long-term agreement with our customers for our freight forwarding services. We generally do not have any specific agreement with our customers on liability for damage of goods during transit or storage. We are not liable for any damage or loss to our customers' goods unless such damage or loss is caused by our negligence. Where we are liable for the damage or loss to our customers' goods, claims against us from our customers are covered by the insurance policies we maintain. For details of our insurance coverage, please refer to the paragraph headed "Insurance" in this section. During the Track Record Period, we did not encounter any incident relating to liability for damage of goods of a material nature.

Credit Policy

We generally grant a credit period ranging from of 30 to 60 days from the invoice date, but variation from this period may occur on a case-by-case basis depending on the following and subject to the approval by our management:

- customer's background, reputation and credibility;
- customer's payment history in the industry; and
- customer's business relationship with us.

Our credit policy extends to services related to carrying cargo from point of origin to point of delivery, including freight arrangement, customs clearance fee, land transportation, and any other logistics related activities. In order to collect overdue trade receivables, our finance and accounting department monitors material overdue payments closely. A weekly aging report showing the customers' overdue amounts is prepared to follow up with the customers listed in the report. Follow-up actions to collect overdue trade receivables include, among others, communication with the relevant department of the customer responsible for processing payments. To discourage overdue trade receivables, we may also place the customer's order on hold for any of the following reasons:

- customer's payments are overdue or inconsistent;
- customer faces financial hardships or operational setback; and
- termination of business relationship with customer.

Customer Services

Our customer service and operations staff in each of the relevant departments handle customer general enquiries and feedback. In case of complaints, our customer service and operations staff are required to report such complaints to head of sales and marketing department immediately.

Our Directors are of the view that good customer service is integral to our reputation in the logistics industry and to customer loyalty. We make sales calls or emails to potential customers through our sales and marketing department and handle customer general enquiries, service bookings and feedback, and keep close communication with our customers on their consignments through our customer service and operations staff. Our sales and marketing department participates in the process of assessing whether to accept a new customer. Other than getting the sales and marketing department employees to approach potential customers, our new customers are usually referred to us by existing customers and freight forwarder business partners.

Upon enquiry regarding our services, our sales and marketing department will discuss with potential customers their needs to understand their service requirements. We endeavour to work out the optimal way to support our customers with the aim to establish long-term relationships with them. In order to evaluate potential customers and to comply with our internal control risk management process, we also place emphasis in carrying out background checks on potential customers. For example, we will request potential customers for relevant documents to understand their financial position and ownership background.

During the provision of our services, the operations staff in each of the relevant departments will monitor bookings and communicate closely with our customers regarding their consignment from origin to destination. Our staff will also subsequently follow-up with any matters that may arise from the delivery of each consignment.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not experienced any complaint or claim for damages of a material nature from our customers and did not have any disputes with them.

SEASONALITY

According to the CIC Report, the freight forwarding industry is subject to seasonality. In general, the whole industry receives fewer orders for freight forwarding during the first half of the year, and more orders during the second half of the year. Such seasonal pattern is mainly due to higher consignment demand driven by festive months in the second half of the year. During the Track Record Period, the percentage of our revenue derived from the second half of a year had been higher than the first half of the year, reflecting higher demand of our services. Further, notwithstanding that distribution and logistics services in general are not subject to seasonality, distribution and logistics services for high-end fashion products are subject to seasonal factors including fashion weeks and festive periods. As a result of such fluctuations, comparisons of revenue and results of operations between different periods within a single financial year, or between different periods in different financial years cannot be relied on as indicators of our performance.

SUPPLIERS

During the Track Record Period, suppliers of services to our Group mainly included carriers who arrange air flights or ship schedules, freight forwarder business partners who handle and execute customer orders generally involving locations where we have no presence, and local third-party trucking service providers who help us to handle local transportations and distributions. We obtain cargo space from freight carriers and other freight forwarders and we generally do not enter into any long-term agreement with our suppliers. For FY2017, FY2018, FY2019 and 3M2020, our five largest suppliers accounted for 21.5%, 17.0%, 15.9% and 18.9%, respectively of our cost of services, while our largest supplier accounted for 7.2%, 4.4%, 4.0% and 5.4%, respectively, of our cost of services.

As at the Latest Practicable Date, (i) save for CN Logistics (Thailand) Co., Limited which is one of our five largest suppliers for 3M2020 and one of our associates, all of our five largest suppliers during the Track Record Period were Independent Third Parties; and (ii) none of our Directors, their close associates or our Shareholders (whom to the knowledge of our Directors own more than 5% of the issued Shares) had any interest in any of our Group's five largest suppliers during the Track Record Period. We have maintained good business relationships with our five largest suppliers from three to 17 years.

During the Track Record Period, we engaged the Allport Group and the Controlling Shareholder Group as our business partner to provide freight forwarding services generally in locations where we have no presence. The Allport Group and the Controlling Shareholder Group were responsible for handling the consignments locally at the relevant origin or destination. Please refer to the paragraph headed "Customers – Major Customers" in this section above for the discussion on our relationship with the Allport Group and the Controlling Shareholder Group.

Our block space agreements with airline carriers for the supply of air cargo space are legally binding and of durations of 12 months. They are generally terminable on 30 to 90 days' notice without penalty by either party to the relevant agreement, namely us or the relevant airline carrier, and do not contain automatic renewal provisions. We are committed to obtaining the allocated volume of air cargo space as agreed under the block space agreements and the block space agreements typically contain provisions requiring us to make payments to the airline carriers by reference to the agreed volume of cargo space, regardless of whether the cargo space has been utilised in full or at all. During the Track Record Period, we had been able to utilise the agreed quantities of air cargo space under our block space agreements. The general credit period offered by the airline carriers under our block space agreements is 30 to 60 days. During the Track Record Period and up to the Latest Practicable Date, we did not breach in any material manner our block space agreements or other contractual arrangements with the airline carriers, including terms relating to monthly target utilisation, and no bank guarantee was invoked by the airline carriers.

In line with industry practice, we arrange bank guarantees in favour of our airline suppliers as security against our performance of our obligations in relation to the secured air cargo space. Such bank guarantees are provided by our banks which require collaterals from us such as charges over deposits. As at 31 December 2017, 2018 and 2019 and 31 March 2020, the aggregate bank guarantees were approximately HK$8.7 million, HK$8.5 million, HK$11.0 million and HK$10.9 million, respectively.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

In order to expand our business coverage overseas, we have developed a global network of freight forwarder business partners to handle and execute customer orders for us generally involving locations where we have no presence. Our freight forwarder business partners may also engage us as their business partner to provide freight forwarding services in locations where we have presence. In addition, we obtain some of our supply of cargo space from other freight forwarders and we on-sell cargo space to other freight forwarders for co-loading purpose. Therefore, some of our suppliers and customers may overlap.

According to the CIC Report, it is an industrial norm that freight forwarders work with other freight forwarders which specialised in the operation of the required routes, especially when the particular consignment involves a location where they have no presence. It is further stated in the CIC Report that since co-loading enables freight forwarders to reduce transportation time and cost, it is highly common for freight forwarders to on-sell cargo space to other market practitioners. Therefore, it is an industry norm to have dual role customers in the freight forwarding industry. Our Directors are also of the view that, since each freight forwarder has its own clientele and concentrates on particular routes, the cost of engaging our freight forwarder business partners will be lower than initiating a new route and the business relationship between us and our freight forwarder business partners is more of a network of alliance than competition.

For FY2017, our revenue attributable to the Allport Group, Customer B and Blue Water, being three of our five largest customers of FY2017, was as follows:

FY2017

	Revenue	
	HK$'000	*As a % to our total revenue for FY2017*
Allport Group	180,492	11.8
Customer B	63,375	4.2
Blue Water	47,466	3.1
	291,333	19.1

The total cost of services attributable to the Allport Group, Customer B and Blue Water as suppliers amounted to HK$27.4 million in aggregate, representing 2.2% of our total cost of services for FY2017.

For FY2018 and FY2019, our revenue attributable to the Allport Group, the Controlling Shareholder Group and Blue Water, being three of our five largest customers of FY2018 and FY2019, were as follows:

FY2018

	Revenue	
	HK$'000	*As a % to our total revenue for FY2018*
Allport Group	158,323	10.3
Blue Water	52,723	3.4
Controlling Shareholder Group	50,510	3.3
	261,556	17.0

FY2019

	Revenue	
	HK$'000	*As a % to our total revenue for FY2019*
Allport Group	154,518	10.4
Controlling Shareholder Group	65,796	4.4
Blue Water	52,713	3.6
	273,027	18.4

The total cost of services attributable to the Allport Group, the Controlling Shareholder Group and Blue Water as suppliers amounted to HK$47.2 million and HK$45.4 million in aggregate, representing 3.8% and 3.9% of our total cost of services for FY2018 and FY2019, respectively.

For 3M2020, our revenue attributable to the Controlling Shareholder Group, the Allport Group and Blue Water, being three of our five largest customers of 3M2020, was as follows:

3M2020

	Revenue	
	HK$'000	*As a % to our total revenue for 3M2020*
Controlling Shareholder Group	47,053	13.0
Allport Group	13,473	3.7
Blue Water	12,878	3.6
	73,404	20.3

The total cost of services attributable to the Controlling Shareholder Group, the Allport Group and Blue Water as suppliers amounted to HK$8.9 million in aggregate, representing 3.1% of our total cost of services for 3M2020.

Our Directors confirm that negotiations of the terms of our services to and from the overlapping customers and suppliers were conducted on an individual basis and arm's length basis, which are similar to those transactions with our other customers and suppliers, and the sales and purchases were neither inter-connected or inter-conditional with each other. Our Directors further confirm that all of our services to and from the overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

EQUIPMENT AND MACHINERY

Our distribution centre at Fujin Road, Shanghai is equipped with conveyor belts which improve our operation efficiency and reduce labour costs. The details of the conveyor belts are set forth below:

Equipment	**Use**	**Year of commencement of operation**
Conveyor belts	Indoor transportation of goods inside the distribution centre	2018

We carry out inspections and maintenance of the conveyor belts on periodic basis. We have developed and implemented internal procedures for the conveyor belts in order to ensure they function properly. During the Track Record Period, we did not experience any material or prolonged suspensions of operations due to equipment failures.

We adopt a straight-line depreciation policy on our property, plant and equipment over the estimated useful lives of the assets, after taking into account the estimated residual values. For details of the relevant accounting policies and estimates, please refer to Notes 2 and 3 to the Accountants' Report as set out in Appendix I to this prospectus. As at 31 March 2020, the carrying value of the our property, plant and equipment was HK$241.5 million, representing 23.7% of our total assets. Their useful lives generally range from around two to 10 years.

MARKET AND COMPETITION

We operate in the logistics industry, which covers the provision of services relating to planning, implementing and controlling the movement and storage of goods from the point of origin to the point of consumption. Major activities within the industry include freight transport, freight forwarding, storage and distribution services. According to the CIC Report, the core value of logistics solutions providers lies in their capability of moving a consigners' freight to the consignees within the stipulated time at the most competitive price and their ability to provide customised value-added services.

The markets in which we operate are fragmented with a large number of enterprises according to the CIC Report. We therefore face keen competition from the numerous competitors operating on different scales in such markets, in particular Hong Kong and the PRC. According to the CIC Report, well-established partnership with carriers and customers, provision of customised value-added services, establishment of a far-reaching global network, semi-automated warehousing facility, strong capability to consolidate cargos, and capability to provide integrated logistics solutions are the key success factors in the integrated air freight forwarding market. Through our competitive strengths as set out in the paragraph headed "Competitive Strengths" in this section above, our Directors believe that we compete favourably with our competitors in markets that we operate in. For further details regarding these markets and competitive landscape of the integrated freight forwarding industry, please refer to the section headed "Industry Overview" in this prospectus.

QUALITY MANAGEMENT

We consider our ability to uphold the quality of our air freight forwarding services, distribution and logistics services and ocean freight forwarding services as crucial to our long-term growth, and count this ability as one of our competitive advantages in the industry.

We have established and maintained a group-wide integrated management system to implement a coherent quality management policy for our subsidiaries and to attain continual improvement. This integrated management system forms an integral part of our planning and controls within our Group. It is designed to allow us to identify and address, in a timely and systematic manner, risks that may significantly affect our quality and performance.

Our integrated management system comprises the formulation and implementation of a set of policies and standard operation procedures in relation to the operation of each of our departments. Such system incorporates international standards, including the ISO 9001:2015 Quality Management System and ISO 28000:2007 Supply Chain Security Management System standards, as well as the Wine Storage Management Systems qualification certified by the Hong Kong Quality Assurance Agency, as the basis of the system. For example, our customers are required to state the nature of the goods to be handled by us in an advance consignment notice or other relevant consignment document. Our customer service and operations staff in the import and export departments would then scrutinise the list provided by the customers to identify if any goods listed would require any special care. Further, upon receipt of the customer's goods, our staff at our distribution centre will verify the consignment marks against the advance consignment notice and other relevant consignment documents to confirm the nature of the goods. If a discrepancy is found between the marks and the consignment document, our operations staff will suspend the order and report to the operation manager.

Our executive Directors are primarily responsible for monitoring the overall implementation of this quality and risk management system within our Group, which is carried out by our operations staff and staff at our distribution centres during the course of the provision of air freight forwarding services, distribution and logistics services and ocean freight forwarding services. Our operations staff and staff at our distribution centre are responsible for implementing systematic quality management policies and standard operating procedures for our operational processes in order to maximise the overall quality consistency of our services. Our executive Directors coordinate and regularly communicate with selected employees at each country or territory level or business unit level to ensure the effective implementation of the quality management framework within our Group. For background and experience of our executive Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

To maintain the market competitiveness of our staff and ensure that their knowledge of and skills in the industry are up-to-date, we require our staff to attend trainings and workshops organised by us or external parties.

During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure of our quality management which had a material impact on our business operations.

INFORMATION TECHNOLOGY

IT is integral to our operations and to the quality and competitiveness of our supply chain solutions. We rely on IT to maintain our electronic system and database in the course of our business operations. We believe our IT capabilities lie in our integrated deployment of IT systems, offering real-time transparency and efficiency in inventory management in respect of their goods stored at our distribution centres. As at 31 March 2020, we had an IT team consisting of four IT personnel. These employees are based in Shanghai which mainly support our Hong Kong and Shanghai offices. In addition to our IT team, we also engage external IT service providers to support our operations overseas. Our IT team provides technical support to our operations and maintains our IT infrastructure. Our key IT systems are as follows:

- *Warehouse Management System.* Our CN WMS is an internally designed, developed and supported solution for our distribution and logistics services. It is deployed across our logistics facilities to enable us to conduct efficient logistics operations, such as inventory management and a wide range of value-added service activities, and to track operational information for our customers and our own management. Our CN WMS can be integrated with our customers' POS systems to provide end-to-end supply chain visibility. We believe such integration contributes significantly to our ability to build our customers' trust and reliance on our services, thereby effectively increasing their switching costs for outsourcing their logistics operations to other service providers.

- *Order Management System.* Our CN OMS is an internally designed, developed and supported solution for the purpose of managing our direct customers' sales orders and purchase orders in respect of their goods stored at our distribution centres more efficiently. Similar to our CN WMS, our CN OMS can be integrated directly with third party e-commerce platforms for handling purchase and sales orders of our customers' online shops on such platforms. Orders received by our customers on their online shops would be reflected on our CN OMS in a real-time basis, thereby allowing us to manage our customers' supply chain more efficiently.

- *Freight Management System.* Our CargoAir system is an internally designed, developed and supported solution which is a freight management system to maintain prompt access to consignment information for our freight forwarding business. Under this system, we key-in the job code into the system to provide freight forwarding solution to our customers efficiently. Our system allows our staff to review details of our cargo space bookings, and related information such as (i) consignor; (ii) consignee; (iii) carrier; (iv) destination; (v) estimated time of arrival; (vi) handling date; (vii) volume of goods handled in terms of kg or cbm; and (viii) number of packages, with live updates 24 hours a day to ensure that our staff is kept-up-to-date on the latest status.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any failure in our IT systems which caused material disruptions to our business operations. We are, however, susceptible to risks relating to failure of our electronic system and database. For details of such risks, please refer to the paragraph headed "Risk Factors – Our business is dependent on IT" in this prospectus.

We have an internal manual in relation to backups, activity logging, virus control and contingency measures. Repeatable functions such as backups and system monitoring are managed by our IT department and firewalls are implemented to secure our internal networks. We believe that by maintaining such controls on our IT systems, we are able to minimise the risk of system failure during the course of our business operations and provide a secure and efficient electronic data exchange environment. We will continue to improve our IT systems in order to serve a wider customer base in response to the growth in our business in the long run.

INSURANCE

As a logistics service provider, we face a number of inherent risks in our ordinary course of business, such as vehicle collision, cargo loss or damage, property loss and business interruptions due to natural disasters, political unrest, hostilities or otherwise. We maintain various insurance policies at both global and local operational levels to provide insurance coverage relating to third-party liability, transportation risks, property loss and damage, workers' compensation for injury and death, and various other areas.

In addition, our suppliers maintain various insurance policies which cover the goods and containers being transported. We are not liable for any damage or loss to our customers' goods unless such damage or loss is caused by our negligence. Where we are liable for the damage or loss to our customers' goods, claims against us from our customers are covered by the insurance policies we maintain as described above. Our business is, however, susceptible to risks arising from losses we sustain during the course of our business operations and we cannot assure you that the insurance policies we have taken out are always able to cover all losses we sustain. In the case of an uninsured loss or a loss in excess of insured limits, including those caused by natural disasters and other events beyond our control, we may be required to pay for losses, damages and liabilities out of our own funds. For details of such risks, please refer to the paragraph headed "Risks Factors – We cannot assure you that the insurance policies we have taken out are always able to cover all losses we sustain during the course of our business operations" in this prospectus.

We believe that the insurance coverage we currently have is in line with relevant industry standards and is adequate for us to conduct normal business operations. During the Track Record Period, we had not experienced any material claim from third party nor did we make any material insurance claim in the course of our operations.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We place a strong emphasis on occupational safety of our staff. During the course of our business operations, our staff at our distribution centres are required to lift heavy objects and handle heavy mechanical equipment. They are provided with our staff handbook, relevant instruction manuals and supervision on-site to ensure their safety and health at work. Our operating procedures at our distribution centres and CFSs include (i) inspection; (ii) documentation; (iii) labelling; (iv) electronic data recording; (v) handling of motor vehicles; and (vi) work safety.

During the Track Record Period and as at the Latest Practicable Date, there were no material accidents or claims for personal or property damage. There were also no interruptions in our business which may or have had a significant effect on our financial position during the Track Record Period and up to the Latest Practicable Date.

As a socially responsible corporation, we are aware of the importance of integrating social and environmental considerations into our business which we believe can bring contributions to a sustainable society and planet, which we believe coincides with the growing trend of environmental awareness in the high-end fashion industry in which many of our customers operate. In view of the large amount of hangers, plastic and paper involved in the high-end fashion industry, The Lane Crawford Joyce Group launched a sustainability and recycling project which is a not-for-profit scheme aimed to promote waste reducing, reusing and recycling in the PRC and Hong Kong. As an important logistics services provider to The Lane Crawford Joyce Group in the PRC and Hong Kong who shares similar value and awareness in terms of social responsibility, we were invited to participate in this project and have been working closely with The Lane Crawford Joyce Group since April 2018 as the sole coordinator for this project, responsible for promoting the project among our other customers, providing logistics advice and services, managing the recycling process and liaising with the recycling partners. Under the project, we would collect the recycling materials during the course of provision of our reverse logistics services and sort, process and consolidate the materials before delivering them to the recycling partners in order to reduce transportation volume and cost, maximise the reusable materials and minimise waste. In addition, we provide regular report to participants in the project to give them a summary on materials received and recycled together with a cost analysis.

As at 31 March 2020, 12 of our customers including Kering Group, the Trinity Group and Stella McCartney had joined and participated in the project and we had been working closely with a number of recycling partners to recycle hangers, polybags, cardboard collected from our customers. We have also begun our collaboration with a textile recycling partner since March 2020, thereby expanding our recycling service scope to cover textile recycling. We expect the number of participating customers in the sustainability and recycling project to increase as a result of our business strategies in this regard.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had applied for registration of one trademark in Hong Kong and registered one domain name, which are, in the opinion of our Directors, material to our business. For further details of our intellectual property rights, please refer to the paragraph headed "Statutory and General Information – Further Information about the Business of our Group – 11. Intellectual property rights of our Group" in Appendix IV to this prospectus.

We utilise our proprietary IT systems to enable efficient operational management and better serve our customers' supply chain needs. Please refer to the paragraph headed "Information Technology" in this section for details of our proprietary IT systems. We own the source codes relating to all of these proprietary IT systems and are entitled to the relevant intellectual property rights. In order to safeguard our intellectual property rights, each employee has given an undertaking that he or she will not exploit or divulge to any other persons any source codes, trade secrets, technical data, among other information, during or following the cessation of employment.

During the Track Record Period and up to the Latest Practicable Date, there had been no material dispute or infringement of any trademark or patent owned by third party.

EMPLOYEES

We place great importance on attracting and retaining qualified employees. We offer a competitive remuneration package and are committed to investing in our employees' training and development.

As at 31 March 2020, we had a total of 638 full-time employees. We also hire part-time employees and temporary contract staff to meet our seasonal or specific project needs. The following table shows a breakdown of our full-time employees by function and by geographic location as at 31 March 2020:

	As at 31 March 2020
Function:	
Management	13
Import	107
Export	149
Distribution and logistics	228
Wine	23
Sales and marketing	39
Finance and administrative	66
Human resources	9
IT	4
Total:	638
Geographic location:	
Hong Kong	247
PRC	261
Taiwan	61
Italy	56
Others	13
Total:	638

Relationship with our Employees

Our Directors consider that our employees play a pivotal role in our continuous growth. It is our policy to maximise the potential of our employees through training and development. Our staff will attend vocational training programmes covering various aspects of our industry to keep abreast of the latest industry development. Our employee training and development aim at equipping our employees with the knowledge and skills necessary to perform their job functions and enhance their capability.

We recruit our employees from the open market mainly through recruitment advertisements. We have a recruitment policy in place to maintain a fair and effective recruitment procedure. Under such policy, we normally recruit employees with the appropriate skills, both technical and personal, in order to meet our current and future needs and to ensure that the employees recruited are qualified and competent to carry out their duties. We conduct our recruitment mainly through internal referrals and advertisements on recruitment websites. We believe that we have always maintained a good working relationship with our employees. As at the Latest Practicable Date, none of our employees had any labour dispute or claim involving or against us.

In order to attract and retain valuable employees, we review the performance of our employees and such review results will be taken into account during the annual salary review and promotion appraisal period.

To streamline our operations and reduce our administrative burden in the PRC, we have worked, and expect to continue working, with several independent third-party employment agencies to engage some of the workers on an as-needed basis in our CFSs and distribution centres in the PRC. We enter into labour supply contracts with these agencies, who are responsible for setting up the relevant social security and housing funds arrangements and we pay the wages, social security and housing fund contributions of the workers into accounts designated by the agencies. In addition, we are primarily responsible for supervising and managing the workers, as well as providing the training required by the workers to perform their tasks.

Employee Remuneration and Benefits

We generally remunerate our employees with a fixed salary, sales commission and a discretionary bonus based performance. Our employees are also entitled to participate in the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Statutory and General Information – Other Information – 16. Share Option Scheme" in Appendix IV to this prospectus. For FY2017, FY2018, FY2019 and 3M2020, our staff costs, including Directors' emoluments, were HK$211.5 million, HK$242.3 million, HK$249.3 million and HK$54.9 million, respectively.

We have made defined contributions to the mandatory provident fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. We have also taken out employees' compensation insurance for our employees in Hong Kong in compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) to cover compensation and costs which we may be liable for personal injuries of our employees in Hong Kong in the course of employment with us.

As required by the relevant PRC laws and regulations, we participate in housing fund and various employee social security plans that are organised by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. Further, we make social security contributions at specified percentages of the salaries of our employees in Italy and Taiwan as required by the relevant laws and regulations of Italy and Taiwan.

Training

We greatly value our employees as human capital and invest resources to educate and maintain their standards so that they are able to make a greater contribution to our success.

Employees are provided with the appropriate training to enhance their capability. We provide both internal and external training regularly regarding basic logistics knowledge, relevant regulations, internal quality audit and other useful topics. For new hires, we provide an induction training programme followed by on-the-job training during their three-month probation period, and continually monitors their progress throughout the probation period.

LICENCES AND COMPLIANCE

Licences and registrations

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save for one of our certificates as mentioned below for which the renewal approval was pending as at the Latest Practicable Date, we had obtained all the approvals, permits, consents, licences and registrations that are material to our business and operations and all of them were in force as at the Latest Practicable Date. We had obtained or been awarded the following licences and registrations that are, in the opinion of our Directors, material to our business, as at the Latest Practicable Date:

Type of registration/ certification	Issuing authority/body	Subsidiary	Jurisdiction	Date of expiry (if applicable)
Certificate of Accreditation	IATA	CS Airfreight	Hong Kong	2020 *(Note 1)*
Certificate of Accreditation	IATA	CN Logistics HK	Hong Kong	2020 *(Note 1)*
Certificate of Hong Kong Registered Wine Exporter	Trade and Industry Department of Hong Kong	CN Logistics HK	Hong Kong	22 August 2020 *(Note 2)*
Licence for Import & Export of Dutiable Commodities	Customs and Excise Department of Hong Kong	CS Airfreight	Hong Kong	13 December 2020 *(Note 3)*
IATA European Air Cargo Programme Intermediary	IATA	CN Italy	Italy	–
Authorised Economic Operator for Customs Simplification	Agenzia delle Dogane e dei Monopoli	CN Italy	Europe Union	–
Certificate of Registration	IATA	CN France	France	–

Type of registration/ certification	Issuing authority/body	Subsidiary	Jurisdiction	Date of expiry (if applicable)
Certificate of Accreditation	IATA	Global Freight Forwarding	Taiwan	2020 *(Note 1)*
Certificate of Taiwan Authorised Economic Operator	Customs Administration, Ministry of Finance	Global Freight Forwarding	Taiwan	–
Licence for Ocean Freight Transportation Forwarding Services and Air Freight Transportation Forwarding Services	Port of Keelung Taiwan International Ports Corporation, Ltd.	Global Freight Forwarding	Taiwan	–

Notes:

1. The certificates of accreditation issued by IATA to CS Airfreight and CN Logistics HK in Hong Kong and to Global Freight Forwarding in Taiwan do not specify the exact date of issuance or expiry. These certificates are issued and would remain valid for each calendar year and are renewed annually after paying an annual fee to IATA towards the end of each calendar year.

2. We had submitted an application for renewal of such certificate in August 2020. As at the Latest Practicable Date, the renewal approval was pending and we do not foresee any impediment to renew such certificate.

3. We will submit the renewal application for the licence in October 2020 as the application can only be made two months before the expiration of the licence.

Qualifications and certifications

Further, in order to maintain our competitiveness in the market and as recognition of the quality of our services, we have also obtained or been awarded certain qualifications and standards. The following table sets out a summary of our main qualifications and standards for carrying out our business as at the Latest Practicable Date:

Issuing authority/ organisation	Description	Qualification	Date of first grant/ registration	Date of expiry
DNV GL – Business Assurance	Security management system standard for the supply chain in relation to the international freight forwarding services and airfreight services	ISO 28000:2007	20 March 2014	20 March 2023

Issuing authority/ organisation	Description	Qualification	Date of first grant/ registration	Date of expiry
DNV GL – Business Assurance	Quality management system for the international freight forwarding services, non vessel operating common carrier and airfreight services	ISO 9001:2015	12 January 1996	25 February 2021
Hong Kong Quality Assurance Agency	Certificate for commercial wine storage service	Complied with the requirements of commercial wine storage management systems standard of HKQAA Wine Storage Management Systems Certification Scheme: 2013	26 October 2011	25 October 2020 *(Note)*
Hong Kong Quality Assurance Agency	Certificate for fine wine storage service	Complied with the requirements of fine wine storage management systems standard of HKQAA Wine Storage Management Systems Certification Scheme: 2013	26 October 2011	25 October 2020 *(Note)*
Hong Kong Quality Assurance Agency	Certificate for land transportation services for fine wine by engaging with third party carriers (within Hong Kong)	Complied with the requirements of fine wine transportation management systems standard of HKQAA Wine Storage Management Systems – Transportation Certification Scheme: 2013	26 October 2011	25 October 2020 *(Note)*

Note: The renewal process for these certificates began in August 2020 and the Hong Kong Quality Assurance Agency ("**HKQAA**") has arranged for recertification audit to assess our overall continued compliance with the relevant requirements under such HKQAA certificates. The certificates would be renewed upon passing the assessment by HKQAA. We do not foresee any impediment to renew such certificates.

Compliance

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no material or systemic non-compliance incident.

Business Activities with Customers in relation to Countries subject to International Sanctions

During the Track Record Period, we provided co-loading services to assist our customers in delivery of goods to and from the Relevant Countries. Our involvement in these business dealings was merely on-selling the cargo space we obtained on a specific flight to other freight forwarders (co-loading customers) who handle shipments on behalf of their own end customers. We were not responsible for the customs clearance of such goods in the Relevant Countries or the delivery of goods to end customers in the Relevant Countries. We were not involved in dealings with sanctioned parties. These Relevant Countries included Iran, which is subject to comprehensive sanctions, and Sudan, which was comprehensively sanctioned until 12 October 2017, neither of which involved delivery of goods subject to U.S. law nor any parties designated under U.S. sanctions. Our services involving deliveries to Iran and Sudan also did not involve any US persons or payments in US dollars. Our International Sanctions Legal Advisers advised that such deliveries to Iran and Sudan did not violate restrictions imposed by primary U.S. sanctions. The region of Crimea, which lies between Russia and Ukraine, is also subject to comprehensive sanctions. However, whilst we provided services related to delivery of goods to each of Russia and Ukraine during the Track Record Period, we did not provide any services for delivery of goods to the region of Crimea. Our revenue derived from provision of services to these customers and consignments to and from such countries amounted to approximately HK$7.6 million, HK$5.6 million, HK$11.1 million and HK$4.0 million, representing approximately 0.5%, 0.4%, 0.8% and 1.1% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively.

Our Directors confirm, and our International Sanctions Legal Advisers confirm upon due inquiries, that we had not been notified of any International Sanctions will be imposed on us for our business activities in relation to the Countries subject to International Sanctions during the Track Record Period. Our co-loading customers in delivery of goods to and from the Relevant Countries were not identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the European Union, Australia and the United Nations and therefore would not be deemed as sanctioned targets. Such co-loading business did not involve industries or sectors that are currently subject to the International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions. In addition, as confirmed by our Directors, we had not been subject to suspension and/or termination of services and/or loans provided by our principal banks due to our co-loading services in relation to the Countries subject to International Sanctions during the Track Record Period and up to the Latest Practicable Date. We are committed to continue to monitor and minimise our sanctions risk exposure with the strict compliance with our internal control policies. Based on the views of our International Sanctions Legal Advisers as disclosed in this prospectus, and the enhanced internal control and risk management measures to be adopted by our Company upon Listing, our Directors are of the view that we do not expect any of our banks that provide services or loans to us will suspend or terminate their services.

Based on the nature of our activities related to deliveries to Iran and the OFAC guidance regarding the interpretation of relevant terms in section 1244 of IFCA and EO 13846, our Group has not been itself a part of Iran's shipping sector nor has it been providing goods/services in support of Iran's shipping sector. For those reasons, our activities related to deliveries to Iran did not implicate secondary U.S. sanctions targeting Iranian shipping sector. Our activities in respect of arranging deliveries to or from Iran and Sudan also were not restricted by OFAC's comprehensive primary U.S. sanctions due to the limited scope of activities actually conducted by us that did not involve any US nexus, as explained above. Please refer to the paragraph headed "Regulatory Overview – Sanctions Laws and Regulations" in this prospectus for further details in relation to OFAC guidance.

As advised by our International Sanctions Legal Advisers after performing the procedures they consider necessary, our activities during the Track Record Period did not implicate restrictions under the International Sanctions. Further, given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company, our potential investors, Shareholders, the Stock Exchange and its listing committee and group companies and accordingly, the sanctions risk exposure to our Company, potential investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of our Shares (including the Stock Exchange, its listing committee and related group companies) is very low.

PROPERTIES

Our Group does not own any property. Please refer to the paragraph headed "Statutory and General Information – Further Information about the Business of our Group – 10. Material properties of our Group" in Appendix IV to this prospectus for information on material properties leased by our Group as at the Latest Practicable Date.

As advised by our PRC Legal Advisers, the allocated land use right of one of our existing distribution centres with the lease term from 1 January 2019 to 31 December 2020 in Shanghai, namely item 13 of our material properties as set out in the paragraph headed "Statutory and General Information – Further Information about the Business of our Group – 10. Material properties of our Group" in Appendix IV to this prospectus ("**WCR Distribution Centre**"), had expired on 29 March 2014 and a new real estate certificate had not been obtained as at the Latest Practicable Date. As such, the lessor of the said land may not legally have the right to lease such land. In addition, the lessor did not provide us with an evidence that our lease of the WCR Distribution Centre, which is on the allocated state-owned land, was approved by the relevant and competent authority in accordance with the Interim Regulations of the PRC on the Assignment and Transfer of the Rights to the Use of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》). The aforementioned defects are due to the defects in the land-use rights of the lessor, which do not constitute our non-compliance incidents.

Under this situation, there is a risk that the lease contract may be deemed invalid, the buildings and other attachments on such land (including the WCR Distribution Centre) may be resumed and demolished, and that the right to use the land may be forfeited free-of-charge by the relevant and competent authority for sale. As a result, we may be prevented from continuing to lease the land and use the WCR Distribution Centre erected on such land. Given the title defect of the land analysed above and our expansion plan as discussed in paragraph headed "Business Strategies and Future Plans – Enhancement of Capability in Distribution and Logistics Business and Optimisation and Expansion of our Local Presence" in this section, we planned to relocate our operations of the WCR Distribution Centre into another distribution centre in Shanghai (which we may lease such distribution centre, the area of which will be comparable to the area of our existing distribution centre, from our related party on normal commercial terms or from an Independent Third Party), in order to optimise our storage and distribution management. As confirmed by our Directors, the relocation of the WCR Distribution Centre will be completed in the fourth quarter of 2020 and is estimated to take around one month, costing approximately RMB2.5 million, which our Directors believe is immaterial to our operations. The revenue contribution from the WCR Distribution Centre accounted for less than 5% of our total revenue during each of FY2017, FY2018, FY2019 and 3M2020.

LITIGATION AND CLAIMS

We are involved in administrative, legal and arbitration proceedings and claims from time to time arising in our ordinary course of business involving purported breaches of contractual terms and alleged violations of laws and regulations, none of which are expected to have a material adverse effect on our business, results of operations and financial condition or on our Shares, the Global Offering or the Listing.

As at the Latest Practicable Date, we were not involved in any litigation, arbitration or claims (including personal injuries, employee compensation or product liability claims) of material importance and we are not aware of any litigation, arbitration or claims of material importance pending or threatened against us that would have a material adverse effect on our business, financial condition or results of operations.

RISK MANAGEMENT

Our Directors believe that effective risk management is critical to our business. We are exposed to various types of risks during the course of our business operation. Key operational risks we face include (i) detrimental changes to our business relationship with our major customers and suppliers; (ii) customer or counterparty risks; (iii) disruptions in our business activities and the business activities of our suppliers and customers; (iv) inability to source cargo space to meet our customers' demand; (v) ineffective consolidation of cargo space; (vi) additional risks we face when implementing our expansion plans; (vii) loss of management and experienced personnel; (viii) inability to obtain finance; (ix) relationship with our freight forwarder business partners; (x) failure of our IT systems; and (xi) potential claims from third parties.

In addition, we also face market risks. In particular, we are exposed to currency, interest rate, credit and liquidity risks that arise in the normal course of our business operations.

In order to practise effective risk management, we have in place or are in the course of adopting the following measures:

(i) leveraging on our stable relationship with our existing suppliers and customers and reputation within the industry, we will strive to diversify our customer base and supplier network in order to protect our Group against the operational risks involving our customers and suppliers during the course of our business and alleviate the impact of seasonal fluctuations on our operations;

(ii) where it is commercially beneficial to our Group, we actively explore opportunities to enter into various types of agreements in order to diversify our supplier network and portfolio of routes, and to secure a stable source of air cargo spaces at favourable prices;

(iii) we regularly assess the credit rating of our customers and when necessary make amendments to their credit period, credit limit, and bank and cash guarantees requirements in accordance with our assessment to minimise the risk of customer default and will only grant credit terms to customers after they have maintained a sound track record and pass our credit check;

(iv) our management will continue to closely monitor the change of price of cargo space in the market and frequently compare the purchase costs of the cargo space we source from our suppliers against the prevailing market rates in order to ensure the prices of the pre-orders we make (i.e. under our block space agreements) are able to allow us to source air cargo space at favourable prices;

(v) our Board is responsible for the overall evaluation and determination of the nature and extent of the risks our Board is willing to take in achieving our strategic objectives, any significant decision in implementing our strategic plans and objectives will be subject to review, discussion and approval at our Board level to ensure that the risks associated with our business plans and strategies are subject to thorough examination by our Board;

(vi) we will constantly review the salary and remuneration packages of our management and employees to ensure that the packages we offer are competitive to retain experienced personnel and at the same time in line with our business and development;

(vii) our management will closely monitor our liquidity and financial position to ensure that we maintain a sound financial position; where desirable, our management will consider obtaining finance to fund our operations and implement our future plans to achieve our strategic objectives;

(viii) we maintain comprehensive IT control to minimise the risk of system failure;

(ix) we maintain insurance coverage in line with customary practice in the industry for businesses of our size and nature to ensure that we are adequately protected against third party claims;

(x) our Directors will (a) identify the updates on the relevant transfer pricing laws and regulations and assess the associated risks on us; and (b) review the terms of the intra-group transactions and regularly monitor our policy for these transactions to ensure they are carried out on arm's length basis from time to time; our finance and accounting department will closely monitor these transactions to ensure they are properly recorded, filed and maintained for inspection, and the records of the transactions with related party(ies) are reconciled between our Group companies on a monthly basis; and

(xi) establishment of an audit committee to review and supervise our financial reporting process and internal control system.

Our Directors believe that by having the above measures in place and by closely monitoring the effectiveness of these measures, we will be able to minimise the impact of the risks we are exposed to during the course of our business operations.

INTERNAL CONTROL

We have established procedures for developing and maintaining internal control systems. In general, our internal control systems will cover areas such as corporate governance, operations, management, legal matters, financial and auditing as our Board may see appropriate for our Group. Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an internal control consultant to assist us in reviewing our internal control system, including our policy regarding intra-group transactions between our operating subsidiaries in various jurisdictions. Based on the findings, recommendations, action plans proposed and testing results of the work performed by the internal control consultant, our Directors consider that our internal control systems and current procedures are adequate and sufficient in terms of comprehensiveness, practicability and effectiveness.

Internal Control Procedures in relation to Business Activities with Customers in relation to Countries subject to International Sanctions

As we may continue to provide co-loading services to assist our customers in delivery of goods to and from the Relevant Countries after the Listing, we will adopt know your client and other enhanced internal control and risk management measures upon Listing to help us to continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders from economic sanctions risks as follows:

- we will set up and maintain a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Global Offering or any other funds raised through the Stock Exchange;

- our Board will establish a risk and compliance committee. The members of such committee comprise Mr. Ngan, Mr. Cheung and Mr. Lam, and their responsibilities include, among other things, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our risk and compliance committee will meet on a quarterly basis to discuss compliance activities and monitor our exposure to sanctions risks;

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Countries subject to International Sanctions and with Sanctioned Persons. According to our internal control procedures, our staff from import and export departments will need to review all relevant business transaction documentation from customers or potential customers from Countries subject to International Sanctions and with Sanctioned Persons. In particular, our staff from import and export departments will review the information (such as identity and nature of business as well as its ownership) relating to the counterparties to the transaction along with the draft business transaction documentation as well as various parties involved in the freight forwarding business. Our staff from import and export departments will check the counterparty and other participants in the transaction (such as the vessel or airline etc.) against the various lists of restricted parties and countries maintained by the United States, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions, which are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Countries subject to International Sanctions or a Sanctioned Person. The completed checks will be documented and forwarded to our risk and compliance committee for review and approval. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;

- our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Countries subject to International Sanctions or Sanctioned Persons which would be in breach of International Sanctions;

- our risk and compliance committee will periodically review our internal control policies and procedures with respect to International Sanctions matters. As and when our risk and compliance committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in International Sanctions matters for recommendations and advice; and

- if necessary, external international legal counsel will provide training programs relating to the International Sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Countries subject to International Sanctions and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures are reasonably adequate and effective for our Company. Having taken the above advice of our International Sanctions Legal Advisers into account, our Directors are of the view that our measures will prevent any potential violations of International Sanctions and provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring and mitigating any material risk relating to International Sanctions laws so as to protect the interests of our Shareholders and us.

OVERVIEW

Our Board consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and the conduct of our business. The following table lists the current members of our Board and sets out certain information in respect of members of our Board.

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Responsibilities in our Group	Relationship with other Directors and/or senior management
Executive Directors						
Mr. Ngan Tim Wing (顏添榮)	55	Executive Director and chief executive officer of our Group	16 January 2020 *(Note 1)*	12 August 1994	Overall strategic development, and leading the business development of our Group	N/A
Ms. Chen Nga Man (陳雅雯)	40	Executive Director and assistant managing director of our wine department	1 April 2020	15 October 2001	Overall operational management of our wine department	N/A
Mr. Cheung Siu Ming Ringo (張兆明)	63	Executive Director and director of our import, export and co-loading department	1 April 2020	2 March 1998	Overall operational management of our import, export and co-loading department	N/A
Non-executive Director						
Mr. Lau Shek Yau John (劉石佑)	73	Non-executive Director and chairman of our Board	14 December 2017 *(Note 2)*	23 October 1991	Providing strategic advice at Board level	N/A

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Responsibilities in our Group	Relationship with other Directors and/or senior management
Independent Non-executive Directors						
Lam Hing Lun Alain (林慶麟)	60	Independent non-executive Director	17 September 2020	17 September 2020	Overseeing the overall affairs of our Group at Board level, being a member of the audit committee, the nomination committee, the corporate governance committee and the risk and compliance committee	N/A
Chan Chun Hung Vincent (陳鎮洪)	57	Independent non-executive Director	17 September 2020	17 September 2020	Overseeing the overall affairs of our Group at Board level, being a member of the audit committee, the remuneration committee and the nomination committee	N/A
Chun Chi Man (秦治民)	60	Independent non-executive Director	17 September 2020	17 September 2020	Overseeing the overall affairs of our Group at Board level, being a member of the audit committee, the remuneration committee and the corporate governance committee	N/A

Notes:

1. Mr. Ngan was appointed as our Director on 16 January 2020 and re-designated as executive Director on 1 April 2020.

2. Mr. Lau was appointed as our Director on 14 December 2017 and re-designated as non-executive Director on 1 April 2020.

Senior management

The following table lists the current member of our senior management (other than our Directors) who is primarily responsible for the operations and management of our Group:

Name	Age	Position	Date of joining of our Group	Date of first becoming senior management of our Group	Responsibilities in our Group	Relationship with other Directors and/or senior management
Mr. Tsang Chiu Ho (曾昭浩)	35	Chief financial officer of our Group and company secretary of our Company	17 June 2019	17 June 2019	Overall financial management, investor relations management and company secretarial matters	N/A

BOARD OF DIRECTORS

Executive Directors

Mr. Ngan Tim Wing (顏添榮), aged 55
Executive Director and chief executive officer of our Group

Mr. Ngan is an executive Director and the chief executive officer of our Group who is responsible for the overall strategic development, and leading the business development of our Group. He was appointed as Director on 16 January 2020 and re-designated as executive Director on 1 April 2020. Mr. Ngan has over 25 years of experience in management of logistics and freight forwarding business. He first joined our Group on 12 August 1994 as an marketing manager in the airfreight department of CS Airfreight, and was then promoted to deputy managing director of CS Airfreight in January 2000. Mr. Ngan became the chief executive officer of our Group in September 2019. Prior to joining our Group, Mr. Ngan acquired knowledge and experiences in marketing and sales in freight forwarding industry by holding the positions of marketing manager and accounting and sales officer in logistic companies from 1989 to 1994. Mr. Ngan is also a director of certain subsidiaries of our Group. Mr. Ngan obtained a bachelor's degree in science from the University of Waterloo in Canada in May 1990.

Mr. Ngan was a director of the following companies which were incorporated in Hong Kong and dissolved by deregistration. The relevant details of such dissolution of the companies are as follows:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution
CS FASHION LOGISTICS LIMITED	Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	3 November 2017	Deregistration
CAM-ON TRADING LIMITED	Ceased to carry on business or operation for more than three months immediately before application for deregistration	26 March 2004	Deregistration

Mr. Ngan confirmed that there was no wrongful act on his part leading to the dissolution and each of these companies was inactive and solvent at the time when they were dissolved and, so far as he is aware, the dissolution of these companies has not resulted in any liability or obligation being imposed against him.

Ms. Chen Nga Man (陳雅雯), aged 40
Executive Director and assistant managing director of our wine department

Ms. Chen is an executive Director and the assistant managing director of our wine department who is responsible for the overall operational management of our wine department. She was appointed as an executive Director on 1 April 2020. Ms. Chen has more than 18 years of experience in sales and marketing in the freight forwarding industry. She joined our Group on 15 October 2001 as the sales executive of CS Airfreight. She became the assistant managing director of CN Logistics HK in May 2016. Ms. Chen is also a director of certain subsidiaries of our Group. Ms. Chen completed her secondary education in Hong Kong in June 1997.

Mr. Cheung Siu Ming Ringo (張兆明), aged 63
Executive Director and director of our import, export and co-loading department

Mr. Cheung is an executive Director and the director of our import, export and co-loading department who is responsible for the overall operational management of our import, export and co-loading department. He was appointed as an executive director on 1 April 2020. Mr. Cheung has over 22 years of experience in management. He joined our Group on 2 March 1998 as the director of the airfreight department of CS Airfreight and was then promoted to the executive director of CS Airfreight in January 2000. Mr. Cheung is also a director of certain subsidiaries of our Group.

Mr. Cheung has vast experience in the freight forwarding industry. Mr. Cheung is currently a committee member and the chairman of the Logistics Policy Sub-committee of the Hongkong Association of Freight Forwarding and Logistics Limited (the "**HAFFA**"). He was appointed as the honorary secretary of HAFFA in April 2019.

Mr. Cheung completed the IATA-FIATA Air Cargo Training Course from International Air Transport Association and International Federation of Freight Forwarders Associations in December 1987. Mr. Cheung completed his secondary education in Hong Kong in June 1977.

Non-executive Director

Mr. Lau Shek Yau John (劉石佑), aged 73
Non-executive Director and chairman of our Board

Mr. Lau is a non-executive Director of our Group and chairman of our Board who is responsible for providing strategic advice at Board level but will neither be working on a full-time basis with our Group nor otherwise involved in the daily operation and management of our Group. Mr. Lau was appointed as Director on 14 December 2017 and re-designated as non-executive Director on 1 April 2020. Mr. Lau is our founder, and a Controlling Shareholder. He joined our Group as a director of CS Airfreight on 23 October 1991.

Mr. Lau has over 35 years of experience in trading, shipping and logistics industry in Hong Kong and China. Mr. Lau is the founder and has been the executive chairman and executive Director of eCargo Holdings Limited ("**eCargo**"), a company listed on the Australian Securities Exchange (ASX: ECG) and principally engages in the provision of software development services to its customers to develop their e-commerce platform and trading of food products, since its listing in November 2014. Mr. Lau is also a director of certain subsidiaries of our Group.

Mr. Lau was an independent non-executive director of Golden Eagle Retail Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3308) which principally engages in the development and operation of living centre and stylish department store chain, property development and hotel operation in the PRC from February 2006 to May 2011; the independent non-executive Director of Nanjing Sample Technology Company Limited* (南京三寶科技股份有限公司), a company first listed on GEM of the Stock Exchange (stock code: 8287) and later transferred to the Main Board of the Stock Exchange (stock code: 1708), which principally engages in the provision of visual identification and radio frequency identification device (RFID) technologies-based full solutions to intelligent transportation, customs logistics and other application areas, from August 2003 to May 2011.

Mr. Lau was a director of the following companies which were incorporated in Hong Kong and dissolved. The relevant details of such dissolution of the companies are as follows:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution
ASIAN LAND ENTERPRISES LIMITED	*Note 1*	1 April 2016	Deregistration
BALSAM MANUFACTURING LIMITED	*Note 2*	12 February 2020	Striking off
BELLEZZA FASHIONS LIMITED	*Note 1*	3 May 2002	Deregistration
CARGAS LEJANO ORIENTE LIMITED	*Note 1*	7 April 2017	Deregistration
Cargo Services Airfreight (Guangzhou) Limited	*Note 1*	6 July 2018	Deregistration
CARGO SERVICES AIRFREIGHT (SHANGHAI) LIMITED	*Note 1*	6 July 2018	Deregistration
CARGO SERVICES INTERNATIONAL LIMITED	*Note 1*	2 August 2002	Deregistration
CS ENVIRONMENTAL TECHNOLOGY LIMITED	*Note 1*	4 January 2013	Deregistration
CS FASHION LOGISTICS LIMITED	*Note 1*	3 November 2017	Deregistration
CS INTERNATIONAL LOGISTICS LIMITED	*Note 1*	8 November 2013	Deregistration
CS xBorder Limited	*Note 1*	6 July 2018	Deregistration
DOUBLE TRINITY COMPANY LIMITED	*Note 1*	8 June 2001	Deregistration
GOLD EARN (HONG KONG) LIMITED	*Note 1*	28 November 2014	Deregistration
HEAD MOON DEVELOPMENT LIMITED	*Note 1*	19 July 2002	Deregistration

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution
HONG TONG SHIPPING AGENCIES LIMITED	*Note 1*	2 August 2002	Deregistration
HONGKONG-NANJING ASSOCIATION LIMITED	*Note 2*	12 February 2010	Striking off
J & M LOGISTICS SERVICES LIMITED	*Note 1*	27 June 2003	Deregistration
JLE LIMITED	*Note 1*	24 April 2015	Deregistration
MACKAYS CHINA (HONG KONG) LIMITED	*Note 1*	10 May 2002	Deregistration
NONI (CHINA) LIMITED	*Note 1*	19 October 2001	Deregistration
NONI (H.K.) LIMITED	*Note 1*	23 February 2001	Deregistration
Pola Leisure & Recreation Corporation Limited	*Note 1*	6 July 2018	Deregistration
RAILCON CHINA LIMITED	*Note 1*	16 May 2003	Deregistration
Skytruck International Limited	*Note 3*	4 January 1999	Winding up by court order *(Note 4)*
VALOR RESOURCE CATERING MANAGEMENT HOLDINGS LIMITED	*Note 1*	24 December 2008	Deregistration
WWE Enterprise Hong Kong Limited	*Note 1*	17 July 2020	Deregistration
WWE Group Limited	*Note 1*	17 July 2020	Deregistration
ZINGLY LIMITED	*Note 1*	3 February 2017	Deregistration

Notes:

1. Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation.

2. Ceased to carry on business or operation prior to its dissolution.

3. Skytruck International Limited principally engaged in trucking business prior to its dissolution.

4. Skytruck International Limited was involved in a winding up proceeding commencing from 4 November 1998 in respect of an amount of approximately HK$80,000 owed to the petitioner. It was wound up by court order pursuant to the predecessor Companies Ordinance (Cap. 32 of the Laws of Hong Kong) on 4 January 1999.

Mr. Lau was also a director of the following companies which were incorporated in the BVI and dissolved or otherwise put into liquidation. The relevant details of such dissolution/ liquidation of the companies are as follows:

Name of company	Principal business activity prior to dissolution/ liquidation	Date of dissolution/ liquidation	Means of dissolution/ liquidation
ASIA PACIFIC INTERNATIONAL TOBACCO (HOLDINGS) LIMITED	*Note 1*	30 May 2001	Striking off
CARGAS LEJANO ORIENTE S.A.	*Note 1*	13 October 2008	Striking off
CARGO SERVICES HOLDINGS LIMITED	*Note 2*	31 October 2003/ 22 November 2004	Winding up by court order/ striking off by merger *(Note 3)*

Notes:

1. Ceased to carry on business or operation prior to its dissolution.

2. CARGO SERVICES HOLDINGS LIMITED principally engaged in shipping and forwarding agency business prior to its dissolution.

3. CARGO SERVICES HOLDINGS LIMITED was involved in a winding up proceeding commencing from 9 September 2002. An order for winding up of CARGO SERVICES HOLDINGS LIMITED was granted by the court in Hong Kong pursuant to the predecessor Companies Ordinance (Cap.32 of the Laws of Hong Kong) on 31 October 2003. CARGO SERVICES HOLDINGS LIMITED subsequently merged with CS Holdings with effect from 22 November 2004, and was struck off and ceased to exist under the BVI laws with effect from that date.

Mr. Lau confirmed that there was no wrongful act on his part leading to the dissolution and save as disclosed, Mr. Lau also confirmed that each of these companies was inactive and solvent at the time when they were dissolved and, so far as he is aware, the dissolution of these companies has not resulted in any liability or obligation being imposed against him.

Mr. Lau obtained a bachelor's degree in social science from The University of Hong Kong in October 1971. He was a committee member of the 11th election of the Chinese People's Political Consultative Conference in Nanjing* (中國人民政治協商會議南京市委員會).

Independent non-executive Directors

Mr. Lam Hing Lun Alain (林慶麟), aged 60
Independent non-executive Director

Mr. Lam is an independent non-executive Director. He was appointed as an independent non-executive Director on 17 September 2020. Mr. Lam has over 27 years of experience in accounting and finance. He is the independent non-executive Director who has the qualifications and experience to meet the requirements under Rule 3.10(2) of the Listing Rules.

Mr. Lam has been an executive director of Oriental Watch Holdings Limited ("**Oriental Watch**"), a company listed on the Main Board of the Stock Exchange (stock code: 0398) which principally engages in the trading of watches since April 2003. Before he became the executive director and finance director of Oriental Watch in April 2003, he was the financial controller of Oriental Watch during the period from August 1992 to April 2003, and has been the company secretary of Oriental Watch since August 1992.

Mr. Lam was a director of Poly Chance International Limited ("**Poly Chance**") which was incorporated in Hong Kong and dissolved by striking off on 18 May 2001. Poly Chance ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation. Mr. Lam confirmed that there was no wrongful act on his part leading to the dissolution and Poly Chance was inactive and solvent at the time when it was dissolved and, so far as he is aware, the dissolution of Poly Chance has not resulted in any liability or obligation being imposed against him.

Mr. Lam obtained a master's degree in business administration from The University of Hull in the United Kingdom in June 1997. He was admitted as a fellow of The Association of Chartered Certified Accountants in May 1996 and an associate member of the Hong Kong Institute of Certified Public Accountants in September 1991.

Mr. Chan Chun Hung Vincent (陳鎮洪), aged 57
Independent non-executive Director

Mr. Vincent Chan is an independent non-executive Director. He was appointed as an independent non-executive Director on 17 September 2020. Mr. Vincent Chan has over 25 years of experience in private equity management. Mr. Vincent Chan has been the senior managing director of Samena Capital Hong Kong Limited, which principally engages in private equity investment, since January 2016. Mr. Vincent Chan was the chief executive officer of Spring Capital Asia, Limited, which principally engages in private equity investment, from October 2007 to December 2015; the managing director and corporate director of JAFCO Investment (Asia Pacific) Ltd., which principally engages in private equity investment, from November 2000 to November 2007; the director of Suez Asia Holdings (Hong Kong) Limited, which principally engaged in investment management, from February 1997 to November 2000; and was last the senior manager of HSBC Private Equity Management Limited, which principally engages in investment management, from October 1991 to October 1994.

Mr. Vincent Chan is currently the president and executive director of the Hong Kong Venture Capital and Private Equity Association. Mr. Vincent Chan is currently a committee member of the 14th election of the Chinese People's Political Consultative Conference in Chengdu* (中國人民政治協商會議成都市委員會). Mr. Vincent Chan has been a member of the Main Board and GEM Listing Review Committees of the Stock Exchange from July 2020 onwards. He was a member of the Main Board and GEM Listing Committee of the Stock Exchange from May 2007 to May 2012 and a member of the Public Shareholders Group of the SFC from July 2005 to March 2011.

Mr. Vincent Chan was a director of the following companies which were incorporated in Hong Kong and dissolved by deregistration. The relevant details of such dissolution of the companies are as follows:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution
APEX STRATEGY LIMITED	Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	30 January 2014	Deregistration
SMART COMMAND LIMITED	Ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	30 January 2014	Deregistration

Mr. Vincent Chan confirmed that there was no wrongful act on his part leading to the dissolution and each of these companies was inactive and solvent at the time when they were dissolved and, so far as he is aware, the dissolution of these companies has not resulted in any liability or obligation being imposed against him.

Mr. Vincent Chan obtained a bachelor's degree in arts from The University of Hong Kong in November 1986 and a master's degree in business administration from The Victoria University of Manchester in July 1988. He was admitted as a chartered financial analyst of The Institute of Chartered Financial Analysts in September 1993.

Mr. Chun Chi Man (秦治民), aged 60
Independent non-executive Director

Mr. Chun is an independent non-executive Director. He was appointed as an independent non-executive Director on 17 September 2020. Mr. Chun has over 22 years of experience in property industry in PRC and Hong Kong. Mr. Chun has been the independent non-executive director of Tokyo Chuo Auction Holdings Limited, a company listed on the Main Board of Stock Exchange (stock code: 1939), which principally engages in auctioneering a wide variety of Chinese and Japanese artworks, since September 2018. Mr. Chun was the General Manager (Leasing) of Century Link, a property developed by Hutchison Property Group Limited from March 2015 to December 2016, the General Manager – commercial of The Hub of Hong Qiao, a property developed by China Xintiandi from January 2014 to November 2014, the General Manager of L Development & Management (Shanghai) Co., Ltd which principally engaged in property management, from September 2010 to December 2013, the Deputy General Manager of Lai Fung Holdings Limited, a company listed on the Main Board of Stock Exchange (stock code: 1125), which principally engages in property development and investment, from September 2007 to July 2010. Mr. Chun held various managerial positions at Hutchison Whampoa Properties Limited from July 1995 to July 2005.

Mr. Chun obtained a bachelor's degree of Science from University of Salford in the United Kingdom in July 1987. He is currently a member of the 1st election of the Chinese People's Political Consultative Conference in Chongming District of Shanghai* (中國人民政治協商會議上海市崇明區委員會).

Mr. Chun was the director of Union Best Cultural Investment Limited (銘匯文化投資有限公司) ("**Union Best**") which was incorporated in Hong Kong and was dissolved by deregistration on 13 March 2015. This company has not been in operation or carried on business during the three months immediately before the application for deregistration or has not commenced business or operation. Mr. Chun confirmed that there was no wrongful act on his part leading to the dissolution and Union Best was inactive and solvent at the time when it was dissolved and, so far as he is aware, the dissolution of Union Best has not resulted in any liability or obligation being imposed against him.

General

Save as disclosed above and in the section headed "Relationship with Our Controlling Shareholders", each of our Directors:

(i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date;

(iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and

(iv) confirmed, to the best of his or her knowledge, information and belief having made all reasonable enquiries, there were no other matters that need to be brought to the attention of our Shareholders in connection with his or her appointment, and there was no information relating to him or her required to be disclosed under Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

As at the Latest Practicable Date, save for the interests of each of the executive Directors and non-executive Director in the Shares which are disclosed in the paragraph headed "Statutory and General Information – Further Information about our Directors and Shareholders – 13. Directors" in Appendix IV to this prospectus setting out certain information in respect our Directors in the shares, underlying shares or debenture of our Company and our associated corporation following the Global Offering, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Tsang Chiu Ho (曾昭浩), aged 35
Chief financial officer of our Group and company secretary of our Company

Mr. Tsang is the chief financial officer of our Group and company secretary of our Company who is responsible for the overall financial management, investor relations management and company secretarial matters of our Group. He joined our Group on 17 June 2019. Mr. Tsang has over 12 years of experience in the finance industry, accounting and general management. Prior to joining our Group, Mr. Tsang worked in Defond Electrical Industries Limited from August 2018 to May 2019 and his last position was senior finance manager. He worked at Kidsland International Holdings Limited, a company listed in the Main Board of the Stock Exchange (stock code: 2122) which principally engages in toy retailing in Hong Kong and toy and infant product retailing and wholesaling in the PRC from May 2017 to July 2018, where his last position was financial controller. Mr. Tsang was also the senior finance manager of SenseTime Group Limited, which principally engages in the development of artificial intelligence technologies, from November 2016 to May 2017; the finance manager of TCL Communication Limited, which principally engages in distribution of mobile devices, from October 2015 to October 2016; and the accounting manager of China E-Rental Hong Kong Company Limited (currently known as China Wood Financial Hong Kong Company Limited and a wholly-owned subsidiary of E-Rental Car Company Limited (currently known as China Wood International Holding Co., Limited) which is currently listed on the Main Board of the Stock Exchange (stock code: 1822)), which principally engages in materials trading and provision of intercompany management services, from September 2014 to October 2015. Mr. Tsang also worked in Ernst & Young, which principally engages in the provision of advisory, assurance, tax and transaction services, from December 2010 to August 2014 and his last position was manager of assurance department. From September 2007 to December 2010, Mr. Tsang worked in Deloitte Touche Tohmatsu, which principally engages in the provision of audit, consulting, financial advisory, risk advisory, tax services and industry insights, and his last position was audit senior.

Mr. Tsang was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in January 2011. He obtained a bachelor's degree of business administration from The Chinese University of Hong Kong in December 2007.

General

Save as disclosed above, none of our members of senior management held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Tsang Chiu Ho (曾昭浩), aged 35
Company secretary of our Company

Mr. Tsang is our company secretary. He was appointed as our company secretary on 10 March 2020. Please refer to his biographical details in the paragraph headed "Senior Management" in this section.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain an appropriate balance of diversity perspectives of our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate skills, expertise and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of diversity perspectives, including but not limited to skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board and the business needs of our Company from time to time. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward. Our Board comprises of seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, finance and accounting experiences in addition to freight forwarding business. Furthermore, our Board has a wide range of age, ranging from 40 years old to 73 years old, and comprises of one female Director and six male Directors. We also have a good mix of new and experienced Directors, who have valuable knowledge and insights of our Group's business over the years, while the new Directors are expected to bring in fresh ideas and new perspective to our Group. Our nomination committee will (i) report annually, in the corporate governance report contained in our annual report, on our Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy; and (ii) will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required, and recommend any such revisions to our Board for consideration and approval.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of remuneration of our Directors for FY2017, FY2018, FY2019 and 3M2020 were approximately HK$5.9 million, HK$5.8 million, HK$8.1 million and HK$1.9 million, respectively. Details of the arrangement for remuneration are set out in Note 8 to the Accountants' Report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors' service agreements and letters of appointment referred to in the paragraph headed "Statutory and General Information – Further Information about our Directors and Shareholders – 13. Directors" in Appendix IV to this prospectus, the aggregate amount of directors' fee and other emoluments payable to our Directors for the year ending 31 December 2020 is estimated to be approximately HK$8.4 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services forums or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, the remuneration committee of our Company will make recommendations to our Board on the overall remuneration packages of individual executive Directors and senior management of our Group of our Directors and senior management with reference to salaries paid by comparable companies, their respective time commitment and responsibilities and the performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors as an inducement to join or upon joining us. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period. For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Notes 8 and 9 to the Accountants' Report in Appendix I to this prospectus.

BOARD COMMITTEES

The audit committee, remuneration committee, nomination committee, corporate governance committee and risk and compliance committee of our Company were approved to be established by resolutions passed by our Board on 17 September 2020. The membership of such committee are as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Risk and Compliance Committee
Executive Directors					
Mr. Ngan	–	Member	–	Member	Chairman
Ms. Chen	–	–	–	–	–
Mr. Cheung	–	–	–	–	Member
Non-executive Director					
Mr. Lau	–	–	Chairman	–	–
Independent non-executive Directors					
Mr. Lam	Chairman	–	Member	Member	Member
Mr. Vincent Chan	Member	Chairman	Member	–	–
Mr. Chun	Member	Member	–	Chairman	–

The functions of the above five committees are summarised as follows:

Audit committee

Our Company has established an audit committee with written terms of reference in compliance with Code C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our audit committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, to review the financial statements and material advice in respect of financial reporting, to oversee the internal control and risk management systems of our Company. At present, our audit committee comprises Mr. Lam, Mr. Vincent Chan and Mr. Chun, all being independent non-executive Directors. Mr. Lam is the Chairman of our audit committee.

Remuneration committee

Our Company has established a remuneration committee with written terms of reference in compliance with Code B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of our remuneration committee are to make recommendations to our Board on the overall remuneration packages of individual executive Directors and senior management of our Group and review performance based remuneration. At present, our remuneration committee comprises Mr. Ngan, Mr. Vincent Chan and Mr. Chun. Mr. Vincent Chan is the chairman of our remuneration committee.

Nomination committee

Our Company has established a nomination committee with written terms of reference in compliance with Code A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board and to make recommendations to the Board on any proposed changes to the Board composition; to assess the independence of independent non-executive Director; to identify individual suitably qualified as potential Board members and to select or make recommendation to the Board regarding candidates to fill vacancies on our Board; and to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning of our Directors. At present, our nomination committee comprises Mr. Lau, Mr. Lam and Mr. Vincent Chan. Mr. Lau is the chairman of the nomination committee.

Corporate governance committee

Our Company has established a corporate governance committee with written terms of reference. The primary functions of our corporate governance committee are to introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy of our Group. At present, our corporate governance committee comprises Mr. Ngan, Mr. Lam and Mr. Chun. Mr. Chun is the chairman of the corporate governance committee.

Risk and Compliance Committee

Our Company has established a risk and compliance committee. The primary functions of our risk and compliance committee are to monitor our exposure to sanctions risks and our implementation of the related internal control procedures. At present, our risk and compliance committee comprises Mr. Ngan, Mr. Cheung and Mr. Lam. Mr. Ngan is the chairman of the risk and compliance committee.

COMPLIANCE ADVISER

We have appointed CMBC International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us, among others, at the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares, or any other matters.

The term of appointment of our compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 17 September 2020 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for new Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and General Information – Other Information – 16. Share Option Scheme" in Appendix IV to this prospectus.

OVERVIEW

Upon the Listing, the transactions set forth below will constitute continuing connected transactions (as defined in the Listing Rules) of our Company (collectively, the "**Continuing Connected Transactions**"):

	Name of Connected Person	Relationship with our Company	Nature of transaction	Term	Waiver sought
Non-exempted continuing connected transactions					
1.	Empire Transportation Company Limited ("**Empire**")	Empire is a company wholly-owned by the brother of Mr. Ngan. It is a connected person of our Company by virtue of being an associate of Mr. Ngan, an executive Director and chief executive officer of our Group	Provision of trucking services to our Group	From 1 January 2020 to 31 December 2020	Applied for waiver from strict compliance with announcement requirement
2.	Transway Logistics Company Limited ("**Transway**")	Transway is a company owned as to 50% by the sister of Mr. Ngan, and as to 50% by the brother-in-law of Mr. Ngan. It is a deemed connected person of our Company by virtue of the relationship of Transway's shareholders with Mr. Ngan	Provision of trucking services to our Group	From 1 January 2020 to 31 December 2020	Applied for waiver from strict compliance with announcement requirement
3.	Allport Cargo Services Limited ("**Allport Services**")	Allport Services is the holding company (having such meaning as defined in the Listing Rules) of Princetonhall Limited. It is a connected person of our Company by virtue of being an associate of Princetonhall Limited, a substantial shareholder of CS Shanghai BVI (one of our subsidiaries)	Provision of air freight forwarding services to our Group; or Engaging our Group for the provision of the above services	From 17 September 2020 to 31 December 2022	Applied for waiver from strict compliance with announcement requirement

	Name of Connected Person	Relationship with our Company	Nature of transaction	Term	Waiver sought
4.	CS Group (for itself and as trustee for the benefit of its associates excluding our Group)	By virtue of being a Controlling Shareholder	Provision of air and/or ocean freight forwarding services to our Group; or Engaging our Group for the provision of air freight forwarding services	From 17 September 2020 to 31 December 2022	Applied for waiver from strict compliance with announcement and independent Shareholders' approval requirements
5.	CS Far East	By virtue of being a member of the Controlling Shareholder Group	Engaging our Group for the provision of air freight forwarding services for shipment of nitrile gloves	From 20 June 2020 to 31 March 2021	Applied for waiver from strict compliance with announcement and independent Shareholders' approval requirements
6.	CN France HK (for itself and as trustee for the benefit of its subsidiary)	By virtue of being a connected subsidiary of our Company	Provision of air and/or ocean freight forwarding services to our Group; or Engaging our Group for the provision of the above services	From 17 September 2020 to 31 December 2022	Applied for waiver from strict compliance with announcement and independent Shareholders' approval requirements

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

1. Provision of trucking services to our Group

(a) Empire

Major terms of the transactions

On 17 September 2020, we entered into a trucking services agreement (the "**Empire Trucking Services Agreement**") with Empire, pursuant to which Empire, as a trucking service provider, agreed to provide trucking services to our Group in Hong Kong. The term of the Empire Trucking Services Agreement is for a period from 1 January 2020 to 31 December 2020.

Pricing policy and principal terms

Pursuant to the Empire Trucking Services Agreement, the service fees to be paid to Empire will be determined in accordance with the agreed fixed charging rates as set out in the agreement. The charging rates applicable to each service will be determined based on, among others, the customers being served, the number of cartons to be delivered, type of products being delivered, location of pick-up point and delivery destination, and time of delivery (e.g. business days or public holidays).

Reasons for the transactions

Empire is a company wholly-owned by Mr. Ngan Tim Ming, the brother of Mr. Ngan, and principally engages in the provision of trucking services in Hong Kong. During the Track Record Period, we engaged Empire for the provision of trucking services to our Group for the delivery of products in Hong Kong either from our warehouse to our customer's designated location, and/or from our customer's designated location to our warehouse or other location(s) as specified by our customers. Empire has been providing trucking services to our Group for over 10 years and it mainly assists us in delivery of products for our high-end fashion customers. Given its quality and reliable trucking services provided over the years, we will continue to engage Empire as one of our trucking services providers.

Historical amount

During the Track Record Period, the approximate total service fees paid by our Group to Empire for the provision of trucking services are set out below:

	For the year ended 31 December			For the three months ended 31 March
	2017	**2018**	**2019**	**2020**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Total service fees paid to Empire	11,600	15,087	18,351	1,658

Annual cap

Our Directors estimate that the annual service fees paid or to be paid by our Group under the Empire Trucking Services Agreement for the year ending 31 December 2020 will be as follows:

	For the year ending 31 December 2020
	(HK$'000)
Annual service fees paid or to be paid to Empire	20,994

(b) Transsway

Major terms of the transactions

On 17 September 2020, we entered into a trucking services agreement (the "**Transway Trucking Services Agreement**") with Transway, pursuant to which Transway, as a trucking service provider, agreed to provide trucking services to our Group in Hong Kong. The term of the Transway Trucking Services Agreement is for a period from 1 January 2020 to 31 December 2020.

Pricing policy and principal terms

Pursuant to the Transway Trucking Services Agreement, the service fees to be paid to Transway will be determined in accordance with the agreed fixed charging rates as set out in the agreement. The charging rates applicable to each service will be determined based on, among others, the customers being served, the number of cartons to be delivered, type of truck or van being engaged and location of pick-up point and delivery destination.

Reasons for the transactions

Transway is a company owned as to 50% by Ms. Ngan Yuk Chu, the sister of Mr. Ngan, and as to 50% by Mr. Li Man Chiu, the brother-in-law of Mr. Ngan, and principally engages in the provision of trucking services in Hong Kong. During the Track Record Period, we engaged Transway for the provision of trucking services to our Group for the delivery of products in Hong Kong either from our warehouse to our customer's designated location and/or from our customer's designated location to our warehouse or other location(s) as specified by our customers. Transway has been providing trucking services to our Group for over 10 years and it mainly assists us in delivery of products for our fashion branded customers. Given its quality and reliable trucking services provided over the years, we will continue to engage Transway as one of our trucking services providers.

Historical amount

During the Track Record Period, the approximate total service fees paid by our Group to Transway for the provision of trucking services are set out below:

	For the year ended 31 December			**For the three months ended 31 March**
	2017	**2018**	**2019**	**2020**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Total service fees paid to Transway	7,209	7,995	8,065	777

Annual cap

Our Directors estimate that the annual service fees paid or to be paid by our Group under the Transway Trucking Services Agreement for the year ending 31 December 2020 will be as follows:

	For the year ending 31 December 2020 *(HK$'000)*
Annual service fees paid or to be paid to Transway	9,226

(c) Basis of determination

In determining the above proposed annual caps for each of the Empire Trucking Services Agreement and Transway Trucking Services Agreement for the year ending 31 December 2020, our Directors have considered generally:

(a) the respective historical transaction amount as set out above;

(b) the expected demand for trucking services by our Group in Hong Kong;

(c) the expected growth of approximately 4% in demand of trucking services by our Group in Hong Kong;

(d) the 10% buffer to cater for the unanticipated increase in demand for trucking services by our Group in Hong Kong; and

(e) the range of historical market prices of trucking services in Hong Kong during the Track Record Period and the anticipated market prices of trucking services in Hong Kong.

(d) Our Directors' view

Our Directors (including our independent non-executive Directors), after reviewing the terms of each of the Empire Trucking Services Agreement and Transway Trucking Services Agreement, are of the view that each of the Empire Trucking Services Agreement and Transway Trucking Services 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 our Group and that the terms of each of the Empire Trucking Services Agreement and Transway Trucking Services Agreement as well as the respective proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

(e) Listing Rules implications

As at the Latest Practicable Date, Empire was wholly-owned by the brother of Mr. Ngan. Mr. Ngan is an executive Director and chief executive officer of our Group. As such, Empire is an associate of Mr. Ngan and hence a connected person of our Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Transway was owned as to 50% by the sister of Mr. Ngan and as to 50% by the brother-in-law of Mr. Ngan. By virtue of the relationship of its shareholders with Mr. Ngan, Transway is a deemed connected person of our Company under Rule 14A.21 of the Listing Rules.

Based on the respective proposed annual caps for the services fees paid or to be paid to each of Empire and Transway, it is expected that each of the percentage ratios (other than the profits ratio) will be less than 5% on annual basis. Accordingly, each of the Empire Trucking Services Agreement and Transway Trucking Services 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.

2. Provision of air freight forwarding services to our Group or engaging our Group for the provision of such services

Allport Services

Major terms of the transactions

On 17 September 2020, we entered into a master agency agreement (the "**Allport Master Agency Agreement**") with Allport Services, pursuant to which Allport Services and each of CN International, CS International, CN Guangzhou, CN Jiada and CN Logistics HK ("**CN CT Group**") appoints each other as agent (i.e. business partner) for the provision of air freight forwarding services in relation to shipments with origins or destinations in the PRC (for the purpose of this agreement includes Hong Kong and Macau) and the United Kingdom. The term of the Allport Master Agency Agreement is for a period from the date thereof to 31 December 2022.

Pricing policy and principal terms

(a) *Where our Group acts as the freight forwarding agent:* The service fee to be paid by Allport Services 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 CN CT Group with reference to prevailing market rates. We implement a pricing policy which is determined by our management from time to time and is generally applicable to our other Independent Third Party customers. Under such pricing policy, the air freight service fee to be offered by our Group to our customers will be determined with reference to the then prevailing air freight cost plus certain percentage of profit margin. Such profit margin will be determined by our 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 our management from time to time may consider material. Such profit margin is subject to such discretionary adjustments as may be made available by our Group based on the then prevailing discount rate policies of our Group, such as discounts for high volume orders, which are generally applicable to our other Independent Third Party customers.

(b) *Where Allport Services acts as the freight forwarding agent:* The service fee to be paid by the relevant member of the CN CT Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with Allport Services with reference to prevailing market rates. We 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 forwarder service providers of comparable services, the track record and reputation of other Independent Third Party freight forwarder service providers as compared with Allport Services and our own budget and financial position.

Reasons for the transactions

Allport Services is the holding company (having such meaning as defined in the Listing Rules) of Princetonhall Limited and principally engages 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 Latest Practicable Date, CS Group owned the entire shareholding interest in ACS Logistics Holdings Limited ("**ACS Logistics**"), which is an investment holding company and which in turn owns indirectly 18% shareholding interest in Allport Services. Mr. Lau, through his wholly-owned investment holding company, is also indirectly interested in 2% shareholding interest in Allport Services. Three other Independent Third Parties are indirectly interested in the remaining 80% of the shareholding interests of Allport Services.

Allport Services is a member of a leading logistics group in the United Kingdom and had been our freight forwarder business partner during the Track Record Period. Our Group will benefit from the freight forwarding business brought in by Allport Services and the freight forwarding services it could provide to us in the United Kingdom in which we have no local presence.

Historical amount

During the Track Record Period, the approximate transaction amount between our Group and Allport Services for the provision and supply of air freight forwarding services are set out below:

	For the year ended 31 December			For the three months ended 31 March
	2017	**2018**	**2019**	**2020**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
(i) Cost of services charged by Allport Services	–	1,690	627	33
(ii) Revenue derived from Allport Services	168,731	139,743	110,414	9,167

Note: The above historical amount represents the transaction amount between our Group and Allport Services and/or its associates for the provision and supply of air freight forwarding services in relation to shipments with the origins or destinations in the PRC or the United Kingdom. During the Track Record Period, our Group and Allport Services and/or its associates have also engaged each other as business partner for the provision and supply of air and/or ocean freight forwarding services in other jurisdictions, including but not limited to the provision of air and/or ocean freight forwarding services in the United States before the disposal of CN US. After Listing, if our Group and Allport Services engage each other as business partner for air and/or ocean freight forwarding services in other jurisdiction, or enter into other transaction which is not covered under the Allport Master Agency Agreement, we will comply with the applicable requirements under Chapter 14A of the Listing Rules.

Annual caps

Our Directors estimate that the annual transaction amount between our Group and Allport Services in respect of the provision and supply of air freight forwarding services contemplated under the Allport Master Agency Agreement for the three years ending 31 December 2022 will be as follows:

	For the year ending 31 December		
	2020	**2021**	**2022**
	(HK$'000) *(Note)*	*(HK$'000)*	*(HK$'000)*
(i) Cost of services to be charged by Allport Services	21,155	2,498	746
(ii) Revenue to be derived from Allport Services	121,455	126,314	131,366

Note: The above annual caps for the year ending 31 December 2020 are inclusive of all the service fees charged or chargeable by our Group or (as the case may be) Allport Services for the provision and supply of air freight forwarding services since 1 January 2020 and before the signing of the Allport Master Agency Agreement, and the services fee chargeable under the Allport 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 Allport Master Agency Agreement for the three years ending 31 December 2022, our Directors have considered generally:

(a) the historical service fees charged by our Group or (as the case may be) Allport Services during the Track Record Period for the provision and supply of air freight forwarding services;

(b) (for the year ending 31 December 2020) the respective service fees charged by our Group or (as the case may be) Allport Services for the provision and supply of air freight forwarding services since 1 January 2020 and before the signing of the Allport Master Agency Agreement;

(c) the expected demand for air freight forwarding services by our Group and Allport Services, respectively (including the expected demand for air freight forwarding services by our Group from Allport Services for the year ending 31 December 2020 arising from the air freight forwarding services for the shipments of nitrile gloves in respect of the agreement entered into between our Group and a member of the Controlling Shareholder Group as mentioned below. Please also refer to the paragraph headed "Relationship with our Controlling Shareholders – Related party transactions relating to freight forwarding business among our Group and the Controlling Shareholder Group and the Allport Group" in this prospectus for further details of such agreement);

(d) (for the year ending 31 December 2021) the buffer to cater for the service fees that may be charged by Allport Services to our Group in early 2021 as a result of any possible delay in shipments of nitrile gloves to the United Kingdom under the Nitrile Gloves Agency Agreement as mentioned below (which, as at the Latest Practicable Date, were scheduled to be delivered in late December 2020) due to, among others, holidays, pandemic, strikes, lock-outs or other circumstances which may not be within the control of our Group;

(e) (for the year ending 31 December 2021 and 2022) the expected growth of approximately 4% in demand of air freight forwarding services by our Group and Allport Services. Such expected growth was determined with reference to the expected growth of the integrated air freight forwarding industry in the PRC between 2019 and 2024 as indicated in the CIC Report; and

(f) the 10% buffer on the historical transaction amounts for the year ended 31 December 2019 to cater for the unanticipated increase in transaction amount among our Group and Allport Services under the Allport Master Agency Agreement.

Our Directors' view

Our Directors (including our independent non-executive Directors), after reviewing the terms of the Allport Master Agency Agreement, are of the view that the Allport 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 our Group and that the terms of the Allport Master Agency Agreement as well as the proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

Listing Rules implications

As at the Latest Practicable Date, Allport Services was the holding company (having such meaning as defined in the Listing Rules) of Princetonhall Limited. Princetonhall Limited is a substantial shareholder of CS Shanghai BVI, being our subsidiary. As such, Allport Services is a connected person of our Company at subsidiary level under Chapter 14A of the Listing Rules.

On the basis that Allport Services is a connected person of our Company at subsidiary level only, by virtue of Rule 14A.101 of the Listing Rules, the Allport 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.

3. Provision of air and/or ocean freight forwarding services to our Group, or engaging our Group for the provision of air freight forwarding services

(a) CS Group (for itself and as trustee for the benefit of its associates excluding our Group) and CS Far East

Major terms of the transactions

On 17 September 2020, we entered into a master agency agreement (the "**CS Group Master Agency Agreement**") with CS Group (for itself and as trustee for the benefit of its associates from time to time (excluding our Group)) ("**CS CT Group**"), pursuant to which (i) CS Group (for itself and as trustee for the benefit of the relevant member of the CS CT Group) have appointed our Company (for itself and on behalf of the relevant member of our Group) as CS CT Group's agent (i.e. business partner) for the provision of air freight forwarding services in the PRC, Hong Kong, Taiwan, France, Japan, Switzerland, Italy, Korea and other jurisdictions in which our Group has local presence from time to time, and in respect of CS CT Group's air freight forwarding business in the United States for the import of goods into the United States as destination; and (ii) our Company (for itself and on behalf of the relevant member of our Group) have appointed CS Group (for itself and as trustee for the benefit of the relevant member of CS CT Group) as our Group's agent (i.e. business partner) for the provision of air and/or ocean freight forwarding services in the PRC, Hong Kong, the United States, the Philippines, India, South Africa, Singapore and other jurisdictions in which CS CT Group has local presence from time to time. The term of the CS Group Master Agency Agreement is for a period from the date thereof to 31 December 2022.

In addition, on 5 August 2020, CN Logistics HK (an indirect non-wholly owned subsidiary of our Company) and CS Far East (a member of the Controlling Shareholder Group) entered into an agency agreement (the "**Nitrile Gloves Agency Agreement**") pursuant to which CS Far East has appointed CN Logistics HK as agent for the provision of air freight forwarding services in relation to shipments of an agreed volume of nitrile gloves to the United Kingdom primarily from Shanghai, the PRC in batches on or before 31 March 2021. The term of the Nitrile Gloves Agency Agreement is for a period from 20 June 2020 to 31 March 2021.

Pricing policy and principal terms

CS Group Master Agency Agreement

(a) *Where our Group acts as the freight forwarding agent:* The service fee to be paid by the relevant member of CS CT 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 our Group with reference to our pricing policy as determined by our management from time to time which are generally applicable to our other Independent Third Party customers. Under such pricing policy, the air freight service fee to be offered by our Group to our customers will be determined with reference to the then prevailing air freight cost plus certain percentage of profit margin. Such profit margin will be determined by our management from time to time with reference to, among others, the timetable of aircraft carriers, the route, popularity of the route, seasonality, and any other factors in which our management from time to time may consider material. Such profit margin is subject to such profit discretionary adjustments as may be made available by our Group based on the then prevailing discount rate policies of our Group, such as discounts for high volume orders, which are generally applicable to our other Independent Third Party customers.

(b) *Where CS CT Group acts as the freight forwarding agent:* The service fee to be paid by the relevant member of our 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 CS CT Group with reference to freight volume and size, nature and requirements of items on freight, air freight or ocean freight charges otherwise offered by other Independent Third Party freight forwarder service providers of comparable services, the track record and reputation of other Independent Third Party freight forwarder service providers as compared with the relevant member of CS CT Group, and our own budget and financial position.

Pursuant to the terms and conditions of the CS Group Master Agency Agreement, the service fee constituted by an accepted air freight order or ocean freight order shall be on normal and usual commercial terms and (where our Group acts as the agent) such service fee shall be on terms no less favourable to our Group than those then offered by our Group to other Independent Third Party customers for similar services of comparable quality.

Nitrile Gloves Agency Agreement

The aggregate contract sum paid or payable by CS Far East to CN Logistics HK shall be up to US$27.0 million, to be calculated based on the actual volume of nitrile gloves to be shipped and on the basis of US$0.03 per nitrile glove. Such contract sum had been determined by reference to, among others, (a) the prevailing air freight forwarding services costs and the actual costs incurred for the shipments completed since June 2020, plus percentage of profit margin by reference to our Group's gross profit margin of air freight forwarding service segment; (b) the prevailing unit rate charged by our Group for the provision of air freight forwarding services for shipment of medical products for shipment from the PRC to Europe; and (c) the quantity of nitrile gloves shipped or to be shipped under the Nitrile Gloves Agency Agreement (which was based on the number of nitrile gloves ordered by the Controlling Shareholder Group's customer in the United Kingdom).

Reasons for the transactions

CS Group is one of our Controlling Shareholders and is an investment holding company. The CS CT Group, including CS Far East, principally engages in the provision of ocean freight forwarding services in the PRC for its domestic and overseas customers, mainly supermarkets and department stores in the PRC, United Kingdom and Australia. CS Group is ultimately owned by Mr. Lau and Ms. Cynthia Lau.

During the Track Record Period, there had been engagements for the provision of air freight and/or ocean freight forwarding services between our Group and the CS CT Group as business partner.

In the event that members of CS CT Group requires air freight forwarding services, members of the CS CT Group may engage us as business partner for the provision of stand-alone air freight forwarding services (i.e. import of goods into the United States from overseas points of origins). Besides, CS Far East, as our direct customer, has also engaged our Group for the provision of air freight forwarding services for shipping the nitrile gloves supplied by it to its customer in the United Kingdom. On the other hand, our Group may engage CS CT Group as business partner for ocean freight forwarding services, outside Italy and Taiwan to complete the provision of ocean freight forwarding services in such two jurisdictions, or for our incidental ocean freight forwarding services in jurisdiction in which we have no local presence. Also, our Group may engage CS CT Group as business partner for the provision of local services in the United States to complete our provision of air freight forwarding services to or from the United States. Given such, the CS Group Master

Agency Agreement and the Nitrile Gloves Agency Agreement were entered into to govern the anticipated air and/or ocean freight forwarding transactions.

Historical amount

During the Track Record Period, the approximate transaction amount between our Group and CS CT Group for the provision and supply of air and/or ocean freight forwarding services are set out below:

	For the year ended 31 December			For the three months ended 31 March
	2017	**2018**	**2019**	**2020**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
(i) Cost of services charged by CS CT Group	9,878	22,753	23,678	4,813
(ii) Revenue derived from CS CT Group	47,041	50,510	65,796	47,053

Annual caps

Our Directors estimate that the aggregate annual transaction amount between our Group and CS CT Group in respect of the provision and supply of air and/or ocean freight forwarding services contemplated under the CS Group Master Agency Agreement and the Nitrile Gloves Agency Agreement for the three years ending 31 December 2022 will be as follows:

	For the year ending 31 December		
	2020	**2021**	**2022**
	(HK$'000) *(Note 1)*	*(HK$'000)*	*(HK$'000)*
(i) Cost of services to be charged by CS CT Group *(Note 2)*	56,818	59,091	61,454
(ii) Revenue to be derived from CS CT Group *(Note 3)*	288,318	20,844	3,300

Notes:

1. The above annual caps for the year ending 31 December 2020 are inclusive of all the service fees charged or chargeable by our Group or (as the case may be) CS CT Group for the provision and supply of air and/or ocean freight forwarding services since 1 January 2020 and before the signing of the CS Group Master Agency Agreement and the Nitrile Gloves Agency Agreement, and the estimated services fees chargeable under the CS Group Master Agency Agreement and the Nitrile Gloves Agency Agreement.

2. The annual caps of the cost of services to be charged by the CS CT Group for each of the years ending 2020, 2021 and 2022 includes the estimated services fees chargeable by CS CT Group under the CS Group Master Agency Agreement for (i) the provision of ocean freight forwarding services by CS CT Group (a) outside Italy and Taiwan to complete our provision of ocean freight forwarding services in such two jurisdictions; and (b) for our incidental ocean freight forwarding services; and (ii) the provision of local services by CS CT Group in the United States to complete our provision of air freight forwarding services to or from the United States.

3. The annual caps of the revenue to be derived from CS CT Group for each of the years ending 2020, 2021 and 2022 includes the estimated services fees chargeable by our Group under (i) the CS Group Master Agency Agreement for the provision of air freight forwarding services by our Group for the export services at the overseas points of origins and the freight arrangement to the United States; and (ii) (for the year ending 31 December 2020 and 2021) the Nitrile Gloves Agency Agreement.

Basis of determination

In determining the above proposed annual caps in respect of the provision and supply of air and/or ocean freight forwarding services contemplated under the CS Group Master Agency Agreement and the Nitrile Gloves Agency Agreement for the three years ending 31 December 2022, our Directors have considered generally:

(a) the historical service fees charged by our Group or (as the case may be) CS CT Group during the Track Record Period for (i) the provision ocean freight forwarding services by CS CT Group, outside Italy and Taiwan, and for our incidental ocean freight forwarding services; and (ii) the provision of air freight forwarding services by our Group for the export services at the overseas points of origins and the freight arrangement to the United States;

(b) (for the year ending 31 December 2020) the respective service fees charged by our Group or (as the case may be) CS CT Group for the provision and supply of air and/or ocean freight forwarding services since 1 January 2020 and before the signing of the CS Group Master Agency Agreement and the Nitrile Gloves Agency Agreement;

(c) the expected demand of CS CT Group for our air freight forwarding services (including (for the annual cap for the year ending 31 December 2020) the agreed contract sum paid or payable by CS Far East to CN Logistics HK for the year ending 31 December 2020 in respect of the provision of air freight forwarding services by CN Logistics HK for the shipments of nitrile gloves to the United Kingdom under the Nitrile Gloves Agency Agreement as aforesaid, and the export services at the overseas points of origins and the freight arrangement to the United States, which is expected to be not more than HK$3.0 million per year);

(d) (for the year ending 31 December 2021) the buffer to cater for the service fees that may be charged and recognised by our Group in early 2021 as a result of any possible delay in shipments of nitrile gloves to the United Kingdom under the Nitrile Gloves Agency Agreement (which, as at the Latest Practicable Date were scheduled to be delivered in late December 2020) due to, among others, holidays, pandemic, strikes, lock-outs or other circumstances which may not be within the control of our Group;

(e) the expected demand of our Group for ocean freight forwarding services of CS CT Group outside Italy and Taiwan to complete our provision of ocean freight forwarding services in such two jurisdictions by our Group, and for our incidental ocean freight forwarding services;

(f) the expected growth of approximately 4% in demand of the ocean freight forwarding services as referred to in sub-paragraph (e) above by our Group; and

(g) the 10% buffer to cater for the unanticipated increase in transaction amount among our Group and CS CT Group under the CS Group Master Agency Agreement.

(b) CN France HK (for itself and as trustee for the benefit of its subsidiary)

Major terms of the transactions

On 17 September 2020, we entered into a master agency agreement (the "**CN France Master Agency Agreement**") with CN France HK (for itself and as trustee for the benefit of its subsidiary from time to time) ("**CN France Group**"), pursuant to which (i) CN France HK (for itself and as trustee for the benefit of the relevant member of the CN France Group) have appointed our Company (for itself and on behalf of the relevant member of our Group (excluding CN France Group)) as CN France Group's agent for the provision of air and/or ocean freight forwarding services in jurisdictions in which our Group has local presence from time to time; and (ii) our Company (for itself and on behalf of the relevant member of our Group (excluding CN France Group)) have appointed CN France HK (for itself and as trustee for the benefit of the relevant member of CN France Group) as our Group's agent for the provision of air and/or ocean freight forwarding services in jurisdictions in which CN France Group has local presence from time to time. The term of the CN France Master Agency Agreement is for a period from the date thereof to 31 December 2022.

Pricing policy and principal terms

(a) *Where our Group acts as the freight forwarding agent:* The service fee to be paid by the relevant member of CN France 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 our Group with reference to our pricing policy as determined by our management from time to time which are generally applicable to our other Independent Third Party customers. Under such pricing policy, the air freight or ocean freight service fee to be offered by our Group to our customers will be determined with reference to the then prevailing air freight or ocean freight cost plus certain percentage of profit margin. Such profit margin will be determined by our management from time to time with reference to, among others, the timetable of aircraft and/or ocean freight carriers, the route, popularity of the route, seasonality, and any other factors in which our management from time to time may consider material. Such profit margin is subject to such discretionary adjustments as may be made available by our Group based on the then prevailing discount rate policies of our Group, such as discounts for high volume orders, which are generally applicable to our other Independent Third Party customers.

(b) *Where CN France Group acts as the freight forwarding agent:* The service fee to be paid by the relevant member of our 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 CN France Group with reference to freight volume and size, nature and requirements of items on freight, air freight or ocean freight charges otherwise offered by other Independent Third Party freight forwarder service providers of comparable services, the track record and reputation of other Independent Third Party freight forwarder service providers as compared with the relevant member of CN France Group, and our own budget and financial position.

Pursuant to the terms and conditions of the CN France Master Agency Agreement, the service fee constituted by an accepted air freight order or ocean freight order shall be on normal and usual commercial terms and (where our Group acts as the agent) such service fee shall be on terms no less favourable to our Group than those then offered by our Group to other Independent Third Party customers for similar services of comparable quality.

Reasons for the transactions

CN France HK is an investment holding company and a non-wholly owned subsidiary of our Company, and through its non-wholly owned subsidiary, CN France, principally engages in the provision of air freight forwarding services and freight and logistics services for wine in France.

During the Track Record Period, we principally operated our air freight forwarding services in France through CN France and CN France acts as our liaison office with relevant wineries locally in France as part of our freight and logistics services for wine. Expensive fine wine products were generally shipped to Hong Kong by air, while we also required ocean freight forwarding services for shipping inexpensive table wine products from France to Hong Kong. Given such, the CN France Master Agency Agreement was entered into to govern the anticipated air and/or ocean freight forwarding transactions between our Group and CN France.

Historical amount

During the Track Record Period, the approximate transaction amount between our Group and CN France Group for the provision and supply of air and/or ocean freight forwarding services are set out below:

	For the year ended 31 December			For the three months ended 31 March
	2017	**2018**	**2019**	**2020**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
(i) Revenue derived from CN France Group	83	425	1,066	321
(ii) Cost of services charged by CN France Group	6,502	22,095	26,848	4,180

Annual caps

Our Directors estimate that the transaction amount between our Group and CN France Group in respect of the provision and supply of air and/or ocean freight forwarding services contemplated under the CN France Master Agency Agreement for the three years ending 31 December 2022 will be as follows:

	For the year ending 31 December		
	2020	**2021**	**2022**
	(HK$'000) *(Note)*	*(HK$'000)*	*(HK$'000)*
(i) Revenue to be derived from CN France Group	1,220	1,268	1,319
(ii) Cost of services to be charged by CN France Group	30,714	31,943	33,220

Note: The above annual caps for the year ending 31 December 2020 are inclusive of all the service fees charged or chargeable by our Group or (as the case may be) CN France Group for the provision and supply of air and/or ocean freight forwarding services since 1 January 2020 and before the signing of the CN France Master Agency Agreement, and the services fee chargeable under the CN France Master Agency Agreement.

Basis of determination

In determining the above proposed annual caps in respect of the provision and supply of air and/or ocean freight forwarding services contemplated under the CN France Master Agency Agreement for the three years ending 31 December 2022, our Directors have considered generally:

(a) the historical transaction amount as set out above;

(b) the expected demand for air and/or ocean freight forwarding services by our Group and CN France Group, respectively;

(c) the expected growth of approximately 4% in demand of air and/or ocean freight forwarding services by our Group and CN France Group; and

(d) the 10% buffer to cater for the unanticipated increase in transaction amount among our Group and CN France Group under the CN France Master Agency Agreement.

(c) Our Directors' view

Our Directors (including our independent non-executive Directors), after reviewing the terms of each of the CS Group Master Agency Agreement, the Nitrile Gloves Agency Agreement and CN France Master Agency Agreement, are of the view that each of the CS Group Master Agency Agreement, the Nitrile Gloves Agency Agreement and CN France 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 our Group and that the terms of each of the CS Group Master Agency Agreement, the Nitrile Gloves Agency Agreement and CN France Master Agency Agreement as well as the respective proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

(d) Listing Rules implications

CS Group is one of our Controlling Shareholders and hence members of the CS CT Group are connected persons of our Company under Chapter 14A of the Listing Rules.

CN France HK is a non-wholly owned subsidiary of our Company. Ms. Chen, an executive Director, through her wholly-owned investment holding company, owns 30% of the entire issued share capital of CN France HK. As such, CN France HK and its subsidiary are regarded as connected subsidiaries of our Company and hence members of the CN France Group are connected persons of our Company under Chapter 14A of the Listing Rules.

The proposed annual caps in respect of the provision and supply of air and/or ocean freight forwarding services contemplated under each of the CS Group Master Agency Agreement, the Nitrile Gloves Agency Agreement and CN France Master Agency Agreement exceed HK$10 million, and based on the respective proposed annual caps, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on an annual basis. Accordingly, each of the CS Group Master Agency Agreement, the Nitrile Gloves Agency Agreement and CN France Master Agency Agreement is subject to the annual reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER FROM THE ANNOUNCEMENT AND/OR INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

We expect the non-exempt continuing connected transactions as disclosed above were entered into prior to the Listing Date and have been disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that strict compliance with the announcement and/or independent Shareholders' approval requirements (as applicable) under the Listing Rules in respect thereof immediately after the Listing would be unduly burdensome and impracticable and would impose unnecessary administrative costs on our Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, waivers from strict compliance with the announcement and/or independent Shareholders' approval requirements (as applicable) in respect of these continuing connected transactions.

We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these continuing connected transactions. Our Directors confirm that, for all non-exempt continuing connected transactions to be entered into by our Group (if any), our Company will comply with the applicable Listing Rules, unless a separate application for waiver is made for the dispensation with the applicable announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

After (i) reviewing the relevant agreements in respect of the above non-exempt continuing connected transactions and the historical figures provided by us, and (ii) discussing with our Directors on the terms and annual caps in respect of the relevant non-exempt continuing connected transactions, the Sole Sponsor is of the view that the transactions contemplated under each of the abovementioned non-exempt continuing connected transactions have been entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better, and the respective annual caps of these non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering and Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, we will be owned as to approximately 66.0% by CS Logistics. CS Logistics is an investment holding company.

CS Logistics is owned as to 75.0% by CS Seafreight and 25.0% by Toll. CS Logistics is indirectly held by CS Group, which is ultimately controlled by Mr. Lau and his daughter, Ms. Cynthia Lau. Please refer to the paragraph headed "History, Reorganisation and Corporate Structure – Corporate Structure" in this prospectus for the direct or indirect shareholding in CS Logistics of Mr. Lau, Ms. Cynthia Lau, LLEA & Company Limited, Hundred Honest Limited, CS Group, CS Holdings and CS Seafreight. For the purpose of the Listing Rules, as Mr. Lau, Ms. Cynthia Lau, LLEA & Company Limited, Hundred Honest Limited, CS Group, CS Holdings, CS Seafreight and CS Logistics are, directly or indirectly, individually or together with the others, entitled to exercise or control the exercise of 30% or more of the voting power at our general meetings, each of them is regarded as our Controlling Shareholder under the Listing Rules.

Mr. Lau is our founder, chairman of our Board and a non-executive Director. Ms. Cynthia Lau is the daughter of Mr. Lau. As at the Latest Practicable Date, Ms. Cynthia Lau was the human resources director of a member of the Controlling Shareholder Group. Please refer to the section headed "Directors and Senior Management" in this prospectus for further information on Mr. Lau's work experiences.

Background of the Controlling Shareholder Group

CS Group is the holding company of the Controlling Shareholder Group. Apart from being interested in our Group, CS Group also principally engages in the provision of ocean freight forwarding services ("**CS Sea Business**") in the PRC for its domestic and overseas customers, mainly supermarkets and department stores in the PRC, United Kingdom and Australia. The CS Group also provides distribution and logistics services in the United States. In addition to freight forwarding business, the CS Group also engages in, among others, the provision of software development services to its customers to develop their e-commerce platform and trading of products. All of such businesses are principally conducted through CS Holdings Group, CS Seafreight Group and CS Logistics Group (which for the purpose of this prospectus exclude our Group). As at the Latest Practicable Date, CS Group also owned the entire shareholding interest in ACS Logistics Holdings Limited ("**ACS Logistics**"), which is an investment holding company and which in turn owns indirectly 18% shareholding interest in Allport through an intermediate holding company. Mr. Lau, through his wholly-owned investment holding company, is also indirectly interested in 2% shareholding interest in Allport. The Allport Group principally engages 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.

CS Group also indirectly owns approximately 3.9% of the shareholding interests of eCargo Holdings Limited ("**eCargo**"), which engages in (i) the provision of software development services to its customers to develop their e-commerce platform; and (ii) trading of food products. eCargo is a company listed on the The Australian Securities Exchange (stock code: ECG). As at 19 March 2020, eCargo was owned as to approximately 60.6% by JL Enterprises Holdings Limited (a company wholly-owned by Mr. Lau) and 3.9% by CS China Logistics Limited (an indirect wholly-owned subsidiary of CS Group as at the Latest Practicable Date).

The Controlling Shareholder Group was founded by Mr. Lau and has over 29 years of operating history since its inception in 1990, principally focusing on the provision of ocean freight forwarding services to target customers engaging in the operation of supermarkets, low-end to mid-range department stores and in other general consumable product markets.

THE BUSINESS DELINEATION ARRANGEMENTS BETWEEN OUR GROUP AND THE CONTROLLING SHAREHOLDER GROUP

The businesses of our Group and the Controlling Shareholder Group are clearly delineated in terms of lines of services and geographical locations for the services as follows:

(a) our Group will engage in (i) the provision of air freight forwarding and distribution and logistics services on a global basis except for the provision of local services for air freight forwarding with destination in the United States as well as the provision of distribution and logistics services in the United States; (ii) the provision of ocean freight forwarding services in Italy and Taiwan on an incidental or stand-alone basis and in the rest of the world on an incidental basis; and (iii) the provision of all air and ocean freight forwarding and logistics services in respect of wine on a global basis; and

(b) the Controlling Shareholder Group will engage in (i) the provision of ocean freight forwarding services on a global basis except in Taiwan and Italy and except for in respect of wine; and (ii) in the United States only, except for wine, the provision of local services for air freight forwarding with destinations in the United States as well as the provision of distribution and logistics services in the United States.

The table below summarises the delineation by different lines of services between our Group and the Controlling Shareholder Group immediately after Listing:

	Air freight forwarding	**Ocean freight forwarding** *(Note)*	**Distribution and logistics services**
Our Group	On global basis (except in the United States)	Only Taiwan and Italy	On global basis (except in the United States)
Controlling Shareholder Group	Only in the United States	On global basis (except for Taiwan and Italy)	Only in the United States

Note: Our Group may provide (i) incidental ocean freight forwarding services for our customer on global basis; and (ii) ocean freight forwarding services for wine on global basis.

The above business delineation was concluded after due consideration by our Group and the Controlling Shareholder Group after taking into account, among others, (i) the commercial feasibility and/or economic efficiency for customers of either group to separately engage our Group and the Controlling Shareholder Group for the provision of air and ocean freight forwarding services in Taiwan and Italy; (ii) it is not commercially viable for both groups to separately set up offices in Taiwan and Italy to engage in air and ocean freight forwarding business at the same time given the potential business opportunities in these jurisdictions for the respective lines of services; (iii) the shift in business model in the United States; and (iv) to avoid competition between the two groups. Please refer to the paragraphs headed "Our Group" and "The Controlling Shareholder Group" in this section for further details.

As part of the business delineation, our Group has engaged, and will continue to engage in ocean freight forwarding services in Italy and Taiwan on an incidental or stand-alone basis, and in the rest of the world on an incidental basis, because (i) apart from air freight forwarding services, a lot of our Group's customers in Italy also require incidental ocean freight forwarding services, and the ocean freight forwarding business in Italy has naturally grown significantly over the years; and (ii) the air and ocean freight forwarding services of our Taiwan subsidiary (i.e. Global Freight Forwarding) were developed by its original management and its then shareholders prior to our Group's acquisition and are integral parts of its business. The acquisition of this subsidiary was principally based on its well established business and business dealings with several high-end fashion brands. Furthermore, the Controlling Shareholder Group has no presence in Taiwan and has decided not to engage in any ocean freight forwarding business in Taiwan since such acquisition. After the Listing, pursuant to the Non-compete Undertakings, our Group may continue to engage in the provision of ocean freight forwarding services with either the point of origin or destination in Taiwan or Italy. The Controlling Shareholder Group, on the other hand, will be completely out of these markets, in the sense that it may not take up any business for the provision of ocean freight forwarding services with either the point of origin or destination in Taiwan or Italy at all, whether directly or indirectly through subcontracting or any other agency arrangements. It must refer all such business opportunities to our Group in the sense that the customer will directly appoint our Group for the provision of relevant services. The Controlling Shareholder Group or Independent Third Party freight forwarders may be engaged by our Group to provide the local services at origin or destination outside of Taiwan or Italy in which our Group has no local presence, but they will act as suppliers of our Group, rather than being directly appointed by the customers.

Our Group has engaged, and will continue to engage in ocean freight forwarding services for wine on global basis as our Group's customers may from time to time require ocean freight forwarding services for shipping expensive fine wine products and inexpensive table wine products, respectively.

During the Track Record Period, the Controlling Shareholder Group had involved in the provision of air freight forwarding services and the provision of distribution and logistics services in Australia since (i) given the difference in customer type (mainly customers requesting for import of fast fashion products into Australia) and the demand for air freight forwarding business in Australia which is substantially lower than its ocean freight forwarding business, our Group then had no interest to pursue the Australian market. Furthermore, the ocean freight forwarding services, air freight forwarding and distribution and logistics services of the Controlling Shareholder Group in Australia had been developed by the Controlling Shareholder

Group, and had formed part and parcel of its entire business in Australia which have all along been managed and operated by the management team of the Controlling Shareholder Group, without any involvement by our Group or our management team; and (ii) the size of the ocean freight forwarding business of the Controlling Shareholder Group in Australia was predominant and its air freight forwarding business was relatively insignificant and mostly incidental to its ocean freight forwarding services. The Controlling Shareholder Group has ceased to engage in the provision of air freight forwarding services and distribution and logistics services in Australia since May 2020 and July 2020, respectively. Furthermore, the Controlling Shareholder Group will not engage in the provision of air freight forwarding services and distribution and logistics services in Australia in the future after the disposal. After the Listing, pursuant to the Non-compete Undertakings, the Controlling Shareholder Group will be prohibited from engaging in the provision of air freight forwarding services and distribution and logistics services in Australia, and will need to refer all such business opportunities to our Group.

As part of the business delineation, the Controlling Shareholder Group has engaged and will continue to engage in the provision of local services for air freight forwarding with destinations in the United States as well as the provision of distribution and logistics services in the United States, since the business model of CN US does not coincide with the strategy of our Group as the revenue generated from the provision of ocean freight forwarding services for the import of low-end fashion products to the United States was larger than that from the air freight forwarding business of CN US, as such our Group has no interest to continue to pursue the United States market for the time being. The results of CN US during the Track Record Period had been consolidated into the historical financial information of our Group, and the disposal of CN US to the Controlling Shareholder Group on 31 December 2019 pursuant to the Reorganisation was accounted for as a disposal of subsidiary in the financial statements of our Group.

Although the Controlling Shareholder Group would be allowed to engage in the provision of the air freight forwarding services in the United States, such services would be limited to "*local*" services with destinations in the United States (i.e. provision of local services in the United States with respect to the import to United States). Such local services to be provided by the Controlling Shareholder Group would only include the customs clearance of the cargo and collection of the cargo at the port in United States, and the delivery of cargo to the consignee's warehouses in the United States. The Controlling Shareholder Group will not be involved in the provision of any air freight forwarding services outside the United States. Please refer to the chart under the paragraph headed "Business – Our Services – Air Freight Forwarding Services" in this prospectus for details of the respective roles of freight forwarders for the provision of export and import services. Hence, in the event that its customers require the Controlling Shareholder Group to provide air freight forwarding services for *import* of goods into the United States from overseas points of origins, the services outside the United States (i.e., the export services at these overseas points of origins and the freight arrangement to the United States) will not be taken up by the Controlling Shareholder Group, but it has to engage our Group or Independent Third Party freight forwarders to provide such stand-alone air freight forwarding services instead. On the other hand, in the event that the Controlling Shareholder Group's customers in the United States require *export* of goods from the United States to overseas points of destinations, the Controlling Shareholder Group would not be allowed to engage in or take up such order, and it will need to refer such business opportunity to our Group or Independent Third Party freight forwarders. As such, as demonstrated above, the Controlling Shareholder

Group will only focus on the provision of *local* services inside the United States for air freight forwarding with the destination in the United States.

Furthermore, although the Controlling Shareholder Group would also be allowed to engage in the provision of distribution and logistics services inside the United States, such business does not compete with the distribution and logistics services provided by our Group as we currently do not have local presence in the United States. The provision of the distribution and logistics services between our Group and the Controlling Shareholder Group is clearly delineated through geographical delineation.

Given the business delineation adopted, the businesses of our Group and the Controlling Shareholder Group are clearly delineated and the businesses of the two groups do not compete, directly or indirectly, with each other now or in the future. Under the Non-compete Undertakings, if we decide to establish our air freight forwarding services and/or distribution and logistics services in the United States in the future, the Controlling Shareholder Group will cease such businesses in the United States or transfer such business in the United States to our Group (subject to the compliance with the requirements of the Listing Rules), where applicable. Please refer to the paragraphs headed "Our Group" and "The Controlling Shareholder Group" in this section for detailed analysis.

Our Company has decided to seek for the listing of the business of our Group to the exclusion of, and separately from, the CS Sea Business, taken into account that (i) the business of our Group and the CS Sea Business have different lines of services, growth paths and market potentials, whereby, our Group's core business is air freight forwarding services and distribution and logistics services in relation to fashion products and fine wine, primarily focusing on high-end fashion products. During the Track Record Period, services provided in respect of high-end fashion products were our single largest revenue contributor, followed by our services for fast fashion products. The listing of the business of our Group (with the exclusion of the CS Sea Business) can provide the Shareholders and potential investors with the opportunity to invest in a logistics business that has a better investment focus on air freight forwarding services and distribution and logistics services; and (ii) the business of our Group and the CS Sea Business are and have been managed by different management teams, with different requirements as to experience, connections and expertise for formulating different business strategies, the separate listing of the business of our Group from the other business of the Controlling Shareholder Group would also enable our Group to efficiently allocate our resources and focus on our own business, and thereby enhance the decision-making process and the responsiveness to market changes, the business of our Group, which focuses on the air freight forwarding services and distribution and logistics services, has a better prospect and growth potential than the CS Sea Business which focuses on the ocean freight forwarding industry. Based on the reasons as set out above, it is expected that the separate listing of the business of our Group can unlock the potential value of and achieve better valuation on the business of our Group for our existing Shareholders and potential investors.

Our Group

We are a well-established international logistics solutions provider with a 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. During the Track Record Period, services provided in respect of high-end fashion products were our single largest revenue contributor, followed by our services for fast fashion products. We principally engages in (i) air freight forwarding services; (ii) distribution and logistics services; and (iii) incidental ocean freight forwarding services mainly to our air freight forwarding services and/or distribution and logistics services customers, and ocean freight forwarding services to customers in Italy and Taiwan. The total cost of services of ocean freight forwarding segment of our Group amounted to approximately HK$211.3 million, HK$192.0 million, HK$188.9 million and HK$59.8 million during each of the FY2017, FY2018, FY2019 and 3M2020, respectively, represented approximately 16.7%, 15.5%, 16.0% and 20.6% of the total cost of our Group during the corresponding year/period.

As a result of the significantly higher speed and better reliability for transportation by air as explained in the paragraph headed "Independence from the Controlling Shareholder Group" in this section, air freight forwarding is mainly used for transporting perishable, high-end products that are of higher value and have critical requirement for speedy and on-time delivery. For example, for high-end fashion products that are sensitive to seasonal changes, and fine wine products that are sensitive to temperature and humidity changes, they are generally shipped by air to ensure timely and reliable delivery. Given our customer base and the relatively higher value nature of the products handled by our Group, air freight-based logistics services have been the principal logistics services offered by our Group. We began to lay more emphasis on logistics services and strategically set up a separate business unit for wine in 2012 when Hong Kong became a wine trading and distribution hub for Asia and we saw good business prospects and opportunities in providing freight and logistics services for wine as a high-end product. Our Group subsequently found out that while wineries in France and U.K. or wine distributors in Hong Kong may usually choose to ship their expensive fine wine products to Hong Kong by air due to sensitivity to temperature and humidity changes, they may also require ocean freight forwarding services for shipping inexpensive table wine products from France and U.K. to Hong Kong. As such, we also provide services for wine under our distribution and logistics services and air and ocean freight forwarding services. The freight and distribution and logistics services for wine were developed and operated under our Group since its establishment, and have all along been managed and operated by the management team of our Group, without any involvement by the Controlling Shareholder Group or its management team. All of the customers for the freight and distribution and logistics services for wine are customers of our Group. Furthermore, we have a leading position in the integrated freight forwarding market for wine in Hong Kong. We ranked first in terms of revenue in 2019 in the integrated freight forwarding market for wine in Hong Kong, which accounted for a market share of approximately 23.4%. We offer a comprehensive logistics services, including specialty storage, logistics and other value-added services, and together with our distribution centre in Hong Kong, we have the capability in providing both B2B and B2C solutions to our customers. As the Controlling Shareholder Group does not engage in the provision of any of such services, nor do they have the expertise in doing so, it was decided that the Controlling Shareholder Group should not engage in freight and logistics services for wine on a global basis. The revenue generated from the freight and logistics services for wine for FY2017, FY2018, FY2019 and 3M2020 was approximately HK$54.6 million, HK$59.4 million, HK$53.2 million and HK$13.2 million, representing approximately 3.6%, 3.9%, 3.6% and 3.6% of our total revenue, respectively.

In the ordinary course of the business of our Group, apart from freight and logistics services for wine, there are circumstances whereby our Group would also be involved in the provision of ocean freight forwarding services:

(a) **Incidental ocean freight forwarding services:** Incidental to the air freight forwarding services and/or distribution and logistics services provided by our Group to our direct customers, such direct customers may require our Group to provide ocean freight forwarding services to meet our customers' need. For example, while The Lane Crawford Joyce Group, being one of our customers, has engaged our Group for the provision of air freight forwarding services and distribution and logistics services in relation to its fashion products (such as apparels and footwear), which are seasonal products and therefore are preferred to be transported by air due to time constraint, it may incidentally require our Group to ship some of its products by sea (for example, for larger size products such as furniture, or for fashion products that can be shipped in batches for the purpose of stock replenishment which do not have too much time constraint). As it would not be practical for these customers to separately engage another Independent Third Party freight forwarder to provide ocean freight forwarding services, in order to better serve our direct customers and increase the loyalty of customers, our Group also provides complementary ocean freight forwarding services to our air freight forwarding services and/or distribution and logistics services customers. We classify such ocean freight forwarding services as incidental ocean freight forwarding services. Save for our freight and logistics services for wine as well as Italy and Taiwan as further explained below, such incidental ocean freight forwarding services are not the primary focus of our Group and the revenue generated from such services accounted for an insignificant amount of revenue of our Group during the Track Record Period, which only represented approximately 1.6%, 2.2%, 3.1% and 1.4% of our revenue for FY2017, FY2018, FY2019 and 3M2020, respectively.

(b) **Italy:** Given that a lot of high-end fashion or brand customers or potential customers of our Group are located in Italy, our Group established our presence in Italy in 2012 with a view to capture the business opportunities from our existing and potential customers there. Our high-end fashion or brand customers are generally more value-conscious, and they generally require more complicated and comprehensive logistics solutions from our Group, and from time to time also require incidental ocean freight forwarding services due to their business needs (such as, they may elect to ship fashion products that can be shipped in batches for the purpose of stock replenishment which do not have too much time constraint). Therefore, the ocean freight forwarding business in Italy has naturally grown significantly over the years. Having said that, over the years, most of the revenue generated by our Group from our ocean freight forwarding services in Italy was attributable to services offered on an incidental basis. In other words, the revenue contribution of the ocean freight forwarding business in Italy was primarily generated from customers who required both air and ocean freight forwarding services. Revenue in Italy generated from non-incidental or stand-alone ocean freight forwarding business from customers which do not require any air freight forwarding services and/or distribution and logistics services from our Group has not been significant, and had accounted for only 1.3%, 1.7%, 1.8% and 2.9% of our total revenue during FY2017, FY2018, FY2019 and

3M2020, respectively. Given (i) the business in Italy has all along been managed and operated by the management team of our Group, without any involvement by the Controlling Shareholder Group or its management team; (ii) all of the direct customers for ocean freight forwarding services in Italy are customers of our Group in which, a majority of such customers require incidental ocean freight forwarding services. As such, the ocean freight forwarding services in Italy have formed part and parcel of the entire business of our Group in Italy. It would not be commercially feasible and/or economically efficient for these customers to separately engage our Group and the Controlling Shareholder Group for the provision of air and ocean freight forwarding services in Italy; and (iii) the Controlling Shareholder Group has no presence in Italy. Therefore, after due consideration by our Group and the Controlling Shareholder Group taking into account the above factors, it was decided that our Group should also take up the ocean freight forwarding business in Italy while the Controlling Shareholder Group should not engage in such business in Italy.

(c) **Taiwan:** Our Group's business operation in Taiwan was initially developed and owned by Independent Third Parties. It has subsequently become an indirect non-wholly owned subsidiary of our Company as a result of acquisition by our Group from the Independent Third Parties since March 2016. The acquisition of this subsidiary was principally based on its well established business and business dealings with several high-end fashion brands. The air and ocean freight forwarding services of this subsidiary were developed by its original management and its then shareholders prior to our Group's acquisition and are integral parts of its business. Therefore, it would not be commercially feasible and/or economically efficient for these customers to separately engage our Group and the Controlling Shareholder Group for the provision of air and ocean freight forwarding services in Taiwan. Furthermore, the Controlling Shareholder Group has no presence in Taiwan and has decided not to engage in any ocean freight forwarding business in Taiwan since such acquisition. Due to this historical reason, our Group has been engaging in the ocean freight forwarding business in Taiwan and will continue to engage in such business after the Listing.

During the Track Record Period, there were some occasional circumstances whereby our Group provided stand-alone ocean freight forwarding services to our customers which were neither incidental ocean freight forwarding services nor in Italy and Taiwan, nor related to our freight and logistics services for wine. Such occasional circumstances were mainly applicable to ocean freight forwarding services provided in France, Japan and Switzerland whereby our Group has local offices while the Controlling Shareholder Group does not have such presence for taking up the ocean freight forwarding services there. Such occasional circumstances have also occurred in Hong Kong and the PRC where both groups have presence. Nevertheless, the revenue contribution from such circumstances was insignificant and accounted for only 0.2%, 0.4%, 0.5% and 0.5% of our total revenue during FY2017, FY2018, FY2019 and 3M2020, respectively. Besides, our Group has decided to cease such stand-alone ocean freight forwarding services after the Listing as they are not in line with our business development and expansion strategies, and the revenue derived from such stand-alone ocean freight forwarding services during the Track Record Period was immaterial to us.

The below table sets out a breakdown of revenue into different lines of services provided by our Group during the Track Record Period:

For the year ended 31 December 2017

	Revenue	
	HK$'000	*% to our total revenue*
A) Air freight forwarding *(Note 1)*	1,014,855	66.6%
B) Distribution and logistics services *(Note 2)*	234,296	15.4%
Sub-total	1,249,151	82.0%
C) Italy and Taiwan *(Note 3)*		
– Incidental ocean freight forwarding	81,750	5.4%
– Stand-alone ocean freight forwarding	145,172	9.5%
Sub-total	1,476,073	96.9%
D) Other jurisdictions *(Note 3)*		
– Incidental ocean freight forwarding	25,213	1.6%
– Stand-alone ocean freight forwarding *(Note 4)*	3,045	0.2%
Sub-total	1,504,331	98.7%
E) Ocean freight forwarding for wine	19,572	1.3%
Total	1,523,903	100.0%

For the year ended 31 December 2018

	Revenue HK$'000	% to our total revenue
A) Air freight forwarding *(Note 1)*	992,046	64.5%
B) Distribution and logistics services *(Note 2)*	285,173	18.5%
Sub-total	1,277,219	83.0%
C) Italy and Taiwan *(Note 3)*		
– Incidental ocean freight forwarding	101,510	6.6%
– Stand-alone ocean freight forwarding	95,503	6.2%
Sub-total	1,474,232	95.8%
D) Other jurisdictions *(Note 3)*		
– Incidental ocean freight forwarding	34,541	2.2%
– Stand-alone ocean freight forwarding *(Note 4)*	5,363	0.4%
Sub-total	1,514,136	98.4%
E) Ocean freight forwarding for wine	24,559	1.6%
Total	1,538,695	100.0%

For the year ended 31 December 2019

		Revenue	
		HK$'000	*% to our total revenue*
A)	Air freight forwarding *(Note 1)*	916,951	61.8%
B)	Distribution and logistics services *(Note 2)*	313,669	21.1%
Sub-total		1,230,620	82.9%
C)	Italy and Taiwan *(Note 3)*		
	– Incidental ocean freight forwarding	126,030	8.5%
	– Stand-alone ocean freight forwarding	53,861	3.6%
Sub-total		1,410,511	95.0%
D)	Other jurisdictions *(Note 3)*		
	– Incidental ocean freight forwarding	46,520	3.1%
	– Stand-alone ocean freight forwarding *(Note 4)*	7,773	0.5%
Sub-total		1,464,804	98.6%
E)	Ocean freight forwarding for wine	19,045	1.4%
Total		1,483,849	100.0%

For the three months ended 31 March 2020

	Revenue	
	HK$'000	*% to our total revenue*
A) Air freight forwarding *(Note 1)*	210,254	58.0
B) Distribution and logistics services *(Note 2)*	74,072	20.4
Sub-total	284,326	78.4
C) Italy and Taiwan *(Note 3)*		
– Incidental ocean freight forwarding	48,892	13.5
– Stand-alone ocean freight forwarding	16,314	4.5
Sub-total	349,532	96.4
D) Other jurisdictions *(Note 3)*		
– Incidental ocean freight forwarding	4,884	1.4
– Stand-alone ocean freight forwarding *(Note 4)*	1,595	0.5
Sub-total	356,011	98.3
E) Ocean freight forwarding for wine	6,210	1.7
Total	362,221	100.0

Notes:

1. Including air freight forwarding services for wine products.

2. Including distribution and logistics services for wine products.

3. Excluding freight forwarding services for wine products.

4. To be ceased upon Listing.

The Controlling Shareholder Group

As a result of the significantly lower cost for transportation by sea as explained in the paragraph headed "Independence from the Controlling Shareholder Group" in this section, ocean freight forwarding is usually used for transporting lower value consumable products or products of bulk size, with relatively less stringent requirement for speedy and on-time delivery. Given the customer base and the relatively lower value nature of the products handled by the Controlling Shareholder Group, ocean-freight based logistics services have been the principal services offered by the Controlling Shareholder Group. Nevertheless, in the ordinary course of business of the Controlling Shareholder Group and prior to the cessation of such services in Australia as further explained below, there are or had been circumstances whereby the Controlling Shareholder Group would involve in the provision of air freight forwarding services and distribution and logistics services:

(a) **Australia:** apart from the provision of ocean freight forwarding services, the Controlling Shareholder Group had its own air freight forwarding services and distribution and logistics services in Australia prior to the cessation thereof in May 2020 and July 2020, respectively, as further explained below. The air freight forwarding services in Australia had been developed by the Controlling Shareholder Group since 2004 and the distribution and logistics services business in Australia had been developed by the Controlling Shareholder Group in around 2013. These businesses in Australia had been operated under CS Logistic Solutions Pty Ltd ("**CS Australia**", and the businesses operated by it are collectively referred to as, the "**CS Australia Business**"). The CS Australia Business had all along been managed and operated by the management team of the Controlling Shareholder Group, without any involvement by our Group or our management team. Our Group currently has no intention to develop our air freight forwarding and distribution and logistics services in Australia, as (i) high-end products market, in particular the luxury fashion products, in Australia is relatively small; (ii) the air freight forwarding services in Australia involved only the import of goods, mainly fast fashion products requested by customers of the Controlling Shareholder Group in Australia. Based on the best knowledge and belief of our Directors and as confirmed by the Controlling Shareholder Group, all of the direct customers for air freight forwarding services in Australia were customers of the Controlling Shareholder Group in which, given the nature of the customers and their products, a majority of such customers used the Controlling Shareholder Group's air freight forwarding services incidental to the ocean freight forwarding services generally provided to these customers. As such, the air freight forwarding services in Australia had formed part and parcel of the entire business of the Controlling Shareholder Group in Australia. As such, it would not be commercially feasible and/or economically efficient for these customers to separately engage our Group and the Controlling Shareholder Group for the provision of air and ocean freight forwarding services in Australia, respectively; and (iii) the distribution and logistics services in Australia were primarily provided to ocean freight customers focusing on mass market products. Therefore, Australia is currently not considered as a target market of our Group. Furthermore, the size of the ocean freight forwarding business of the Controlling Shareholder Group in Australia had been predominant. Based on the unaudited management account of the Controlling Shareholder Group, the total revenue from ocean freight forwarding services in Australia was approximately HK$493.1 million, HK$345.5 million and HK$269.1 million during FY2017, FY2018 and FY2019, respectively. Such ocean freight forwarding services in Australia accounted for not more than 9.0% of the total revenue of the Controlling Shareholder Group in FY2017, FY2018 and FY2019, respectively. On the other hand, based on the unaudited management account of the Controlling Shareholder Group, the total revenue from air freight forwarding services in Australia was approximately HK$30.6 million, HK$25.8 million and HK$20.7 million during FY2017, FY2018 and FY2019, respectively, which only accounted for not more than 1.0% of the total revenue of the Controlling Shareholder Group in the respective year during FY2017, FY2018 and FY2019, respectively. Furthermore, based on the unaudited management account of the Controlling Shareholder Group, the total cost of services of air freight forwarding segment in Australia represented approximately 4.9%, 4.2% and 4.4% of the total cost of services in Australia during FY2017, FY2018 and FY2019, respectively. As all such air freight forwarding services involved import of goods from overseas points of origins where the Controlling Shareholder Group either does not have local office or does not have the requisite IATA accreditation, it engaged our Group or Independent Third Party freight forwarders acting as the Controlling Shareholder Group's overseas local freight forwarding agent to provide all such air freight forwarding services at the overseas points of origins. Therefore, the then business volume of the air freight forwarding services of the Controlling Shareholder Group was not significant (and may be practicably difficult to be injected into our Group since the air freight forwarding services were incidental to the ocean freight forwarding services as aforesaid), and our Group needs to consider the market potentials there so as to ensure that there will be sufficient demand for our Group's services to achieve economies of scale. Lastly, as mentioned above, the distribution and logistics services in Australia were primarily provided to ocean freight customers, and based on the unaudited management account of the Controlling Shareholder Group, the total revenue from distribution and logistics services in Australia was approximately HK$134.5 million, HK$217.0 million and HK$154.7 million during FY2017, FY2018 and FY2019, respectively, which accounted for not more than 5.0% of the total revenue of the Controlling Shareholder Group in FY2017, FY2018 and FY2019, respectively. Hence, taking into consideration the difference in customer type and the size of the air freight forwarding business in Australia, the size of the then and potential business opportunities of the air freight forwarding business that our Group may either take up from the Controlling Shareholder Group or develop itself in Australia, our Group assessed and concluded that it would not be commercially beneficial to tap into such market by establishing local presence in Australia through separately setting up an office in Australia to engage in or take up the CS Australia Business for the time being. Therefore, it had not and currently has no intention to set up any local offices or any presence in Australia. To avoid any competition between our Group and the Controlling Shareholder Group, after CS Australia has ceased to engage in the provision of air freight forwarding services and distribution and logistics services in Australia since May 2020 and July 2020, respectively, the Controlling Shareholder Group will not engage in air freight forwarding businesses and distribution and logistics services in Australia in the future. Based on the best knowledge and belief of our Directors and information available to them and as confirmed by the Controlling Shareholder Group, during the Track Record Period, there was no material non-compliance incident in respect of the CS Australia Business.

CS Australia was put under voluntary administration ("**Voluntary Administration**"), and administrators have been appointed by the board of directors of CS Australia for such purpose on 15 April 2020. On 7 September 2020, CS Australia entered into a deed of company arrangement ("**DOCA**"), and the Voluntary Administration ended upon the entering of the DOCA. Based on the best knowledge and belief of our Directors and information available to them and as confirmed by the Controlling Shareholder Group, the Voluntary Administration neither constituted the dissolution or liquidation of CS Australia. Once the administrator(s) is appointed, the powers of all officers of the company, including directors, are suspended, and the administrator(s) takes control of the affairs, business and property of the company, and acts as agent of the company. Voluntary administration of a company is only a step taken for qualified administrator to evaluate the viability of the company during the administration period (during which the company can continue its business) and, after the evaluation, to put forward proposals to the company's creditors either to end the voluntary administration and return the control of the company to the board, or to approve a deed of company arrangement through which may involve cessation or sale of the company's assets or business with a view to achieve maximum return to the creditors, or to proceed with the liquidation of the company. The reason for the Voluntary Administration was mainly due to the poor performance of the distribution and logistics services businesses in Australia, which had caused the overall business of CS Australia to suffer loss. Such loss was mainly due to the unsatisfactory performance of the distribution and logistics businesses in Australia. In particular, as confirmed by the Controlling Shareholder Group, (i) the distribution and logistics market in Australia is fragmented; (ii) the direct cost for distribution and logistics businesses was high as it required large amount of labour; and (iii) CS Australia was unable to transfer the additional costs incurred to its customers and the growth in demand for CS Australia's distribution and logistics services was not high. The distribution and logistics services businesses in Australia were primarily provided to ocean freight forwarding customers focusing on mass market products, which are different to the target market of our Group (i.e. high-end fashion). CS Australia disposed of its freight forwarding business units (both air and ocean freight forwarding) to an Independent Third Party in May 2020. Immediately following the disposal of these business units, CS Australia continued to offer its distribution and logistics services in Australia, primarily to Controlling Shareholder Group's customers in Australia focusing on mass market products. Among the three warehouses which were used by CS Australia for its distribution and logistics services in Australia, sale and purchase agreements have been entered into with two Independent Third Parties for the disposal of the business of two of these warehouses in July 2020. All of such disposals were completed in July 2020, and the remaining warehouse ceased operation in July 2020. In September 2020, the DOCA was entered into between, among others, CS Australia, Mr. Lau and the deed administrator, pursuant to which a deed administrator of the DOCA has been appointed to realise the assets and properties of CS Australia as soon as practicable and to distribute its funds in accordance with the terms and conditions of the DOCA. The DOCA constitutes a binding agreement between CS Australia and its creditors.

The role of the deed administrator is to ensure CS Australia will comply with its commitments and obligations under the DOCA. The DOCA will terminate upon, among others, the deed administrator having applied all of the funds in accordance with the terms and conditions thereof.

(b) **United States:** CN US was incorporated in November 2017 and was originally set up by us to focus on the provision of air freight forwarding services. However, due to customers demand in the US, the revenue generated from the provision of ocean freight forwarding services (majority of which were incidental ocean freight forwarding) for the import of low-end fashion products to the United States was larger than that from the air freight forwarding business of CN US. The total revenue of CN US represented nil, approximately 0.3% and 2.2% of our total revenue during FY2017, FY2018 and FY2019, respectively. The total revenue of CN US during FY2017, FY2018 and FY2019 generated from (i) air freight forwarding services was nil, approximately HK$1.7 million and HK$14.8 million; (ii) ocean freight forwarding services was nil, approximately HK$1.7 million and HK$17.6 million; and (iii) distribution and logistics services was nil, approximately HK$1.7 million and HK$0.8 million, respectively. While it also provides air freight forwarding services for import of goods and distribution and logistics services to its customers in the United States, the total revenue of CN US attributable to its air freight forwarding services and distribution and logistics services of CN US was not significant and represented nil, only approximately 0.2% and 1.1% of our total revenue during FY2017, FY2018 and FY2019, respectively. The total gross profit of CN US during FY2017, FY2018 and FY2019 was nil, approximately HK$2.0 million and HK$9.6 million, respectively. In respect of the cost for the provision of air freight forwarding services of CN US, the total cost of services of air freight forwarding segment of CN US represented nil, approximately 43.0% and 45.0% of the total cost of services of CN US during FY2017, FY2018 and FY2019, respectively. The total revenue from air freight forwarding services and ocean freight forwarding services during the FY2019 was approximately HK$14.8 million and HK$17.6 million, respectively. As such, it demonstrated that the proportion of revenue of air freight forwarding services to ocean freight forwarding services dropped in 2019 as it has shifted its focus on providing ocean freight forwarding services to its low-end fashion customers as aforesaid in 2019. As it turned out that the business model does not coincide with the strategy of our Group in focusing on air freight forwarding services and distribution and logistics services targeting on high-end fashion market, after considering the market potential and taken into account our past experience in the US market, our Group considered it not commercially efficient for our Group to continue to run the air freight forwarding business in the US or to separately establish an office in the US to engage in or take up the air freight forwarding business for the time being. Therefore, our Group has no current intention to develop the air freight forwarding and the distribution and logistics services businesses in the United States. As part of the Reorganisation, CN US has been disposed of to a member of the Controlling Shareholder Group, and it was decided strategically that the Controlling Shareholder Group should take up both the air and ocean freight forwarding services and the distribution and logistics services businesses in the United States after the disposal while our Group should not engage in any such businesses in the United States after the Reorganisation. The results of CN US during the Track Record Period had been consolidated into the historical financial information of our Group, and the disposal of CN US to the Controlling Shareholder Group on 31 December 2019 pursuant to the Reorganisation was accounted for as a disposal of subsidiary in the financial statements of our Group. Please refer to the paragraph headed "History, Reorganisation and Corporate Structure – The Reorganisation" in this prospectus for further details on the disposal of CN US. Based on the best knowledge and belief of our Directors and information available to them, during the Track Record Period, there was no material non-compliance incident in respect of CN US.

Pursuant to the Non-compete Undertakings, if our Group decides to establish our air freight forwarding and the distribution and logistics services businesses in the United States after the Listing, the Controlling Shareholder Group will cease such businesses in the United States or transfer such business in the United States to our Group, where applicable.

As at the Latest Practicable Date, the Controlling Shareholder Group had operations in the PRC, Hong Kong, the United States, the Philippines, India, South Africa and Singapore. Based on the unaudited management account of the Controlling Shareholder Group, the total cost of services of air freight forwarding segment of the Controlling Shareholder Group represented approximately 0.7%, 0.5%, 0.5% and 0.8% of the total cost of services of the Controlling Shareholder Group during FY2017, FY2018, FY2019 and 3M2020, respectively.

The below sets out the key financial information of the Controlling Shareholder Group for each of the three years ended 31 December 2019 which was extract from the unaudited consolidated management accounts of the Controlling Shareholder Group:

	For the year ended/As at 31 December		
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	5,523,987	5,827,566	4,674,026
Gross Profit	1,443,062	1,249,306	830,956
Net Profit	35,213	61,320	940
Net Assets	298,701	117,383	118,919

Note: Based on the unaudited management account of the Controlling Shareholder Group, during the three years ended 31 December 2019, the relatively low profitability and level of net assets of the Controlling Shareholder Group was substantially resulted from the poor performance of its trading of food products segment.

Had members of the Controlling Shareholder Group (including its equity interest in Allport) been included into our Group, the line items under the consolidated statements of financial position, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements of our Group would have been enlarged by the financial position, performance and cash flows of the Controlling Shareholder Group's businesses.

The below sets out the transactions amount between our Group and the Controlling Shareholder Group and the Allport Group during the Track Record Period:

(a) Revenue generated from the Controlling Shareholder Group and the Allport Group to our Group

Derived from	Jurisdictions of the counterparty's principal operations	For the year ended 31 December 2017 Revenue generated *HK$'000*	2017 % to our total revenue	2018 Revenue generated *HK$'000*	2018 % to our total revenue	2019 Revenue generated *HK$'000*	2019 % to our total revenue	For the three months ended 31 March 2020 Revenue generated *HK$'000*	2020 % to our total revenue
The Allport Group *(Note 1)*	United Kingdom	180,492	11.8	158,323	10.3	154,518	10.4	13,473	3.7
The subsidiary of the Controlling Shareholder Group in Australia *(Note 1)*	Australia	20,208	1.3	17,580	1.2	15,733	1.0	3,480	1.0
Other subsidiaries of the Controlling Shareholder Group *(Note 2)*	The PRC and Hong Kong	26,833	1.8	32,930	2.1	50,063	3.4	43,573	12.0
		227,533	14.9	208,833	13.6	220,314	14.8	60,526	16.7

Notes:

1. All such transactions are for air freight forwarding services.

2. Such transactions mainly arose from situations where (i) the Controlling Shareholder Group engaged us for air freight forwarding services upon occasional request from their ocean freight forwarding customers; and (ii) our Group provided ocean freight forwarding services as the Controlling Shareholder Group's business partner in Italy and Taiwan where they have no offices or presence.

The aggregate gross profit generated from the Controlling Shareholder Group for FY2017, FY2018, FY2019 and 3M2020 was approximately HK$6.6 million, HK$9.1 million, HK$12.9 million and HK$10.2 million, respectively, which represented gross profit margin of approximately 14.0%, 18.1%, 19.7% and 21.7%, respectively.

(b) Cost of services charged to our Group by the Controlling Shareholder Group and the Allport Group

Derived from	Jurisdictions of the counterparty's principal operations	For the year ended 31 December 2017 Revenue generated HK$'000	2017 % to our total revenue	2018 Revenue generated HK$'000	2018 % to our total revenue	2019 Revenue generated HK$'000	2019 % to our total revenue	For the three months ended 31 March 2020 Revenue generated HK$'000	2020 % to our total revenue
The Allport Group *(Note 1)*	United Kingdom	26,232	2.08	23,216	1.87	20,462	1.74	3,850	1.30
The subsidiary of the Controlling Shareholder Group in Australia *(Note 1)*	Australia	254	0.02	553	0.04	892	0.08	83	0.03
Other subsidiaries of the Controlling Shareholder Group *(Note 2)*	The PRC and Hong Kong	9,624	0.76	22,200	1.79	22,786	1.94	4,730	1.70
		36,110	2.86	45,969	3.70	44,140	3.76	8,663	3.03

Notes:

1. All such transactions are for air freight forwarding services.

2. Such transactions relate to the ocean freight forwarding services provided by the Controlling Shareholder Group to us at the point of origins or destinations where our Group has no offices or presence in respect of (i) our ocean freight forwarding business in Italy and Taiwan; or (ii) our incidental ocean freight forwarding business primarily in Hong Kong and the PRC.

The table below sets out the delineation by different lines of services and by geographical locations for the services between our Group and the Controlling Shareholder Group immediately after the Listing:

	Rest of the world *(Note 1)*	**Taiwan**	**Italy**	**United States**
Air freight forwarding	Our Group	Our Group	Our Group	Controlling Shareholder Group *(Note 3)*
Distribution and logistics services	Our Group	Our Group	Our Group	Controlling Shareholder Group
Ocean freight forwarding	Controlling Shareholder Group *(Note 2)*	Our Group	Our Group	Controlling Shareholder Group *(Note 2)*

Notes:

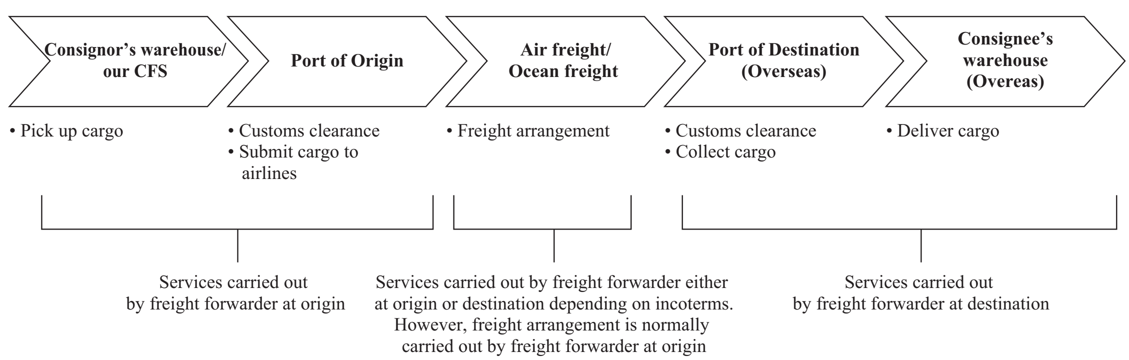
1. For the purpose of this table, it includes all countries and regions around the world excluding Taiwan, Italy and United States.

2. Except for (i) incidental ocean freight forwarding services which our Group may provide for our customers on global basis; and (ii) the ocean freight forwarding services for wine on global basis.

3. The Controlling Shareholder Group would only be allowed to engage in the provision of local services in the United States for air freight forwarding services for the import of goods into the United States as destination.

4. During the Track Record Period, the Controlling Shareholder Group had involved in the provision of air freight forwarding services and the provision of distribution and logistics services in Australia. The Controlling Shareholder Group has ceased to engage in the provision of air freight forwarding services and distribution and logistics services in Australia since May 2020 and July 2020, respectively. The Controlling Shareholder Group will not engage in the provision of air freight forwarding services and distribution and logistics services in Australia in the future. After the Listing, pursuant to the Non-compete Undertakings, the Controlling Shareholder Group will be prohibited from engaging in the provision of air freight forwarding services and distribution and logistics services in Australia, and will need to refer all such business opportunities to our Group.

For a typical freight forwarding transaction, the port of **origin** and the port of **destination** for the relevant consignment would each involve a freight forwarder providing services to (i) the consignor at the port of origin; and (ii) the consignee at the port of destination. The following chart set out the general flow of air freight forwarding and ocean freight forwarding and the parties involve for a typical freight forwarding services:



Air freight forwarding: Save for the provision of local services in the United States for air freight forwarding services for the import of goods into the United States as destination, which will be provided by the Controlling Shareholder Group (i.e. the customs clearance of cargo and collection of cargo at the port in the United States, and the deliver of cargo to the consignee's warehouse in the United States), our Group will act as the freight forwarder for providing air freight forwarding services on a global basis.

Ocean freight forwarding: Save for the provision of ocean freight forwarding services by our Group in respect of (i) Taiwan and Italy (with port of origin or destination in these two jurisdictions); (ii) incidental ocean freight forwarding services which our Group may provide for our customers; and (iii) for wine, the Controlling Shareholder Group will act as the freight forwarder for ocean freight forwarding services on a global basis.

After the Listing, pursuant to the Non-compete Undertakings, our Group may continue to engage in the provision of ocean freight forwarding services with either the point of origin or destination in Taiwan or Italy. The Controlling Shareholder Group, on the other hand, will be completely out of these markets, in the sense that it may not take up any business for the provision of ocean freight forwarding services with either the point of origin or destination in Taiwan or Italy at all, whether directly or indirectly through subcontracting or any other agency arrangements. It must **refer** all such business opportunities to our Group in the sense that the customer will directly appoint our Group for the provision of relevant services. The Controlling Shareholder Group or Independent Third Party freight forwarders may be engaged by our Group to provide the local services at origin or destination outside of Taiwan or Italy in which our Group has no local presence, but they will act as suppliers of our Group, rather than being directly appointed by the customers. As such, there will be no direct competition from the Controlling Shareholder Group against our Group in this regard. Under the above arrangement for Taiwan and Italy, there may be circumstances in which our Group's direct customers may overlap with those of the Controlling Shareholder Group after the Listing. However, such overlapping of direct customers between the two groups will be favourable to our Group.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER GROUP

Our Directors consider that our Group is capable of carrying on our business independently of the Controlling Shareholder Group and their respective associates (other than us) based on the following reasons:

(1) The respective businesses and operations of our Group and the Controlling Shareholder Group are different and clearly delineated, and not competing with each other

(a) Difference in target customers and markets

Air freight forwarding business and ocean freight forwarding business are different by nature and basically serving different target customers and markets. As advised by CIC, there is no direct competition between air freight and ocean freight, as air freight provides a faster and reliable means for transportation of goods and its cost is much higher when compared to ocean freight. Hence, air freight forwarding services and ocean freight forwarding services are not replaceable by each other and are utilised in different scenarios depending on the expected delivery time and the budget for freight transportation. Furthermore, as advised by CIC, for air freight forwarding businesses, it is an industry practice that airlines generally only offer cargo space to freight forwarders who are IATA accredited agents. Freight forwarder who does not possess IATA agent accreditation or appropriate accreditation for air freight forwarders from local government, may need to purchase air cargo space from general sales agents rather than directly from airlines which will generally increase the cost of operation. Meanwhile, non-IATA accredited freight forwarding agents may miss potential business opportunities since some governments' licensing requirements or private commercial contract bids require that a freight forwarder to be an "IATA Cargo Agent". Additionally, non-IATA accredited freight forwarding agents will need to apply at a cost determined locally by IATA to become an IATA cargo account settlement systems ("**CASS**") associate in order to settle freight charges due to airlines via CASS, which most of the IATA member airlines settle payments with, while IATA accredited agents join CASS at no cost. Such accreditation requirement is not applicable to ocean freight forwarding businesses. As such, while most of the major operating members of our Group are IATA accredited agents or with appropriate accreditation for air freight forwarders from local government which enable our Group to provide air freight forwarding services without incurring additional IATA-related costs, the Controlling Shareholder Group is not an IATA accredited freight forwarding agent due to the limited demand for air freight forwarding services by its target customers on one hand (including Australia and the United States, where the Controlling Shareholder Group's customers only require import (but not export) of goods by air into these two jurisdictions), and that it has always been the intention of the Controlling Shareholder Group to focus on ocean-based freight forwarding business so that it is not necessary for the Controlling Shareholder Group to improve its price-competitiveness for air freight forwarding services by applying for the IATA accreditation on the other hand.

Furthermore, the following sets out the major factors affecting the customers' decision in choosing between air freight or ocean freight forwarding, which illustrate that air freight forwarding business and ocean freight forwarding business are basically serving different target customers and markets and do not directly compete with each other:

(i) **Cost:** the air freight forwarding business generally involves the transportation of high value products, such as high-end fashion apparels, electronic products, jewellery and pharmaceuticals, as the costs for air freight transportation can be much higher than that for shipment of the same items via ocean freight transportation depending on size and weight of the goods (for illustrative purposes, generally about 50 to 200 times higher, calculated based on goods of the same weight) and the air freight cost may not be justified unless the value of the goods so shipped is much higher than the freight forwarding costs.

Besides, air freight is chargeable based on both the weight and the size of the goods, while ocean carriers principally charge based on the number of containers involved. Therefore, the use of air freight forwarding would also largely depend on the size of the goods to be transported. As such, as regards to goods that are generally shipped in bulk (such as coal, ores, grain and other bulky dry cargo such as furniture, large electronic products or machineries or consumer products), it may not be economically feasible for the customers to ship them via air freight transportation.

(ii) **Speed:** air freight forwarding is generally faster. Take a shipment from France to Hong Kong as an example. It takes within 10 days for air shipment from France to Hong Kong, while it can take 20 days to two month for ocean shipment, depending on the port and vessel schedule of both France and Hong Kong. Furthermore, ocean freight forwarding transportation can only serve destinations along the shore and therefore may need onward logistics arrangement to reach the end destination, while there are usually airports at major cities around the world (whether inland or coastal) whereby the additional time required for local transportation is relatively insignificant.

(iii) **Reliability:** while delays in air freight forwarding can be caused as a result of weather or other factors, flight delays usually would not be very significant given that there are usually daily flights between major cities around the world. However, missing the cut-off at a seaport can result in a much longer delay as the shipper will need to wait for another available vessel at that loading port for the relevant port of discharge which can have weekly rather than daily schedule.

Our Group also focuses on providing services in relation to freight and logistics services for wine. As Hong Kong is a wine trading and distribution hub for Asia and our Group saw good business prospects and opportunity of logistics services for fine wine as a high-end product, our Group has strategically set up a separate business unit and has been actively developing our one-stop/comprehensive fine wine logistics services, including (a) the freight forwarding of wine from overseas (mainly from the wineries in France and U.K.) to Hong Kong; and (b) specialty storage, logistics and other value-added services such as branded packaging, polymorph repacking, same day local door-to-door delivery and temperature-controlled delivery in Hong Kong. To align with our Group's strategy to target on high-end products, it was the initial intention of our Group to target fine wine products under our freight and logistics services for wine. Our Group subsequently found out that while wineries in France and U.K. or wine distributors in Hong Kong may usually choose to ship their expensive fine wine products to Hong Kong by air due to sensitive to temperature and humidity changes, they may also require ocean freight forwarding services for shipping inexpensive table wine products from France and U.K. to Hong Kong. In light of this, our Group decided to include and expand our services to also cover ocean freight forwarding for wine products and it was strategically decided that the Controlling Shareholder Group should not engage in freight and logistics services for wine on a global basis.

(b) Our Group's positioning, future business strategies

Unlike the Controlling Shareholder Group which is positioned to focus on the development of the CS Sea Business for its target customers engaging in the operation of supermarkets, low-end to mid-range department stores and in other general consumable product markets, our Group's strategy is to focus on developing our business for serving our target direct customers in high-end fashion products market and the fine wine market. As such, our Group believes that we are well-positioned to execute our growth strategy and increase our profitability. Our Group also believes our historical base of stable customers in high-end fashion products market and fine wine market who have relatively low propensities to switch freight forwarding service providers would allow our Group to maintain a leading position in these sectors.

(c) Difference in the operation of our business and the CS Sea Business

The respective operation of our business and the CS Sea Business requires different expertise, connections and experience. In terms of suppliers, our business involves dealing with airlines while CS Sea Business involves dealing with shipping companies in terms of acquiring space for providing logistic services to its customers. The services offered by us to our direct customers, which are principally customers in fashion products market and the fine wine market, primarily focusing on high-end fashion, are also different from those offered by the Controlling Shareholder Group to its target customers engaging in the operation of supermarkets, low-end to mid-range department stores and in other general consumable product markets. Our business offers value-added services such as supply chain management, warehousing, pick and pack services, and also freight and logistics services for wine, while the Controlling Shareholder Group only has operations for distribution and logistics services in the United States, which are currently not the target markets of our Group, and does not engage in any freight and logistics services for wine. Furthermore, our business, particularly the air freight forwarding services, requires relevant members of our Group to be accredited with IATA as accredited agents in order for our Group to deal with airlines directly, while there is no similar permit or accreditation requirement for handling ocean freight forwarding services.

(d) No overlapping direct customers or major suppliers between our Group and the Controlling Shareholder Group

During the Track Record Period, there were no overlapping direct customers in material aspect or major suppliers (excluding freight forwarders) between our Group and the Controlling Shareholder Group. Our Group's direct customers did not overlap with the direct customers of the Controlling Shareholder Group. Our Group's major suppliers (excluding freight forwarders) were mainly airlines which did not overlap with the major suppliers (excluding freight forwarders) of the Controlling Shareholder Group which are shipping companies. While our business had use certain shipping companies for our ocean freight forwarding services in Taiwan, France, Japan, Italy and Switzerland, such shipping companies were not major suppliers of our Group.

(e) No overlapping of same or similar business in the same jurisdictions

During the Track Record Period, our Group provided incidental ocean freight forwarding services and stand-alone ocean freight forwarding services to our customers in Taiwan, Italy, Japan, France, Switzerland and the United States, while the Controlling Shareholder Group provided air freight forwarding services and distribution and logistics services to its customers in Australia and the United States (after the Reorganisation). On the basis that (i) our Group did not have any local office in Australia and the United States (after the Reorganisation) for taking up the local air freight forwarding and/or distribution and logistics services there, and such services are predominately used by the customers of the Controlling Shareholder Group, and (ii) our Group did not have any present intention to develop our air freight forwarding and/or distribution and logistics services there for the reasons as mentioned in the paragraph headed "The Business Delineation Arrangements between our Group and the Controlling Shareholder Group – The Controlling Shareholder Group" in this section, the provision of air freight forwarding and/or distribution and logistics services in Australia and the United States (after the Reorganisation) by the Controlling Shareholder Group itself did not result in any direct or actual competition between our Group and the Controlling Shareholder Group. Besides, the Controlling Shareholder Group has ceased to engage in the provision of air freight forwarding services and distribution and logistics services in Australia since May 2020 and July 2020, respectively, and will not engage in the provision of air freight forwarding services and distribution and logistics services in Australia in the future. After the Listing, pursuant to the Non-compete Undertakings, the Controlling Shareholder Group will be prohibited from engaging in the provision of air freight forwarding services and distribution and logistics services in Australia, and will need to refer all such business opportunities to our Group. Although the Controlling Shareholder Group will continue to provide air freight forwarding services and/or distribution and logistics services in the United States, such business has been and will be restricted only to customers in such country and is geographically delineated from our Group. In fact, as none of the members of the Controlling Shareholder Group is an IATA-accredited agent, the Controlling Shareholder Group's air freight forwarding services are limited to local services in the United States for import of goods by air, and it needs to engage our Group or Independent Third Party freight forwarders as the Controlling Shareholder Group's overseas local agent to provide air freight forwarding services at the overseas points of origins. Similarly, as the Controlling Shareholder Group does not have any local office in Taiwan and Italy for taking up the local ocean freight forwarding services there, the provision of ocean freight forwarding services there by our Group itself does not result in any direct or actual competition between our Group and the Controlling Shareholder Group either. In other words, although our Group will also have ocean freight forwarding services in Italy and Taiwan, such business has been and will be restricted only for these two countries or geographically delineated from the Controlling Shareholder Group.

In respect of Hong Kong and the PRC where both our Group and the Controlling Shareholder Group have significant business presence, during the Track Record Period, our Group generally engaged the Controlling Shareholder Group or Independent Third Party agents for the provision of ocean freight forwarding services or referred the ocean freight forwarding services to either the Controlling Shareholder Group or Independent Third Party agents, while the Controlling Shareholder Group generally engaged our Group or Independent Third Party agents for the provision of air freight forwarding services or referred the air freight forwarding services to our Group or Independent Third Party agents. As such, there has been clear delineation of businesses between our Group and the Controlling Shareholder Group in the same jurisdictions in the past. Please refer to the paragraph headed "The Controlling Shareholder Group" above in this section for details of the transaction amounts among the two groups during the Track Record Period. Nevertheless, the Non-compete Undertakings has been executed by the Controlling Shareholders in favour of our Company to formalise the business delineation and to avoid any potential competition between the two groups after the Listing, pursuant to which, save for exempted circumstances as described in paragraph headed "Non-compete Undertakings" below in this section, the Controlling Shareholder Group will not engage our Group for air freight forwarding services and will not engage in such services indirectly (given that by way of engaging our Group for such services, the Controlling Shareholder Group will still be deemed to be engaged in such services and derive revenue from such services) but will only refer all such business opportunities to our Group or Independent Third Party freight forwarders.

In respect of freight and logistics services for wine, such services will only be provided by our Group and the Controlling Shareholder Group will not engage in the provision of such services on a global basis.

(f) Formalising the business delineation arrangements by the Non-compete Undertakings

Historically, there has been informal business delineation between the two groups, with our Group focusing on air freight forwarding services, distribution and logistics services and freight and logistics services for wine, while the Controlling Shareholder Group focusing on ocean freight forwarding services.

To formalise and reinforce the business delineation arrangements between our Group and the Controlling Shareholder Group after the Listing on one hand, and to avoid any future potential competitions among the two groups on the other hand, the Non-compete Undertakings has been entered into pursuant to which each of the Controlling Shareholders has undertaken to our Group that after Listing, among others, except for the provision of local services in the United States for air freight forwarding with destinations in the United States and distribution and logistics services for customers in, the United States, the Controlling Shareholder Group will not engage in the provision of air freight forwarding services, distribution and logistics services and freight and logistics services for wine on global basis. Please refer to the paragraph headed "Non-compete Undertakings" in this section for further details about the Non-compete Undertakings.

(2) The respective businesses and operations of our Group and the Controlling Shareholder Group are operated independently

The management and operation of our business and the CS Sea Business have all along been managed and led by different management teams. Since the joining of Mr. Ngan, the management and operation of our business have been led by Mr. Ngan with the supports of his management team, while the management and operation of the CS Sea Business have all along been led by Mr. Lau and his management team. Furthermore, our freight and logistics services for wine business have all along been managed by Ms. Chen. The executive Directors and management team of our business are completely independent from the management team of the Controlling Shareholder Group. In particular, Mr. Lau only has a non-executive role in our Group representing his interest as a Controlling Shareholder and does not participate in the daily management and operation of our Group.

During the Track Record Period and up to the Latest Practicable Date, we had independent access to our customers and suppliers. We have our own internal control systems and accounting systems for our business operations. During the Track Record

Period, there were sharing of certain administrative services among our Group and the CS Group and its subsidiaries, which includes sharing of staff administrative and IT support services. All of such sharing of administrative services had ceased in March 2020. The fees paid by our Group to the relevant member of the CS Group for such services during the Track Record Period was approximately HK$2.2 million, HK$2.0 million, HK$2.2 million and HK$0.4 million, respectively.

Therefore, our operations are independent of and not connected with the Controlling Shareholder Group. On this basis, our Directors believe that we do not unduly rely on our Controlling Shareholders to carry on our business and we will be able to operate independently from the Controlling Shareholder Group after the Listing.

Properties leased from Mr. Lau or his associates by our Group

The following properties in the PRC will continue to be leased to our Group by Mr. Lau, a non-executive Director, or his associates, each of which is therefore a connected person of our Company (collectively, the "**CT Leases**"):

	Address	Approximate floor area (sq.m.)	Main usage	Term of lease	Approximate monthly rental
1.	2735 Fujin Road, Baoshan District, Shanghai, the PRC	858.5	Office	1 October 2018 to 31 December 2021	1 October 2018 to 30 April 2020: RMB35,254 1 May 2020 to 31 December 2020: RMB36,560 For the year ending 31 December 2021: RMB38,388
2.	2735 Fujin Road, Baoshan District, Shanghai, the PRC	858.5	Office	1 October 2018 to 31 December 2021	1 October 2018 to 30 April 2020: RMB35,254 1 May 2020 to 31 December 2020: RMB36,560 For the year ending 31 December 2021: RMB38,388

	Address	Approximate floor area (sq.m.)	Main usage	Term of lease	Approximate monthly rental
3.	Room 1511, 555 Renmin Middle Road, Liwan District, Guangzhou, the PRC	155.1	Office	1 July 2019 to 31 December 2021	1 July 2019 to 31 December 2020: RMB14,480 For the year ending 31 December 2021: RMB15,204
4.	C406, 12 Hong Kong Middle Road, Shinan District, Qingdao, the PRC	70	Office	1 September 2018 to 31 December 2021	RMB5,000
5.	Room 1512, 555 Renmin Middle Road, Liwan District, Guangzhou, the PRC	161.9	Office	1 July 2019 to 31 December 2021	1 July 2019 to 31 December 2020: RMB14,160 For the year ending 31 December 2021: RMB14,868
6.	1800 Wenchuan Road, Baoshan District, Shanghai, the PRC	3,677.2	Warehouse	1 January 2019 to 31 December 2020	RMB111,849
7.	Room B, 4th Floor, Block 6, 2735 Fujin Road, Baoshan District, Shanghai, the PRC	200	Registered address	18 January 2019 to 30 November 2023	RMB21,000
8.	Block 9 and 7, 2735 Fujin Road, Baoshan District, Shanghai, the PRC	8,511.4	Warehouse	1 January 2020 to 31 December 2022	For the year ending 31 December 2020: RMB364,741 For the year ending 31 December 2021: RMB326,199 For the year ending 31 December 2022: RMB342,509

	Address	Approximate floor area (sq.m.)	Main usage	Term of lease	Approximate monthly rental
9.	Block 10, No. 2735 Fujin Road, Baoshan District, Shanghai, the PRC	4,082.7	Warehouse	1 July 2020 to 31 December 2021	1 July 2020 to 30 September 2020: Rent free period 1 October 2020 to 31 December 2020: RMB150,242 For the year ending 31 December 2021: RMB156,468

These above CT Leases were entered into before the Listing. If these transactions were entered into after Listing, such transactions would constitute connected transactions for our Group. Our Directors (including our independent non-executive Directors), after reviewing the terms of each of the CT Leases, are of the view that each of the CT Leases 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 our Group and that the terms of each of the CT Leases are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole. We consider that we could easily find replacement for the above office or warehouse, if needed, and therefore our Directors believe that we do not unduly rely on Mr. Lau and/or its associates.

Related party transactions relating to freight forwarding business among our Group and the Controlling Shareholder Group and the Allport Group

As mentioned in the paragraph headed "Our Controlling Shareholders – Background of the Controlling Shareholder Group" in this section, CS Group is also interested in the Allport Group, which is also our Group's major customer and supplier and as at the Latest Practicable Date. Allport is also an indirect minority shareholder of CS Shanghai BVI, a 51% owned subsidiary of our Company, holding 49% of its shareholding interest.

CS Holdings acquired approximately 91% of the shareholding interest in Allport from independent third parties in 2010. By May 2016, CS Holdings has acquired all the remaining shareholding interest in Allport from independent third parties and Allport became wholly-owned by CS Holdings. In October 2018, CS Holdings disposed of its entire shareholding interest in Allport to ACS Logistics, in which ACS Logistics voting shareholding interest was then owned as to 45% by CS Group, 50% by EV Cargo Limited ("**EVC Limited**"), an investment holding company, and as to 5% by Anglo Asia Investments Limited ("**Anglo Asia**"), an Independent Third Party. EVC Limited, an Independent Third Party, which is wholly-owned by funds managed by EmergeVest, a sophisticated investor in the logistics industry. EmergeVest was established in 2013 and headquartered in Hong Kong. As advised by CIC, it is an active investor in business services, particularly international supply chain opportunities, spanning logistics and related technology around the world and also takes an active management role in the companies it invests in. By virtue of its investment and injection of expertise in the logistics sector, EmergeVest has also developed the EmergeVest Logistics UK Business Platform, a substantial and fast-growing hub that provides integral supply chain services. It was the intention of EmergeVest to consolidate six of the United Kingdom leading logistics companies (i.e. Allport as well as Among Adjuno, CM Downton, Jigsaw, NFT Distribution and Palletforce invested by EmergeVest ("**Other EV Invested Companies**")) into a single group for it to become the largest provider of transport, logistics, freight forwarding services and logistics technology, and a global supply chain company in the United Kingdom, providing mission-critical supply chain services to leading brands.

As such, pursuant to certain corporate restructuring and injection of certain companies, including Other EV Invested Companies by EVC Limited in December 2019, as at the Latest Practicable Date, Allport, together with certain other logistics companies injected by EVC Limited, were wholly-owned by EV Cargo Holdings Limited ("**EVC Holdings**"), an investment holding company. EVC Holdings was in turn owned as to 18% by ACS Logistics (which is wholly-owned by CS Group as at the Latest Practicable Date), as to 72.5% by EVC Limited, as to 5.5% by EVC Management Holdings Limited (an Independent Third Party), as to 2% by Anglo Asia and as to 2% by JL Enterprises Holdings Limited (an investment holding company wholly-owned by Mr. Lau). After such restructuring, the Allport Group had ceased to be an associate of the Controlling Shareholder Group. Save for the common shareholding interest in EVC Holdings as mentioned above, there was no other relationship between Mr. Lau and EVC Limited as at the Latest Practicable Date.

Apart from Allport, EVC Holdings is also interested in other leading logistics companies, i.e. Other EV Invested Companies. To the best understanding and knowledge of our Company, Among Adjuno is a software solution provider in relation to supply chain and production management, CM Downton principally engages in local road freight transportation and distribution and warehousing management in the United Kingdom, Jigsaw is a solution provider which provides planning or advice for overall cost effective local logistics arrangements in the United Kingdom and Ireland, NFT Distribution principally engages in the provision of temperature-controlled logistics services for fresh foods on behalf of manufacturers and retailers in the United Kingdom and Europe and Palletforce principally engage in palletised distribution network in which it consist of a 100-strong membership of independent hauliers, based at the SuperHub in Burton upon Trent in Staffordshire, England.

Despite the indirect shareholding interest in Allport held by CS Group, as the Controlling Shareholder Group was not familiar with the local logistics services in the United Kingdom and other parts of Europe, the Controlling Shareholder Group has relied upon the original management team of the Allport Group at the time of the acquisition and, since the acquisition by CS Holdings in 2010, the Allport Group has all along been managed and operated by such separate management team which is independent from the respective management teams of the Controlling Shareholder Group and our Group, and the Controlling Shareholder Group has not been involved in the daily operation and management of the Allport Group and has remained as a passive investor throughout. As the Allport Group has ceased to be an associate of the Controlling Shareholder Group, although the Allport Group engages in air freight forwarding services and may compete with the business of our Group, its competition is no different from the competition that our Group may experience from other Independent Third Parties. Furthermore, despite that, as at the Latest Practicable Date, CS Group and Mr. Lau was also interested in Other EV Invested Companies as minority and passive investors, through EVC Holdings in which CS Group and Mr. Lau in aggregate were interested in 20% of its entire issued share capital, the principal focus of such businesses are not freight forwarding but instead focus more on local logistics services in the United Kingdom or Europe and provision of solutions on cost effective local logistics arrangements in the United Kingdom and Ireland. As such, those businesses do not compete with the business of our Group.

During the Track Record Period, there were certain related party transactions among our Group and the Controlling Shareholder Group and the Allport Group which mainly relate to the engagement of services for air freight forwarding and/or ocean freight forwarding between the two groups or the Allport Group. Among these transactions which were entered into by our Group in our ordinary and usual course of business, on 5 August 2020, CN Logistics HK (an indirect non-wholly owned subsidiary of our Company) and CS Far East (a member of the Controlling Shareholder Group) entered into an agency agreement pursuant to which CS Far East has appointed CN Logistics HK as agent for the provision of air freight forwarding services in relation to shipments of an agreed volume of nitrile gloves to the United Kingdom. The aggregate contract sum paid or payable by CS Far East to CN Logistics HK amounts up to US$27.0 million (on the basis of US$0.03 per nitrile glove to be shipped), depending on the actual volume of nitrile gloves shipped. Such contract sum had been determined by reference to, among others, (a) the prevailing air freight forwarding services costs and the actual costs incurred for the shipments completed since June 2020, plus percentage of profit margin by reference to our Group's gross profit margin of air freight forwarding service segment; (b) the prevailing unit rate charged by our Group for the provision of air freight forwarding services for shipment of medical products for shipment from the PRC to Europe; and (c) the quantity of nitrile gloves shipped or to be shipped under the agency agreement (which was based on the number of nitrile gloves ordered by the Controlling Shareholder Group's customer in the United Kingdom). CN Logistics HK shall provide air freight forwarding services to CS Far East for shipment of the nitrile gloves primarily from Shanghai, the PRC to the United Kingdom in batches on or before 31 March 2021. To the best of our Directors' knowledge after making reasonable enquiry, such services relate to the trading business of CS Far East, whereby CS Far East (as a supplier) has agreed to supply certain number of nitrile gloves to its customer in the United Kingdom. To facilitate the delivery of these traded goods, CS Far East (as our Group's direct customer) engaged us for the provision of air freight forwarding services for shipping the nitrile gloves to the United Kingdom.

According to the CIC Report, it is common in the industry for logistics services provider to find other business partners to provide air freight or ocean freight forwarding services if it does not provide the relevant services as part of its business or have the local presence or the relevant experience, expertise and/or resources in providing different logistics services required by its customers. Furthermore, our Group could easily find other business partners to provide air freight and/or ocean freight forwarding services. As these arrangements had been entered into by our Group on normal commercial terms and on arms' length basis and on terms comparable to that offered by our Group's other Independent Third Party business partners, these arrangements should not be considered as an undue reliance by our Group on the Controlling Shareholder Group.

During the Track Record Period, the revenue generated from the Controlling Shareholder Group and the Allport Group for freight forwarding services amounted to approximately HK$227.5 million, HK$208.8 million, HK$220.3 million and HK$60.5 million for the corresponding year/period, which accounted for approximately 14.9%, 13.6%, 14.8% and 16.7% of the total revenue of our Group for the corresponding year/period, respectively, while the cost of service charged to our Group by the Controlling Shareholder Group and the Allport Group for freight forwarding services amounted to approximately HK$36.1 million, HK$46.0 million, HK$44.1 million and HK$8.7 million for the corresponding year/period, which accounted for approximately 2.9%, 3.7%, 3.8% and 3.0% of our Group's costs of services for the corresponding year/period, respectively. Please refer to the paragraph headed "The Controlling Shareholder Group" in this section for further details.

(3) The directorship and management of our Group and the Controlling Shareholder Group are independent from each other

Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The directorship of our non-executive Director is held by Mr. Lau who is also our Controlling Shareholder. Mr. Lau will also act as chairman of our Board after the Listing to provide strategic advice to our Board but will neither be working on a full-time basis with our Group nor otherwise involved in the daily operation and management of our Group.

As mentioned above, the management and operation of our business has been led by Mr. Ngan and his management team. Save for Mr. Lau, none of the other Directors or senior management of our Group have or will have any executive role or involvement in the management of the Controlling Shareholder Group upon Listing. Furthermore, save for Mr. Lau, none of the other directors or senior management of the Controlling Shareholder Group have or will have any executive role or involvement in the management of our Group upon Listing. In particular, Mr. Ngan, one of the executive Directors and also the chief executive officer of our Group, was and has been in charge of the strategic development and the business management and operation of our Group throughout the Track Record Period and up to the Latest Practicable Date. The other two executive Directors, namely Ms. Chen and Mr. Cheung, were and have been members of the management team of our Group throughout the Track Record Period and up to the Latest Practicable Date.

Each of our Directors is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Except for Mr. Lau, whom is our non-executive Director, all of our Directors will not hold any directorship or other positions in the Controlling Shareholder Group, or otherwise be involved in the management of the Controlling Shareholder Group, after the Listing, and will be independent of the directorship and management of the Controlling Shareholder Group, its controlling shareholder and their respective subsidiaries. As such, our Directors are satisfied that our management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

(4) Financial independence

During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders.

To meet our working capital requirements, we had bank loans and overdrafts of approximately HK$51.3 million, HK$79.3 million, HK$87.3 million and HK$130.5 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively. Certain of our loans were secured by (i) bank deposits of our Group; or (ii) guarantees provided by Mr. Lau, certain fellow subsidiaries of our Company and certain entities of Cargo Services Group, which are members of the Controlling Shareholder Group. Please refer to the paragraph headed "Financial Information – Indebtedness and Contingent Liabilities" in this prospectus for details. The relevant banks have given its consent in principle to release such guarantees provided by these related parties upon Listing.

Amount due from our Controlling Shareholders, their respective associates and/or related parties to our Group, which were non-trade nature, amounted to approximately HK$205.5 million, HK$227.4 million, HK$244.5 million and HK$226.6 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively, out of which (i) approximately HK$29.9 million, HK$33.0 million, HK$38.6 million and HK$43.3 million bore interest at 5.0%, 5.0%, 5.1% and 5.0% per annum, respectively, and were unsecured and recoverable on demand; and (ii) approximately HK$175.6 million, HK$194.4 million, HK$205.9 million and HK$183.3 million, respectively, were unsecured, interest free and recoverable upon demand. Amounts due to our Controlling Shareholders, their respective associates and/or related parties from our Group, which were non-trade nature, amounted to approximately HK$121.2 million, HK$76.7 million, HK$86.2 million and HK$74.7 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively, out of which (i) approximately HK$35.9 million, HK$38.6 million, HK$38.7 million and HK$38.8 million bore interest at 5.0%, 5.0%, 5.1% and 5.0% per annum, respectively, and were unsecured and repayable on demand; and (ii) approximately HK$85.3 million, HK$38.1 million, HK$47.5 million and HK$35.9 million, respectively, were unsecured, interest free and repayable upon demand. Such balance of any outstanding amounts due from or to any of our Controlling Shareholders, their respective associates and/or related parties had been settled in full as at the Latest Practicable Date.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had not provided any loans to, nor given any guarantee, security or pledge for, our Controlling Shareholders, our Directors or their respective associates, and none of our Directors or any of their respective associates had provided any personal guarantee, security or pledge for any of our banking facilities and other borrowings. In light of the foregoing, our Directors are of the view that our Group does not rely on our Controlling Shareholders and/or their associates for any financial assistance.

RULE 8.10 OF THE LISTING RULES

As demonstrated in the paragraph headed "Independence from the Controlling Shareholder Group – The respective businesses and operations of our Group and the Controlling Shareholder Group are different and clearly delineated, and not competing with each other" in this section, none of our Controlling Shareholders and our Directors has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKINGS

Each of our Controlling Shareholders has confirmed that none of them engages in, or is interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group and the Controlling Shareholder Group from any potential competition, our Controlling Shareholders have given non-compete undertakings in our favour under the Non-compete Undertakings on 17 September 2020, pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below) each of our Controlling Shareholders shall, and shall procure that his/her/its respective associates (other than our Group) to:

(i) save for the Controlling Shareholders Excluded Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in the provision of air freight forwarding services, distribution and logistics services, ocean freight forwarding services in Taiwan and Italy as the point of origin or destination, and freight and logistics services for wine on global basis ("**Controlling Shareholders Restricted Business**");

(ii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates (excluding our Group);

(iii) not solicit any direct customers of our Group for the purpose of competing with the Controlling Shareholders Restricted Business;

(iv) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as our Controlling Shareholders and/or Directors for the purpose of competing with the Controlling Shareholders Restricted Business;

(v) save for the Controlling Shareholders Excluded Business (as defined below), in respect of any business opportunity received by any of them or their respective associates (excluding our Group) involving the marketing, sales and/or provision of any Controlling Shareholders Restricted Business, unconditionally use reasonable endeavours to refer such business opportunity to our Group by procuring such potential customer(s) to appoint or contract directly with our Group for the provision of such services. For the avoidance of doubt, neither the Controlling Shareholders nor their respective associates (other than our Group) will engage in providing such services directly or indirectly (including provision of such services through agent or sub-contractor) but will refer all such business opportunities to our Group;

(vi) save for the Controlling Shareholders Excluded Business (as defined below), not carry on or be engaged in any business opportunity received by any of them or their respective associates (excluding our Group) as referred to in sub-paragraph (v) above in any event, whether our Group or Independent Third Party freight forwarders has decided to take up such business opportunity(ies) or not; and

(vii) transfer the air freight forwarding services and/or distribution and logistics services businesses in the United States to our Group if we decide to establish such businesses in such jurisdiction in the future (subject to the compliance with the requirements of the Listing Rules).

For the above purpose:

(A) the "**Relevant Period**" means the period commencing from the Listing Date and shall expire upon the earliest date of occurrence of the events below:

(a) in respect of a Controlling Shareholder the date on which the Controlling Shareholder concerned (individually or taken as a whole with the other Controlling Shareholders) ceases to be a controlling shareholder (within the meaning ascribed to it under the Listing Rules from time to time) for the purpose of the Listing Rules; and

(b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

(B) the "**Controlling Shareholders Excluded Business**" means:

(i) the provision of ocean freight forwarding services on global basis except in Taiwan and Italy as the point of origin or destination and in respect of wine;

(ii) the provision of local services in the United States for air freight forwarding with destinations in the United States and the distribution and logistics services in the United States. Such Controlling Shareholders Excluded Business will cease to apply if and to the extent that our Group establishes our air freight forwarding services and/or distribution and logistics services in the United States;

(iii) (in the event that its customers require the Controlling Shareholder Group to provide air freight forwarding services for import of goods into the United States from overseas points of origins) the engagement of our Group or Independent Third Party freight forwarders in the provision of stand-alone air freight forwarding services outside the United States (i.e. the export services at these overseas points of origins and the freight arrangement to the United States);

(iv) any direct or indirect investments of the Controlling Shareholders and/or their respective close associates (excluding our Group) in the shares or other securities of our Company and/or its subsidiaries;

(v) any direct or indirect investment of the Controlling Shareholders and/or their respective close associates (excluding our Group) in the marketing, sales and/or provision of the Controlling Shareholders Restricted Business whereby:

(a) the aggregate investment by such Controlling Shareholder and/or his/her/its close associates in the business shall not exceed 30% of the entire equity interests in that business; and

(b) none of such Controlling Shareholder and/or his/her/its close associates will be involved in the operation and management of that business; and

(vi) any direct or indirect investment by our Controlling Shareholders and/or their respective close associates (excluding our Group) in shares of a publicly listed company (other than any member of our Group) whereby:

(a) the aggregate interests held by such Controlling Shareholder and/or his/her/its close associates shall not exceed 20% of the entire issued shares of that company; and

(b) none of such Controlling Shareholder and/or his/her/its close associates (individually or taken as a whole) will be the single largest shareholder or equity holder of that company; and

(c) none of such Controlling Shareholder and/or his/her/its close associates will be involved in the operation and management of that company and/or its subsidiaries.

Each of our Controlling Shareholders has jointly and severally undertaken under the Non-compete Undertakings that he/she or it shall, and procure his/her/its respective associates (other than our Group) to, provide to us and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance with the terms of the Non-compete Undertakings by our Controlling Shareholders. Each of our Controlling Shareholders has also jointly and severally undertaken to make an annual declaration as to compliance with the terms of the Non-compete Undertakings in our annual report.

Corporate governance measures for the compliance and enforcement of the Non-compete Undertakings

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders and the Controlling Shareholder Group in relation to the compliance and enforcement of the Non-compete Undertakings, we have adopted the following corporate governance measures:

(i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-compete Undertakings by our Controlling Shareholders;

(ii) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-compete Undertakings either through our annual report or by way of announcement;

(iii) we will disclose in the corporate governance report of our annual report on how the terms of the Non-compete Undertakings have been complied with and enforced; and

(iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Non-compete Undertakings, he/she shall disclose his/her interests to our Board and may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Managing conflict and potential conflict of interests between our Group and the Controlling Shareholder Group

Our Group has implemented the following measures to effectively manage the conflict and potential conflict of interests between our Group and the Controlling Shareholder Group:

(i) Save for Mr. Lau, none of the other Directors or senior management of our Group have or will have any executive role or involvement in the management of the Controlling Shareholder Group upon Listing;

(ii) Mr. Lau is the only overlapping director of our Company and the Controlling Shareholder Group. Mr. Lau serves as a non-executive Director and the chairman of our Board to provide strategic advice to our Board. He will neither be working on a full-time basis with our Group nor otherwise involved in the daily operation and management of our Group;

(iii) We have appointed three independent non-executive Directors to provide independent judgment to our Board. Our independent non-executive Directors have the requisite knowledge and expertise given their substantial experiences in various industries and listed companies and a couple of them have relevant experience in the high-end or luxury products industry, which is our Group's target industry. As such, our executive Directors and non-executive Director are of the view that the independent non-executive Directors are competent in performing the role of independent non-executive Director. Please refer to the paragraph headed "Directors and Senior Management – Board of Directors" in this prospectus for further details on each of the independent non-executive Directors. In particular, we have established an independent committee, responsible to provide advice to our independent non-executive Directors in relation to our industry, business and operations. At present, our independent committee comprises Mr. Cheung (our executive Director), Mr. Tsang Chiu Ho (chief financial officer of our Group) and Mr. Tsui Ho Ming, Thomas (director of logistics and warehousing department of our Group). None of the members of the independent committee has any employment or other relationship with, or otherwise has any interest in the business of, the Controlling Shareholder Group. Furthermore, when necessary, we will engage external independent professionals, such as legal advisor(s), consultant(s) and other advisors to provide professional advice to our independent non-executive Directors; and

(iv) In the event that Mr. Lau has any material interest or conflict of interest in any matter to be deliberated by our Board, he will disclose his interest to our Board and may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association. In particular, in view of Mr. Lau's overlapping directorship in our Company and the Controlling Shareholder Group, he may not vote on the resolutions of our Board approving any matter or transaction between any members of our Group and the Controlling Shareholder Group (including but not limited to any connected or continuing connected transactions).

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking account of any Shares which may be taken up under the Global Offering and without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature interest	Number of Shares held/interested as at the Latest Practicable Date	Approximate percentage of interest in our Company as at the Latest Practicable Date	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Global Offering	Approximate percentage of interest in our Company immediately following the Capitalisation Issue and the Global Offering
CS Logistics	Beneficial owner	88,000,000 (L)	84.1%	164,980,222 (L)	66.0%
CS Seafreight	Interest of a controlled corporation *(Note 2)*	88,000,000 (L)	84.1%	164,980,222 (L)	66.0%
CS Holdings	Interest of a controlled corporation *(Note 2)*	88,000,000 (L)	84.1%	164,980,222 (L)	66.0%
CS Group	Interest of a controlled corporation *(Note 2)*	88,000,000 (L)	84.1%	164,980,222 (L)	66.0%
Hundred Honest Limited	Interest of a controlled corporation *(Note 2)*	88,000,000 (L)	84.1%	164,980,222 (L)	66.0%
Mr. Lau	Interest of a controlled corporation *(Note 2)*	88,000,000 (L)	84.1%	164,980,222 (L)	66.0%
Mr. Ngan	Beneficial owner	11,330,000 (L)	10.8%	21,241,203 (L)	8.5%
Ms. Ngan Au Kei Yee	Interest of spouse *(Note 3)*	11,330,000 (L)	10.8%	21,241,203 (L)	8.5%

Notes:

1. The letter "L" denotes a person's "long position" in such Shares.

2. These 164,980,222 Shares are held by CS Logistics. CS Logistics is owned as to 75.0% by CS Seafreight, which is in turn wholly-owned by CS Holdings. CS Holdings is wholly-owned by CS Group, which is in turn wholly-owned by Hundred Honest Limited. Hundred Honest Limited is owned as to 80.0% by Mr. Lau. By virtue of the SFO, CS Seafreight, CS Holdings, CS Group, Hundred Honest Limited and Mr. Lau are deemed to be interested in the Shares held by CS Logistics.

3. Ms. Ngan Au Kei Yee is the spouse of Mr. Ngan. Under the SFO, Ms. Ngan Au Kei Yee is deemed to be interested in the same number of Shares in which Mr. Ngan is interested.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

Please refer to the sections headed "History, Reorganisation and Corporate Structure" and "Relationship with Our Controlling Shareholders" in this prospectus for details of relationships among our substantial shareholders.

TOTAL AUTHORISED AND ISSUED SHARE CAPITAL OF OUR COMPANY

The authorised and issued share capital of our Company is as follows:

Authorised share capital:		*US$* *(Note)*
50,000,000,000	Shares of US$0.001 each	50,000,000

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following completion of the Global Offering and Capitalisation Issue will be as follows:

Issued and to be issued and fully paid or credited as fully paid:

104,705,884	Shares in issue as at the date of this prospectus	104,706
91,594,116	Shares to be issued pursuant to the Capitalisation Issue	91,594
53,700,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	53,700
250,000,000	**Shares**	250,000

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the completion of the Global Offering and Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid:

104,705,884	Shares in issue as at the date of this prospectus	104,706
91,594,116	Shares to be issued pursuant to the Capitalisation Issue	91,594
53,700,000	Shares to be issued pursuant to the Global Offering	53,700
8,055,000	Shares to be issued if the Over-allotment Option is exercised in full	8,055
258,055,000	**Shares**	258,055

Note: Certain of the figures are approximate figures.

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions, and the issue of Shares pursuant to the Global Offering and the Capitalisation Issue as described herein. It takes no account of any Shares (i) which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; and (ii) which may be allotted, issued or repurchased by our Company pursuant to the general mandates granted to our Directors for the allotment and issue of Shares and the repurchase of Shares as referred to below or otherwise.

RANKING

The Offer Shares and Shares to be issued pursuant to the Capitalisation Issue and the Shares that may be issued pursuant to the Over-allotment Option will rank *pari passu* with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid thereafter except for the Capitalisation Issue.

THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Statutory and General Information – Other Information – 16. Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate number of Shares in issue, excluding the Shares which may be issued pursuant to the Over-allotment Option, immediately following completion of the Global Offering and Capitalisation Issue; and

(b) the aggregate number of Shares repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The aggregate number of Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles of Association, or pursuant to the exercise of options which may be granted under the Share Option Scheme or under the Global Offering, or the Capitalisation Issue or upon the exercise of the Over-allotment Option.

The general unconditional mandate will expire upon the earliest occurrence of any of the following:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information – Further Information about our Group – 3. Resolutions of our Shareholders passed on 17 September 2020" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of Shares in issue following the completion of the Global Offering and Capitalisation Issue (excluding Shares which may to be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed "Statutory and General Information – Further information about our Group – 7. Repurchase by our Company of our own securities" in Appendix IV to this prospectus.

The mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information – Further Information about our Group – 3. Resolutions of our Shareholders passed on 17 September 2020" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Islands Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of our Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce its share capital by special resolution of our Shareholders. For more details, please refer to the paragraph headed "Summary of the Constitution of our Company and Cayman Islands Company Law – 2(c) Alterations of capital" in Appendix III to this prospectus. Pursuant to the terms of our Memorandum and Articles of Association, if at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Cayman Islands Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. For more details, please refer to the paragraph headed "Summary of the Constitution of our Company and Cayman Islands Company Law – 2(d) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

You should read the following discussion and analysis in conjunction with our consolidated financial information and notes thereto set forth in the Accountants' Report as set out in Appendix I to this prospectus and our selected historical consolidated financial information and operating data included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs issued by the HKICPA, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus for discussions of those risks and uncertainties.

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

We are 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. During the Track Record Period, services provided in respect of high-end fashion products were our single largest revenue contributor, followed by our services for fast fashion products. Our principal services can be categorised into: (i) air freight forwarding services; (ii) distribution and logistics services; and (iii) ocean freight forwarding services.

For FY2017, FY2018, FY2019 and 3M2020, our revenue was HK$1,523.9 million, HK$1,538.7 million, HK$1,483.8 million and HK$362.2 million, respectively, whilst our total net profit for the same periods amounted to HK$47.9 million, HK$41.1 million, HK$44.6 million and HK$385,000, respectively. The table below sets out our revenue breakdown by business segment:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Air freight forwarding services	1,014,855	66.6	992,046	64.5	916,951	61.8	194,878	55.2	210,254	58.1
Distribution and logistics services	234,296	15.4	285,173	18.5	313,669	21.1	79,515	22.5	74,072	20.4
Ocean freight forwarding services	274,752	18.0	261,476	17.0	253,229	17.1	78,905	22.3	77,895	21.5
	1,523,903	100.0	1,538,695	100.0	1,483,849	100.0	353,298	100.0	362,221	100.0

BASIS OF PREPARATION

During the Track Record Period, our businesses were conducted through various entities controlled by CS Holdings. To rationalise the corporate structure in preparation of the Listing, our Group underwent the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus. Upon completion of the Reorganisation, our Company became the holding company of our Group. As our businesses were ultimately controlled by CS Holdings during the Track Record Period and both before and after the Reorganisation, the control is not transitory and consequently, there was a continuation of the risks and benefits to CS Holdings.

Accordingly, the consolidated financial information has been prepared and presented using the merger basis of accounting as if our Group had always been in existence and consolidated by our Company using the existing book values from CS Holdings' perspective under common control. The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements of our Group include the financial performance and cash flows of our businesses for the Track Record Period as if the current group structure had been in existence and remained unchanged throughout the Track Record Period. The consolidated statements of financial position of our Group as at 31 December 2017, 2018 and 2019 and 31 March 2020 have been prepared to present the state of affairs of our businesses as at those dates as if the current group structure had been in existence as at the respective dates.

The financial information relating to our Group has been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA. For further details, please refer to Notes 1 and 2 to the Accountants' Report as set out in Appendix I to this prospectus.

Adoption of HKFRS 9, HKFRS 15 and HKFRS 16

For the purpose of preparing and presenting the financial information relating to our Group for the Track Record Period, our Company has consistently applied all applicable HKFRSs which are effective for accounting period beginning on 1 January 2020, including HKFRS 9 *Financial instruments*, HKFRS 15 *Revenue from contracts with customers* and HKFRS 16 *Leases*, throughout the Track Record Period.

Given that the Track Record Period spans from 1 January 2017 to 31 March 2020, by which time HKFRS 9, HKFRS 15 and HKFRS 16 would be mandatorily applied, we have adopted HKFRS 9, HKFRS 15 and HKFRS 16 in lieu of HKAS 39 *Financial Instruments: Recognition and Measurement*, HKAS 18 *Revenue* and HKAS 17 *Leases* in the preparation of the financial information relating to our Group for the Track Record Period, such that the financial information relating to our Group prepared under HKFRS 9, HKFRS 15 and HKFRS 16 is comparable on a period-to-period basis.

We have carried out internal assessments based on the principles set out in HKAS 39, HKAS 18 and HKAS 17, and set out below certain estimated key impacts on the financial position and performance if HKAS 39, HKAS 18 and HKAS 17 were adopted hypothetically instead:

HKFRS 9 Financial instruments

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

Our Directors have assessed that the adoption of HKFRS 9 would not result in significant reclassification of financial instruments and significant difference on loss allowances on financial assets. Therefore, the adoption of HKFRS 9 did not have any significant impact on our financial position and performance as compared with HKAS 39.

HKFRS 15 Revenue from contracts with customers

Under HKAS 18, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Under HKAS 18, revenues from provision of freight forwarding services are recognised upon delivery to the carriers for export revenue and upon arrival of cargoes for import revenue; while under HKFRS 15, these revenues are recognised over time.

The adoption of HKFRS 15 has impact on the timing of revenue recognition. However, the amounts of such impacts were not significant to our consolidated statements of financial position and performance.

HKFRS 16 Leases

Our Group has obtained the right to use certain properties as distribution centres and offices through tenancy agreements. The leases typically run for an initial period of two to six years. Our Group also leases certain motor vehicles under leases expiring from three to five years.

Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, our Group is required to capitalise all leases when we are the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As at 31 December 2017, 2018 and 2019 and 31 March 2020, right-of-use assets of HK$85.1 million, HK$123.0 million, HK$164.1 million and HK$171.1 million and lease liabilities of HK$85.3 million, HK$110.8 million, HK$152.0 million and HK$159.9 million were recognised respectively under HKFRS 16.

After the initial recognition of right-of-use assets and lease liabilities, our Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term under HKAS 17. This results in a positive impact on the reported profit from operations in our consolidated statements of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the Track Record Period. For FY2017, FY2018, FY2019 and 3M2020, had our Group adopted HKAS 17 hypothetically, profit from operations would have decreased by HK$4.5 million, HK$5.4 million, HK$6.5 million and HK$1.2 million, respectively; finance costs would have decreased by HK$1.7 million, HK$4.2 million, HK$4.9 million and HK$1.7 million, respectively; and profit before taxation would have decreased by

HK$2.8 million, HK$1.2 million and HK$1.6 million and increased by HK$0.5 million, respectively.

In the consolidated cash flow statements, our Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element under HKFRS 16. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated cash flow statements. For FY2017, FY2018, FY2019 and 3M2020, had our Group adopted HKAS 17 hypothetically, cash generated from operating activities and cash generated from financing activities would have decreased/increased by HK$54.0 million, HK$69.7 million, HK$85.5 million and HK$20.6 million, respectively.

The above amounts are estimates only and neither we had prepared, nor the reporting accountants had audited or reviewed, the consolidated financial statements of our Group for the Track Record Period based on HKAS 17.

FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Our results of operations and financial performance are subject to the influence of numerous factors, including those set out below and in the section headed "Risk Factors" in this prospectus:

Market demand

During the Track Record Period, we generated our revenue from air freight forwarding services, distribution and logistics services and ocean freight forwarding services. The demand for our services is driven by the levels of international trade, which is in turn affected by global economic performance. If global economic performance experiences a downturn, or there is any adverse political or regulatory conditions due to events beyond our control, such as economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the government adopts regulations that place restrictions or burdens on us or on our industry in general, our business, financial condition, results of operations and prospects may be material and adversely affected.

Customer relationships and factors affecting our customers

During the Track Record Period, we generally did not enter into long-term agreements with our customers. Hence, the volume of orders or consignment instructions from our customers may vary from time to time due to a number of factors, including the financial and operational success of customers and factors affecting consumer demand of our customers' products such as market environment in the high-end fashion (including luxury and affordable luxury) and wine industries. It is also difficult for us to forecast future order or consignment quantities and our results of operations may fluctuate significantly in the future.

Our ability to enter into block space agreements with airline carriers

Our growth and profitability are significantly dependent on our ability to secure cargo space from airline carriers through block space agreements or direct bookings to deliver the consignments to the destinations required by our customers.

As at the Latest Practicable Date, we had three block space agreements with three airline carriers. Generally, these agreements guarantee us allocation of agreed quantities of air cargo space at pre-determined rates normally over a duration of 12 months, and are generally terminable on 30 to 90 days' notice without penalty by either party to the relevant agreement, namely us or the relevant airline carrier. There can be no assurance that these block space agreements will not be terminated before expiry of their terms or will be renewed. The termination or non-renewal of a significant number of these block space agreements may result in insufficient air cargo space for our freight forwarding services or expose us fully to the prevailing air cargo space market rates as we will need to obtain cargo space by way of direct booking, and may cause material negative impact on our results of operations. We are committed to purchasing the volume of allocated air cargo space as agreed under the block space agreements and the block space agreements typically contain provisions requiring us to make payments to the airline carriers by reference to the agreed volume of cargo space, regardless of whether the cargo space has been utilised in full or at all. If we cannot utilise the allocated air cargo space, we may not be able to recover the costs of the relevant cargo space, and our results of operations may suffer.

Our freight and handling costs

Our freight and handling costs, which represent fees we paid for obtaining cargo space and fees paid to our freight forwarder business partners for the freight forwarding services they provided generally at the origin or destination where we have no presence, constitute our largest segment of cost of services for FY2017, FY2018, FY2019 and 3M2020. Our freight and handling costs for FY2017, FY2018, FY2019 and 3M2020 were HK$1,075.2 million, HK$1,026.6 million, HK$913.1 million and HK$225.8 million, respectively, representing 70.6%, 66.7%, 61.5% and 62.3% of our total revenue, respectively. We are exposed to the market risk of fluctuation of rates of our suppliers, and fluctuation in rates may cause fluctuation in our cost of services. Any increase in our freight and handling costs would negatively impact our gross profit margin if we are unable to transfer the increased cost resulting from such increase through increasing our service fees. For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our freight and handling costs from our cost of services (while other factors being constant) on our profit before tax during the Track Record Period. Fluctuations in our freight and handling costs from our cost of services are assumed to be an increase/decrease of 5% and 10%, which is commensurate with the historical fluctuations of our freight and handling costs.

	+/– 5%	**+/– 10%**
	HK$'000	*HK$'000*
Decrease/increase in profit before tax if increase/decrease in freight and handling costs		
FY2017	–/+53,760	–/+107,521
FY2018	–/+51,329	–/+102,659
FY2019	–/+45,653	–/+91,306
3M2020	–/+11,291	–/+22,582

Staff costs

As at 31 March 2020, we had a total of 638 full-time employees. Staff costs for FY2017, FY2018, FY2019 and 3M2020 were HK$211.5 million, HK$242.3 million, HK$249.3 million and HK$54.9 million, respectively, representing 13.9%, 15.7%, 16.8% and 15.2% of our total revenue, respectively. Our operational results and conditions may be adversely affected should we fail to control our staff costs.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs on our profit before tax during the Track Record Period. Fluctuations in our staff costs are assumed to be an increase/decrease of 5% and 10%, which is commensurate with the historical fluctuations of our staff costs.

	+/– 5%	**+/– 10%**
	HK$'000	*HK$'000*
Decrease/increase in profit before tax if increase/decrease in staff costs		
FY2017	–/+10,575	–/+21,150
FY2018	–/+12,115	–/+24,230
FY2019	–/+12,463	–/+24,926
3M2020	–/+2,745	–/+5,490

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements and important for understanding our financial position and results of operations.

Our significant accounting policies, judgments and estimates that are important for you to understand our financial condition and results of operations, are set out in detail in Notes 2 and 3 to the Accountants' Report as set out in Appendix I to this prospectus respectively. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the current circumstances. Actual results may differ under different assumptions and conditions. We have not changed our assumptions or estimates in the past. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the foreseeable future.

Our Directors have identified the below accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

Revenue

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Please refer to Note 2(s) to the Accountants' Report as set out in Appendix I to this prospectus for further details of our accounting policy in relation to revenue recognition.

Income Tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Please refer to Note 2(q) to the Accountants' Report as set out in Appendix I to this prospectus for further details of our accounting policy in relation to income tax.

Property, Plant and Equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses:

- right-of-use assets arising from leases over freehold or leasehold properties where our Group is not the registered owner of the property interest; and

- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Please refer to Note 2(g) to the Accountants' Report as set out in Appendix I to this prospectus for further details of our accounting policy in relation to property, plant and equipment.

Trade and Other Receivables

A receivable is recognised when our Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before our Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Please refer to Note 2(l) to the Accountants' Report as set out in Appendix I to this prospectus for further details of our accounting policy in relation to trade and other receivables.

Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Leased Assets

At inception of a contract, our Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Please refer to Note 2(i) to the Accountants' Report as set out in Appendix I to this prospectus for further details of our accounting policy in relation to leased assets.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out our consolidated statements of profit or loss and other comprehensive income during the Track Record Period, which was derived from the Accountants' Report as set out in Appendix I to this prospectus:

	For the year ended 31 December			For the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue	1,523,903	1,538,695	1,483,849	353,298	362,221
Cost of services	(1,262,699)	(1,240,341)	(1,177,061)	(278,261)	(289,766)
Gross profit	261,204	298,354	306,788	75,037	72,455
Other income	1,250	1,331	1,272	405	716
Other net (loss)/gain	(2,270)	2,238	327	(458)	(524)
Administrative and other operating expenses	(191,700)	(232,370)	(231,946)	(56,977)	(63,440)
Profit from operations	68,484	69,553	76,441	18,007	9,207
Finance costs	(4,079)	(7,751)	(9,447)	(2,514)	(3,092)
Share of profits of associates	175	210	934	86	349
Profit before taxation	64,580	62,012	67,928	15,579	6,464
Income tax	(16,718)	(20,886)	(23,378)	(6,474)	(6,079)
Profit for the year/period	47,862	41,126	44,550	9,105	385
Attributable to:					
Equity shareholders of our Company	27,936	23,004	23,614	5,809	(3,009)
Non-controlling interests	19,926	18,122	20,936	3,296	3,394
Profit for the year/period	47,862	41,126	44,550	9,105	385
Other comprehensive income for the year/period (after tax)					
Remeasurement of defined benefit obligations	(350)	(306)	(1,136)	(149)	735
Exchange differences on translation of financial statements of overseas subsidiaries	7,574	(4,575)	(564)	268	(3,122)
Total comprehensive income for the year/period	55,086	36,245	42,850	9,224	(2,002)

DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was mainly generated from the provision of air freight forwarding services, distribution and logistics services and ocean freight forwarding services.

For FY2017, FY2018, FY2019 and 3M2020, our revenue was HK$1,523.9 million, HK$1,538.7 million, HK$1,483.8 million and HK$362.2 million, respectively.

Revenue by business segment

The table below sets out our revenue breakdown by business segment during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Air freight forwarding services	1,014,855	66.6	992,046	64.5	916,951	61.8	194,878	55.2	210,254	58.1
Distribution and logistics services	234,296	15.4	285,173	18.5	313,669	21.1	79,515	22.5	74,072	20.4
Ocean freight forwarding services	274,752	18.0	261,476	17.0	253,229	17.1	78,905	22.3	77,895	21.5
	1,523,903	100.0	1,538,695	100.0	1,483,849	100.0	353,298	100.0	362,221	100.0

Air freight forwarding services

Our air freight forwarding services include arranging for consignment upon receipt of booking instructions from customers, cargo pick up, obtaining cargo space, 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. For FY2017, FY2018, FY2019 and 3M2020, our air freight forwarding services contributed to HK$1,014.9 million, HK$992.0 million, HK$917.0 million and HK$210.3 million, representing 66.6%, 64.5%, 61.8% and 58.1% of our total revenue, respectively.

Our revenue generated from the provision of air freight forwarding services decreased from HK$1,014.9 million for FY2017 to HK$992.0 million for FY2018, which was mainly attributable to (i) the decrease in revenue generated from the PRC of HK$41.9 million which was primarily due to the global economy being adversely affected by the Sino-US trade war and mainly impacted the export consignments of our Group from the PRC to Europe; and (ii) the decrease in revenue generated from Hong Kong of HK$29.0 million primarily due to the decrease in co-loading business with freight forwarder business partners. According to the understanding of our Directors, such decrease was primarily due to the decrease in demand from the freight forwarder business partners' customers for transportation of goods for the relevant freight forwarding routes that we provide, which was partially offset by (i) the increase in revenue generated from Italy of HK$37.5 million, benefited from our business expansion and source of new customers; and (ii) net additional revenue contribution of HK$12.1 million from business expansion in other jurisdictions, namely Japan, Switzerland and the U.S., in which our business operations only commenced in FY2017.

Our revenue generated from the provision of air freight forwarding services decreased from HK$992.0 million for FY2018 to HK$917.0 million for FY2019, which was mainly attributable to (i) the decrease in revenue generated from the PRC of HK$78.9 million as a result of the continuous impact on the global economy brought by the Sino-US trade war and mainly impacted the export consignments of our Group from the PRC to Europe; and (ii) the fall in price of cargo space charged by airline carriers in general, as we price our services on a cost-plus basis.

Our revenue generated from the provision of air freight forwarding services increased from HK$194.9 million for 3M2019 to HK$210.3 million for 3M2020, which was mainly attributable to the increase in revenue generated from Hong Kong of HK$30.2 million as a result of (i) the increase in freight charges, which drove up our revenue as we price our services on a cost-plus basis, due to the shortage in supply of cargo space caused by the COVID-19 outbreak; and (ii) the increase in demand from other freight forwarders in Hong Kong to co-load with us in view of the limited supply of cargo space and our ability to obtain cargo space from suppliers, which was partially offset by the decrease in revenue generated from the PRC of HK$15.3 million mainly due to the adverse impact on the PRC market and freight forwarding industry brought by the outbreak of COVID-19.

Distribution and logistics services

Our distribution and logistics services involve the provision of a wide range of logistics services, such as organising and optimising warehousing usage, transportation routes and trucking service providers, storage, palletising, trucking and distribution, managing vendor inventory, picking and packing finished goods, reverse logistics services and recycling, providing quality control and various ancillary value-added services such as supply chain management and storage services through our proprietary CN WMS. We would also advise our customers on complying with local customs regulations. For FY2017, FY2018, FY2019 and 3M2020, our distribution and logistics services contributed to HK$234.3 million, HK$285.2 million, HK$313.7 million and HK$74.1 million, representing 15.4%, 18.5%, 21.1% and 20.4% of our total revenue, respectively.

Our revenue generated from the provision of distribution and logistics services increased from HK$234.3 million for FY2017 to HK$285.2 million for FY2018, which was mainly attributable to (i) the improved service capacity and efficiency of our distribution centres in the PRC, as we had relocated certain part of our distribution and logistics operation in Shanghai to a larger distribution centre equipped with semi-automated conveyor belts in Shanghai during FY2018 which allowed us to satisfy more demand from our customers and generated additional revenue; and (ii) the increased demand for our distribution and logistics services provided in Hong Kong.

Our revenue generated from the provision of distribution and logistics services further increased from HK$285.2 million for FY2018 to HK$313.7 million for FY2019, which was mainly attributable to (i) the improved service capacity and efficiency brought by the relocation of certain part of our distribution and logistics operation in Shanghai during FY2018 as discussed above, which resulted in higher revenue for the full year of FY2019 as compared to FY2018; and (ii) the improved service capacity brought by the expansion of our distribution and logistics services in Italy as we had relocated our office and distribution centre in Italy to a property with a larger gross floor area in late 2018.

Our revenue generated from the provision of distribution and logistics services decreased from HK$79.5 million for 3M2019 to HK$74.1 million for 3M2020, which was mainly attributable to the decrease in demand for our services in Hong Kong and the PRC as a result of the adverse impact brought by the outbreak of COVID-19.

Ocean freight forwarding services

Our holistic logistics solutions also include the provision of ocean freight forwarding services mainly to our air freight forwarding services customers and other customers in Italy and Taiwan when they require us to ship some of their products by sea incidentally or on a stand-alone basis, which involve similar services that we provide under our air freight forwarding services. Further, while our customers for wine logistics services mainly require our air freight forwarding services, they may also require us to arrange for wine to be transported by sea. For FY2017, FY2018, FY2019 and 3M2020, our ocean freight forwarding services contributed to HK$274.8 million, HK$261.5 million, HK$253.2 million and HK$77.9 million, representing 18.0%, 17.0%, 17.1% and 21.5% of our total revenue, respectively.

Our revenue generated from the provision of ocean freight forwarding services decreased from HK$274.8 million for FY2017 to HK$261.5 million for FY2018, which was mainly due to the decrease in revenue of HK$56.8 million in Taiwan primarily brought by our commercial decision to slow down our business relationships with four customers with relatively lower gross profit margin than our other customers, which was partially net off by (i) the increase in revenue generated from Italy of HK$26.9 million as a result of businesses brought by new and existing customers stemmed from our strategy in seeking business expansion actively in Italy; and (ii) the net increase in revenue of HK$10.9 million contributed by our ocean freight forwarding services in jurisdictions other than the PRC, Hong Kong, Taiwan and Italy, in particular the expansion of our business in Japan.

To the best knowledge of our Directors upon making reasonable enquiries, the abovementioned four Taiwan customers are trading companies in Taiwan with a business scope of, amongst others, international trade and wholesale of a wide range of products including food and grocery, clothes, shoes, ironware, machinery and household appliance. During the Track Record Period, these four customers mainly engaged us for the provision of ocean freight forwarding services. We have not conducted any further business with these four customers and our business relationships with them completely ceased since April 2018. The amounts of our revenue and gross profit contributed by and gross profit margin in relation to these four customers during FY2017 and FY2018 were as follows:

	For the year ended 31 December							
	2017				2018 *(Note 5)*			
	Revenue		**Gross profit**	**Gross profit margin**	**Revenue**		**Gross profit**	**Gross profit margin**
	HK$'000	*%* *(Note 6)*	*HK$'000*	*%*	*HK$'000*	*%* *(Note 6)*	*HK$'000*	*%*
TW Customer A *(Note 1)*	35,382	17.9	2,056	5.8	13,711	9.8	862	6.3
TW Customer B *(Note 2)*	32,919	16.6	1,699	5.2	12,923	9.2	743	5.7
TW Customer C *(Note 3)*	26,399	13.3	1,135	4.3	11,723	8.4	516	4.4
TW Customer D *(Note 4)*	7,964	4.0	407	5.1	7,845	5.6	401	5.1
Total:	102,664	51.8	5,297	5.2	46,202	33.0	2,522	5.2

Notes:

1. To the best knowledge of our Directors upon making reasonable enquiries, TW Customer A is a trading company in Taiwan with a business scope of, amongst others, international trade and wholesale of a wide range of products including food and grocery, clothes, shoes, ironware and agricultural products. It has a registered capital of NT$5 million.

2. To the best knowledge of our Directors upon making reasonable enquiries, TW Customer B is a trading company in Taiwan with a business scope of, amongst others, international trade and wholesale of a wide range of products including vegetable and fruits, clothes, shoes, ironware and machinery. It has a registered capital of NT$4 million.

3. To the best knowledge of our Directors upon making reasonable enquiries, TW Customer C is a trading company in Taiwan with a business scope of, amongst others, international trade and wholesale of a wide range of products including food and grocery, clothes, shoes, ironware and machinery. It has a registered capital of NT$860,000.

4. To the best knowledge of our Directors upon making reasonable enquiries, TW Customer D is a trading company in Taiwan with a business scope of, amongst others, international trade and wholesale and retail sale of furniture, bedclothes, kitchen equipment and fixtures and household appliance. It has a registered capital of NT$2 million.

5. These figures represent the revenue and gross profit contributed by the four customers in Taiwan during the first three months of FY2018. We have not conducted any further business with them since April 2018.

6. As a percentage to our total revenue generated from the provision of services in Taiwan.

The gross profit margins of these four customers in Taiwan, ranging from 4.3% to 5.8% in FY2017 and 4.4% to 6.3% in FY2018, respectively, were lower than our overall gross profit margin for ocean freight forwarding services for FY2017 and FY2018 at 23.1% and 26.6%, respectively. Excluding the revenue and gross profit generated from the ocean freight forwarding services provided to these four customers in Taiwan, our gross profit margin from Taiwan was 46.1% and 45.1% for FY2017 and FY2018, respectively. Our gross profit margins in respect of the transactions with these four customers were lower than our average gross profit margin in respect of the transactions with other customers in Taiwan for FY2017 and FY2018. This was mainly attributable to the combined effect of factors including: (i) the high transaction volume offered by these four customers put them in a better bargaining position in negotiating prices and we had to set prices that were more competitive in order to secure their orders, resulting in a lower gross profit margin as compared to our other customers in Taiwan; (ii) these four customers generally did not require us to provide customs clearance and declaration services, which generally entail additional fees and higher gross profit margin; (iii) we primarily provided freight forwarding services in respect of frozen food for these four customers which required special arrangements including temperature-controlled delivery and constant monitoring of the goods' condition throughout the freight process, thus involving higher costs; (iv) a majority of our customers in Taiwan were customers with whom we had nurtured a stable and long-term relationship by providing quality, customer-oriented and efficient services, enabling us to charge a comparatively higher premium for such services; and (v) our know-how and experience in providing quality and customer-oriented freight forwarding services in Taiwan allowed us to offer one-stop services to our Taiwan customers and charge at a comparatively higher margin as well as additional fees for the customs clearance and declaration services.

We competed for and secured orders in FY2017 from these four customers as they represented a new source of revenue and contributed additional gross profit for our Taiwan business despite having to offer them competitive prices and record comparatively lower gross profit margins as a result. However, we subsequently decided to slowdown and eventually cease our business relationships with these four customers after taking into account of the following factors: (i) as the transaction volume of these customers was high for FY2017, we dedicated up to three customer service staff to serve these customers specifically (depending on the services required by these customers) as opposed to our general practice of one customer service staff serving multiple customers; (ii) the settlement pattern of 30 to 60 days of these customers, while being similar to our other customers in Taiwan, was normally longer than our settlement pattern of seven days to our suppliers, namely shipping companies; and (iii) due to the large volume of transactions with these four customers, the time lag between their settlement to us and our settlement to the shipping companies created substantial pressure on our cashflow in Taiwan, as we had to settle large amount of freight charges of the shipping companies before being paid by these four customers. In view of the resources (including manpower and working capital) allocated to these four customers and their comparatively low gross profit margin, we therefore decided to strategically slow down the business with them in order to better manage our working capital.

Our revenue generated from the provision of ocean freight forwarding services decreased from HK$261.5 million for FY2018 to HK$253.2 million for FY2019, which was mainly attributable to the decrease in revenue of HK$39.6 million in Taiwan primarily as a result of the complete cessation of our business relationships with the four abovementioned customers, partially net off by (i) the increase in revenue of HK$22.5 million generated from Italy as a result of the improved service capacity brought by the relocation to a larger operation space which coincided with our primary business expansion strategy as discussed above; and (ii) the net increase in revenue of HK$22.5 million contributed by our ocean freight forwarding services in jurisdictions other than the PRC, Hong Kong, Taiwan and Italy, in particular as a result of the expansion of our business in the U.S.

Our revenue generated from the provision of ocean freight forwarding services remained relatively stable at HK$78.9 million and HK$77.9 million for 3M2019 and 3M2020, respectively.

Revenue by geographical location and business segment

The tables below set out our revenue breakdown by geographical location based on the location at which services were provided and business segment during the Track Record Period:

For the year ended 31 December 2017

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	520,284	51.2	81,915	35.0	5,593	2.0	607,792	39.9
Hong Kong	333,726	32.9	147,605	63.0	39,030	14.2	520,361	34.1
Italy	108,142	10.7	463	0.2	81,425	29.6	190,030	12.5
Taiwan	48,322	4.8	4,313	1.8	145,497	53.0	198,132	13.0
Other countries	4,381	0.4	–	–	3,207	1.2	7,588	0.5
	1,014,855	100.0	234,296	100.0	274,752	100.0	1,523,903	100.0

For the year ended 31 December 2018

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	478,361	48.2	113,793	39.9	8,570	3.3	600,724	39.0
Hong Kong	304,684	30.7	160,033	56.1	41,797	16.0	506,514	32.9
Italy	145,648	14.7	5,414	1.9	108,295	41.4	259,357	16.9
Taiwan	46,860	4.7	4,215	1.5	88,718	33.9	139,793	9.1
Other countries	16,493	1.7	1,718	0.6	14,096	5.4	32,307	2.1
	992,046	100.0	285,173	100.0	261,476	100.0	1,538,695	100.0

For the year ended 31 December 2019

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	399,492	43.6	126,613	40.4	6,499	2.6	532,604	35.9
Hong Kong	310,871	33.9	161,832	51.6	30,236	11.9	502,939	33.9
Italy	125,805	13.7	20,487	6.5	130,777	51.6	277,069	18.7
Taiwan	36,443	4.0	3,935	1.3	49,114	19.4	89,492	6.0
Other countries	44,340	4.8	802	0.2	36,603	14.5	81,745	5.5
	916,951	100.0	313,669	100.0	253,229	100.0	1,483,849	100.0

For the three months ended 31 March 2019

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
PRC	81,234	41.7	32,394	40.7	1,528	1.9	115,156	32.6
Hong Kong	58,857	30.2	42,706	53.7	6,571	8.3	108,134	30.6
Italy	34,338	17.6	3,263	4.1	51,352	65.1	88,953	25.2
Taiwan	8,489	4.4	1,005	1.3	10,922	13.9	20,416	5.8
Other countries	11,960	6.1	147	0.2	8,532	10.8	20,639	5.8
	194,878	100.0	79,515	100.0	78,905	100.0	353,298	100.0

For the three months ended 31 March 2020

	Air freight forwarding services		Distribution and logistics services		Ocean freight forwarding services		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	65,926	31.4	30,192	40.8	846	1.1	96,964	26.8
Hong Kong	89,094	42.4	37,564	50.7	6,381	8.2	133,039	36.7
Italy	36,630	17.4	1,211	1.6	53,644	68.9	91,485	25.2
Taiwan	9,443	4.5	1,012	1.4	11,562	14.8	22,017	6.1
Other countries	9,161	4.3	4,093	5.5	5,462	7.0	18,716	5.2
	210,254	100.0	74,072	100.0	77,895	100.0	362,221	100.0

For FY2017, FY2018, FY2019 and 3M2020, our services provided in the PRC contributed to HK$607.8 million, HK$600.7 million, HK$532.6 million and HK$97.0 million, representing 39.9%, 39.0%, 35.9% and 26.8% of our total revenue, respectively. Our revenue generated from services provided in the PRC decreased from HK$607.8 million for FY2017 to HK$600.7 million for FY2018, which was mainly attributable to the decrease in revenue contributed from the provision of air freight forwarding services of HK$41.9 million, primarily brought by the decrease in demand for our air freight forwarding services due to the global economy being adversely affected by the Sino-US trade war and mainly impacted the export consignments of our Group from the PRC to Europe. The decrease was partially net off by the increase in revenue contributed from the provision of distribution and logistics services of HK$31.9 million due to the improved service capacity and efficiency of our distribution centres in the PRC, as we had relocated certain part of our distribution and logistics operation in Shanghai to a larger distribution centre equipped with semi-automated conveyor belts in Shanghai during FY2018, which allowed us to satisfy more demand from our customers and generated additional revenue. Our revenue generated from services provided in the PRC decreased from HK$600.7 million for FY2018 to HK$532.6 million for FY2019, which was mainly attributable to (i) the decrease in revenue contributed from the provision of air freight forwarding services of HK$78.9 million, primarily brought by the decrease in demand for our air freight forwarding services as a result of the continuous impact on the global economy brought by the Sino-US trade war and mainly impacted the export consignments of our Group from the PRC to Europe; and (ii) the fall in price of cargo space charged by airline carriers in general, as we price our services on a cost-plus basis. The decrease was partially net off by the increase in revenue generated from our distribution and logistics services in the PRC of HK$12.8 million as a result of the improved service capacity and efficiency brought by the relocation of certain part of our distribution and logistics operation in Shanghai during FY2018 as discussed above. Our revenue generated from services provided in the PRC decreased from HK$115.2 million for 3M2019 to HK$97.0 million for 3M2020, which was mainly attributable to the decrease in revenue contributed from the provision of air freight forwarding services of HK$15.3 million primarily due to the adverse impact on the PRC market and freight forwarding industry brought by the outbreak of COVID-19, including the decrease in the demand for our services in respect of high-end fashion products and the decrease in the supply of cargo space.

For FY2017, FY2018, FY2019 and 3M2020, our services provided in Hong Kong contributed to HK$520.4 million, HK$506.5 million, HK$502.9 million and HK$133.0 million, representing 34.1%, 32.9%, 33.9% and 36.7% of our total revenue, respectively. Our revenue generated from services provided in Hong Kong decreased from HK$520.4 million for FY2017 to HK$506.5 million for FY2018, which was mainly attributable to the decrease in revenue generated from the provision of air freight forwarding services of HK$29.0 million, primarily attributable to the decrease in co-loading business with freight forwarder business partners as discussed in this section above, partially offset by the increase in revenue contributed from the provision of distribution and logistics services of HK$12.4 million, as a result of increased demand for our distribution and logistics services, in particular from one of our customers, which is a sportswear manufacturer headquartered in Korea. Our revenue generated from services provided in Hong Kong decreased from HK$506.5 million for FY2018 to HK$502.9 million for FY2019, which was mainly attributable to the decrease in revenue contributed from the provision of ocean freight forwarding services of HK$11.6 million as such services were generally incidental in nature in Hong Kong and were not our primary focus, offset primarily by the increase in revenue contributed from the provision of air freight forwarding services of

HK$6.2 million. Our revenue generated from services provided in Hong Kong increased from HK$108.1 million for 3M2019 to HK$133.0 million for 3M2020, which was mainly attributable to the increase in revenue contributed from the provision of air freight forwarding services of HK$30.2 million primarily brought by the increase in demand from other freight forwarders in Hong Kong to co-load with us and the increase in freight charges due to the shortage in supply of cargo space caused by the COVID-19 outbreak as discussed in this section above.

For FY2017, FY2018, FY2019 and 3M2020, our services provided in Italy contributed to HK$190.0 million, HK$259.4 million, HK$277.1 million and HK$91.5 million, representing 12.5%, 16.9%, 18.7% and 25.2% of our total revenue, respectively. Our revenue generated from services provided in Italy increased from HK$190.0 million for FY2017 to HK$259.4 million for FY2018, which was mainly attributable to the increase in revenue generated from (i) the provision of air freight forwarding services of HK$37.5 million; (ii) the provision of ocean freight forwarding services of HK$26.9 million; and (iii) the provision of distribution and logistics services of HK$5.0 million, primarily as a result of businesses brought by new and existing customers stemmed from our strategy in seeking business expansion actively in Italy. Our revenue generated from services provided in Italy further increased from HK$259.4 million for FY2018 to HK$277.1 million for FY2019, which was mainly attributable to the increase in revenue generated from (i) the provision of ocean freight forwarding services of HK$22.5 million; and (ii) the provision of distribution and logistics services of HK$15.1 million, as a result of (i) the increase in businesses brought by new and existing customers which require ocean freight forwarding services; and (ii) the improved service capacity brought by the expansion of our distribution and logistics services in Italy as we had relocated our office and distribution centre in Italy to a property with a larger gross floor area in late 2018. Our revenue generated from services provided in Italy remained relatively stable at HK$89.0 million and HK$91.5 million for 3M2019 and 3M2020, respectively.

For FY2017, FY2018, FY2019 and 3M2020, our services provided in Taiwan contributed to HK$198.1 million, HK$139.8 million, HK$89.5 million and HK$22.0 million, representing 13.0%, 9.1%, 6.0% and 6.1% of our total revenue, respectively. Our revenue generated from services provided in Taiwan decreased from HK$198.1 million for FY2017 to HK$139.8 million for FY2018, and further to HK$89.5 million for FY2019. The decrease of revenue from FY2017 to FY2018 was mainly attributable to the decrease in revenue generated from the provision of ocean freight forwarding services of HK$56.8 million while the decrease of revenue from FY2018 to FY2019 was also mainly attributable to the decrease in revenue generated from the provision of ocean freight forwarding services of HK$39.6 million. These decreases were mainly attributable to the decrease in our ocean freight forwarding services due to our commercial decision to slow down our business relationships with four customers with relatively lower gross profit margin than our other customers. Although the transaction volume of these customers was high for FY2017, the settlement pattern of these customers was normally longer than our settlement pattern to our suppliers, namely shipping companies. We decided to strategically slow down the business with them in order to better manage our working capital. The slowdown of our business with these four customers started in FY2018 and our business relationships with them completely ceased since April 2018. For further details regarding the cessation of our business relationships with and the background of these four customers in Taiwan, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income – Revenue – Revenue by business segment – Ocean freight forwarding services" in this section above. Our revenue generated from services provided in Taiwan remained relatively stable at HK$20.4 million and HK$22.0 million for 3M2019 and 3M2020, respectively.

For FY2017, FY2018, FY2019 and 3M2020, our services provided in locations other than the PRC, Hong Kong, Taiwan and Italy contributed to HK$7.6 million, HK$32.3 million, HK$81.7 million and HK$18.7 million, representing 0.5%, 2.1%, 5.5% and 5.2% of our total revenue, respectively. Our revenue generated from services provided in these locations increased from HK$7.6 million for FY2017 to HK$32.3 million for FY2018, which was mainly attributable to the increase in revenue generated from the provision of air freight forwarding services and/or ocean freight forwarding services in Japan, Switzerland and the U.S., as a result of our business expansion in these locations, where our business operations only commenced in FY2017 or FY2018. Our revenue generated from services provided in these locations further increased from HK$32.3 million for FY2018 to HK$81.7 million for FY2019, which was mainly attributable to the increase in revenue generated from the provision of air freight forwarding services and/or ocean freight forwarding services in the U.S., Korea, Japan and Switzerland, as a result of further business expansion in these locations. CN US, which was an indirect non-wholly owned subsidiary of our Company prior to its disposal pursuant to the Reorganisation, was originally set up in late 2017 to focus on the provision of air freight forwarding services. However, due to customers' demand in the U.S., the provision of ocean freight forwarding services for the import of fast fashion products to the U.S. was larger than the air freight forwarding business of CN US. As such, its business model does not coincide with our strategy in focusing on providing air freight forwarding services and distribution and logistics services targeting on high-end fashion products and fine wine, and therefore we disposed CN US to a member of the Controlling Shareholder Group. Please refer to the paragraph headed "Relationship with our Controlling Shareholders – The Controlling Shareholder Group – (b) United States" in this prospectus for further details on the basis of the disposal of CN US to the Controlling Shareholder Group. Our revenue generated from services provided in locations other than the PRC, Hong Kong, Taiwan and Italy decreased from HK$20.6 million for 3M2019 to HK$18.7 million for 3M2020, which was mainly attributable to the decrease in revenue generated from the provision of air freight forwarding services of HK$2.8 million and the provision of ocean freight forwarding of HK$3.1 million, primarily due to the abovementioned disposal of CN US. Such decrease was partially offset by the increase in revenue generated from the provision of distribution and logistics services of HK$3.9 million as a result of the increase in businesses brought by new customers which require distribution and logistics services.

Revenue by product type

The table below sets out the breakdown of our total revenue by product type during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
High-end fashion	486,199	31.9	514,688	33.5	596,598	40.2	133,505	37.8	94,901	26.2
Fast fashion	337,464	22.1	331,120	21.5	360,827	24.3	86,533	24.5	50,534	14.0
Wine	54,644	3.6	59,442	3.9	53,186	3.6	17,680	5.0	13,192	3.6
Electronics, equipment and machinery	97,562	6.4	98,987	6.5	45,443	3.1	10,596	3.0	24,180	6.7
Furniture, household and electric appliances	83,828	5.5	66,029	4.3	68,856	4.6	16,853	4.8	27,815	7.7
Beauty, supplements and pharmaceuticals	34,928	2.3	28,089	1.8	21,893	1.5	3,866	1.1	9,678	2.7
Automotive parts	21,069	1.4	17,367	1.1	19,912	1.3	5,277	1.5	4,446	1.2
Cruise logistics services	18,097	1.2	18,773	1.2	70,526	4.8	18,632	5.3	38,563	10.6
Other products and services *(Note)*	286,946	18.8	334,304	21.7	165,767	11.2	41,844	11.8	71,150	19.6
Sub-total	1,420,737	93.2	1,468,799	95.5	1,403,008	94.6	334,786	94.8	334,459	92.3
Co-loading	103,166	6.8	69,896	4.5	80,841	5.4	18,512	5.2	27,762	7.7
	1,523,903	100.0	1,538,695	100.0	1,483,849	100.0	353,298	100.0	362,221	100.0

Note: These products and services include, among others, printing and packaging products, food and beverage and audio appliances.

For FY2017, FY2018, FY2019 and 3M2020, revenue contributed from high-end fashion products accounted for 31.9%, 33.5%, 40.2% and 26.2% of our total revenue, respectively, and demonstrated an increase from FY2017 to FY2019 as our business is primarily focusing on high-end fashion products. The second largest revenue contribution during the Track Record Period was fast fashion products, which accounted for 22.1%, 21.5%, 24.3% and 14.0% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively. Majority of revenue contributed from wine products, which accounted for 3.6%, 3.9%, 3.6% and 3.6% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively, was sourced from Hong Kong as a result of our primary business strategy to develop the wine segment.

The decrease in revenue contribution from services provided in respect of high-end fashion products and fast fashion products for 3M2020 was primarily due to the adverse impact of the COVID-19 outbreak on sales of high-end fashion products and fast fashion products which in turn negatively affected the demand for our services for such products. Such decrease was mitigated by (i) the increase in revenue contribution from co-loading for 3M2020, which was mainly attributable to the increased demand from other freight forwarders in Hong Kong to co-load with us in view of the limited supply of cargo space and our ability to obtain cargo space from suppliers; (ii) the increase in revenue contribution from services for hygiene products such as face masks and sanitisers since the outbreak of COVID-19; (iii) the increase in revenue contribution from services for electronics, equipment and machinery and furniture, household and electric appliances, as such products are relatively less susceptible to or less directly impacted by changes in the consumption market due to the outbreak of COVID-19; and (iv) the increase in revenue contribution from our cruise logistics services, which generally support the supply chain of cruise with a wide variety of services including but not limited to the transportation and distribution of necessities for cruise ships, primarily due to the increase in demand for such services provided mainly in Italy prior to the worsened outbreak of COVID-19.

Breakdown of revenue from direct customers and freight forwarder customers

The table below sets out the breakdown of our total revenue generated from our direct customers and freight forwarder customers during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Direct customers	939,267	61.6	1,001,538	65.1	957,346	64.5	235,102	66.5	231,139	63.8
Freight forwarder customers	584,636	38.4	537,157	34.9	526,503	35.5	118,196	33.5	131,082	36.2
	1,523,903	100.0	1,538,695	100.0	1,483,849	100.0	353,298	100.0	362,221	100.0

During the Track Record Period, a majority of our revenue was generated from direct customers, with HK$939.3 million, HK$1,001.5 million, HK$957.3 million and HK$231.1 million attributable to our direct customers, representing 61.6%, 65.1%, 64.5% and 63.8% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively. Our direct customers primarily comprise of high-end fashion retailers, including The Lane Crawford Joyce Group, brand owners such as Kering Group and the Trinity Group, as well as wholesalers and retailers of wine, who utilise our air freight forwarding services, distribution and logistics services and ocean freight forwarding services.

Our freight forwarder customers, who are our freight forwarder business partners at the origin and destination of consignments, contributed to HK$584.6 million, HK$537.2 million, HK$526.5 million and HK$131.1 million, representing 38.4%, 34.9%, 35.5% and 36.2% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively. We are generally responsible for handling the freight, local transportation and customs clearance in locations where we have business presence. Revenue generated from our freight forwarder customers also includes our income from co-loading with other freight forwarders.

Cost of Services

Our cost of services primarily consists of freight and handling costs, labour costs, packaging and other warehouse related costs, depreciation of right-of-use assets and depreciation of property, plant and equipment. During the Track Record Period, breakdown of our cost of services was as follows:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Freight and handling costs	1,075,209	85.2	1,026,587	82.7	913,064	77.6	213,676	76.8	225,819	77.9
Labour costs	78,483	6.2	82,895	6.7	94,473	8.0	22,616	8.1	18,094	6.2
Packaging and other warehouse related costs	49,746	3.9	61,848	5.0	72,121	6.1	19,879	7.2	21,615	7.5
Depreciation of right-of-use assets	36,911	2.9	51,986	4.2	73,241	6.2	14,157	5.1	16,799	5.8
Depreciation of property, plant and equipment	4,627	0.4	5,641	0.5	7,729	0.7	1,759	0.6	2,062	0.7
Others	17,723	1.4	11,384	0.9	16,433	1.4	6,174	2.2	5,377	1.9
	1,262,699	100.0	1,240,341	100.0	1,177,061	100.0	278,261	100.0	289,766	100.0

The largest component of our cost of services was freight and handling costs, which amounted to HK$1,075.2 million, HK$1,026.6 million, HK$913.1 million and HK$225.8 million, representing 85.2%, 82.7%, 77.6% and 77.9% of our cost of services for FY2017, FY2018, FY2019 and 3M2020, respectively. Our freight and handlings costs primarily represent (i) freight charges for cost of cargo space; (ii) costs of local handling and documentation; (iii) customs clearance charges; (iv) trucking costs for ground transportation; and (v) other surcharges including fuel surcharges, security surcharges and other various surcharges.

Labour costs primarily represent remuneration paid to the direct labour at our distribution centres, contributions made to the various benefit plans and other staff benefits of the direct labour.

Packaging and other warehouse related costs primarily represent costs incurred in relation to scan and pack works performed in our distribution centres, costs of packaging material and costs of trucking services provided in relation to our distribution and logistics services segment.

Depreciation of right-of-use assets primarily represents depreciation expenses incurred of the properties leased as our distribution centres and CFSs.

Depreciation of property, plant and equipment represents the depreciation of property, plant and equipment related to our distribution centres and CFSs.

Others item in the breakdown above primarily includes other premises costs for our distribution centres and CFSs which include building management fees, rates and utilities in respect of our distribution centres and CFSs, VAT and other business tax payable in respect of our business operations.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of our gross profit and gross profit margin during the Track Record Period by business segment:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Air freight forwarding services	148,803	14.7	155,100	15.6	187,978	20.5	42,102	21.6	43,003	20.5
Distribution and logistics services	48,970	20.9	73,819	25.9	54,499	17.4	15,531	19.5	11,362	15.3
Ocean freight forwarding services	63,431	23.1	69,435	26.6	64,311	25.4	17,404	22.1	18,090	23.2
Total	261,204	17.1	298,354	19.4	306,788	20.7	75,037	21.2	72,455	20.0

Our overall gross profit was HK$261.2 million, HK$298.4 million, HK$306.8 million and HK$72.5 million for FY2017, FY2018, FY2019 and 3M2020, respectively. Our overall gross profit margin was 17.1%, 19.4%, 20.7% and 20.0%, for FY2017, FY2018, FY2019 and 3M2020, respectively. Our gross profit margin for our air freight forwarding services increased from 14.7% for FY2017 to 15.6% for FY2018 and further increased to 20.5% for FY2019 but decreased slightly from 21.6% for 3M2019 to 20.5% for 3M2020. Our gross profit margin for our distribution and logistics services increased from 20.9% for FY2017 to 25.9% for FY2018, and decreased from 25.9% for FY2018 to 17.4% for FY2019 and decreased from 19.5% for 3M2019 to 15.3% for 3M2020. Our gross profit margin for our ocean freight forwarding services increased from 23.1% for FY2017 to 26.6% for FY2018, and decreased from 26.6% for FY2018 to 25.4% for FY2019 but increased slightly from 22.1% for 3M2019 to 23.2% for 3M2020.

The table below sets forth a breakdown of our gross profit and gross profit margin during the Track Record Period by geographical location:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
PRC	77,552	12.8	74,710	12.4	101,376	19.0	25,076	21.8	14,192	14.6
Hong Kong	73,151	14.1	94,273	18.6	82,708	16.4	18,880	17.5	20,126	15.1
Italy	60,680	31.9	80,261	30.9	70,152	25.3	17,381	19.5	22,575	24.7
Taiwan	49,308	24.9	44,724	32.0	39,142	43.7	9,524	46.6	10,494	47.7
Other countries	513	6.8	4,386	13.6	13,410	16.4	4,176	20.2	5,068	27.1
Total	261,204	17.1	298,354	19.4	306,788	20.7	75,037	21.2	72,455	20.0

During the Track Record Period, we derived most of our gross profit from services provided in the PRC, Hong Kong, Italy and Taiwan, which was generally in line with the revenue contribution from our services provided in these locations. Our gross profit and gross profit margin from the PRC increased from HK$74.7 million and 12.4% for FY2018 to HK$101.4 million and 19.0% for FY2019, respectively, primarily due to (i) the decrease in our freight and handling costs as a result of the fall in price of cargo space charged by airline carriers, in particular the pre-determined price under our block space agreements; and (ii) the improved service capacity and efficiency of our distribution centres in the PRC after the relocation of certain part of our distribution and logistics operation in Shanghai in FY2018. Our gross profit and gross profit margin from Hong Kong decreased from HK$94.3 million and 18.6% for FY2018 to HK$82.7 million and 16.4% for FY2019, respectively, primarily due to (i) the additional costs incurred after the relocation of our distribution centre in Hong Kong dedicated to wine to a property with larger gross floor area equipped with better facilities, which increased our overall depreciation expenses of right-of-use assets and property, plant and equipment; and (ii) we renewed a number of leases for our distribution centres in Hong Kong with higher rental expenses. Our gross profit and gross profit margin from Italy decreased from HK$80.3 million and 30.9% for FY2018 to HK$70.2 million and 25.3% for FY2019, respectively, primarily due to (i) our lower gross profit margin recorded in respect of ocean freight forwarding services provided to certain new customers sourced in Italy in FY2019; and (ii) the decrease in number of new freight routes requested by our customers of air freight forwarding services in Italy in FY2019 which generally entailed higher gross profit margin. Our gross profit from Taiwan decreased from HK$44.7 million for FY2018 to HK$39.1 million for FY2019 which was in line with the decrease in our revenue generated from Taiwan, whereas our gross profit margin from Taiwan increased from 32.0% for FY2018 to 43.7% for FY2019 mainly because of the complete cessation in FY2019 of our business relationships with four Taiwan customers with whom we recorded lower gross profit margins as discussed in this section above.

Our gross profit and gross profit margin from the PRC decreased from HK$25.1 million and 21.8% for 3M2019 to HK$14.2 million and 14.6% for 3M2020, respectively, primarily due to the adverse impact on the PRC market and freight forwarding industry brought by the outbreak of COVID-19, in particular our services for high-end fashion products. Our gross profit from Hong Kong increased from HK$18.9 million for 3M2019 to HK$20.1 million for 3M2020 which was in line with the increase in our revenue generated from Hong Kong, whereas our gross profit margin from Hong Kong decreased from 17.5% for 3M2019 to 15.1% for 3M2020 which was primarily due to (i) the decrease in revenue contribution from services provided in respect of high-end fashion products for 3M2020 primarily due to the adverse impact of the COVID-19 outbreak on sales of high-end fashion products which in turn negatively affected the demand for our services for such products; and (ii) the increase in revenue contribution from co-loading which generally entails relatively lower gross profit margin. Our gross profit and gross profit margin from Italy increased from HK$17.4 million and 19.5% for 3M2019 to HK$22.6 million and 24.7% for 3M2020, respectively, primarily due to the increase in demand for and thus revenue contribution from our cruise logistics services in Italy which generally entail a relatively higher gross profit margin as further discussed below. Our gross profit and gross profit margin from Taiwan remained relatively stable at HK$9.5 million and 46.6% for 3M2019 and HK$10.5 million and 47.7% for 3M2020, respectively.

We recorded comparatively higher gross profit margins in respect of services provided in Italy and Taiwan compared to services provided in the PRC and Hong Kong primarily due to (i) the relatively keener competition in the PRC and Hong Kong markets as compared to the markets in Italy and Taiwan; (ii) Italy is one of our principal markets for the provision of services in respect of high-end products which is generally less price-sensitive and entails higher gross profit margin as further discussed below; and (iii) we recorded a comparatively higher gross profit margin in Taiwan as we charged additional fees for services required by our customers in relation to customs declaration and clearance which involved high level of administrative work handled by experienced staff. In addition, majority of our customers in Taiwan were direct customers which have long-established business relationships with us through our quality, customer-oriented and efficient services, enabling us to charge a comparatively higher premium for our services. Our know-how and experience in providing quality and customer-oriented freight forwarding services in Taiwan also allowed us to charge at a comparatively higher margin. Further, our freight forwarding services provided in respect of electronic products, for which our customers generally require timely and efficient delivery and therefore entail relatively higher gross profit margin than other types of products, contributed a substantial part of our revenue generated from Taiwan and thus also driving up our gross profit margin in Taiwan.

We adopt a cost-plus approach as our pricing policy which is the industry norm and other companies in the integrated air freight forwarding industry also adopt similar pricing policy according to the CIC Report. While we adopt the same cost-plus approach for the pricing of our freight forwarding services and distribution and logistics services, and we offer similar terms of services based on the requirements of our customers, we take into account a number of factors when determining our fees and profit margin, including the market rate at the location where the relevant customer engages us for the provision of services and the type and nature of goods to be handled by us. According to the CIC Report, as high-end fashion products are of relatively higher value, customers in the high-end fashion industry are generally more value-conscious, rather than simply price-conscious; they generally focus more on transportation security and efficiency and are generally more willing to pay a premium for these. Therefore, under normal circumstance, services provided for high-end fashion products generally entail higher gross profit margin as compared to services provided for products of lower value. In addition, according to the CIC Report, companies in the high-end fashion industry generally incline to engage one-stop service providers that offer comprehensive range of logistics services, including freight forwarding services and distribution and logistics services, in particular value-added services such as pick and pack and labelling.

The following table sets forth a breakdown of our gross profit and gross profit margin during the Track Record Period by product type:

	For the year ended 31 December									For the three months ended 31 March					
	2017			2018			2019			2019			2020		
	Gross profit	Gross profit margin	Gross profit weighting	Gross profit	Gross profit margin	Gross profit weighting	Gross profit	Gross profit margin	Gross profit weighting	Gross profit	Gross profit margin	Gross profit weighting	Gross profit	Gross profit margin	Gross profit weighting
	HK$'000	*%*	*%*	*HK$'000*	*%*	*%*	*HK$'000*	*%*	*%*	*HK$'000* (unaudited)	*%*	*%*	*HK$'000*	*%*	*%*
High-end fashion	113,721	23.4	43.6	126,525	24.6	42.5	145,947	24.5	47.6	34,043	25.5	45.5	19,479	20.5	27.0
Fast fashion	45,447	13.5	17.4	49,668	15.0	16.6	57,732	16.0	18.8	13,314	15.4	17.7	7,558	15.0	10.4
Wine	7,357	13.5	2.8	7,747	13.0	2.6	6,394	12.0	2.1	2,875	16.3	3.8	1,583	12.0	2.2
Electronics, equipment and machinery	22,055	22.6	8.4	23,970	24.2	8.0	10,644	23.4	3.5	2,580	24.3	3.4	5,668	23.4	7.8
Furniture, household and electric appliances	14,727	17.6	5.6	12,066	18.3	4.0	12,576	18.3	4.1	3,235	19.2	4.3	5,776	20.8	8.0
Beauty, supplements and pharmaceuticals	5,982	17.1	2.3	5,158	18.4	1.7	4,379	20.0	1.4	812	21.0	1.1	2,155	22.3	3.0
Automotive parts	7,179	34.1	2.7	6,235	35.9	2.1	6,997	35.1	2.3	1,828	34.6	2.4	1,556	35.0	2.1
Cruise logistics services	5,818	32.1	2.2	6,383	34.0	2.1	24,684	35.0	8.0	6,707	36.0	8.9	13,577	35.2	18.7
Co-loading	4,322	4.2	1.7	2,196	3.1	0.7	1,734	2.1	0.6	556	3.0	0.7	830	3.0	1.1
Other products and services	34,596	12.1	13.3	58,406	17.5	19.7	35,701	21.5	11.6	9,087	21.7	12.2	14,273	20.1	19.7
	261,204	17.1	100.0	298,354	19.4	100.0	306,788	20.7	100.0	75,037	21.2	100.0	72,455	20.0	100.0

During the Track Record Period, our services for high-end fashion products were the single largest contributor of our total gross profit, generating gross profit of HK$113.7 million, HK$126.5 million, HK$145.9 million and HK$19.5 million, representing 43.6%, 42.5%, 47.6% and 27.0% of our total gross profit for FY2017, FY2018, FY2019 and 3M2020, respectively. We recorded gross profit margin in respect of services for high-end fashion products of 23.4%, 24.6%, 24.5% and 20.5% for FY2017, FY2018, FY2019 and 3M2020, respectively.

During the Track Record Period, we generally recorded a higher gross profit margin in respect of services provided for high-end fashion products with the overall average gross profit margin in relation to such high-end fashion products ranging from 20.5% to 24.6%, whereas our overall average gross profit margin in relation to other types of products and co-loading services ranged from 14.2% to 19.8%. We consider our higher gross profit margin in respect of services for high-end fashion products was a determining factor for our overall gross profit margin as these services were our single largest revenue and gross profit contributor during the Track

Record Period and we believe such higher gross profit margin of high-end fashion products is primarily due to the following reasons:

(i) due to the fact that customers in the high-end fashion industry are generally more value-conscious, rather than simply price-conscious; they generally focus more on transportation security and efficiency and are generally more willing to pay a premium for these as discussed above, and in view of the higher level of service standard and care required for services in respect of high-end fashion products, we generally determine higher service fees and profit margin under our cost-plus pricing policy for the provision of freight forwarding services and distribution and logistics services for high-end fashion products; and

(ii) in view of our strong and comprehensive B2B distribution and logistics capability (as demonstrated by our semi-automated distribution centre of over 90,000 sq.ft. equipped with conveyor belts in Shanghai and our network of distribution centres in Hong Kong), we were able to attract customers in the high-end fashion industry for engaging us to provide both freight forwarding services and distribution and logistics services, in particular value-added services such as pick and pack and labelling. We recorded relatively higher gross profit margin in respect of services provided for high-end fashion products as mentioned above.

Our services provided for high-end fashion products, with which we generally recorded higher gross profit margin, contributed a significant part of our revenue and gross profit during the Track Record Period, generating 31.9%, 33.5%, 40.2% and 26.2% of our total revenue and 43.6%, 42.5%, 47.6% and 27.0% of our total gross profit for FY2017, FY2018, FY2019 and 3M2020, respectively. Such significant contribution from high-end fashion products, together with the geographical factors as disclosed in this section above, in turn generally drove up our overall gross profit margin during the Track Record Period.

Our gross profit for services provided in respect of high-end fashion products increased from HK$113.7 million for FY2017 to HK$126.5 million for FY2018, which was in line with the increase in revenue contribution from such services during the same period. Our gross profit margin for such services increased from 23.4% for FY2017 to 24.6% for FY2018, which was due to (i) the enhanced performance of our distribution and logistics services segment in respect of high-end fashion products as we were able to handle more orders and had generated a higher revenue while the major costs for distribution and logistics services, such as rental expenses remained comparatively stable; and (ii) the increase in number of block space agreements entered into by our Group in FY2018, allowing us to obtain allocated cargo space at pre-determined rates rather than market rates which may be higher due to the demand in the market. For FY2019, our gross profit for services provided in respect of high-end fashion products further increased to HK$145.9 million, which was in line with the increase in revenue contribution from such services during the same period, while our gross profit margin remained stable at 24.5%. Our gross profit and gross profit margin for services provided in respect of high-end fashion products decreased from HK$34.0 million and 25.5% for 3M2019 to HK$19.5 million and 20.5% for 3M2020, respectively. Such decrease was mainly attributable to the adverse impact of the COVID-19 outbreak on sales of high-end fashion products which in turn negatively affected the demand for and thus revenue generated from our services for such products, while we continued to incur fixed costs (such as depreciation of right-of-use assets of our distribution centres) for our operations.

Our gross profit and gross profit margin for services provided in respect of fast fashion products increased from HK$45.4 million and 13.5% for FY2017 to HK$49.7 million and 15.0% for FY2018, respectively, primarily due to the increase in number of block space agreements we entered into in FY2018 as mentioned above. Our gross profit and gross profit margin for services provided in respect of fast fashion products further increased from HK$49.7 million and 15.0% for FY2018 to HK$57.7 million and 16.0% for FY2019, respectively, which was in line with the increase in revenue contribution from such services during the same period and primarily due to the decrease in our freight and handling costs as a result of the fall in price of cargo space. Our gross profit for services provided in respect of fast fashion products decreased from HK$13.3 million for 3M2019 to HK$7.6 million for 3M2020, which was mainly attributable to the adverse impact brought by the outbreak of COVID-19 on the demand for our services. Our gross profit margin for such services remained relatively stable at 15.4% and 15.0% for 3M2019 and 3M2020, respectively.

Save for our services in respect of high-end fashion products, during the Track Record Period, we recorded relatively higher gross profit margin in respect of services for automotive parts of 34.1%, 35.9%, 35.1% and 35.0%, respectively, which was attributable to the geographical factor that our services in Taiwan and Italy generally entail higher gross profit margin as discussed above, since our services for automotive parts were also provided in Taiwan and Italy. In addition to automotive parts, we also recorded relatively higher gross profit margin in respect of our cruise logistics services of 32.1%, 34.0%, 35.0% and 35.2% for FY2017, FY2018, FY2019 and 3M2020, respectively. These services were mainly provided in Italy and therefore the gross profit margin for such services was influenced by the abovementioned geographical factor. Further, as customers for such services generally focus more on timely and efficient delivery of the supply for cruise ships and are less price-conscious, we were able to charge a comparatively higher premium through providing quality and efficient services by utilising our know-how and experience in this sector. Notwithstanding that these types of products and services generated relatively higher gross profit margin, their impact on our overall gross profit margin is relatively insignificant since the revenue and gross profit generated from these types of products and services in aggregate only accounted for 2.6%, 2.3%, 6.1% and 11.8% of our total revenue and 4.9%, 4.2%, 10.3% and 20.8% of our gross profit for FY2017, FY2018, FY2019 and 3M2020, respectively. The aggregate gross profit contribution from services provided for automotive parts and cruise logistics services increased from 4.2% for FY2018 to 10.3% for FY2019, which was mainly attributable to the increase in revenue contribution from cruise logistics services as a result of the increased demand for such services stemming from our strategy in seeking business expansion actively in Italy. The aggregate gross profit contribution from these services increased from 11.3% for 3M2019 to 20.8% for 3M2020, which was mainly attributable to (i) the decrease in revenue contribution from services provided for high-end fashion products from 45.5% for 3M2019 to 27.0% for 3M2020, primarily due to the abovementioned adverse impact brought by the outbreak of COVID-19; and (ii) the increase in revenue contribution from the provision of cruise logistics services due to the increase in demand for such services provided mainly in Italy prior to the worsened outbreak of COVID-19. However, we believe such increased contribution from services provided for automotive parts and cruise logistics services for 3M2020 was merely a snapshot of our financial performance for 3M2020 and therefore not comparable to the annual figures and may not be representative.

Our gross profit for services in respect of other types of products and services, including, among others, printing and packaging products, food and beverage and audio appliances, increased from HK$9.1 million for 3M2019 to HK$14.3 million for 3M2020, which was in line with the increase in revenue contribution from such services, including our services in respect of hygiene products after the outbreak of COVID-19, during the same period.

As advised by CIC, there is no market-wide benchmark pricing for air freight forwarding services for international trade even for the same product category, as it is dependent on a variety of factors including but not limited to the handling complexity and insurance requirements of the type of products, the travelling distance of the freight, the timing of air freight transportation during the year (peak season or off-peak season), the bargaining power of consignors, and the bargaining power of overseas business partners involved in the freight forwarding services. Similar to the air freight forwarding services, there is no market-wide benchmark pricing for distribution and logistics services as well since it will vary largely dependent on, such as, the rental cost of warehouse (e.g. the location of the warehouse), the scope and quality of distribution and logistics services (e.g. semi-automatic equipment designed to handle high-end fashion products), the handling complexity of the type of products and the bargaining power of consignors, according to the CIC Report. According to CIC, our pricing policy and gross profit margins for integrated freight forwarding services during the Track Record Period (at the range from approximately 17.1% to approximately 20.7%) were in line with the market practice and market range. According to the research of CIC, the gross profit margins of freight forwarding companies providing services in respect of high-end fashion products can range from approximately 15.0% to approximately 25.0%. Therefore, our gross profit margin of our integrated freight forwarding services in respect of high-end fashion products during the Track Record Period was within this range as compared with those charged by other freight forwarding and distribution and logistics services providers for similar services in the markets.

For detailed discussions on the reasons for changes in our gross profit and gross profit margin, please refer to the paragraph headed "Review of Historical Operating Results – Year to Year/Period to Period Comparison of Results of Operations" in this section below.

Other Income

The table below sets out the breakdown of our other income during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Interest income	274	21.9	330	24.8	439	34.5	75	18.5	61	8.5
Government grants	452	36.2	456	34.3	164	12.9	–	–	277	38.7
Others	524	41.9	545	40.9	669	52.6	330	81.5	378	52.8
	1,250	100.0	1,331	100.0	1,272	100.0	405	100.0	716	100.0

Our other income mainly represents (i) interest income from our bank deposits; (ii) government grants which are one-off in nature and mainly include tax benefits received in the PRC; and (iii) other miscellaneous income. Our other income remained relatively stable at HK$1.3 million for FY2017, FY2018 and FY2019. Our other income increased from HK$405,000 for 3M2019 to HK$716,000 for 3M2020 primarily due to the increase in government grants of HK$277,000 which are one-off in nature and mainly include tax benefits received in the PRC.

Other Net (Loss)/Gain

The table below sets out the breakdown of our other net (loss)/gain during the Track Record Period:

	For the year ended 31 December			For the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Gain/(loss) on disposal of other property, plant and equipment	112	410	60	1	(2)
Net foreign exchange (loss)/gain	(2,536)	1,218	(298)	(517)	(578)
Others	154	610	565	58	56
	(2,270)	2,238	327	(458)	(524)

Our other net (loss)/gain mainly represents (i) gain/(loss) on disposal of other property, plant and equipment; and (ii) net foreign exchange (loss)/gain. We recorded net foreign exchange loss or gain during the Track Record Period as we had exposure to foreign exchange differences and fluctuations between various currencies, arising from our operations in different countries and jurisdictions.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly include staff costs, depreciation of right-of-use assets, office expenses, business development expenses, management fee expenses, depreciation and amortisation, Listing expenses, travelling expenses, property management expenses and other related expenses and professional fees. The following table sets out a breakdown of our administrative and other operating expenses for the years/periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Staff costs	133,020	69.4	159,407	68.6	154,783	66.7	40,575	71.2	36,801	58.0
Depreciation of right-of-use assets	12,103	6.3	13,120	5.6	10,272	4.4	3,651	6.4	3,665	5.8
Office expenses	9,138	4.8	10,227	4.4	9,396	4.1	1,696	3.0	1,572	2.5
Business development expenses	7,058	3.7	9,204	4.0	6,286	2.7	1,967	3.5	800	1.3
Management fee expenses	3,046	1.6	5,556	2.4	8,568	3.7	1,432	2.5	1,440	2.2
Depreciation and amortisation	3,397	1.8	5,322	2.3	7,729	3.3	1,628	2.9	1,828	2.9
Listing expenses	–	–	–	–	8,450	3.7	–	–	10,338	16.3
Travelling expenses	6,578	3.4	6,804	2.9	8,068	3.5	1,729	3.0	1,429	2.2
Property management expenses and other related expenses	3,881	2.0	5,676	2.4	4,740	2.0	1,158	2.0	775	1.2
Professional fees	4,714	2.5	4,391	1.9	4,179	1.8	692	1.2	803	1.3
Other operating expenses	8,765	4.5	12,663	5.5	9,475	4.1	2,449	4.3	3,989	6.3
Total	191,700	100.0	232,370	100.0	231,946	100.0	56,977	100.0	63,440	100.0

For FY2017, FY2018, FY2019 and 3M2020, our administrative and other operating expenses amounted to HK$191.7 million, HK$232.4 million, HK$231.9 million and HK$63.4 million, respectively, which accounted for 12.6%, 15.1%, 15.6% and 17.5% of our total revenue during the respective years and period.

The largest component of our administrative and other operating expenses was our staff costs, which amounted to HK$133.0 million, HK$159.4 million, HK$154.8 million and HK$36.8 million, representing 69.4%, 68.6%, 66.7% and 58.0% of our administrative and other operating expenses for FY2017, FY2018, FY2019 and 3M2020, respectively. Our staff costs under our administrative and other operating expenses represent remuneration paid to, contributions made to various benefit plans of and other staff benefits of our staff.

Depreciation of right-of-use assets mainly represents depreciation of leases of our office premises.

Office expenses mainly represent telephone fee, courier service charges, printing, stationery and consumables, computer expenses and repairs and maintenance on premises and machinery.

Business development expenses mainly represent advertising and promotion expenses, meal expenses incurred by sales teams for business development purpose.

Our management fee expenses primarily represent management fees charged by a holder of non-controlling interests of CN France and a holder of non-controlling interests of CN Japan, which are local freight forwarders in France and Japan, respectively, for the provision of staff administrative and IT support services to our offices in France and Japan which were newly established during the Track Record Period. Such transactions will not constitute continuing connected transactions of our Company upon Listing as the holders of non-controlling interests are not regarded as connected persons of our Company pursuant to Rule 14A.09 of the Listing Rules. Our management fee expenses also include management fees charged by the Controlling Shareholder Group for the provision of staff administrative and IT support services which had ceased in March 2020.

Depreciation and amortisation represent the depreciation of our owned property, plant and equipment and property at our office premises and the amortisation of our intangible assets, including our proprietary IT systems.

Listing expenses include fees payable to our professional advisers in relation to the Listing.

Travelling expenses mainly represent overseas and local travelling expenses, which include hotel fees and air ticket expenses incurred for overseas travelling for business development.

Property management expenses and other related expenses represent property management fees, rates and utilities payments in respect of our office premises.

Professional fees include remuneration of our auditors for statutory audits and other legal and professional fees.

Our other operating expenses primarily include sundry expenses such as magazines and newspapers, subscription and membership fees, company registration and licence fees.

Finance Costs

Finance costs mainly include interest on bank loans and other borrowings and finance charges on lease liabilities. The following table sets out a breakdown of our finance costs for the years/periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Interest on bank loans and overdrafts	1,713	42.0	2,274	29.3	3,265	34.6	788	31.4	1,259	40.7
Interest on amounts due to Cargo Services Group (non-trade)	656	16.1	804	10.4	550	5.8	147	5.8	3	0.1
Interest on lease liabilities	1,710	41.9	4,673	60.3	5,632	59.6	1,579	62.8	1,830	59.2
Total	4,079	100.0	7,751	100.0	9,447	100.0	2,514	100.0	3,092	100.0

Our bank loans and overdrafts are mainly for the use of working capital. For details of our bank loans and overdrafts, please refer to the paragraph headed "Indebtedness and Contingent Liabilities" in this section below. Our finance costs amounted to HK$4.1 million, HK$7.8 million, HK$9.4 million and HK$3.1 million, for FY2017, FY2018, FY2019 and 3M2020, respectively.

Share of Profits of Associates

Share of profits of associates represents the aggregate share of our associates' net profits or losses attributable to our interests in those associates. Our associates are entities over which we have significant influence but have no control. For FY2017, FY2018, FY2019 and 3M2020, we recorded share of results of associates in the amount of HK$175,000, HK$210,000, HK$934,000 and HK$349,000, respectively.

Income Tax

Our income tax consists of current and deferred tax expenses for jurisdictions in which we are subject to tax. During the Track Record Period, the amount of taxation charged to our consolidated statements of profit or loss and other comprehensive income comprised (i) Hong Kong profits tax; and (ii) PRC and overseas taxation.

The provision for Hong Kong profits tax was calculated at 16.5% of the estimated assessable profits during the Track Record Period.

In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance notes, the PRC corporate income tax rate of 25% was applicable to the provision of air freight forwarding services, distribution and logistics services and ocean freight forwarding services in the PRC during the Track Record Period. The standard rate of corporation tax in Italy was 27.9% during the Track Record Period. The rates of corporation tax in Taiwan were 17%, 20%, 20%, 20% and 20% for FY2017, FY2018, FY2019, 3M2019 and 3M2020, respectively.

Withholding tax was paid to tax authorities of the PRC, Italy, Taiwan, France and Japan in respect of dividend income received from subsidiaries in the PRC, Italy, Taiwan and France, charging at a rate of 5%, 10%, 20%, 12.8% and 5%, respectively, for FY2017 and 5%, 10%, 21%, 12.8% and 5%, respectively, for FY2018, FY2019, 3M2019 and 3M2020.

For FY2017, FY2018, FY2019 and 3M2020, the income tax expenses incurred by us amounted to HK$16.7 million, HK$20.9 million, HK$23.4 million and HK$6.1 million, respectively. This represents an effective tax rate of 25.9%, 33.7%, 34.4% and 94.0%, respectively, for the corresponding years and period. Our effective tax rate is dependent on the location of the assessable profits and also upon the incident of items affecting assessable profits including but not limited to tax effect of non-deductible expenses, tax effect of tax losses not recognised during the year and withholding tax on the distributable profits of our subsidiaries. The effective tax rates were higher than the standard tax rates of the PRC, Hong Kong, Italy and Taiwan primarily due to the withholding tax incurred on the distributable profits of subsidiaries, namely our subsidiaries in the PRC, Italy, Taiwan and France. Income tax expenses increased by 24.9% to HK$20.9 million for FY2018 from HK$16.7 million for FY2017 despite a decrease in profit before taxation. Such increase was mainly attributable to the increase in profit generated from locations with higher tax rates, including the PRC and Italy. Our effective tax rate for the same period increased from 25.9% for FY2017 to 33.7% for FY2018, which was due to similar reasons as discussed above. Income tax expenses increased by 11.9% to HK$23.4 million for FY2019 from HK$20.9 million for FY2018. Such increase was in line with the increase in our profit before taxation during the same period. Our effective tax rate for the same period also increased, from 33.7% for FY2018 to 34.4% for FY2019, primarily because of the increase in profit generated from locations with higher tax rates, including the PRC and Italy. Income tax expenses remained stable at HK$6.5 million and HK$6.1 million for 3M2019 and 3M2020, respectively. Our effective tax rate for the same period increased from 41.6% for 3M2019 to 94.0% for 3M2020, primarily because of the tax effect of non-deductible Listing expenses.

NON-HKFRS MEASURE

In order to supplement our consolidated statements of profit or loss and other comprehensive income, which are presented in accordance with HKFRS, we also use adjusted net profit as additional financial measure, which is not required by, or presented in accordance with HKFRS. We believe that such non-HKFRS measure would help to identify underlying trends in our business that could otherwise be distorted by the effect of the Listing expenses (derived from a one-off event) that are contained in our income from operations and net profit. By eliminating such item that our management does not consider to be indicative of our operating performance in the same manner as our management would perform when comparing financial results across accounting periods, we believe that it would provide useful information to investors and others in understanding and evaluating our results of operations. We also believe that the non-HKFRS measure provides useful information about our operating results, enhances the overall understanding of our past performance and future prospects, and allows for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

We define adjusted net profit as profit for the year/period adjusted by the Listing expenses. The use of adjusted net profit has material limitations as analytical tool because it does not reflect all items of income and expenses that affect our operations. When assessing our operating and financial performance, you should not consider adjusted net profit in isolation from or as a substitute for our profit or loss for the year, gross profit or any other financial performance measure that is calculated in accordance with HKFRS. The term adjusted net profit is not defined under HKFRS, and such term may not be comparable to other similarly titled measures used by other companies.

Reconciliation

Adjusted net profit

During the Track Record Period, we incurred Listing expenses of HK$8.5 million and HK$10.3 million which were recognised in our consolidated statements of profit or loss and other comprehensive income for FY2019 and 3M2020, respectively. Such expenses were one-off expenses incurred for the Listing, which should not be considered when assessing our business performance.

The following table sets forth the reconciliation of adjusted net profit as non-HKFRS measure for the years/periods indicated, to the nearest measures prepared in accordance with HKFRS:

	For the year ended 31 December			For the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period	47,862	41,126	44,550	9,105	385
Add: Listing expenses *(Note)*	–	–	8,450	–	10,338
Adjusted net profit	47,862	41,126	53,000	9,105	10,723

Note: Our expenses incurred for Listing were non-recurring as they were derived from a one-off event.

REVIEW OF HISTORICAL OPERATING RESULTS

Year to Year/Period to Period Comparison of Results of Operations

3M2020 compared with 3M2019

Our financial performance for 3M2020 as a whole remained relatively stable as compared to 3M2019 amid the adverse impact brought by the outbreak of COVID-19 on the global economy and the integrated freight forwarding industry, which was mainly attributable to our stable business relationships with our customers and suppliers and the fact that we did not experience any disruption in our major revenue generating operations due to the outbreak of COVID-19. For details regarding our business operations since the outbreak of COVID-19, please refer to the paragraph headed "Summary – Recent Development and Material Adverse Change – Impact of the Outbreak of COVID-19 on our Operations" in this prospectus. We set forth below a detailed period to period comparison of our results of operations for 3M2020 as compared to 3M2019.

Revenue

Our revenue increased by HK$8.9 million, or 2.5%, from HK$353.3 million for 3M2019 to HK$362.2 million for 3M2020. Such increase was mainly attributable to:

(i) the increase in revenue of HK$15.4 million from our air freight forwarding services as a result of the increase in revenue generated from Hong Kong of HK$30.2 million as a result of (i) the increase in freight charges, which drove up our revenue as we price our services on a cost-plus basis, due to the shortage in supply of cargo space caused by the COVID-19 outbreak; and (ii) the increase in demand from other freight forwarders in Hong Kong to co-load with us in view of the limited supply of cargo space and our ability to obtain cargo space from suppliers. Such increase was partially offset by the decrease in revenue generated from the PRC of HK$15.3 million mainly due to the adverse impact on the PRC market and freight forwarding industry brought by the outbreak of COVID-19, including the decrease in the demand for our services in respect of high-end fashion products and the decrease in the supply of cargo space;

(ii) the decrease in revenue of HK$5.4 million from our distribution and logistics services, which was mainly attributable to the decrease in revenue generated from Hong Kong of HK$5.1 million and from the PRC of HK$2.2 million due to the outbreak of COVID-19 which led to a decrease in demand for our services; and

(iii) the decrease in revenue of HK$1.0 million from our ocean freight forwarding services which was mainly attributable to the decrease in revenue generated from jurisdictions other than the PRC, Hong Kong, Taiwan and Italy of HK$3.1 million mainly due to the disposal of CN US as mentioned in this section above.

Cost of services

Our cost of services increased by HK$11.5 million, or 4.1%, from HK$278.3 million for 3M2019 to HK$289.8 million for 3M2020. Such increase in cost of services was mainly attributable to the increase in our freight and handling costs of HK$12.1 million due to the increased freight charge as a result of the limited supply of cargo space, which was partially offset by the decrease in our labour costs of HK$4.5 million as a result of our adoption of cost management measures to reduce our staff costs with the aim to enable us to be better prepared and brace for any adverse financial impact brought by the outbreak of COVID-19.

Gross profit and gross profit margin

Our gross profit decreased by HK$2.6 million, or 3.4%, from HK$75.0 million for 3M2019 to HK$72.5 million for 3M2020 and our gross profit margin slightly decreased from 21.2% for 3M2019 to 20.0% for 3M2020.

The gross profit of our air freight forwarding services slightly increased from HK$42.1 million for 3M2019 to HK$43.0 million for 3M2020. The gross profit margin decreased from 21.6% for 3M2019 to 20.5% for 3M2020. Such decrease was mainly attributable to the decrease in revenue contribution from our services for high-end fashion products and the increase in revenue contribution from co-loading, which generally entail higher and lower gross profit margin, respectively, primarily due to the outbreak of COVID-19 as discussed in this section above.

The gross profit of our distribution and logistics services decreased from HK$15.5 million for 3M2019 to HK$11.4 million for 3M2020, representing a decrease of HK$4.2 million or 26.8% and the gross profit margin for this segment decreased from 19.5% for 3M2019 to 15.3% for 3M2020, which was mainly attributable to the decrease in demand for our services, in particular those for high-end fashion products, in the PRC and Hong Kong due to the outbreak of COVID-19 while we continued to incur fixed costs (such as depreciation of right-of-use assets of our distribution centres) for our operations. The gross profit and gross profit margin for our ocean freight forwarding services remained relatively stable at HK$17.4 million and 22.1% for 3M2019 and HK$18.1 million and 23.2% for 3M2020, respectively.

Other income

Our other income increased from HK$405,000 for 3M2019 to HK$716,000 for 3M2020 primarily due to the increase in government grants of HK$277,000 which are one-off in nature and mainly include tax benefits received in the PRC.

Other net loss

Our other net loss increased from HK$458,000 for 3M2019 to HK$524,000 for 3M2020, as our net foreign exchange loss increased from HK$517,000 for 3M2019 to HK$578,000 for 3M2020.

Administrative and other operating expenses

Our administrative and other expenses increased from HK$57.0 million for 3M2019 to HK$63.4 million for 3M2020, representing an increase of HK$6.5 million or 11.3% and our administrative and other expenses of HK$57.0 million and HK$63.4 million represented 16.1% and 17.5% of our total revenue for 3M2019 and 3M2020, respectively. The increase was mainly attributable to the increase of HK$10.3 million in our Listing expenses, which was partially offset by the decrease of HK$3.8 million in our staff costs and HK$1.2 million in our business development expenses as a result of our adoption of cost management measures to allow us to be better prepared and brace for any adverse financial impact brought by the outbreak of COVID-19.

Finance costs

Our finance costs increased from HK$2.5 million for 3M2019 to HK$3.1 million for 3M2020, primarily due to the increase in our interests on bank loans and overdrafts of HK$471,000.

Income tax

Our income tax remained stable at HK$6.5 million and HK$6.1 million for 3M2019 and 3M2020, respectively. Our effective tax rate increased from 41.6% for 3M2019 to 94.0% for 3M2020, mainly due to the tax effect of our non-deductible Listing expenses for 3M2020.

Total profit and other comprehensive income for the period and net profit margin

As a result of the foregoing reasons, our profit decreased from HK$9.1 million for 3M2019 to HK$385,000 for 3M2020, representing a decrease of HK$8.7 million or 95.8%, while our net profit margin decreased from 2.6% for 3M2019 to 0.1% for 3M2020.

Adjusted net profit (non-HKFRS measure)

Our adjusted net profit increased from HK$9.1 million for 3M2019 to HK$10.7 million for 3M2020, representing an increase of HK$1.6 million or 17.8%, as a result of the foregoing reasons and after adding back the Listing expenses.

FY2019 compared with FY2018

Revenue

Our revenue decreased by HK$54.8 million, or 3.6%, from HK$1,538.7 million for FY2018 to HK$1,483.8 million for FY2019. Such decrease was mainly attributable to:

(i) the decrease in revenue of HK$75.1 million from our air freight forwarding services as a result of (a) the global economy being adversely affected by the Sino-US trade war and mainly impacted the export consignments of our Group from the PRC to Europe; and (b) the fall in price of cargo space charged by airline carriers in general, as we price our services on a cost-plus basis. Our revenue from air freight forwarding services generated from the PRC decreased by HK$78.9 million in FY2019 as compared to FY2018. The decrease was offset by the increase in revenue contribution from our operations in jurisdictions other than the PRC, Hong Kong, Taiwan and Italy, namely the U.S., Japan and Korea, which continued to expand as we only stepped in these markets in FY2017 and FY2018 and we were able to identify new business and expand our business with existing customers;

(ii) the decrease in revenue of HK$8.2 million from our ocean freight forwarding services. Our revenue from ocean freight forwarding services in Taiwan and Hong Kong decreased by HK$39.6 million and HK$11.6 million, respectively. The decrease in revenue in (a) Taiwan was primarily because of our commercial decision to slow down our business relationships with four customers with relatively lower gross profit margin for reasons discussed in this section above; and (b) Hong Kong as such services were generally incidental in nature in Hong Kong and were not our primary focus. The decrease in revenue from ocean freight forwarding services was partially offset by the increase in revenue contributed in other jurisdictions as a result of our expansion. In particular, the revenue contributed by the U.S. and Italy markets increased by HK$15.9 million and HK$22.5 million, respectively. We expanded our business to the U.S. market in late 2017, while customers in Italy required additional ocean freight forwarding services; and

(iii) the increase in revenue of HK$28.5 million from our distribution and logistics services, which was primarily contributed by our business in the PRC and Italy. We improved the service capacity and efficiency in the PRC by relocating certain part of our operation to a larger distribution centre equipped with semi-automated conveyor belts in Shanghai during FY2018, which allowed us to satisfy more demand from our customers and generated additional revenue. We relocated our office and distribution centre in Italy to a property with a larger gross floor area in late 2018, enabling us to have a higher service capacity to provide distribution and logistics services to our customers.

Cost of services

Our cost of services decreased by HK$63.3 million, or 5.1%, from HK$1,240.3 million for FY2018 to HK$1,177.1 million for FY2019. Such decrease was generally in line with the decrease in revenue during the same period and was mainly attributable to the decrease in our freight and handling costs of HK$113.5 million as a result of the fall in price of cargo space charged by airline carriers, offset by (i) the increase in labour costs and packaging and other warehouse related costs of HK$21.9 million which was in line with the expansion in our distribution and logistics services as discussed above; and (ii) the increase in depreciation of right-of-use assets of HK$21.3 million as a result of the increase in monthly rental payment after renewal of leases and entering into leases of new properties.

Gross profit and gross profit margin

Our gross profit increased by HK$8.4 million, or 2.8%, from HK$298.4 million for FY2018 to HK$306.8 million for FY2019 and our gross profit margin increased from 19.4% for FY2018 to 20.7% for FY2019.

The gross profit of our air freight forwarding services increased from HK$155.1 million for FY2018 to HK$188.0 million for FY2019, representing an increase of HK$32.9 million or 21.1%. The gross profit margin also increased, rising from 15.6% for FY2018 to 20.5% for FY2019. Such increase was mainly attributable to (i) the decrease in our freight and handling costs as a result of the fall in price of cargo space charged by airline carriers, in particular the pre-determined price under our block space agreements; and (ii) the increase in proportion of revenue and gross profit contribution from the provision of services in jurisdictions other than the PRC, Hong Kong, Taiwan and Italy, of which we recorded an improved gross profit margin for FY2019.

The gross profit of our distribution and logistics services decreased from HK$73.8 million for FY2018 to HK$54.5 million for FY2019, representing a decrease of HK$19.3 million or 26.2%. The gross profit margin decreased from 25.9% for FY2018 to 17.4% for FY2019. The decrease in our gross profit and our gross profit margin was mainly attributable to (i) the relocation of our distribution centre in Hong Kong dedicated to wine to a property with larger gross floor area equipped with better facilities, which increased our overall depreciation expenses of right-of-use assets and property, plant and equipment; and (ii) we renewed a number of leases for our distribution centres in Hong Kong with higher rental expenses. However, our revenue contribution from our distribution and logistics services did not demonstrate a strong growth even with the expansion of our distribution centres primarily due to the social unrest since June 2019 in Hong Kong, which affected the retail market (in particular the high-end fashion sector).

Further, the gross profit of our ocean freight forwarding services decreased from HK$69.4 million for FY2018 to HK$64.3 million for FY2019, representing a decrease of HK$5.1 million or 7.4%. The gross profit margin decreased from 26.6% for FY2018 to 25.4% for FY2019. Such decrease was in line with the decrease in our revenue for this segment.

Other income

Our other income remained stable at HK$1.3 million for each of FY2018 and FY2019.

Other net gain

Our other net gain decreased from HK$2.2 million for FY2018 to HK$327,000 for FY2019, as we recognised a net foreign exchange gain of HK$1.2 million for FY2018 whereas we recognised a net foreign exchange loss of HK$298,000 for FY2019.

Administrative and other operating expenses

Our administrative and other expenses remained stable for FY2018 and FY2019, representing 15.1% and 15.6% of our total revenue for FY2018 and FY2019, respectively. The slight decrease was mainly attributable to (i) the decrease in staff costs of HK$4.6 million due to the decrease in performance related discretionary bonus payments as a result of the decrease in sales; (ii) the decrease in depreciation expenses of right-of-use assets of HK$2.8 million due to the decrease in number of leases of office premises; (iii) the decrease in business development expenses of HK$2.9 million which was in line with the decrease in our revenue for FY2019, net off by (i) the incurrence of Listing expenses of HK$8.5 million which were derived from a one-off event; and (ii) the increase in our management fee expenses of HK$3.0 million primarily due to our increasing operating level in France and Japan.

Finance costs

Our finance costs increased by HK$1.7 million, or 21.9%, from HK$7.8 million for FY2018 to HK$9.4 million for FY2019 mainly attributable to the increase in our interests on bank loans and overdrafts of HK$991,000 and interests on lease liabilities of HK$959,000.

Income tax

Our income tax increased by HK$2.5 million, or 11.9%, from HK$20.9 million for FY2018 to HK$23.4 million for FY2019, and the effective tax rate increased from 33.7% for FY2018 to 34.4% for FY2019. Such increase was in line with the increase in our profit before tax and was mainly attributable to the increase in revenue generated from locations with higher tax rates, including the PRC and Italy.

Total profit and other comprehensive income for the year and net profit margin

As a result of the foregoing reasons, our profit increased from HK$41.1 million for FY2018 to HK$44.6 million for FY2019, representing an increase of HK$3.4 million or 8.3% and our net profit margin increased from 2.7% for FY2018 to 3.0% for FY2019.

Adjusted net profit (non-HKFRS measure)

Our adjusted net profit increased from HK$41.1 million for FY2018 to HK$53.0 million for FY2019, representing an increase of HK$11.9 million or 28.9%, as a result of the foregoing reasons and after adding back the Listing expenses.

FY2018 compared with FY2017

Revenue

Our revenue increased by HK$14.8 million, or 1.0%, from HK$1,523.9 million for FY2017 to HK$1,538.7 million for FY2018. Such increase was mainly attributable to:

(i) the increase in revenue of HK$50.9 million from our distribution and logistics services, which was primarily contributed by our business in the PRC and Hong Kong. We improved the service capacity and efficiency in the PRC by relocating certain part of our operation to a larger distribution centre equipped with semi-automated conveyor belts in Shanghai during FY2018, which allowed us to satisfy more demand from our customers and generated additional revenue of HK$31.9 million. Our revenue from distribution and logistics services in Hong Kong increased by HK$12.4 million, primarily due to the increased demand for our distribution and logistics services provided in Hong Kong;

(ii) the decrease in revenue of HK$22.8 million from our air freight forwarding services as a result of the global economy being adversely affected by the Sino-US trade war and mainly impacted the export consignments of our Group from the PRC to Europe. Our revenue from air freight forwarding services generated from the PRC decreased by HK$41.9 million in FY2018 as compared to FY2017. The revenue generated in Hong Kong decreased by HK$29.0 million in FY2018 as compared to FY2017, primarily due to the decrease in co-loading business with a freight forwarder business partner as discussed in this section above. Such decrease was partially offset by (i) the increase in revenue generated from Italy of HK$37.5 million, benefited from our business expansion and source of new customers; and (ii) net additional revenue contribution of HK$12.1 million from business expansion in other jurisdictions, namely Japan, Switzerland and the U.S., in which our business operations only commenced in FY2017; and

(iii) the decrease in revenue of HK$13.3 million from our ocean freight forwarding services. Our revenue from ocean freight forwarding services in Taiwan decreased by HK$56.8 million, primarily because of our commercial decision to slow down our business relationships with four customers with relatively lower gross profit margin as discussed in this section above. The slowdown of our business with these four customers in Taiwan started in FY2018. The decrease in revenue from ocean freight forwarding services was partially offset by the increase in revenue contributed of HK$26.9 million as a result of businesses brought by new and existing customers stemmed from our strategy in seeking business expansion actively in Italy and the net increase in revenue of HK$10.9 million contributed by our ocean freight forwarding services in other jurisdictions, in particular the expansion of our business in Japan.

Cost of services

Our cost of services decreased by HK$22.4 million, or by 1.8%, from HK$1,262.7 million for FY2017 to HK$1,240.3 million for FY2018. Such decrease in cost of services was generally in line with the decrease in revenue from freight forwarding services during the same period and was mainly attributable to the decrease in our freight and handling costs of HK$48.6 million as a result of the increase in number of block space agreements we entered into in FY2018, allowing us to obtain allocated cargo space at pre-determined rates rather than market rates which may be higher due to the demand in the market, offset by the increase in (i) labour costs and packaging and other warehouse related costs of HK$16.5 million which was in line with the expansion in our distribution and logistics services as discussed above; and (ii) the increase in depreciation of right-of-use assets of HK$15.1 million as a result of the increase in monthly rental payment after renewal of leases and entering into leases of new properties.

Gross profit and gross profit margin

Our gross profit increased by HK$37.2 million, or 14.2%, from HK$261.2 million for FY2017 to HK$298.4 million for FY2018 and our gross profit margin increased from 17.1% for FY2017 to 19.4% for FY2018.

The gross profit of our air freight forwarding services increased from HK$148.8 million for FY2017 to HK$155.1 million for FY2018, representing an increase of HK$6.3 million or 4.2%. The gross profit margin also increased, rising from 14.7% for FY2017 to 15.6% for FY2018. The increase in our gross profit and gross profit margin for air freight forwarding services was mainly attributable to the combined effect of (i) the increase in proportion of revenue and gross profit contribution from the provision of services in Italy which entail higher gross profit margin due to comparatively less competition in the market; and (ii) the increase in number of block space agreements we entered into in FY2018, allowing us to obtain allocated cargo space at pre-determined rates rather than market rates which may be higher due to the demand in the market, partially net off by the general increase in the market price of cargo space.

The gross profit of our distribution and logistics services increased from HK$49.0 million for FY2017 to HK$73.8 million for FY2018, representing an increase of HK$24.8 million or 50.6%. The gross profit margin increased from 20.9% for FY2017 to 25.9% for FY2018. The increase in our gross profit and gross profit margin of our distribution and logistics services was in line with the increase of our revenue of this segment and was mainly attributable to the reasons that we were able to handle more orders and had generated a higher revenue while the major costs for distribution and logistic services, such as rental expenses remained comparatively stable.

The gross profit of our ocean freight forwarding services increased from HK$63.4 million for FY2017 to HK$69.4 million for FY2018, representing an increase of HK$6.0 million or 9.5%. The gross profit margin also increased from 23.1% for FY2017 to 26.6% for FY2018. The increase in gross profit margin was mainly attributable to our commercial decision to cease our business relationships with the four customers in Taiwan that offer relatively lower gross profit margin compared to our other customers. The slowdown of our business with these four customers in Taiwan started in FY2018.

Other income

Our other income remained stable at HK$1.3 million for each of FY2017 and FY2018.

Other net (loss)/gain

Our other net loss for FY2017 of HK$2.3 million increased to a gain for FY2018 at HK$2.2 million as we recognised a net foreign exchange loss of HK$2.5 million for FY2017 whereas we recognised a net foreign exchange gain of HK$1.2 million for FY2018.

Administrative and other operating expenses

Our administrative and other operating expenses increased by HK$40.7 million, or 21.2%, from HK$191.7 million for FY2017 to HK$232.4 million for FY2018, representing 12.6% and 15.1% of our total revenue for FY2017 and FY2018, respectively. The increase was mainly attributable to our business expansions, which led to (i) the increase in staff costs of HK$26.4 million primarily due to recruitment of a senior staff member in respect of our Italy business expansion and expansion in other jurisdictions, namely the U.S.; (ii) the increase in depreciation of right-of-use assets, office expenses, depreciation and amortisation, property management expenses and other related expenses; and (iii) management fee expenses, primarily due to the expansion of our business.

Finance costs

Our finance costs increased by HK$3.7 million, or 90.0%, from HK$4.1 million for FY2017 to HK$7.8 million for FY2018, mainly attributable to the increase in our interests on bank loans and overdrafts of HK$561,000 and interests on lease liabilities of HK$3.0 million as a combined result of renewal of leases and effect of adoption of HKFRS 16.

Income tax

Our income tax increased by HK$4.2 million, or 24.9%, from HK$16.7 million for FY2017 to HK$20.9 million for FY2018, and the effective tax rate increased from 25.9% for FY2017 to 33.7% for FY2018. Such increase was mainly attributable to the increase in revenue generated from locations with higher tax rates, including the PRC and Italy.

Total profit and other comprehensive income for the year and net profit margin

As a result of the foregoing reasons, our profit decreased from HK$47.9 million for FY2017 to HK$41.1 million for FY2018, representing a decrease of HK$6.7 million or 14.1%, and our net profit margin decreased from 3.1% for FY2017 to 2.7% for FY2018.

LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirement is for our working capital needs as well as capital expenditure. During the Track Record Period, we principally financed our working capital and other liquidity requirements through a combination of cash generated from operations and bank and other borrowings. In the future, we expect to continue relying on cash flows from operations, the net proceeds from the Global Offering and other debt to fund our working capital needs and finance part of our business expansion.

Our capital structure represents equity attributable to Shareholders, comprising issued share capital and reserves including retained profits. Our Directors shall review our capital structure regularly in order to balance our overall capital structure through new share issues and fund raising through new loan borrowings with reference to the capital costs and the associated risks.

Cash Flows

The following table sets forth a summary of our cash flows during the years/periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Operating profit before changes in working capital	129,328	140,243	172,166	44,650	34,741
Changes in working capital	25,234	15,046	(7,407)	(27,228)	(44,893)
Hong Kong profits tax paid	–	–	(2,042)	–	(9,126)
Tax paid outside Hong Kong	(13,301)	(13,129)	(19,980)	(1,777)	(2,047)
Net cash generated from/(used in) operating activities	141,261	142,160	142,737	15,645	(21,325)
Net cash (used in)/generated from investing activities	(196,938)	(79,375)	(30,968)	12,504	7,971
Net cash generated from/(used in) financing activities	45,603	(66,799)	(99,249)	(29,863)	24,313
Net (decrease)/increase in cash and cash equivalents	(10,074)	(4,014)	12,520	(1,714)	10,959
Cash and cash equivalents at the beginning of the year/period	101,260	96,303	89,515	89,515	101,477
Effect of foreign exchange rate changes	5,117	(2,774)	(558)	606	(1,022)
Cash and cash equivalents at the end of year/period	96,303	89,515	101,477	88,407	111,414

Net cash generated from (used in) operating activities

Cash flows from operating activities reflects profit before taxation for the year/period adjusted for (i) depreciation of right-of-use assets, depreciation of other property, plant and equipment, amortisation of intangible assets, gain on sale of property, plant and equipment, share of profits of associates, interest income, finance costs, foreign exchange loss/(gain), which lead to the operating profit before changes in working capital; and (ii) the effects of cash flows arising from changes in working capital, include increase or decrease in trade and other receivables, increase in amounts due from associates, increase or decrease in amounts due from Cargo Services Group and Allport Group, increase or decrease in trade and other payables, increase or decrease in amounts due to Cargo Services Group and Allport Group, increase or decrease in amounts due to a director of a subsidiary, increase or decrease in amounts due to associates and increase in defined benefit retirement obligation, which result in cash generated from operations.

For FY2017, our net cash generated from operating activities of HK$141.3 million was primarily resulted from (i) our operating cash flow before changes in working capital amounted to HK$129.3 million; (ii) adjusted by (a) net inflow of working capital amounted to HK$25.2 million; and (b) tax paid outside Hong Kong of HK$13.3 million. Changes in working capital primarily reflected the (i) increase in trade and other receivables of HK$97.9 million; (ii) decrease in amounts due from Cargo Services Group of HK$148.3 million; (iii) increase in amounts due from Allport Group of HK$26.8 million; (iv) increase in trade and other payables of HK$24.6 million; (v) decrease in amounts due to Cargo Services Group of HK$26.9 million; and (vi) increase in net defined benefit retirement obligation of HK$1.4 million.

For FY2018, our net cash generated from operating activities of HK$142.2 million was primarily resulted from (i) our operating cash flow before changes in working capital amounted to HK$140.2 million; and (ii) adjusted by (a) net inflow of working capital amounted to HK$15.0 million; and (b) tax paid outside Hong Kong of HK$13.1 million. Changes in working capital primarily reflected the (i) decrease in trade and other receivables of HK$51.2 million; (ii) increase in amounts due from Allport Group of HK$19.3 million; and (iii) decrease in trade and other payables of HK$23.6 million.

For FY2019, our net cash generated from operating activities of HK$142.7 million was primarily resulted from (i) our operating cash flow before changes in working capital amounted to HK$172.2 million; and (ii) adjusted by (a) net outflow of working capital amounted to HK$7.4 million; and (b) tax paid of HK$22.0 million. Changes in working capital primarily reflected the (i) increase in trade and other receivables of HK$21.0 million; (ii) increase in amounts due from Cargo Services Group of HK$18.1 million; (iii) decrease in amounts due from Allport Group of HK$27.5 million; (iv) decrease in trade and other payables of HK$14.4 million; and (v) increase in amounts due to Cargo Services Group of HK$17.0 million.

For 3M2020, our net cash used in operating activities of HK$21.3 million was primarily resulted from (i) our operating cash flow before changes in working capital amounted to HK$34.7 million; and (ii) adjusted by (a) net outflow of working capital amounted to HK$44.9 million; and (b) tax paid of HK$11.2 million. Changes in working capital primarily reflected the (i) increase in trade and other receivables of HK$25.2 million; (ii) increase in amounts due from Cargo Services Group of HK$32.5 million; (iii) decrease in amounts due from Allport Group of

HK$7.1 million; (iv) increase in trade and other payables of HK$12.4 million; and (v) decrease in amounts due to Cargo Services Group of HK$7.2 million. The net operating cash outflow was mainly due to the delay and interruption brought by the outbreak of COVID-19 on the operations of our customers, including the lockdowns and work from home arrangements, that in turn affected our customers' settlement.

We consider that the net operating cash outflow for 3M2020 was only a snapshot of our financial performance which was temporarily affected by the outbreak of COVID-19 and therefore not comparable to the annual figures and may not be representative. Nevertheless, to ensure that we have a healthy cash flow position, we will:

(i) continue to increase our efforts to collect receivables effectively by closely and regularly following up with our customers regarding outstanding trade receivables, with the aim to achieve better average trade receivable turnover days;

(ii) utilise the credit terms and periods granted by our suppliers flexibly and continue to strive for more favourable credit terms from our suppliers, thereby allowing us to achieve better average trade payable turnover days; and

(iii) continue to liaise with relevant banks from time to time to obtain financing with favourable terms as and when needed by utilising our good relationships and credit histories with such banks.

Net cash (used in) generated from investing activities

Cash flows used in investing activities mainly relate to payments for purchase of other property, plant and equipment, net increase in amounts due from Cargo Services Group, increase or decrease in amount due from a director and proceeds from disposal of a subsidiary.

For FY2017, we had net cash used in investing activities of HK$196.9 million, which was primarily attributable to (i) the net increase in amounts due from Cargo Services Group of HK$178.9 million; (ii) the payment for purchase of other property, plant and equipment of HK$8.4 million which represents capital expenditure for purchasing equipment for our distribution centres and offices to replace those which were obsolete; and (iii) increase in amount due from a director of HK$10.5 million.

For FY2018, we had net cash used in investing activities of HK$79.4 million, which was primarily attributable to (i) payment for purchase of other property, plant and equipment of HK$61.1 million which represents capital expenditure for (a) installation of conveyor belts and the relevant operating systems, air conditioning systems and fire prevention systems at our customised distribution centre in Shanghai; and (b) purchasing equipment for our distribution centres and offices to replace those which were obsolete; and (ii) net increase in amounts due from Cargo Services Group of HK$21.9 million.

For FY2019, we had net cash used in investing activities of HK$31.0 million, which was primarily attributable to (i) the payment for purchase of other property, plant and equipment of HK$20.8 million which represents capital expenditure for purchasing equipment for our distribution centres and offices to replace those which were obsolete; and (ii) net increase in amount due from Cargo Services Group of HK$16.6 million, partially offset by proceeds from disposal of a subsidiary of HK$5.4 million.

For 3M2020, we had net cash generated from investing activities of HK$8.0 million, which was primarily attributable to the net decrease in amounts due from Cargo Services Group of HK$18.1 million, partially offset by (i) the payment for purchase of other property, plant and equipment of HK$4.5 million; and (ii) the prepayment for acquisition of property, plant and equipment of HK$6.3 million, which represent capital expenditure for purchasing equipment for our distribution centres and offices.

Net cash generated from (used in) financing activities

Cash flows generated from or used in financing activities mainly include proceeds from new bank loans, interest paid, payment of Listing expenses, capital element of lease rentals paid, interest element of lease rentals paid, repayments of bank loans, dividends paid to non-controlling interests, deemed cash contribution from/(distribution to) the parent company, net proceeds from/(repayments to) Cargo Services Group and net increase or decrease in amount due to Cargo Services Group.

For FY2017, we had net cash generated from financing activities of HK$45.6 million, which was primarily attributable to (i) net proceeds from Cargo Services Group of HK$12.0 million; (ii) net increase in amount due to Cargo Services Group of HK$52.1 million; (iii) the proceeds from new bank loans of HK$44.3 million, which was partially offset by (i) capital and interest element of lease rentals paid of HK$54.0 million as a combined results of renewal of leases during the year and effect of adoption of HKFRS 16; and (ii) dividends paid to non-controlling interests of HK$7.4 million.

For FY2018, we had net cash used in financing activities of HK$66.8 million, which was primarily attributable to (i) repayment of bank loans of HK$196.8 million; (ii) capital and interest element of lease rentals paid of HK$82.1 million; (iii) dividends paid to non-controlling interests of HK$7.9 million; and (iv) net decrease in amount due to Cargo Services Group of HK$47.2 million, which was partially offset by (i) proceeds from new bank loans of HK$226.1 million; and (ii) deemed cash contribution from the parent company of HK$41.1 million.

For FY2019, we had cash used in financing activities of HK$99.2 million, which was primarily attributable to (i) repayment of bank loans of HK$263.1 million; (ii) capital and interest element of lease rentals paid of HK$89.3 million; (iii) deemed distribution to the parent company of HK$15.8 million; and (iv) dividends paid to non-controlling interests of HK$5.9 million, which was partially offset by (i) proceeds from new bank loans of HK$271.6 million; and (ii) net increase in amounts due to Cargo Services Group of HK$9.3 million.

For 3M2020, we had cash generated from financing activities of HK$24.3 million, which was primarily attributable to (i) proceeds from new bank loans of HK$92.7 million; and (ii) proceeds from issue of shares to the Pre-IPO Investors of HK$20.0 million, which was partially offset by (i) repayment of bank loans of HK$52.9 million; (ii) net decrease in amount due to Cargo Services Group of HK$11.6 million; and (iii) capital and interest element of lease rentals paid of HK$21.2 million.

NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities of the consolidated statements of financial position as at the respective dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2017	**2018**	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets					
Trade and other receivables	336,355	280,449	300,712	326,601	336,427
Amounts due from a director	10,500	11,516	11,500	11,500	11,500
Amounts due from Cargo Services Group	209,859	231,734	260,249	274,657	249,859
Amounts due from Allport Group	26,822	46,135	18,634	11,492	13,182
Amounts due from associates	353	340	1,111	1,192	1,186
Pledged bank deposits	4,347	2,725	3,022	2,228	2,259
Cash and cash equivalents	97,123	90,643	102,794	116,517	150,821
	685,359	663,542	698,022	744,187	765,234
Current liabilities					
Trade and other payables	252,022	222,739	203,915	216,775	229,785
Amounts due to a director of a subsidiary	2	–	–	–	–
Amounts due to Cargo Services Group	122,571	80,773	107,227	121,509	90,725
Amounts due to Allport Group	3,182	6,811	3,601	2,243	1,209
Amounts due to associates	64	35	2,284	5,216	4,858
Bank loans and overdrafts	47,392	76,206	83,866	127,142	117,800
Lease liabilities	54,699	42,915	58,888	64,795	62,481
Current taxation	7,216	14,650	15,126	9,033	23,997
	487,148	444,129	474,907	546,713	530,855
Net current assets	198,211	219,413	223,115	197,474	234,379

Our current assets consist of trade and other receivables, amounts due from a director, amounts due from Cargo Services Group, amounts due from associates, amounts due from Allport Group, pledged bank deposits and cash and cash equivalents. Our current liabilities consist of trade and other payables, amounts due to a director of a subsidiary, amounts due to Cargo Services Group, amounts due to Allport Group, amounts due to associates, bank loans and overdrafts, lease liabilities and current taxation.

Our net current assets increased from HK$198.2 million as at 31 December 2017 to HK$219.4 million as at 31 December 2018. Such increase was mainly due to (i) the increase in amounts due from Cargo Services Group of HK$21.9 million; (ii) the increase in amounts due from Allport Group of HK$19.3 million; (iii) the decrease in amounts due to Cargo Services Group of HK$41.8 million; and (iv) the decrease in trade and other payables of HK$29.3 million, which was partially offset by (i) the decrease in trade and other receivables of HK$55.9 million; (ii) the increase in bank loans and overdrafts of HK$28.8 million; and (iii) the decrease in cash and cash equivalents of HK$6.5 million.

Our net current assets increased from HK$219.4 million as at 31 December 2018 to HK$223.1 million as at 31 December 2019. Such increase was mainly due to (i) the increase in trade and other receivables of HK$20.3 million; (ii) the increase in amounts due from Cargo Services Group of HK$28.5 million; (iii) the increase in cash and cash equivalents of HK$12.2 million; and (iv) the decrease in trade and other payables of HK$18.8 million, which was partially offset by (i) the decrease in amounts due from Allport Group of HK$27.5 million; (ii) the increase in amounts due to Cargo Services Group of HK$26.5 million; (iii) the increase in lease liabilities of HK$16.0 million; and (iv) the increase in bank loans and overdraft of HK$7.7 million.

Our net current assets decreased from HK$223.1 million as at 31 December 2019 to HK$197.5 million as at 31 March 2020. Such decrease was mainly due to (i) the decrease in amounts due from Allport Group of HK$7.1 million; (ii) the increase in trade and other payables of HK$12.9 million; (iii) the increase in amounts due to Cargo Services Group of HK$14.3 million; (iv) the increase in bank loans and overdrafts of HK$43.3 million; (v) the increase in amounts due to associates of HK$2.9 million; and (vi) the increase in lease liabilities of HK$5.9 million, partially offset by (i) the increase in trade and other receivables of HK$25.9 million; (ii) the increase in amounts due from Cargo Services Group of HK$14.4 million; (iii) the increase in cash and cash equivalents of HK$13.7 million; and (iv) the decrease in current taxation of HK$6.1 million.

Our net current assets increased from HK$197.5 million as at 31 March 2020 to HK$234.4 million as at 31 July 2020. Such increase was mainly due to (i) the increase in trade and other receivables of HK$9.8 million; (ii) the increase in cash and cash equivalents of HK$34.3 million; (iii) the decrease in amounts due to Cargo Services Group of HK$30.8 million; (iv) the decrease in bank loans and overdrafts of HK$9.3 million; and (v) the decrease in lease liabilities of HK$2.3 million, partially offset by (i) the decrease in amounts due from Cargo Services Group of HK$24.8 million; (ii) the increase in trade and other payables of HK$13.0 million; and (iii) the increase in current taxation of HK$15.0 million.

WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including cash generated from operating activities, the existing bank loans and other borrowings and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

We monitor and maintain an adequate level of cash and cash equivalents to finance our operations and mitigate the effects of fluctuations in cash flows. Our Directors monitor the level of our bank loans and other borrowings to ensure adequate utilisation of banking facilities and our compliance with loan covenants.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Property, plant and equipment mainly comprise of leasehold improvements, furniture and fixtures, motor vehicles, office equipment and machinery, computer equipment, warehouse equipment and right-of-use assets. As at 31 December 2017, 2018 and 2019 and 31 March 2020, the carrying amount of property, plant and equipment amounted to HK$105.6 million, HK$191.0 million, HK$235.5 million and HK$241.5 million, respectively.

The carrying amount of property, plant and equipment increased by HK$85.4 million from HK$105.6 million as at 31 December 2017 to HK$191.0 million as at 31 December 2018, mainly due to addition of HK$164.4 million primarily from the (i) increase of right-of-use assets of HK$103.3 million due to the renewal of leases and entering into new leases of properties; and (ii) increase of warehouse equipment of HK$42.4 million due to the installation of conveyor belts in one of our distribution centres in Shanghai during FY2018, net off by depreciation of HK$75.7 million.

The carrying amount of property, plant and equipment increased by HK$44.5 million from HK$191.0 million as at 31 December 2018 to HK$235.5 million as at 31 December 2019, primarily from the addition of right-of-use assets of HK$126.8 million due to the renewal of leases and entering into new leases of properties, net off by the depreciation of HK$98.6 million.

The carrying amount of property, plant and equipment remained relatively stable and increased slightly from HK$235.5 million as at 31 December 2019 to HK$241.5 million as at 31 March 2020.

During the Track Record Period, we entered into lease contracts with Mr. Lau or his associates, certain of which will be subsisting upon Listing ("**CT Leases**"). Such leases were accounted for as one-off in nature under HKFRS 16. If these transactions were entered into after Listing, such transactions would constitute connected transactions for our Group. We had consistently adopted HKFRS 16 to our consolidated financial statements throughout the Track Record Period. Pursuant to HKFRS 16, at the commencement date of a lease, our Group as lessee shall recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Accordingly, the lease transaction under each of the CT Leases would be regarded as an acquisition of an asset by the tenant for the purpose of the Listing Rules.

Although each of the CT Leases would be subsisting upon Listing, and we expect to make further payments to Mr. Lau or (as the case may be) entities controlled by him pursuant to the respective terms of CT Leases, given each of the CT Leases was entered into prior to Listing and the transaction thereunder is accounted for as one-off in nature under HKFRS 16, the transaction (including further rental payments to be made by us pursuant to the terms of each of the CT Leases) will not be classified as a notifiable transaction under Chapter 14 of the Listing Rules or connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, and will not be subject to any of the reporting, announcement, circular and/or independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. In the event of any material changes to the terms and conditions of any of the CT Leases, we shall comply with Chapters 14 and 14A of the Listing Rules (as the case may be) in respect of such changes as and when appropriate, including, where required, seeking independent Shareholders' approval prior to effecting such changes. After Listing, in case we renew any of the CT Leases, we shall comply with Chapters 14 and 14A of the Listing Rules (as the case may be) as and when appropriate.

Goodwill

We recorded a goodwill of HK$23.5 million, HK$22.8 million, HK$23.2 million and HK$22.9 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively.

The goodwill arose from the acquisition of 70% equity interest of Global Freight Forwarding at a total consideration of HK$35 million in 2016. A goodwill arising on acquisition was recorded and carried at cost less accumulated impairment losses. The fluctuation was primarily due to the exchange adjustment. Global Freight Forwarding principally engages in the provision of freight forwarding services in Taiwan. The goodwill is allocated to the air freight forwarding business, and the impairment assessment will be focused on the performance of air freight forwarding business. Based on the impairment assessment at 31 December 2017, 2018 and 2019 and 31 March 2020, the estimated headroom (the excess of the recoverable amount over the carrying amount of cash-generating unit) ranging from HK$56.9 million to HK$72.0 million, compared with the carrying amount of goodwill of HK$23.5 million, HK$22.8 million, HK$23.2 million and HK$22.9 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively, did not indicate any impairment is necessary.

We adopted a discount rate of 12%, 12%, 12% and 13% in the value-in-use calculation for FY2017, FY2018, FY2019 and 3M2020, respectively, which were based on weighted average cost of capital of comparable listed companies adjusted by size premium, equity risk premium and specific risk premium. The discount rate so derived was approximately 12% for FY2017. Notwithstanding that the estimated discount rates for FY2018, FY2019 and 3M2020 were lower due to the drop in risk-free rate by reference to Taiwan government bond yield for FY2017, FY2018, FY2019 and 3M2020 (the relevant risk free rates for FY2017, FY2018, FY2019 and 3M2020 were 1.5%, 1.3%, 0.9% and 0.7%, respectively), we decided to adopt a more prudent approach by keeping the discount rate at 12%, 12%, 12% and 13% for FY2017, FY2018, FY2019 and 3M2020, respectively. There was no indication of impairment of any goodwill based on the above assumptions.

We have performed sensitivity and breakeven analysis in relation to the impairment assessment, including (i) if the revenue growth rate decreased by a reasonably possible change of 100 basis point, the headroom would decrease by approximately HK$9.0 million and HK$8.3 million for the impairment assessment in FY2019 and 3M2020, respectively; (ii) if the discount rate increased by a reasonably possible change of 100 basis point, the headroom would decrease by approximately HK$10.3 million and HK$8.6 million for the impairment assessment in FY2019 and 3M2020, respectively; (iii) if the revenue growth rate for each year throughout the forecast period (year ending 31 December 2020 to year ending 31 December 2024) was amended from a growth rate of 3.0% to a negative growth rate of 6.8%, the recoverable amount of the cash-generating units would be approximately equal to its carrying amount at 31 December 2019; and (iv) if the revenue growth rate for each year throughout the forecast period was amended from a growth rate of 3.0% to a negative growth rate of 5.1%, the recoverable amount of the cash-generating units would be approximately equal to its carrying amount as at 31 March 2020. In light of the sufficient headroom, we are of the view that a reasonably possible change in revenue growth rate or discount rate would not lead to impairment of goodwill during the Track Record Period.

For further details, please refer to Note 14 to the Accountants' Report as set out in Appendix I to this prospectus.

Trade Receivables

Trade receivables as at the respective reporting dates principally represented the outstanding amounts receivable by us from our customers. The following table sets forth our trade receivables, net of loss allowance, as at the dates indicated:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	295,035	241,948	250,806	270,997
Less: loss allowance	(382)	(349)	(174)	(1,789)
	294,653	241,599	250,632	269,208

Our trade receivables decreased from HK$294.7 million as at 31 December 2017 to HK$241.6 million as at 31 December 2018. Such decrease was primarily due to the decrease in transaction volume with four customers in Taiwan as a result of our commercial decision to slow down our business relationships with them as discussed above in this section. Our trade receivables slightly increased from HK$241.6 million as at 31 December 2018 to HK$250.6 million as at 31 December 2019 and further increased to HK$269.2 million as at 31 March 2020, which was mainly attributable to the delay and interruption brought by the outbreak of COVID-19 on the operations of our customers, including the lockdowns and work from home arrangements, that in turn affected our customers' settlement schedules.

The following table sets forth the aging analysis of trade receivables (which are included in trade and other receivables), net of loss allowance, as at the reporting dates as indicated below:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current (not past due)	209,518	174,473	162,109	159,285
1 to 30 days past due	65,846	46,116	59,576	54,759
31 to 60 days past due	11,960	13,858	18,217	23,293
More than 60 days past due	7,329	7,152	10,730	31,871
Total	294,653	241,599	250,632	269,208

Trade receivables that were past due accounted for 28.9%, 27.8%, 35.3% and 40.8% of our total trade receivables as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively. Based on past loss experience, expected credited loss allowance was calculated based on the aging of these balances. The major unsettled balances are mainly due from customers that are reputable companies in the high-end fashion industry with which we have established stable business relationships and have good track record with us. There was no recent history of default in respect of these customers and HK$252.7 million (or 93.9%) of the trade receivables balance as at 31 March 2020 was subsequently settled as at 31 July 2020. Therefore, the balances are still considered to be fully recoverable. In view of the adverse impact brought by the outbreak of COVID-19, we adjusted our expected loss rates in respect of our trade receivables as at 31 March 2020, resulting in a higher loss allowance as compared to that as at 31 December 2019.

The table below sets out our average trade receivable turnover days, as at the reporting dates as indicated below:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	days	*days*	*days*	*days*
Average trade receivable (including trade related balance from related parties) turnover days *(Note 1)*	77	73	71	77
Average trade receivable turnover days of Independent Third Parties *(Note 2)*	64	74	71	78
Average trade receivable turnover days of related parties *(Note 3)*	148	72	71	71

Notes:

1. Average trade receivable turnover days is calculated as the average of the beginning and ending (i) trade receivable balances; and (ii) trade related balance of amounts due from Cargo Services Group, Allport Group and associates, for the year/period, divided by revenue for that year/period, multiplied by (i) 365 days for FY2017, FY2018 and FY2019 and (ii) 90 days for 3M2020.

2. Average trade receivable turnover days is calculated as the average of the beginning and ending trade receivable balances from Independent Third Parties (which exclude related parties, namely Cargo Services Group, Allport Group and associates) for the year/period, divided by revenue contributed from Independent Third Parties for that year/period, multiplied by (i) 365 days for FY2017, FY2018 and FY2019 and (ii) 90 days for 3M2020.

3. Average trade receivable turnover days is calculated as the average of the beginning and ending trade receivable balances from related parties, including trade related balance of amounts due from Cargo Services Group, Allport Group and associates, for the year/period, divided by revenue contributed from related parties for that year/period, multiplied by (i) 365 days for FY2017, FY2018 and FY2019 and (ii) 90 days for 3M2020.

We generally offer our customers credit term of 30 to 60 days, following our issue of invoice. Our trade receivable (including trade related balance from related parties) turnover days exceeded our maximum credit period of 60 days as we had experienced delayed settlement from certain multinational customers. These customers have been continuously settling their bills without default and our Directors consider that there was no collectability issue in relation to such outstanding trade receivables. Further, due to seasonality of the freight forwarding industry in general, we generally receive more orders during the second half of the year than the first half, which leads to greater trade receivables balances near the year end than the beginning of the year. During the Track Record Period and up to the Latest Practicable Date, we did not experience material default in payment from our customers. Our trade receivable (including trade related balance from related parties) turnover days increased from 71 days as at 31 December 2019 to 77 days as at 31 March 2020 primarily due to the delay and interruption brought by the outbreak of COVID-19 on the operations and settlement schedules of our customers due to the lockdowns and work from home arrangements.

Our average trade receivable turnover days of related parties as at 31 December 2017 was comparatively higher, which was mainly due to the large trade receivable balance from Cargo Services Group at the beginning of the year as we allowed a longer settlement period for related parties at the time. As such balance was due from Cargo Services Group, which is one of our Controlling Shareholders and with which we had established stable business relationship, we were of the view that allowing them a longer settlement period at the time would not expose us to higher credit risk. However, since FY2017, we had required our related parties to settle our trade receivables in a timely manner and had been monitoring the balance closely in order to tighten our working capital management in this regard, hence the improvement in our average trade receivable turnover days of related parties as at 31 December 2018 and 2019 and 31 March 2020.

We set forth below a breakdown of subsequent settlements as at 31 July 2020 of our trade receivables as at 31 March 2020 by age group:

	Trade receivables as at 31 March 2020	**Amounts settled as at 31 July 2020**	
	HK$'000	*HK$'000*	*%*
Current (not past due)	159,285	149,375	93.8
1 to 30 days past due	54,759	51,710	94.4
31 to 60 days past due	23,293	22,475	96.5
More than 60 days past due	31,871	29,120	91.4
Total	269,208	252,680	93.9

As at 31 July 2020, HK$252.7 million (or 93.9%) of the trade receivables as at 31 March 2020 was subsequently settled. In particular, HK$103.3 million (or 94.0%) of the trade receivables that were past due as at 31 March 2020 was subsequently settled as at 31 July 2020.

Other Receivables, Prepayments and Deposits

As at 31 December 2017, 2018 and 2019 and 31 March 2020, we recorded other receivables, prepayments and deposits of HK$41.7 million, HK$38.9 million, HK$50.1 million and HK$57.4 million, respectively. The increase of our other receivables, prepayments and deposits from HK$38.9 million as at 31 December 2018 to HK$50.1 million as at 31 December 2019 was primarily due to (i) our prepayments for costs incurred in connection with the Listing of HK$2.5 million; and (ii) the increase in prepayment to our suppliers. Our other receivables, prepayments and deposits further increased from HK$50.1 million as at 31 December 2019 to HK$57.4 million as at 31 March 2020 primarily due to the increase in our prepayments for costs incurred in connection with the Listing of HK$3.1 million.

Amounts due from a director

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the amounts due from a director amounted to HK$10.5 million, HK$11.5 million, HK$11.5 million and HK$11.5 million, respectively.

The amounts due from a director were non-trade related, unsecured, interest free and repayable on demand. As at the Latest Practicable Date, the amounts due from a director had been settled in full.

Amounts due from/to Cargo Services Group

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the amounts due from Cargo Services Group amounted to HK$209.9 million, HK$231.7 million, HK$260.2 million and HK$274.7 million, respectively, and the amounts due to Cargo Services Group amounted to HK$122.6 million, HK$80.8 million and HK$107.2 million and HK$121.5 million, respectively.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, amounts due from Cargo Services Group included trade related balances of HK$4.7 million, HK$4.7 million, HK$16.6 million and HK$49.2 million, respectively, which are unsecured, interest-free and due within 30 to 60 days from the date of billing.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, non-trade related balance with amounts of HK$29.9 million, HK$33.0 million, HK$38.6 million and HK$43.3 million which is included in the amounts due from Cargo Services Group bearing interest at 5.0%, 5.0%, 5.1% and 5.0% per annum, respectively, are unsecured and repayable on demand.

Apart from the above, the remaining balances included in amounts due from Cargo Services Group are non-trade related and are unsecured, interest-free and recoverable on demand.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, amounts due to Cargo Services Group included trade related balances of HK$1.3 million, HK$4.0 million, HK$21.0 million and HK$46.8 million, respectively, which are unsecured, interest-free and due within 30 to 60 days from the date of billing.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, non-trade related balance with amounts of HK$35.9 million, HK$38.6 million, HK$38.7 million and HK$38.8 million which is included in the amounts due to Cargo Services Group bearing interest at 5.0%, 5.0%, 5.1% and 5.0% per annum, respectively, are unsecured and repayable on demand.

Apart from the above, the remaining balances included in the amounts due to Cargo Services Group are non-trade related, unsecured, interest-free and repayable on demand.

The non-trade related balances of the amounts due from Cargo Services Group, after offsetting the amounts due to Cargo Services Group, had been settled in full as at the Latest Practicable Date.

Amounts due from/to Allport Group

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the amounts due from Allport Group amounted to HK$26.8 million, HK$46.1 million, HK$18.6 million and HK$11.5 million, respectively, and the amounts due to Allport Group amounted to HK$3.2 million, HK$6.8 million, HK$3.6 million and HK$2.2 million, respectively. These amounts are trade related balances, which are unsecured, interest-free and due within 30 to 60 days from the date of billing.

Cash and Cash Equivalents

The following table sets forth the breakdown of our cash and cash equivalents as at the reporting dates as indicated below:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand and cash and cash equivalents in the consolidated financial statements	97,123	90,643	102,794	116,517
Bank overdrafts	(820)	(1,128)	(1,317)	(5,103)
Cash and cash equivalents in the consolidated cash flow statement	96,303	89,515	101,477	111,414

Our cash and cash equivalents decreased from HK$97.1 million as at 31 December 2017 to HK$90.6 million as at 31 December 2018. Our cash and cash equivalents increased from HK$90.6 million as at 31 December 2018 to HK$102.8 million as at 31 December 2019 and further increased to HK$116.5 million as at 31 March 2020.

Trade and Other Payables

We recorded trade and other payables of HK$252.0 million, HK$222.7 million, HK$203.9 million and HK$216.8 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively. Our trade and other payables represented trade payables and other payables and accrued charges. The following table sets forth our trade payables as at the reporting dates indicated:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	204,248	175,357	159,707	160,875

Trade payables mainly represent amounts payable to suppliers such as airline carriers and shipping companies, freight forwarder business partners and third-party trucking service providers. Our trade payables decreased from HK$204.2 million as at 31 December 2017 to HK$175.4 million as at 31 December 2018 and further decreased to HK$159.7 million as at 31 December 2019. Such decrease was in line with the decrease of our cost of services for FY2017, FY2018 and FY2019. Our trade payables remained relatively stable at HK$160.9 million as at 31 March 2020.

In general, our suppliers grant us a credit period of 30 to 60 days from the date of invoice. The following table sets forth the aging analysis of our trade payables based on the invoice date as at the reporting dates as indicated below:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	161,479	118,727	113,861	97,260
1 to 3 months	39,788	51,919	42,679	60,165
Over 3 months	2,981	4,711	3,167	3,450
Total	204,248	175,357	159,707	160,875

As at 31 July 2020, HK$157.1 million (or 97.6%) out of the HK$160.9 million trade payables as at 31 March 2020 had been subsequently settled.

The following table sets out over average trade payable turnover days as at the reporting dates indicated:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	days	*days*	*days*	*days*
Average trade payable (including trade related balance from related parties) turnover days *(Note 1)*	62	58	58	57
Average trade payable turnover days of Independent Third Parties *(Note 2)*	59	58	54	53
Average trade payable turnover days of related parties *(Note 3)*	141	57	133	113

Notes:

1. Average trade payable turnover days is calculated as the average of the beginning and ending (i) trade payable balances; and (ii) trade related balance of amounts due to Cargo Services Group and Allport Group for the year/period, divided by the cost of services for that year/period, multiplied by (i) 365 days for FY2017, FY2018 and FY2019 and (ii) 90 days for 3M2020.

2. Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances to Independent Third Parties (which exclude related parties, namely Cargo Services Group, Allport Group and associates) for the year/period, divided by cost of services attributable to Independent Third Parties for that year/period, multiplied by (i) 365 days for FY2017, FY2018 and FY2019 and (ii) 90 days for 3M2020.

3. Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances to related parties, including trade related balance of amounts due to Cargo Services Group, Allport Group and associates, for the year/period, divided by cost of services attributable to related parties for that year/period, multiplied by (i) 365 days for FY2017, FY2018 and FY2019 and (ii) 90 days for 3M2020.

Throughout the Track Record Period, our average trade payable (including trade related balance from related parties) turnover days remained stable, which was generally in line with the credit period granted and any slower repayment of trade payables was to utilised the credit terms offered by our suppliers.

During the Track Record Period, our average trade payable turnover days of related parties were generally higher, which was mainly due to (i) the longer settlement period allowed by our related parties, including Cargo Services Group; and (ii) the relatively small amount of trade payable balances to and cost of services attributable to related parties as compared to our overall trade payable year end balances and cost of services, causing the deviation from our average trade payable (including trade related balance from related parties) turnover days.

Other payables and accrued charges

We recorded other payables and accrued charges of HK$47.8 million, HK$47.4 million, HK$44.2 million and HK$55.9 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively. Other payables and accrued charges mainly comprised of accrual for staff costs and staff benefits, receipt in advance and other accrued expenses. There was not material fluctuation of balance of other payables and accrued charges as at 31 December 2017, 2018 and 2019. Our other payables and accrued charges increased from HK$44.2 million as at 31 December 2019 to HK$55.9 million as at 31 March 2020 primarily due to the increase in accrual of our Listing expenses.

Lease Liabilities

As at 31 December 2017, 2018 and 2019 and 31 March 2020, we recorded current lease liabilities of HK$54.7 million, HK$42.9 million, HK$58.9 million and HK$64.8 million, respectively, and non-current lease liabilities of HK$30.6 million, HK$67.9 million, HK$93.1 million and HK$95.1 million, respectively. We recognise a right-of-use asset and a lease liability at the lease commencement date. The increase in the total lease liabilities was in line with the increase in our balance of right-of-use assets resulting from renewal of and entering into new lease agreements.

INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets forth our total indebtedness as at 31 December 2017, 2018 and 2019, 31 March 2020 and 31 July 2020, respectively:

	As at 31 December			As at 31 March	As at 31 July
	2017	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current					
Amounts due to Cargo Services Group	121,228	76,734	86,238	74,664	67,309
Bank loans and overdrafts – secured	10,524	–	–	–	–
Bank loans and overdrafts – unsecured	36,868	76,206	83,866	127,142	117,800
Lease liabilities	54,699	42,915	58,888	64,795	62,481
Sub-total	223,319	195,855	228,992	266,601	247,590
Non-current					
Bank loans – unsecured	3,898	3,099	3,389	3,330	2,741
Lease liabilities	30,645	67,862	93,081	95,126	108,969
Sub-total	34,543	70,961	96,470	98,456	111,710
Total	257,862	266,816	325,462	365,057	359,300

For details of the amounts due to Cargo Services Group, please refer to the paragraph headed "Description of Certain Items of Consolidated Statements of Financial Position" in this section above.

Interest-bearing bank borrowings

We had interest-bearing bank borrowings with a carrying value of HK$51.3 million, HK$79.3 million, HK$87.3 million, HK$130.5 million and HK$120.5 million as at 31 December 2017, 2018 and 2019, 31 March 2020 and 31 July 2020, respectively. Certain of these interest-bearing bank borrowings were secured by our pledged bank deposits and guaranteed by a director of our Company and certain subsidiaries of our Company and certain members of the Controlling Shareholder Group. As at 31 December 2017, 2018 and 2019, 31 March 2020 and 31 July 2020, the aggregate carrying amount of our bank deposits pledged for our interest-bearing bank borrowings were HK$2.1 million, nil, nil, nil and nil, respectively. The relevant banks have given their consents in principle to release such guarantees provided by these related parties upon Listing.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the interest rates of bank loans were in the range of 0.40% to 6.38%, 0.40% to 5.19%, 0.40% to 4.96% and 0.40% to 4.83% per annum, respectively.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, banking facilities were jointly entered into by our Group and certain members of the Controlling Shareholder Group. These banking facilities limits were HK$117 million, HK$234 million, HK$234 million and HK$234 million, respectively, as at 31 December 2017, 2018 and 2019 and 31 March 2020. The amounts of the such banking facilities which our Group and certain members of the Controlling Shareholder Group had utilised as at 31 December 2017, 2018 and 2019 and 31 March 2020 amounted to HK$20.3 million, HK$188.5 million, HK$212.2 million and HK$208.2 million, respectively.

Our banking facilities are subject to the fulfilment of certain covenants which are commonly found in lending arrangements with financial institutions. If we were not able to comply with the covenants, the drawn down facilities would become payable on demand. According to a facility letter (the "**Facility Letter**") dated 6 January 2020 entered into between a bank (as lender), CS Airfreight and CN Logistics HK (as borrowers), and our Company, CS Group and Mr. Lau (as guarantors), in respect of facilities of an aggregate limit of up to HK$64 million, under which HK$46.9 million was outstanding as at 31 March 2020 as short-term financing, our Company undertakes, amongst others, to maintain tangible net worth of not less than a prescribed level when the Facility Letter comes into effect. We had encountered a breach of such financial covenant, since our Company had been unable to satisfy such tangible net worth requirement. As confirmed by our Directors, such breach was primarily due to the miscommunication between our Company and the lender on certain conditions when entering into the Facility Letter.

We had notified the relevant bank in relation to such breach once we had become aware of the same. On 7 April 2020, we entered into a revised facility letter with the relevant bank, in which the relevant financial covenant has been removed. Despite the above breach, our Group has not experienced any difficulties in obtaining further financing with banks for our working capital. Going forward, as confirmed by our Directors, we will also ensure that when loan agreements or facility letters are being negotiated, proposed terms and covenants will be carefully considered to ensure that we will, based on all circumstances and taking into account all relevant information available at such time, be able to comply with the covenants under the loan agreements or facility letters.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that, save as disclosed above, we were not aware of any other breach of covenants in our existing banking facilities. During the Track Record Period and up to the Latest Practicable Date, none of our lending banks accelerated our outstanding indebtedness.

Lease Liabilities

Lease liabilities mainly represent net present value for lease payments in respect of our leased properties. For discussion on changes of our lease liabilities during the Track Record Period, please refer to the paragraph headed "Description of Certain Items of Consolidated Statements of Financial Position" in this section above.

Contingent Liability

As at 31 July 2020, being the latest practicable date for the purpose of the indebtedness statement, save as those disclosed in Note 30 to the Accountants' Report as set out in Appendix I to this prospectus, we did not have any contingent liabilities or guarantees.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, finance lease or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

COMMITMENTS

Capital commitments

As at 31 December 2017, 2018 and 2019 and 31 March 2020, our capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements was as follows:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital commitments outstanding not provided for:				
Contracted for	–	–	–	4,886

The capital commitment principally related to the prepayments for purchasing equipment for our distribution centres and offices.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

SUMMARY OF FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for FY2017, FY2018, FY2019 and 3M2020 and should be read in conjunction with the Accountants' Report as set out in Appendix I to this prospectus:

	For the year ended/As at 31 December			For the three months ended/As at 31 March
	2017	2018	2019	2020
Gross profit margin *(Note 1)*	17.1%	19.4%	20.7%	20.0%
Net profit margin *(Note 2)*	3.1%	2.7%	3.0%	0.1%
Adjusted net profit margin (non-HKFRS measure) *(Note 3)*	3.1%	2.7%	3.6%	3.0%
Current ratio *(Note 4)*	1.4	1.5	1.5	1.4
Return on total assets *(Note 5)*	5.9%	4.7%	4.6%	N/A *(Note 8)*
Return on equity *(Note 6)*	16.6%	11.5%	11.8%	N/A *(Note 8)*
Gearing ratio *(Note 7)*	47.5%	53.2%	63.2%	80.0%

Notes:

1. Gross profit margin is calculated by the gross profit divided by the revenue for the respective year/period and multiplied by 100%.

2. Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period and multiplied by 100%.

3. Adjusted net profit margin is calculated by dividing adjusted net profit for the year/period by the respective total revenue and multiplied by 100%. These are calculated based on non-HKFRS measures. For the reconciliation of our non-HKFRS measure, please refer to the paragraph headed "Non-HKFRS Measure – Reconciliation" in this section above.

4. Current ratio is calculated based on the current assets divided by current liabilities.

5. Return on total assets is calculated by profit for the year divided by total assets multiplied by 100%.

6. Return on equity is calculated by the profit for the year divided by total equity multiplied by 100%.

7. Gearing ratio is the total debt (including bank loans and overdrafts and lease liabilities) divided by total equity and multiplied by 100%.

8. The figure for 3M2020 is not meaningful as it is not comparable to the annual figures.

Gross Profit Margin

Our gross profit margin increased from 17.1% for FY2017 to 19.4% for FY2018 and further increased to 20.7% for FY2019. Our gross profit margin decreased to 20.0% for 3M2020. Please refer to the paragraph headed "Review of Historical Operating Results – Year to Year/Period to Period Comparison of Results of Operations" in this section for the reasons for the changes in our gross profit margin.

Net Profit Margin

Our net profit margin decreased from 3.1% for FY2017 to 2.7% for FY2018 and increased to 3.0% for FY2019 before decreasing to 0.1% for 3M2020. Please refer to the paragraph headed "Review of Historical Operating Results – Year to Year/Period to Period Comparison of Results of Operations" in this section for the reasons for the changes in our net profit margin.

Adjusted Net Profit Margin (Non-HKFRS Measure)

Our adjusted net profit margin amounted to approximately 3.1%, 2.7%, 3.6% and 3.0% for FY2017, FY2018, FY2019 and 3M2020, respectively. We recorded a higher adjusted net profit margin for FY2019 as we were able to generate a higher gross profit while reducing our administrative and other operating expenses.

Current Ratio

Our current ratio remained stable at 1.4 times, 1.5 times, 1.5 times and 1.4 times as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively.

Return on Total Assets

Our return on total assets decreased from 5.9% for FY2017 to 4.7% for FY2018 and remained stable at 4.6% for FY2019. The decrease for FY2018 was mainly attributable to (i) the decrease in our profit for the year for FY2018 as discussed in this section above; and (ii) the increase in our total assets primarily due to the addition of conveyor belts and the increase in right-of-use assets.

Return on Equity

Our return on equity decreased from 16.6% for FY2017 to 11.5% for FY2018 and increased to 11.8% for FY2019. The decrease for FY2018 was mainly attributable to (i) the decrease in our profit for the year for FY2018 as discussed in this section above; and (ii) the increase in total equity resulting from deemed contribution from the parent company. The increase for FY2019 was mainly due to increase in profit for the year.

Gearing Ratio

Our gearing ratio increased from 47.5% for FY2017 to 80.0% for 3M2020. The increase was mainly attributable to the increase in our bank loans and overdrafts and lease liabilities during the Track Record Period. We obtained bank loans and financing from time to time after taking into account our cash needs at the relevant time. The increase in our lease liabilities during the Track Record Period was primarily resulting from the renewal of and entering into new lease agreements as part of our continuous business expansion.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

During our normal course of business, we are exposed to various financial risks, including credit risk, liquidity risk, interest rate risk and currency risk. For details, please refer to Note 27 to the Accountants' Report set out in Appendix I of this prospectus.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 28 to the Accountants' Report as set out in Appendix I to this prospectus, our Directors are of the view that each of the related party transactions was conducted on an arm's length basis in the ordinary and usual course of business and on normal commercial terms between the relevant parties. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

In particular, we set out below our revenue attributable to the Allport Group and the Controlling Shareholder Group during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	HK$'000	*As a % to our total revenue for FY2017*	*HK$'000*	*As a % to our total revenue for FY2018*	*HK$'000*	*As a % to our total revenue for FY2019*	*HK$'000* (unaudited)	*As a % to our total revenue for 3M2019*	*HK$'000*	*As a % to our total revenue for 3M2020*
Allport Group	180,492	11.8	158,323	10.3	154,518	10.4	25,900	7.3	13,473	3.7
Controlling Shareholder Group	47,041	3.1	50,510	3.3	65,796	4.4	11,378	3.2	47,053	13.0
	227,533	14.9	208,833	13.6	220,314	14.8	37,278	10.5	60,526	16.7

During the Track Record Period, the aggregate revenue generated from our provision of services to the Allport Group and the Controlling Shareholder Group amounted to HK$227.5 million, HK$208.8 million, HK$220.3 million and HK$60.5 million, which represented 14.9%, 13.6%, 14.8% and 16.7% of our total revenue for FY2017, FY2018, FY2019 and 3M2020, respectively. For further details on our relationship with and the background of the Allport Group and the Controlling Shareholder Group, please refer to the paragraph headed "Business – Customers – Major Customers" and the section headed "Relationship with our Controlling Shareholders" in this prospectus.

The service fees paid by the Allport Group and the Controlling Shareholder Group were determined on a case-by-case basis based on arm's length negotiations with reference to prevailing market rates. We implemented a pricing policy in respect of our services provided to the Allport Group and the Controlling Shareholder Group which is generally applicable to our other Independent Third Party customers. Under such pricing policy, we determined our service fees with reference to the then prevailing freight cost plus certain percentage of profit margin, which was determined by our management from time to time with reference to, among others, the timetable of freight carriers, the route, popularity of the route, seasonality, volume and any other factors in which our management from time to time considered material.

For transactions with the Allport Group and the Controlling Shareholder Group involving the provision of freight forwarding services in ports along the freight routes by us, the Allport Group or the Controlling Shareholder Group, under our cost-plus pricing model, we also generally take into consideration of the profit-sharing ratio of 40% to 50% of the total estimated profit to be generated from the whole freight, being the estimated revenue after deducting the relevant estimated freight charges and costs to be incurred by us, the Allport Group or the Controlling Shareholder Group when determining our fees. Such pricing factor and range of profit-sharing ratio are generally applicable to all transactions of similar services with freight forwarder customers, including our connected persons and Independent Third Party freight forwarder business partners. According to the CIC Report, such pricing factor and range of profit-sharing ratio are in line with the industry norm. The actual percentage of shared profit between us and the freight forwarder customers depends on a number of factors including, amongst others, the services provided by, involvement of and the geographical locations covered by us and the freight forwarder customers in respect of the particular freight forwarding transaction.

Our Directors confirm that negotiations of the terms of our services to the Allport Group and the Controlling Shareholder Group were conducted on an individual basis and arm's length basis, which are similar to those transactions with our other customers, and that all of our services to the Allport Group and the Controlling Shareholder Group were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. For details of the arrangement for our transactions with the Allport Group and the Controlling Shareholder Group after Listing, please refer to the paragraph headed "Continuing Connected Transactions – Non-exempted Continuing Connected Transactions" in this prospectus.

During the Track Record Period, our gross profit margin in respect of our transactions with the Allport Group was lower than our overall gross profit margin primarily due to the following reasons:

(i) a majority of products handled by our Group while providing air freight forwarding services for the Allport Group were fast fashion products, which generally entail lower gross profit margin as compared to high-end fashion products. Further, the consignments handled by our Group for the Allport Group were mainly export consignments from the PRC to Europe, which entail comparatively lower gross profit margin as there was keen competition in the PRC market; and

(ii) we collaborated with the Allport Group in securing orders from some of the Allport Group's major end customers which involved a competitive bidding process, thereby driving down our gross profit margin in respect of such transactions. Such low gross profit margin was not because of any preferential treatment offered to the Allport Group, but rather the resulting market rate after the abovementioned bidding process. In collaborating with the Allport Group, we also take into account of the fact that the Allport Group brought about large amount of business, which in turn (a) put us in a better bargaining position in negotiating cargo space arrangement with our suppliers, including the airline carriers; and (b) provide us with a stable cash inflow.

During the Track Record Period, we charged fees for the provision of air and ocean freight forwarding services to the Controlling Shareholder Group which were determined based on the abovementioned pricing policy. The table below sets out the breakdown of our revenue, gross profit and gross profit margin in relation to the Controlling Shareholder Group during the Track Record Period by business segment:

	For the year ended 31 December									For the three months ended 31 March					
	2017			2018			2019			2019			2020		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*	*HK$'000* (unaudited)	*HK$'000* (unaudited)	*%*	*HK$'000*	*HK$'000*	*%*
Air freight forwarding services	41,631	5,481	13.2	44,191	7,330	16.6	36,923	6,845	18.5	6,615	1,284	19.4	14,767	2,965	20.1
Ocean freight forwarding services	5,410	1,084	20.0	6,319	1,805	28.6	28,873	6,087	21.1	4,763	1,002	21.0	32,286	7,228	22.4
Total	47,041	6,565	14.0	50,510	9,135	18.1	65,796	12,932	19.7	11,378	2,286	20.1	47,053	10,193	21.7

During the Track Record Period, the Controlling Shareholder Group engaged us as its business partner for the provision of (i) air freight forwarding services in respect of consignments with destination in Australia; (ii) air freight forwarding services upon occasional request from the Controlling Shareholder Group's ocean freight forwarding customers; and (iii) ocean freight forwarding services in Italy and Taiwan where it has no local offices or presence. Our gross profit margin in respect of the Controlling Shareholder Group is generally comparable to our gross profit margin in respect of the provision of freight forwarding services, which were 14.7%, 15.6%, 20.5% and 20.5% for our air freight forwarding services and 23.1%, 26.6%, 25.4% and 23.2% for our ocean freight forwarding services, for FY2017, FY2018, FY2019 and 3M2020, respectively. To the best knowledge and belief of our Directors, apart from the reasons as explained above, the relatively high gross profit margin in respect of the transactions with the Controlling Shareholder Group as compared to that in respect of the Allport Group is also mainly due to, amongst others, the following reasons:

(i) the Controlling Shareholder Group can generally negotiate better prices with its customers for which we are engaged as its business partner to provide air/ocean freight forwarding services, allowing us to in turn record a higher gross profit margin in respect of such transactions; and

(ii) customers of the Controlling Shareholder Group for ocean freight forwarding services which occasionally request for our air freight forwarding services due to time constraints, generally focus more on the timely delivery of the relevant products and are less price-conscious as long as their delivery schedule can be satisfied.

LISTING EXPENSES

Assuming that the Over-allotment Option is not exercised, the Listing expenses in connection with the Listing, which include professional fees, underwriting commission and fees, assuming an Offer Price of HK$2.65 per Share, being the mid-point of the proposed Offer Price range, are estimated to be HK$47.9 million, or 33.7%, of the gross proceeds of the Global Offering. During the Track Record Period, we incurred Listing expenses of HK$8.5 million and HK$10.3 million which were recognised in our consolidated statements of profit or loss and other comprehensive income for FY2019 and 3M2020, respectively, and HK$5.6 million was recognised as prepayments in our consolidated statements of financial position as at 31 March 2020, which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur Listing expenses of HK$23.5 million prior to and upon completion of the Listing, of which (i) HK$12.7 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2020; and (ii) HK$10.8 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

Our Directors would like to emphasise that the Listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Prospective investors should note that our financial performance for the year ending 31 December 2020 would be affected by the Listing expenses mentioned above.

DISTRIBUTABLE RESERVES

Our Company had distributable reserve available for distribution to Shareholders amounted to HK$62.9 million as at 31 March 2020.

DIVIDENDS

During the Track Record Period, we had not declared and/or paid any dividends to our Shareholders. On 11 September 2020, we declared a dividend of approximately HK$85.3 million and the payment of such dividend, primarily by way of setting off with amounts due from a director and Cargo Services Group, had been made on the same date. Our Directors have considered several factors such as entitlement of existing Shareholders to our reserves. Our Directors are of the view that the dividend declared is fair and reasonable and in the best interest of our Company and our Shareholders as a whole.

On 28 August 2020, CS Shanghai BVI, one of our subsidiaries, declared a dividend of HK$59.1 million of which HK$29.0 million was paid in cash to Princetonhall Limited, a subsidiary of Allport, as holder of 49.0% shareholding interests in CS Shanghai BVI on the same date.

Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Company considers stable and sustainable returns to our Shareholders to be our goal. In deciding whether to propose a dividend and in determining the dividend amount, our Directors will take into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to (i) our Articles, which provide that dividends may be declared by us at a general meeting, but no dividend shall be declared in excess of the amount recommended by our Board, and (ii) the applicable laws of the Cayman Islands, which provide that dividends may be paid out of the profits of a company or out of sums standing to the credit of its share premium account and that no dividend may be paid out of the share premium account unless, immediately following the date on which the dividend is paid, our Company is able to pay its debts as they fall due in the ordinary course of business. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. The dividend policy of our Company will continue to be reviewed by our Board from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

MATERIAL ADVERSE CHANGE

Except to the extent disclosed in the paragraph headed "Summary – Recent Development and Material Adverse Change" in this prospectus and the fact that our profit for the year ending 31 December 2020 is expected to be negatively impacted by the Listing expenses in connection with the Global Offering, our Directors confirm that there has been no material adverse change in the trading, operating and financial position or prospects of our Group since 31 March 2020 (being the date as of which our latest audited consolidated financial statements were prepared as set out in Appendix I to this prospectus) and up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Pursuant to Rule 13.18 of the Listing Rules, a general disclosure obligation will arise where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholders, such as a requirement to maintain a specified minimum holding in the share capital of the issuer.

Certain of our banking facilities as mentioned in the paragraph headed "Indebtedness and Contingent Liabilities" in this section above, with an aggregate amount of up to HK$64.0 million which shall be subject to the relevant bank's periodic review from time to time, include conditions that, among others, Mr. Lau, our Controlling Shareholder and non-executive Director, shall remain the single largest shareholder of our Company, CS Airfreight and CN Logistics HK and maintain as chairman of our Company. Such will constitute a specific performance by our Controlling Shareholder under a loan agreement entered into by our Group under Rule 13.18 of the Listing Rules.

Save as disclosed above, our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules upon Listing.

FUTURE PLANS

A detailed description of our future plans is set out in the paragraph headed "Business – Business Strategies and Future Plans" in this prospectus.

We intend to fund our future plans with the net proceeds from the Global Offering as set out below and/or our retained earnings.

USE OF PROCEEDS

The table below sets out the estimated net proceeds of the Global Offering which we will receive after deduction of the underwriting fees and commissions and other estimated expenses in connection with the Global Offering:

	Estimated net proceeds assuming the Over-allotment Option is not exercised	**Estimated net proceeds assuming the Over-allotment Option is exercised in full**
If the Offer Price is fixed at HK$2.65 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	HK$94.4 million	HK$115.8 million
If the Offer Price is fixed at HK$2.85 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	HK$105.0 million	HK$128.1 million
If the Offer Price is fixed at HK$2.45 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	HK$83.8 million	HK$103.4 million

We intend to use the net proceeds of the Global Offering, after deducting related underwriting fees and commissions and estimated expenses payable in connection with the Global Offering and an Offer Price of HK$2.65 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), of approximately HK$94.4 million for the following purposes:

- 72.3%, or HK$68.2 million is expected to be used to fund the enhancement and expansion of our distribution and logistics business and local presence. The intended application of this portion of the net proceeds is primarily as follows:

Intended application	**Approximate percentage of proceeds**
(i) Expansion of our customised distribution centre in Shanghai of up to around 45,000 sq.ft. for Kering Group including:	45.3% or HK$42.8 million
– approximately 11.4%, or HK$10.8 million as capital expenditure for the installation of one additional conveyor belt;	
– approximately 9.9%, or HK$9.3 million as capital expenditure for the refurbishment of the expanded storage and distribution space:	
(a) approximately 5.2%, or HK$4.9 million for capital expenditure for various engineering projects, including structural engineering project, electrical engineering project and others;	
(b) approximately 0.6%, or HK$0.6 million for capital expenditure for building and installing furnitures and installing and testing electrical appliances;	
(c) approximately 2.2%, or HK$2.0 million for capital expenditure for certain construction materials;	
(d) approximately 0.6%, or HK$0.6 million for design fee and supervision fee; and	
(e) approximately 1.3%, or HK$1.2 million for other capital expenditure in relation to refurbishment;	
– approximately 19.7%, or HK$18.6 million for acquiring equipment and control system in respect of such expansion;	
– approximately 4.3%, or HK$4.1 million for the rental for additional space;	

Intended application	Approximate percentage of proceeds
(ii) Refurbishment and upgrade of our distribution centres in Hong Kong including: – approximately 2.7%, or HK$2.5 million as capital expenditure for replacement of obsoleted equipment; – approximately 4.7%, or HK$4.4 million as capital expenditure for the refurbishment and upgrade of our existing distribution centres in Hong Kong; – approximately by 4.1%, or HK$3.9 million as capital expenditure for new distribution centre setup; and	11.5% or HK$10.8 million
(iii) Potential acquisition of target companies.	15.5% or HK$14.6 million

For further details, please refer to the paragraph headed "Business – Business Strategies and Future Plans – Enhancement of Capability in Distribution and Logistics Business and Optimisation and Expansion of our Local Presence" in this prospectus;

- 17.9%, or HK$16.9 million is expected to be used to fund the expansion of our B2C services. The intended application of this portion of the net proceeds is primarily as follows:

Intended application	Approximate percentage of proceeds
(i) Setup of automatic B2C warehousing sorting system in Hong Kong and the PRC;	5.2% or HK$4.9 million
(ii) Upgrade of CN WMS System; and	2.6% or HK$2.5 million
(iii) Expansion of our team of staff responsible for B2C services in Hong Kong and the PRC: – approximately 4.0%, or HK$3.8 million for recruiting new staff for our B2C operations in Hong Kong; and – approximately 6.1%, or HK$5.7 million for recruiting new staff for our B2C operations in the PRC.	10.1% or HK$9.5 million

For further details, please refer to the paragraph headed "Business – Business Strategies and Future Plans – Expansion of our B2C Services" in this prospectus; and

- 9.8%, or HK$9.3 million will be used for general replenishment of working capital and other general corporate purpose.

Implementation Timeline

The following table sets out a detailed breakdown of the use of proceeds for the aforesaid plans to be applied during the two years ending 31 December 2021:

	For the year ending 31 December 2020	For the year ending 31 December 2021	Total amount to be funded by net proceeds from the Global Offering	Total % of net proceeds from the Global Offering
	HK$ million	*HK$ million*	*HK$ million*	*%*
(i) Enhancement and expansion of our distribution and logistics business and local presence				
(a) Expansion of our customised distribution centre in Shanghai for Kering Group	20.6	22.2	42.8	45.3
(b) Refurbishment and upgrade of our distribution centres in Hong Kong	5.1	5.7	10.8	11.5
(c) Potential acquisition of target companies	–	14.6	14.6	15.5
(ii) Expansion of our B2C services				
(a) Setup of automatic B2C warehousing sorting system in Hong Kong and the PRC	4.9	–	4.9	5.2
(b) Upgrade of CN WMS system	2.5	–	2.5	2.6
(c) Expansion of our team of staff responsible for B2C services in Hong Kong and the PRC	1.9	7.6	9.5	10.1
(iii) General working capital	9.3	–	9.3	9.8
Total:	44.3	50.1	94.4	100.0

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will deposit the net proceeds into short-term interest-bearing deposits with licensed banks in Hong Kong or the PRC. We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

The above allocation of proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$2.85 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK$10.6 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK$2.45 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK$10.6 million.

In the event that we receive net proceeds from the Global Offering higher or lower than the estimated amount stated above, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro rata basis.

REASONS FOR LISTING

Our Directors believe that Listing enables our Group to enjoy various benefits as summarised below which not only enable us to achieve our business objectives, but also facilitate our future development:

(i) Potential market growth and implementation of strategies

The net proceeds from the Global Offering provide our Group with financial resources to implement our business plans which in turn drive the growth of our business. According to the CIC Report, total revenue of global air freight forwarding industry expanded from USD69.0 billion to USD85.6 billion between 2015 and 2018, and declined to USD80.3 billion in 2019 resulting from softening global economy. After an expected decline in 2020 due to the outbreak of COVID-19 pandemic that hinder the demand for air freight forwarding services globally, it is expected that revenue of global air freight forwarding industry will rebound and increase between 2021 and 2024, reaching USD93.6 billion by 2024. Further, the number of cross-border e-commerce shoppers worldwide increased from 200 million to 402 million, representing a CAGR of 26.2% between 2016 and 2019. It is anticipated to further increase and reach 525 million by 2024 according to the CIC Report. As the PRC has been a major manufacturing base in the global supply chain, cross-border e-commerce experienced strong growth in the PRC. Between 2016 and 2019, transaction value of cross-border e-commerce in the PRC expanded from RMB6.7 trillion to RMB10.8 trillion, representing a CAGR of 17.3%. Such rapid development of the cross-border e-commerce industry fuelled the demand for logistics services, including freight forwarding services and distribution and logistics services, in particular the demand for B2C services. Together with the expected growth in cargo transportation between countries involved in the Belt and Road Initiative, the Silk Road Economic Belt and the Maritime Silk Road, it is expected that global logistics industry will expand accordingly.

Our Directors believe that through, among others, expanding our distribution and logistics business and local presence and enhancing our B2C services, our Group will benefit from capturing market growth and business opportunities brought by the abovementioned expected growth of the logistics industry.

(ii) Satisfying our genuine funding needs for the implementation of our future plans

Our principal sources of funds have historically been our cash generated from our operations, equity capital and borrowings. For FY2019, we experienced net cash generated from operating activities of HK$142.7 million. For 3M2020, we experienced net cash used in operating activities of HK$21.3 million. As at 31 March 2020, we had net current assets of HK$197.5 million (including cash and cash equivalents of HK$116.5 million). We have to maintain our current cash level for day-to-day operation, including but not limited to payment for rental expenses, staff costs and other administrative and operating expenses. In addition, we plan to spend a total of HK$100.5 million to (i) enhance our capability in distribution and logistics business and to enhance our local presence in other countries; and (ii) expand our B2C services. We cannot merely rely on the current cash level for our future expansion. Although it is one of our strategies to maintain and strengthen relationships with our existing customers, there is no assurance that our customers would not adversely affect us should there be any developments adverse to them. Our Directors consider that if we solely rely on future cash flows generated from our operating activities for financing our business strategies, it will be difficult for us to formulate a comprehensive schedule for our expansion plans, since our plan will be largely subject to uncertainties in relation to the timing of generating sufficient cash from our operations. We may be required to modify our expansion plans from time to time depending on the amount of cash generated from our operations. As a result, we would have less control over the timing of implementing our business strategies, and may fail to fully capture the forecast increase in global demand for logistics solutions.

Besides, our Directors are of the view that it would probably create material adverse impact to our financial performance and liquidity if we choose to implement the entire expansion plan solely with debt financing and our internal resources. As at 31 December 2017, 2018 and 2019 and 31 March 2020, our repayment obligation including that of bank loans and overdrafts and lease liabilities amounted to HK$136.6 million, HK$190.1 million, HK$239.2 million and HK$290.4 million, respectively. We are subject to repayment obligations for the principal amount and interest expenses in relation to our bank loans and overdrafts. Our Directors consider that our interest expenses may adversely affect our financial performance and our liquidity position.

Our Directors have further examined in detail the viability of implementing our expansion plans solely with debt financing and internal resources. Having taken into account, among others, (i) our expansion plans, including, among others, enhancement and expansion of our distribution and logistics business and local presence in the Asia, as set out under the paragraph headed "Business – Business Strategies and Future Plans" in this prospectus; and (ii) our operational costs going forward which will increase along with our expansion plan, our Directors estimated that if we decide to implement the expansion plans without the additional funding from Listing, our financial resources as well as our existing banking facilities will not be sufficient to support our expansion plans, not to mention any unexpected adverse changes to our business operation or financial position. Accordingly, our Directors consider that it is not commercially justifiable for us to implement the expansion plan solely with debt financing and internal resources.

(iii) Enhance our corporate profile, brand awareness and competitiveness

Our Directors consider that Hong Kong is an international financial centre and the stock market in Hong Kong is well established and highly recognised internationally. It is expected that our customers, in particular our direct customers in the high-end fashion (including luxury and affordable luxury) and wine sectors, would tend to give preference to logistics solutions providers who have a listing status with good reputation, transparent financial disclosure and regulatory supervision. As such, our Directors are of the view that Listing in Hong Kong will enhance our corporate profile and recognition and reinforce our brand awareness and image, which may facilitate our business plan in developing, expanding and diversifying our customer base.

We strive to achieve high standards of corporate governance and to promote transparency when our Company is listed on the Stock Exchange. With more exposure, higher corporate transparency and higher level of public scrutiny, we believe our Group can deliver greater assurance and credibility to all our existing and potential customers, freight forwarder business partners and suppliers, hence become more competitive in the industry in attracting more business opportunities.

(iv) Enhance our market status amongst existing and potential customers, freight forwarder business partners, suppliers and employees

Our Directors believe that a listing status will enhance our credibility with our customers, freight forwarder business partners and suppliers, who in general would tend to give preference to logistics solutions providers who have a public listing with good reputation, transparent financial disclosure and regulatory supervision. Our Directors therefore believe that Listing is the key strategy for us to enhance our level of competitiveness among other logistics solutions providers.

In addition, we believe that a listing status will create a higher level of job security for our employees, hence strengthening their morale at work and our ability to retain our staff. We believe that a loyal team of well-trained and experienced workforce will improve efficiency of our day-to-day operations to the benefit of our long-term development and competitiveness. Moreover, we believe that a listing status will increase our ability to attract committed and experienced personnel to join our Group, which is favourable to our future expansion.

(v) Enhance capital market accessibility and ease of raising funds in capital market

Whilst our Group was able to expand our business using funds generated from operations and borrowings during the Track Record Period and had been able to repay loans when they fell due in the past, our Group plans to seek equity financing as it would reduce our reliance on bank loans. Our Directors believe that our Group will be open to more financing options for future growth through access to capital markets after Listing. Following Listing, we will have the option to raise additional funds through the issuance of equity and/or debt securities and apply such funds on our future expansion plans. On the other hand, we believe a listing status will strengthen our position in negotiating and may enable us to obtain more favourable terms with our suppliers, banks and financing institutions. Furthermore, with the option of equity financing, our Group will be able to maintain a lower gearing level, which will reduce our leverage, and enhance our capital structure. Our Directors also believe that the use of equity financing would reduce our interest expenses relative to relying on debt financing. Upon Listing, we believe our shareholder base will be more diversified which we may tap into for further funding needs. With greater flexibility in fund-raising, our Group will have more flexibility in obtaining capital and fund for our future developments and cater for our financing need from time to time.

HONG KONG UNDERWRITERS

CMBC Securities Company Limited
Yuan Tong Global Securities Limited
CCB International Capital Limited
CEB International Capital Corporation Limited
Southwest Securities (HK) Brokerage Limited
SPDB International Capital Limited
Zhongtai International Securities Limited
Elstone Securities Limited
Grand View Securities Limited
China Sky Securities Limited
Royston Securities Limited
Aristo Securities Limited
K.K.M. Securities Limited
Lego Securities Limited
GLAM Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering for subscription by public in Hong Kong of 5,370,000 Hong Kong Public Offer Shares at the Offer Price under the Hong Kong Public Offering, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Hong Kong Underwriters have agreed, on and subject to the terms and conditions in the Hong Kong Underwriting Agreement, to procure applications to subscribe for, or failing which themselves as principals shall subscribe for, the Hong Kong Public Offer Shares.

The Hong Kong Underwriting Agreement is subject to various conditions, which include, without limitation:

(a) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and

(b) the International Placing Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will, subject to the consent of the Sole Sponsor, be entitled by notice (in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect, if prior to 8:00 a.m. on the Listing Date:

(i) there shall develop, occur, exist or come into effect:

(a) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government or orders of any courts, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, Macau, Taiwan, the PRC, the U.S., the BVI, the United Kingdom, the European Union (or any member thereof), Switzerland, the Cayman Islands, Japan, Korea, Marshall Islands, Thailand, Israel or any other jurisdiction relevant to any member of our Group (together, the "**Specific Jurisdictions**"); or

(b) any change or any development involving a prospective change, or any event or series of events likely to result in any change or development or a prospective change, in any local, regional, national, or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in any stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting the Specific Jurisdictions; or

(c) any new law or any change or any development involving a prospective change or any event or circumstance likely to result in a change in existing laws or development involving a prospective change in (or in the interpretation or application by any court or other competent authority in or affecting) the existing laws of the Specific Jurisdictions; or

(d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or Tokyo Stock Exchange; or the imposition of any general moratorium on commercial banking activities in the Specific Jurisdictions declared by the relevant authorities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services or procedures in any of the Specific Jurisdictions; or

(e) the imposition of economic sanctions, in whatever form, directly or indirectly, by or on any of the Specific Jurisdictions; or

(f) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment laws (including, without limitation, a material devaluation of the Hong Kong dollars or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Specific Jurisdictions; or

(g) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(h) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(i) our chairman or chief executive officer or financial controller vacating his office; or

(j) the commencement by any governmental, regulatory or political body or organisation in any relevant jurisdiction commencing any investigation or taking other action, against any Director; or

(k) a contravention by any member of our Group of the Listing Rules or applicable laws; or

(l) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(m) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Placing Agreement (other than upon any of the Sole Sponsor or the Underwriters); or

(n) any event, act or omission which gives rise to any liability of any of our Company, our executive Directors or our Controlling Shareholders under the Hong Kong Underwriting Agreement pursuant to the indemnities contained therein; or

(o) any adverse change, or any development involving a prospective adverse change or development in conditions, in the assets, liabilities, business affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or

(p) any material breach of any warranties under the Hong Kong Underwriting Agreement or any event or circumstances rendering such warranties be or would be when repeated untrue, incorrect or misleading in any material respect; or

(q) a petition or an order for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company or any of its subsidiaries taken as a whole; or

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed; or

(4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Joint Global Coordinators:

(a) that any statement contained in this prospectus and the Application Forms, the formal notice issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (the "**HKPO Documents**") and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the HKPO Documents is not fair and honest and based on reasonable assumptions, when taken as a whole; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the HKPO Documents and/or in any notices, announcements, advertisements, communications or other documents including any supplement or amendment thereto; or

(c) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(d) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(e) that any person (other than the Joint Global Coordinators, the Sole Sponsor or any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus and the Application Forms and any other document issued, given or used by or on behalf of our Company in connection with the contemplated offering of the Offer Shares or otherwise in connection with the Global Offering, including, without limitation, any roadshow materials relating to the Offer Shares and, in each case, all amendments or supplements thereto (the "**Offering Documents**") or to the issue of any of the Offering Documents; or

(f) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(g) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Upon the occurrence of any event provided above, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will, subject to the consent of the Sole Sponsor, be entitled to, upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor, and each of our Controlling Shareholders and our executive Directors has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that he/she/it will procure our Company that, except for the Capitalisation Issue, the offer of the Offer Shares pursuant to the Global Offering (including the grant of, and the allotment and issue of the Shares pursuant to the exercise of, the Over-allotment Option) and the grant of, and the allotment and issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date ("**First Six-Month Period**"), not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) (except for allotment of shares or securities by our subsidiaries to our Company or other members of our Group) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or buyback, any of the share capital of our Company or other securities of any subsidiary of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, such share capital or any derivatives with the Shares or the shares of any subsidiary of our Company as underlying securities; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above;

whether any of the foregoing transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that our Group will or may enter into any transaction described above. We have further agreed that, during the period of six months immediately following the expiry of the First Six-Month Period ("**Second Six-Month Period**"), in the event that our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market for any of our Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, except pursuant to the Stock Borrowing Agreement:

(a) during the First Six-Month Period, he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Joint Global Coordinators and our Company and unless in compliance with the requirements of the Listing Rules, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which he/she/it is the beneficial owner (directly or indirectly) as at the Listing Date or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities (together, the "**Relevant Securities**"); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities, in cash or otherwise; or (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

(b) during the Second Six-Month Period, he/she/it shall not, and shall procure that the relevant registered holder(s) and their respective associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Joint Global Coordinators and our Company and unless in compliance with the Listing Rules, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/her/it or any of his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) or would together with other Controlling Shareholders cease to be a group of controlling shareholders (as defined in the Listing Rules);

(c) in the event of a disposal of any Relevant Securities or our Company's securities or any interest therein within the Second Six-Month Period, he/she/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company; and

(d) he/she/it shall, and shall procure that his/her/its associates and companies controlled by and nominees or trustees holding in trust for him/her/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder controlled by him/her/it of any Shares.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, from the date of the Hong Kong Underwriting Agreement up to the expiry of the first 12 months from the Listing Date, he/she/it will:

(a) when he/she/it pledges or charges any securities or interests in the Relevant Securities, immediately inform us, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in our securities will be sold, transferred or disposed of, immediately inform us, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Sole Sponsor in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Restrictions and undertakings to the Stock Exchange pursuant to the Listing Rules

Restrictions on our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders shall not, and shall procure that the relevant registered holder(s) shall not, at any time during the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date ("**First Lock-up Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) in respect of, any of the Relevant Securities.

Furthermore, each of our Controlling Shareholders shall not, and shall procure that the relevant registered holder(s) shall not, in the period of the six months commencing on the date on which the First Lock-up Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan), he/she/it would cease to be a controlling shareholder or a group of controlling shareholders (as defined in the Listing Rules).

Undertakings by our Controlling Shareholders

In accordance with Note (3) to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders, jointly as a group and severally, has irrevocably and unconditionally undertaken to us and the Stock Exchange that he/she/it will, within a period of commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

(a) any pledges or charges of any Shares or other securities of our Company beneficially owned by him/her/it, whether directly or indirectly, in favour of an authorised institution for a bona fide commercial loan pursuant to Note (2) to Rule 10.07 of the Listing Rules, and the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or other securities of our Company will be disposed of.

Restrictions on our Company

Pursuant to Rule 10.08 of the Listing Rules, no Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

International Placing

International Placing Agreement

In connection with the International Placing, it is expected that our Company, our Controlling Shareholders and executive Directors will enter into the International Placing Agreement with the Sole Sponsor, the Joint Global Coordinators and the International Underwriters on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the International Placing Agreement, subject to the conditions set forth therein, the International Underwriters are expected to procure subscribers to subscribe for, or failing which they shall subscribe for, the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Placing Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Prospective investors shall be reminded that in the event that the International Placing Agreement is not entered into, the Global Offering will not proceed. The International Placing Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Placing Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Undertakings to the Hong Kong Underwriters” above in this section.

Our Company is expected to grant to the International Underwriters the Over-allotment Option. The Joint Global Coordinators, on behalf of the International Underwriters, can exercise the Over-allotment Option to require our Company to allot and issue up to an aggregate of 8,055,000 additional Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price per International Placing Share, to cover over-allocations in the International Placing, if any, and/or to satisfy the obligations of the Stabilising Manager to return the borrowed securities, if any, under the Stock Borrowing Agreement.

The Over-allotment Option may be exercised by the Joint Global Coordinators (on behalf of the International Underwriters) any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering (being Friday, 6

November 2020). The purpose of the exercise of the Over-allotment Option is to settle any over-allocations in the International Placing, if any. Please refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus for further details of the Over-allotment Option.

Commission, fees and expenses

The Hong Kong Underwriters are expected to receive a gross underwriting commission of 3.5% of the aggregate Offer Price of the Hong Kong Public Offer Shares (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Public Offer Shares reallocated to the International Placing). For unsubscribed Hong Kong Public Offer Shares reallocated to the International Placing and any International Placing Shares reallocated from the International Placing to the Hong Kong Public Offering, we will pay an underwriting commission as agreed and determined in the International Placing Agreement and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. In addition, our Company has agreed to, at its sole discretion, pay the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) an incentive fee of 1.0% of the aggregate Offer Price of all the Hong Kong Public Offer Shares (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Public Offer Shares reallocated to the International Placing).

Based on the Offer Price of HK$2.65 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission, together with Stock Exchange listing fees, transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount to approximately HK$47.9 million in total (assuming the Over-allotment Option is not exercised), and are payable by our Company. We will also pay for all expenses in connection with any exercise of the Over-allotment Option.

SOLE SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee to the Global Offering. The Joint Global Coordinators and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission, fees and expenses" above in this section.

We have appointed CMBC International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Global Offering.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Placing Agreement.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Global Coordinators will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date, which is currently scheduled on Thursday, 8 October 2020, or such later date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company may agree but in any event no later than Tuesday, 13 October 2020. **If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Tuesday, 13 October 2020, the Global Offering will not become unconditional and will lapse.**

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the low end of the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK$2.85 per Offer Share and is expected to be not less than HK$2.45 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, subject to the consent of the Sole Sponsor and our Company, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Placing, reduce the number of Offer Shares initially offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time in or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on our Company's website at **www.cnlogistics.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**, respectively, notice of the reduction.

Upon issue of such notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation from each Director or revision, as appropriate, of the working capital statement as currently disclosed in the paragraph headed "Financial Information – Working Capital" in this prospectus, the Global Offering statistics as currently set out in the paragraph headed "Summary – Offering Statistics" in this prospectus, the use of proceeds as currently disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus and any other financial information which may change as a result of such reduction. In the absence of any notice being published of a reduction in the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the indicative Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

We expect to announce the final Offer Price, the level of indication of interest in the International Placing and the level of applications and the basis of allocation of the Hong Kong Public Offer Shares under the Hong Kong Public Offering on or before Wednesday, 14 October 2020 on our Company's website at **www.cnlogistics.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or by applying through **HK eIPO White Form** service which will be made available as described under the paragraph headed "How to Apply for the Hong Kong Public Offer Shares – 11. Publication of Results" in this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$2.85 per Offer Share and is expected to be not less than HK$2.45 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK$2.85 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK$2,878.72 per board lot of 1,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK$2.85 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional upon the satisfaction of all of the following conditions:

- the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares to be issued under the Capitalisation Issue, any Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme and any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading in our Shares on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Placing Agreement on or about the Price Determination Date; and

- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators for themselves and on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Placing and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering on our Company's website at **www.cnlogistics.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** on the day after such lapse. In such situation, we will return all application monies to the applicants, without interest and on the terms described in the paragraph headed "How to Apply for the Hong Kong Public Offer Shares – 13. Refund of Application Monies" in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bank or other banks licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to despatch share certificates for the Offer Shares on or before Wednesday, 14 October 2020. However, these share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 15 October 2020 provided that:

- the Global Offering has become unconditional in all respects; and

- the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised.

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offering. A total of 53,700,000 Shares will initially be made available under the Global Offering, of which 48,330,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the International Placing. The remaining 5,370,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the Hong Kong Public Offering. The number of Shares offered for subscription under the International Placing and the Hong Kong Public Offering will be subject to reallocation on the basis described below and the number of Shares offered for subscription under the International Placing will also be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

THE INTERNATIONAL PLACING

Our Company is initially offering, at the Offer Price, 48,330,000 Shares (subject to reallocation as mentioned in the paragraph headed "Reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing" below in this section), representing 90% of the total number of Shares being initially offered under the Global Offering (before any exercise of the Over-allotment Option), for subscription by way of International Placing. The International Placing will be managed by the Joint Global Coordinators and is expected to be fully underwritten by the International Underwriters. Pursuant to the International Placing, it is expected that the International Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the International Placing Shares at the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional, corporate and other investors. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. It is expected that the International Placing Agreement will be executed on or around the Price Determination Date.

Allocation of the International Placing Shares to professional, institutional, corporate and other investors pursuant to the International Placing will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after Listing. Such allocation is intended to result in a distribution of the International Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of our Company and our Shareholders taken as a whole. Investors to whom International Placing Shares are offered are required to undertake not to apply for the Hong Kong Public Offer Shares under the Hong Kong Public Offering. The International Placing is subject to the conditions stated in the paragraph headed "Conditions of the Global Offering" above in this section.

OVER-ALLOTMENT OPTION

It is expected that under the International Placing Agreement, our Company will grant the Over-allotment Option to the International Underwriters, exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to allot and issue up to an aggregate of 8,055,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover over-allocations in the International Placing. The additional Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option will be allocated to the International Placing and/or to satisfy the obligation of the Stabilising Manager to return Shares borrowed under the Stock Borrowing Agreement. The Stabilising Manager may also cover any over-allocations under the International Placing through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 21.4% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the Offer Shares (including the Shares allotted and issued pursuant to the exercise of the Over-allotment Option) will represent about 23.9% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made.

Based on an Offer Price of HK$2.65 per Offer Share (being the mid-point of the Offer Price range between HK$2.45 per Offer Share and HK$2.85 per Offer Share), the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised and after deducting related expenses, are estimated to be about HK$94.4 million. If the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of about HK$21.4 million, after deducting brokerages, commissions and expenses attributable to the exercise of the Over-allotment Option.

The Hong Kong Public Offering is open to the public as well as to institutional, professional and other investors in Hong Kong. The International Placing involves selective marketing of the International Placing Shares by the International Underwriters to professional, institutional, corporate and other investors. Investors may either apply for the Shares under the Hong Kong Public Offering or indicate an interest for the Shares under the International Placing, and may only receive an allocation of Shares under the Hong Kong Public Offering or the International Placing. The Offer Shares are not available for subscription by existing beneficial owners of the Shares, our Directors, chief executive of our Company or any of its subsidiaries or their respective associates, or any other connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become core connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Global Offering.

THE HONG KONG PUBLIC OFFERING

Our Company is initially offering, at the Offer Price, 5,370,000 Shares (subject to reallocation as mentioned in the paragraph headed "Reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing" below in this section), representing 10% of the total number of Shares being initially offered under the Global Offering, for subscription under the Hong Kong Public Offering (before any exercise of the Over-allotment Option). The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. Applicants for the Hong Kong Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Hong Kong Public Offering is open to all members of the public in Hong Kong. An applicant for the Hong Kong Public Offer Shares will be required to give an undertaking and confirmation in the relevant Application Form submitted by him/her that he/she has not applied for nor taken up any International Placing Shares nor participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offering is liable to be rejected.

The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided into two pools of 2,685,000 Hong Kong Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Hong Kong Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

- Pool B: The Hong Kong Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B but not both. Multiple applications or suspected multiple applications within either pool or between pools and any application made for more than 100% of the Hong Kong Public Offer Shares initially available under either pool A or pool B will be rejected.

Allocation of the Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A or pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Public Offer Shares validly applied for by each applicant. When there is over subscription under the Hong Kong Public Offering, allocation of the Hong Kong Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Public Offer Shares than others who have applied for the same number of the Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

Applications under the Hong Kong Public Offering from investors receiving the International Placing Shares under the International Placing will be identified and rejected and investors receiving the Hong Kong Public Offer Shares under the Hong Kong Public Offering will not be offered the International Placing Shares under the International Placing. Multiple applications or suspected multiple applications or applications for more than 50% of the Hong Kong Public Offer Shares initially available for public subscription under the Hong Kong Public Offering (i.e. to apply for more than 2,685,000 Hong Kong Public Offer Shares) are liable to be rejected.

The Hong Kong Public Offering is subject to the conditions as stated in the paragraph headed "Conditions of the Global Offering" above in this section.

REALLOCATION OF OFFER SHARES BETWEEN THE HONG KONG PUBLIC OFFERING AND THE INTERNATIONAL PLACING

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

In the event that the International Placing Shares are fully subscribed or oversubscribed under the International Placing:

(a) if the Hong Kong Public Offer Shares are undersubscribed, the Joint Global Coordinators, subject to the consent of the Sole Sponsor, in their discretion, may (but shall have no obligation to) reallocate all or any of the unsubscribed Hong Kong Public Offer Shares from the Hong Kong Public Offering to the International Placing;

(b) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, then the Joint Global Coordinators, subject to the consent of the Sole Sponsor, in their discretion, may (but shall have no obligation to) reallocate Offer Shares to the Hong Kong Public Offering from the International Placing, and make available such reallocated Offer Shares as additional Hong Kong Public Offer Shares, provided that such reallocation shall comply with the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange;

(c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 10,740,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of 16,110,000 Shares will be available for subscription under the Hong Kong Public Offering, representing 30% of the total number of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option);

(d) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 16,110,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of 21,480,000 Shares will be available for subscription under the Hong Kong Public Offering, representing 40% of the total number of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option); and

(e) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 21,480,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of 26,850,000 Shares will be available for subscription under the Hong Kong Public Offering, representing 50% of the total number of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option).

In the event that the International Placing Shares are undersubscribed under the International Placing:

(a) if the Hong Kong Public Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of the prospectus, the Application Forms and the Underwriting Agreements; and

(b) if the Hong Kong Public Offer Shares are fully subscribed or oversubscribed, then the Joint Global Coordinators, subject to the consent of the Sole Sponsor, in their discretion, may (but shall have no obligation to) reallocate Offer Shares to the Hong Kong Public Offering from the International Placing, and make available such reallocated Offer Shares as additional Hong Kong Public Offer Shares, provided that such reallocation shall comply with the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange.

In particular, if (i) the International Placing is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Placing is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Joint Global Coordinators will have the authority to reallocate International Placing Shares originally included in the International Placing to the Hong Kong Public Offering in such number as they deem appropriate, provided that in accordance with the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, (i) the number of International Placing Shares reallocated to the Hong Kong Public Offering should be the lesser of (a) not more than double the initial allocation to the Hong Kong Public Offering (i.e. not more than 10,740,000 Shares); and (b) not more than 30% of the total Offer Shares (i.e. not more than 16,110,000 Shares); and (ii) the final Offer Price should be fixed at the low end of the indicative Offer Price range (i.e. HK$2.45 per Offer Share) stated in this prospectus.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing will be disclosed in the results announcement, which is expected to be made on Wednesday, 14 October 2020.

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, (for itself and on behalf of the Underwriters and not as agent for our Company) may over-allocate Shares or effect transactions with a view to stabilising or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, or any person acting for it, to conduct any such stabilisation action which, if commenced, may be discontinued at any time at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it, and must be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 8,055,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilisation action cannot be taken to support the price of the Offer Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering (the "**Stabilisation Period**"). The Stabilisation Period is expected to expire on Friday, 6 November 2020 and that after this date, when no further stabilising action may be taken, demand for our Shares, and therefore its price, could fall.

During the Stabilisation Period, the Stabilising Manager or any person acting for it, may purchase or agree to purchase, or offer, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with any such stabilisation actions as described above, the Stabilising Manager, or any person acting for it, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares. It may close out any such short position by exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired by it in the course of any stabilisation transactions in order to liquidate any position that has been established by such action.

The Stabilising Manager may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position, and the time period for which the Stabilising Manager will maintain such a position during the Stabilisation Period, are at the sole discretion of the Stabilising Manager and are uncertain. In the event that the Stabilising Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Investors should be aware that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action. Stabilisation bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Offer Shares.

In order to facilitate the settlement of over-allocations, the Stabilising Manager, or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

In this connection, the Stabilising Manager is expected to enter into the Stock Borrowing Agreement with CS Logistics whereby the Stabilising Manager may borrow up to 8,055,000 Shares from CS Logistics, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by controlling shareholders following a new listing, provided the following requirements under Rule 10.07(3) of the Listing Rules are complied with:

- borrowing of Shares pursuant to the Stock Borrowing Agreement will only be effected by the Stabilising Manager for covering any short position arising from over-allocations under the International Placing prior to the exercise of the Over-allotment Option;

- the maximum number of Shares to be borrowed from CS Logistics will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to CS Logistics or its nominees on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on which the Over-allotment Option may be exercised, and (ii) the day on which the Over-allotment Option is exercised in full;

- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

- no payments will be made to CS Logistics in relation to the Stock Borrowing Agreement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 15 October 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 15 October 2020. The Shares will be traded in board lots of 1,000 Shares.

1. HOW TO APPLY

If you apply for the Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for the International Placing Shares.

To apply for the Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk** or by the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participated in the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For the Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **HK eIPO White Form** service at **www.hkeipo.hk** or the **IPO App**.

For the Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 September 2020 until 12:00 noon on Wednesday, 7 October 2020 from:

(i) the following offices of the Hong Kong Underwriters:

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Yuan Tong Global Securities Limited
Suite 901, 9/F., 118 Connaught Road West
Sai Ying Pun
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CEB International Capital Corporation Limited
22/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

Southwest Securities (HK) Brokerage Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Elstone Securities Limited
Suite 1601–04, 16/F., West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Grand View Securities Limited
Suite 3303, 33/F, The Center
99 Queen's Road Central
Hong Kong

China Sky Securities Limited
Unit 1803–04, West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Royston Securities Limited
Room 502, 5/F, The Sun's Group Centre
200 Gloucester Road
Wanchai
Hong Kong

Aristo Securities Limited
Room 101, 1st Floor, On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

K.K.M. Securities Limited
23/F, 77–83 Wanchai Road
Wanchai
Hong Kong

Lego Securities Limited
Room 301, 3/F, China Building
29 Queen's Road Central
Central
Hong Kong

GLAM Capital Limited
Rooms 908–911, 9/F, Nan Fung Tower
88 Connaught Road Central & 173 Des Voeux Road Central
Central
Hong Kong

(ii) any of the following branches of the receiving bank for the Hong Kong Public Offering:

Hang Seng Bank Limited

	Branch name	**Address**
Hong Kong Island	Head Office	83 Des Voeux Road Central, Hong Kong
	North Point Branch	335 King's Road, North Point, Hong Kong
Kowloon	Kowloon Main Branch	618 Nathan Road, Mong Kok, Hong Kong
	Hung Hom Branch	21 Ma Tau Wai Road, Hung Hom, Hong Kong

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 September 2020 until 12:00 noon on Wednesday, 7 October 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Hang Seng (Nominee) Limited – CN Logistics International Holdings Limited – Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 30 September 2020	**–**	**9:00 a.m. to 4:30 p.m.**
Saturday, 3 October 2020	**–**	**9:00 a.m. to 12:00 noon**
Monday, 5 October 2020	**–**	**9:00 a.m. to 4:30 p.m.**
Tuesday, 6 October 2020	**–**	**9:00 a.m. to 4:30 p.m.**
Wednesday, 7 October 2020	**–**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 7 October 2020, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with Companies (WUMP) Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria specified under the paragraph headed "2. Who Can Apply" in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk** or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website or in the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or in the **IPO App**, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** or in the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 30 September 2020 until 11:30 a.m. on Wednesday, 7 October 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 7 October 2020 or such later time specified under the paragraph headed "10. Effects of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 30 September 2020	**–**	**9:00 a.m. to 8:30 p.m.**
Saturday, 3 October 2020	**–**	**8:00 a.m. to 1:00 p.m.**
Monday, 5 October 2020	**–**	**8:00 a.m. to 8:30 p.m.**
Tuesday, 6 October 2020	**–**	**8:00 a.m. to 8:30 p.m.**
Wednesday, 7 October 2020	**–**	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 30 September 2020 until 12:00 noon on Wednesday, 7 October 2020 (24 hours daily, except on Wednesday, 7 October 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 7 October 2020, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 7 October 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk** or in the **IPO App**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed "Structure and Conditions of the Global Offering – Determining the Offer Price" in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- "extreme conditions" caused by super typhoons; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 7 October 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have any of those warnings or "extreme conditions" in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 7 October 2020 or if there is a tropical cyclone warning signal number 8 or above, "extreme conditions" caused by super typhoons or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Wednesday, 14 October 2020 on our Company's website at **www.cnlogistics.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.cnlogistics.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Wednesday, 14 October 2020;
- from the designated results of allocations websites at **www.tricor.com.hk/ipo/result** and **www.hkeipo.hk/iporesult** or **IPO App** with a "search by ID Number/Business Registration Number" function on a 24-hour basis from 8:00 a.m., Wednesday, 14 October 2020 to 12:00 midnight, Tuesday, 20 October 2020;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 14 October 2020 to Monday, 19 October 2020 (excluding Saturday, Sunday and Public Holiday);

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 14 October 2020 to Friday, 16 October 2020 at all the receiving bank designated branches referred to above.

If our Company accepts your offer to subscribe (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website or the **IPO App**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$2.85 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure and Conditions of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 14 October 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangements for despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 14 October 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 15 October 2020 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 October 2020 or such other date as is notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for fewer than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 14 October 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 14 October 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS

Participant's stock account as stated in your Application Form on Wednesday, 14 October 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "11. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 October 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 October 2020, or such other date as is notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 14 October 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating the Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 14 October 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Wednesday, 14 October 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 October 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 14 October 2020. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 14 October 2020.

The following is the text of a report set out on pages I-1 to I-84, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CN LOGISTICS INTERNATIONAL HOLDINGS LIMITED AND CMBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of CN Logistics International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-84, which comprises the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, 2018 and 2019 and 31 March 2020 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-84 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 September 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2017, 2018 and 2019 and 31 March 2020 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the three months ended 31 March 2019 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review 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. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 26(a) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No statutory historical financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 September 2020

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Hong Kong dollars)

		Years ended 31 December			Three months ended 31 March	
	Note	**2017**	**2018**	**2019**	**2019**	**2020**
		$'000	*$'000*	*$'000*	*$'000*	*$'000*
					(unaudited)	
Revenue	4	1,523,903	1,538,695	1,483,849	353,298	362,221
Cost of services		(1,262,699)	(1,240,341)	(1,177,061)	(278,261)	(289,766)
Gross profit		261,204	298,354	306,788	75,037	72,455
Other income	5	1,250	1,331	1,272	405	716
Other net (loss)/gain	5	(2,270)	2,238	327	(458)	(524)
Administrative and other operating expenses		(191,700)	(232,370)	(231,946)	(56,977)	(63,440)
Profit from operations		68,484	69,553	76,441	18,007	9,207
Finance costs	6(a)	(4,079)	(7,751)	(9,447)	(2,514)	(3,092)
Share of profits of associates	16	175	210	934	86	349
Profit before taxation	6	64,580	62,012	67,928	15,579	6,464
Income tax	7(a)	(16,718)	(20,886)	(23,378)	(6,474)	(6,079)
Profit for the year/period		47,862	41,126	44,550	9,105	385
Attributable to:						
Equity shareholders of the Company		27,936	23,004	23,614	5,809	(3,009)
Non-controlling interests		19,926	18,122	20,936	3,296	3,394
Profit for the year/period		47,862	41,126	44,550	9,105	385
Earnings per share						
Basic and diluted	11	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

	Note	Years ended 31 December			Three months ended 31 March	
		2017	**2018**	**2019**	**2019**	**2020**
		$'000	*$'000*	*$'000*	*$'000*	*$'000*
					(unaudited)	
Profit for the year/period		47,862	41,126	44,550	9,105	385
Other comprehensive income for the year/period (after tax)	10					
Items that will not be reclassified to profit or loss:						
Remeasurement of defined benefit obligations		(350)	(306)	(1,136)	(149)	735
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of overseas subsidiaries		7,574	(4,575)	(564)	268	(3,122)
Total comprehensive income for the year/period		55,086	36,245	42,850	9,224	(2,002)
Attributable to:						
Equity shareholders of the Company		32,535	20,052	22,515	6,047	(4,770)
Non-controlling interests		22,551	16,193	20,335	3,177	2,768
Total comprehensive income for the year/period		55,086	36,245	42,850	9,224	(2,002)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Hong Kong dollars)

		At 31 December			At 31 March
	Note	**2017**	**2018**	**2019**	**2020**
		$'000	*$'000*	*$'000*	*$'000*
Non-current assets					
Property, plant and equipment	12	105,630	190,983	235,499	241,467
Prepayment for acquisition of property, plant and equipment	12	–	–	–	6,269
Intangible assets	13	710	713	222	167
Goodwill	14	23,506	22,782	23,202	22,882
Interests in associates	16	860	1,072	2,023	2,314
Other financial assets	17	403	403	403	403
Deferred tax assets	25(b)	675	934	1,532	1,527
		131,784	216,887	262,881	275,029
Current assets					
Trade and other receivables	18	336,355	280,449	300,712	326,601
Amount due from a director	28(b)	10,500	11,516	11,500	11,500
Amounts due from Cargo Services Group	28(b)	209,859	231,734	260,249	274,657
Amounts due from Allport Group	28(b)	26,822	46,135	18,634	11,492
Amounts due from associates	28(b)	353	340	1,111	1,192
Pledged bank deposits	19	4,347	2,725	3,022	2,228
Cash and cash equivalents	20	97,123	90,643	102,794	116,517
		685,359	663,542	698,022	744,187
Current liabilities					
Trade and other payables	21	252,022	222,739	203,915	216,775
Amount due to a director of a subsidiary	28(b)	2	–	–	–
Amounts due to Cargo Services Group	28(b)	122,571	80,773	107,227	121,509
Amounts due to Allport Group	28(b)	3,182	6,811	3,601	2,243
Amounts due to associates	28(b)	64	35	2,284	5,216
Bank loans and overdrafts	22	47,392	76,206	83,866	127,142
Lease liabilities	23	54,699	42,915	58,888	64,795
Current taxation	25(a)	7,216	14,650	15,126	9,033
		487,148	444,129	474,907	546,713

	Note	At 31 December 2017 $'000	At 31 December 2018 $'000	At 31 December 2019 $'000	At 31 March 2020 $'000
Net current assets		198,211	219,413	223,115	197,474
Total assets less current liabilities		329,995	436,300	485,996	472,503
Non-current liabilities					
Bank loans	22	3,898	3,099	3,389	3,330
Lease liabilities	23	30,645	67,862	93,081	95,126
Defined benefit retirement obligation	24	4,226	4,651	7,395	6,276
Deferred tax liabilities	25(b)	3,348	3,463	3,710	4,798
		42,117	79,075	107,575	109,530
NET ASSETS		287,878	357,225	378,421	362,973
CAPITAL AND RESERVES	26				
Share capital		390	390	780	817
Reserves		174,586	234,193	271,817	253,944
Total equity attributable to equity shareholders of the Company		174,976	234,583	272,597	254,761
Non-controlling interests		112,902	122,642	105,824	108,212
TOTAL EQUITY		287,878	357,225	378,421	362,973

The accompanying notes form part of the Historical Financial Information.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY
(Expressed in Hong Kong dollars)

	Note	At 31 December 2017	At 31 December 2018	At 31 December 2019	At 31 March 2020
		$'000	*$'000*	*$'000*	*$'000*
Non-current assets					
Investments in subsidiaries	15	1,155	1,354	62,914	62,914
Current assets					
Amounts due from subsidiaries	28(b)(ix)	–	–	–	5,548
Other receivables		–	–	2,635	3,669
Cash and cash equivalents		–	–	–	510
		–	–	2,635	9,727
Current liabilities					
Other payables and accrual		–	–	–	8,917
Amounts due to subsidiaries	28(b)(ix)	–	16	10,516	–
Amount due to Cargo Services Group	28(b)(vii)	764	963	1,001	37
		764	979	11,517	8,954
Net current (liabilities)/assets		(764)	(979)	(8,882)	773
NET ASSETS		391	375	54,032	63,687
CAPITAL AND RESERVES	26				
Share capital		390	390	780	817
Reserves		1	(15)	53,252	62,870
TOTAL EQUITY		391	375	54,032	63,687

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital	Share premium	Capital reserve	Reserve fund	Exchange reserve	Net parent investment	Retained profits	Sub-total	Non-controlling interests	Total equity
		$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2017		1,815	–	37	9,845	(2,292)	1,971	130,385	141,761	94,623	236,384
Changes in equity for 2017:											
Profit for the year		–	–	–	–	–	719	27,217	27,936	19,926	47,862
Other comprehensive income	10	–	–	–	–	4,797	–	(198)	4,599	2,625	7,224
Total comprehensive income		–	–	–	–	4,797	719	27,019	32,535	22,551	55,086
Issuance of new ordinary shares	26(b)	390	–	–	–	–	–	–	390	–	390
Arising from reorganisation	1	(1,815)	–	–	–	–	–	1,815	–	–	–
Transfer to reserve fund	26(c)(iii)	–	–	–	2,900	–	–	(2,900)	–	–	–
Dividend paid to non-controlling interests	26(a)	–	–	–	–	–	–	–	–	(7,406)	(7,406)
Additional distribution to non-controlling interests		–	–	–	–	–	–	(2,573)	(2,573)	2,573	–
Capital injection received by non-wholly owned subsidiary from non-controlling interests		–	–	–	–	–	–	–	–	561	561
Deemed contribution from the Parent Company	26(c)(v)	–	–	–	–	–	2,863	–	2,863	–	2,863
Balance at 31 December 2017		390	–	37	12,745	2,505	5,553	153,746	174,976	112,902	287,878

	Note	Attributable to equity shareholders of the Company									
		Share capital	Share premium	Capital reserve	Reserve fund	Exchange reserve	Net parent investment	Retained profits	Sub-total	Non-controlling interests	Total equity
		$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2018		390	–	37	12,745	2,505	5,553	153,746	174,976	112,902	287,878
Changes in equity for 2018:											
Profit for the year		–	–	–	–	–	1,453	21,551	23,004	18,122	41,126
Other comprehensive income	10	–	–	–	–	(2,778)	–	(174)	(2,952)	(1,929)	(4,881)
Total comprehensive income		–	–	–	–	(2,778)	1,453	21,377	20,052	16,193	36,245
Disposal of a subsidiary with a NCI		–	–	–	–	–	–	–	–	(471)	(471)
Transfer to reserve fund	26(c)(iii)	–	–	–	1,040	–	–	(1,040)	–	–	–
Dividend paid to non-controlling interests	26(a)	–	–	–	–	–	–	–	–	(7,905)	(7,905)
Additional distribution to non-controlling interests		–	–	–	–	–	–	(1,503)	(1,503)	1,503	–
Capital injection received by non-wholly owned subsidiary from non-controlling interests		–	–	–	–	–	–	–	–	420	420
Deemed contribution from the Parent Company	26(c)(v)	–	–	–	–	–	41,058	–	41,058	–	41,058
Balance at 31 December 2018		390	-	37	13,785	(273)	48,064	172,580	234,583	122,642	357,225

		Attributable to equity shareholders of the Company									
	Note	**Share capital**	**Share premium**	**Capital reserve**	**Reserve fund**	**Exchange reserve**	**Net parent investment**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total equity**
		\$'000	*\$'000*	*\$'000*	*\$'000*	*\$'000*	*\$'000*	*\$'000*	*\$'000*	*\$'000*	*\$'000*
Balance at 1 January 2019		390	–	37	13,785	(273)	48,064	172,580	234,583	122,642	357,225
Changes in equity for 2019:											
Profit for the year		–	–	–	–	–	1,848	21,766	23,614	20,936	44,550
Other comprehensive income	10	–	–	–	–	(453)	–	(646)	(1,099)	(601)	(1,700)
Total comprehensive income		–	–	–	–	(453)	1,848	21,120	22,515	20,335	42,850
Dividend paid to non-controlling interests	26(a)	–	–	–	–	–	–	–	–	(5,883)	(5,883)
Transfer to reserve fund	26(c)(iii)	–	–	–	1,157	–	–	(1,157)	–	–	–
Capitalisation issue of shares	26(b)	296	(296)	–	–	–	–	–	–	–	–
Issuance of shares for acquisition of non–controlling interests	26(b)	94	61,466	–	–	–	–	(30,290)	31,270	(31,270)	–
Deemed distribution to the Parent Company	26(c)(v)	–	–	–	–	–	(15,771)	–	(15,771)	–	(15,771)
Balance at 31 December 2019		780	61,170	37	14,942	(726)	34,141	162,253	272,597	105,824	378,421

	Note	Share capital	Share premium	Capital reserve	Reserve fund	Exchange reserve	Net parent investment	Retained profits	Sub-total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Company									
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2020		780	61,170	37	14,942	(726)	34,141	162,253	272,597	105,824	378,421
Changes in equity for 2020:											
Profit for the period		–	–	–	–	–	–	(3,009)	(3,009)	3,394	385
Other comprehensive income	10	–	–	–	–	(2,178)	–	417	(1,761)	(626)	(2,387)
Total comprehensive income		–	–	–	–	(2,178)	–	(2,592)	(4,770)	2,768	(2,002)
Dividend paid to non-controlling interest	26(a)	–	–	–	–	–	–	–	–	(380)	(380)
Issuance of shares	26(b)	37	19,963	–	–	–	–	–	20,000	–	20,000
Deemed distribution to the Parent Company	26(c)(v)	–	–	–	–	–	(34,141)	1,075	(33,066)	–	(33,066)
Balance at 31 March 2020		817	81,133	37	14,942	(2,904)	–	160,736	254,761	108,212	362,973
(unaudited)											
Balance at 1 January 2019		390	–	37	13,785	(273)	48,064	172,580	234,583	122,642	357,225
Changes in equity for 2019:											
Profit for the period		–	–	–	–	–	1,848	3,961	5,809	3,296	9,105
Other comprehensive income	10	–	–	–	–	323	–	(85)	238	(119)	119
Total comprehensive income		–	–	–	–	323	1,848	3,876	6,047	3,177	9,224
Deemed distribution to the Parent Company	26(c)(v)	–	–	–	–	–	(13,789)	–	(13,789)	–	(13,789)
Balance at 31 March 2019		390	–	37	13,785	50	36,123	176,456	226,841	125,819	352,660

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Hong Kong dollars)

		Years ended 31 December			Three months ended 31 March	
	Note	**2017**	**2018**	**2019**	**2019**	**2020**
		$'000	*$'000*	*$'000*	*$'000*	*$'000*
					(unaudited)	
Operating activities						
Cash generated from/(used in) operations	20(b)	154,562	155,289	164,759	17,422	(10,152)
Hong Kong profits tax paid		–	–	(2,042)	–	(9,126)
Tax paid outside Hong Kong		(13,301)	(13,129)	(19,980)	(1,777)	(2,047)
Net cash generated from/(used in) operating activities		141,261	142,160	142,737	15,645	(21,325)
Investing activities						
Payment for purchase of other property, plant and equipment		(8,389)	(61,104)	(20,818)	(1,826)	(4,548)
Proceeds from disposal of other property, plant and equipment		566	3,035	1,514	1	–
Payment for purchase of intangible assets		(90)	(315)	(48)	–	(22)
Payment for purchase of other financial assets		(115)	–	–	–	–
Prepayment for acquisition of property, plant and equipment		–	–	–	–	(6,269)
Payment for capital contribution to an associate		(115)	–	–	–	–
Decrease/(increase) in pledged bank deposits		309	1,622	(297)	42	771
Interest received		274	330	439	75	61
Net (increase)/decrease in amounts due from Cargo Services Group		(178,875)	(21,940)	(16,570)	19,042	18,139
Net (increase)/decrease in amounts due from associates		(3)	13	(596)	(4,846)	(161)
(Increase)/decrease in amount due from a director		(10,500)	(1,016)	16	16	–
Proceeds from disposal of a subsidiary	20(e)	–	–	5,392	–	–
Net cash (used in)/generated from investing activities		(196,938)	(79,375)	(30,968)	12,504	7,971

	Note	Years ended 31 December 2017 $'000	2018 $'000	2019 $'000	Three months ended 31 March 2019 $'000 (unaudited)	2020 $'000
Financing activities						
Interest paid		(2,369)	(3,078)	(3,815)	(935)	(1,262)
Payment of listing expenses		–	–	(2,527)	–	(1,049)
Capital element of lease rentals paid	20(c)	(52,335)	(77,431)	(83,691)	(17,696)	(19,393)
Interest element of lease rentals paid	20(c)	(1,710)	(4,673)	(5,632)	(1,579)	(1,830)
Proceeds from new bank loans	20(c)	44,324	226,125	271,618	117,323	92,739
Repayment of bank loans	20(c)	(2,747)	(196,821)	(263,052)	(107,333)	(52,938)
Dividends paid to non-controlling interests		(7,406)	(7,905)	(5,883)	–	(380)
Deemed cash contribution from/(distribution to) the Parent Company	26(c)(v)	2,863	41,058	(15,771)	(13,789)	–
Net proceeds from/(repayment to) Cargo Services Group	20(c)	11,980	2,656	161	(38)	16
Net increase/(decrease) in amount due to Cargo Services Group	20(c)	52,052	(47,150)	9,343	(5,816)	(11,590)
Proceeds from issue of shares	26(b)	390	–	–	–	20,000
Capital injection received by non-wholly owned subsidiary from non-controlling interests		561	420	–	–	–
Net cash generated from/(used in) financing activities		45,603	(66,799)	(99,249)	(29,863)	24,313
Net (decrease)/increase in cash and cash equivalents		(10,074)	(4,014)	12,520	(1,714)	10,959
Cash and cash equivalents at the beginning of the year/period		101,260	96,303	89,515	89,515	101,477
Effect of foreign exchange rate changes		5,117	(2,774)	(558)	606	(1,022)
Cash and cash equivalents at the end of the year/period	20(a)	96,303	89,515	101,477	88,407	111,414

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

1.1 General information

The Company was incorporated in Cayman Islands on 14 December 2017 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, the "Group") principally engage in the air freight forwarding services, ocean freight forwarding services and distribution and logistics services (together, the "Principal Businesses").

During the Relevant Periods, the Principal Businesses were conducted through various entities controlled by CS Logistics Holdings Ltd. (the "Parent Company"). To rationalise the corporate structure in preparation of the listing ("the Listing") of the Company's shares on The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation (the "Reorganisation") detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Upon completion of the Reorganisation, the Company became the holding company of the Group. As the Principal Businesses were ultimately controlled by the Parent Company during the Relevant Periods and both before and after the Reorganisation, the control is not transitory and consequently, there was a continuation of the risks and benefits to the Parent Company.

Accordingly, the Historical Financial Information has been prepared and presented using the merger basis of accounting as if the Group had always been in existence and consolidated by the Company using the existing book values from the Parent Company's perspective under common control. The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements of the Group include the financial performance and cash flows of the Principal Businesses for the Relevant Periods as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods (or where a company now comprising the Group was incorporated or acquired at a date later than 1 January 2017, for the period from the date of incorporation or acquisition to 31 March 2020). The consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 31 March 2020 have been prepared to present the state of affairs of the Principal Businesses as at those dates as if the current group structure had been in existence as at the respective dates (or where a company now comprising the Group was incorporated or acquired at a date later than 1 January 2017, as if the consolidation had occurred from the date when that company first came under the control of the Parent Company). Certain administrative, operating and income tax expenses relevant to the Principal Businesses incurred by an entity under common control outside the Group were allocated to the Group based on the proportion of sales or headcounts as appropriate, while intra-group balances, transactions and unrealised gains/losses on intra-group transactions were eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company, CN Investment Limited, CN Logistics Limited, Siyan Baopin Supply Chain Management (Shanghai) Co., Ltd, CN Logistics (Japan) Limited, CN Logistics SA, CN Logistics Korea Co., Limited, CS Airfreight (Shanghai) Limited and CN France (Hong Kong) Limited as they were either newly incorporated in 2019 or have not carried on any business since the date of incorporation/establishment or are investment holding companies or companies with limited operational scales and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated or established.

As at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Principal activities	Note
CN Investment Limited	Marshall Islands ("MI")	30 May 2016	HKD1,425,000	100%	–	Investment holding	(3)
CN Logistics Limited	British Virgin Islands ("BVI")	29 October 2014	USD50,000	–	95%	Investment holding	(3)
CN International Logistics Limited	Hong Kong	12 November 2014	HKD1	–	100%	Provision of air freight forwarding services	(4)
CN Logistics Limited	Hong Kong	19 March 2004	HKD1,500,000	–	100%	Provision of air freight forwarding services	(5)
Milca Logistics Limited	Hong Kong	5 November 2004	HKD2	–	100%	Provision of air freight forwarding services	(4)
Guangzhou Jiahong International Freight Forwarding Co., Ltd. (廣州市嘉泓國際貨運代理有限公司)	The People's Republic of China ("PRC")	26 November 2007	RMB8,000,000	–	100%	Provision of air freight forwarding services	(1), (2), (6)
Siyan Baopin Supply Chain Management (Shanghai) Co., Ltd. (思顏寶品供應鏈管理(上海) 有限公司)	PRC	18 January 2019	RMB1,000,000	–	100%	Provision of logistics and distribution services	(1), (2), (3)
CN Investment Limited	Hong Kong	9 December 2015	HKD1	–	100%	Investment holding	(4)
Global Freight Forwarding Co., Limited (安陽運通股份有限公司)	Taiwan	9 November 2009	NTD35,000,000	–	70%	Provision of air freight forwarding services, ocean freight forwarding services and logistics and distribution services	(7)
CN France (Hong Kong) Limited	Hong Kong	28 May 2019	EUR40,000	–	70%	Investment holding	(3)
CN Logistics France S.A.S.	France	13 July 2017	EUR40,000	–	51%	Provision of air freight forwarding services	(8)
CN Logistics (Japan) Limited	Japan	10 February 2017	JPY5,000,000	–	81%	Provision of air freight forwarding services	(3)
CN Logistics SA	Switzerland	16 June 2017	CHF100,000	–	60%	Provision of air freight forwarding services	(3)
CN Logistics S.R.L.	Italy	25 May 2012	EUR100,000	–	70%	Provision of air freight forwarding services, ocean freight forwarding services and logistics and distribution services	(9)
CN Logistics Korea Co., Limited	South Korea	24 July 2018	KRW150,000,000	–	60%	Sales Coordination in air freight business	(3)
CS Airfreight (Shanghai) Limited	BVI	29 October 2014	USD50,000	51%	–	Investment holding	(3)
CS International (Airfreight) Limited	Hong Kong	12 November 2014	HKD1	–	100%	Provision of air freight forwarding services	(4)
Cargo Services Airfreight Limited	Hong Kong	25 September 1990	HKD1,500,000	–	100%	Provision of air freight forwarding services	(5)
Jiada Freight Forwarding Co., Ltd (嘉達貨運代理有限公司)	PRC	15 July 2005	USD1,220,000	–	100%	Provision of air freight forwarding services	(1), (2), (10)

Notes:

1. The English translations of these entities are for identification only. The official names of the entities established in the PRC are in Chinese.

2. These entities were registered as wholly foreign-owned enterprise under the PRC Law.

3. As at the date of this report, no audited financial statements have been prepared for these entities.

4. The statutory financial statements of these entities for the years ended 31 December 2017, 2018 and 2019 were audited by KPMG.

5. The statutory financial statements of these entities were audited by Santo CPA Limited for the year ended 31 December 2017, and were audited by KPMG for the years ended 31 December 2018 and 2019.

6. The statutory financial statements of this entity for the years ended 31 December 2017, 2018 and 2019 were audited by Guangzhou Chengtai* (廣州誠泰會計師事務所), Guangzhou Peifeng* (廣州沛豐會計師事務所有限公司) and KPMG Huazhen LLP, respectively.

7. The statutory financial statements of this entity for the years ended 31 December 2017 and 2018 were audited by RSM Taiwan, and were audited by KPMG Taiwan for the year ended 31 December 2019.

8. The statutory financial statements of this entity for the years ended 31 December 2017, 2018 and 2019 were audited by Sarl Damiot Martinez.

9. The statutory financial statements of this entity for the years ended 31 December 2017 and 2018 were audited by Baker Tilly Revisa S.p.A., and were audited by KPMG S.p.A. for the year ended 31 December 2019.

10. The statutory financial statements of this entity for the years ended 31 December 2017 and 2018 were audited by Shanghai Zhongchuang Haijia* (上海中創海佳會計師事務所有限公司), and were audited by KPMG Huazhen LLP for the year ended 31 December 2019.

* The English translations of these firms are for identification only.

All companies now comprising the Group have adopted 31 December as their financial year end date.

As of the date of this report, the directors consider the immediate parent and ultimate controlling party of the Group to be Cargo Services (Logistics) Limited, which is incorporated in British Virgin Islands, and Mr. Lau Shek Yau John, respectively.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in note 2.

The HKICPA has issued certain new HKFRSs and amendments to HKFRSs. For the purpose of preparing and presenting the Historical Financial Information of the Group for the Relevant Periods, the Company has consistently applied all applicable HKFRSs which are effective for accounting period beginning on 1 January 2020, including HKFRS 9, *Financial instruments*, HKFRS 15, *Revenue from contracts with customers* and HKFRS 16, *Leases*, throughout the Relevant Periods. Except for Amendment to HKFRS 16, *COVID-19-Related Rent Concessions* (see note 2(i)), the Company has not applied any new or revised standards or interpretations that are issued but not yet effective for the accounting period beginning on 1 April 2020, which are set out in note 31.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out in note 2 have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in Hong Kong dollars, rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except for investments in equity securities which are stated at their fair value as explained in the accounting policies note 2(f).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with notes 2(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(d)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(e) and (j)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognised in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit losses ("ECL") model to such other long-term interests where applicable (see note 2(j)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash generating unit during the Relevant Periods, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(e). These investments are subsequently accounted for as follows.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income (FVOCI) (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(s)(iv).

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Furniture and fixtures	5 years
–	Leasehold improvements	Over the unexpired lease term
–	Right-of-use assets	Over the unexpired lease term
–	Motor vehicles	4 – 8 years
–	Office equipment and machinery	2 – 5 years
–	Computer equipment	3 – 5 years
–	Warehouse equipment	3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software 1 to 3 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the consolidated statements of financial position.

Amendment to HKFRS 16 COVID-19-Related Rent Concessions

The Group has early adopted Amendment to HKFRS 16, COVID-19-Related Rent Concessions. The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and apply the practical expedient to all qualifying COVID-19-related rent concessions during the three months ended 31 March 2020. Consequently, rent concessions have been recognised as negative variable lease payments in profit or loss in the period in which the event or condition that triggers those payments occurs.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including cash and cash equivalents and trade receivables and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

Other financial assets measured at fair value, including equity securities measured at FVPL are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(s)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each of the Relevant Periods to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill; and

– investment in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(k)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(u)).

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "administrative and other operating expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the Relevant Periods to the net defined benefit liability (asset). The discount rate is the yield at the end of each of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(q) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of each of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at each of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each of the Relevant Periods and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Freight forwarding services

Freight forwarding services included air freight forwarding services and ocean freight forwarding services. Revenue from freight forwarding services is recognised over time.

(ii) Distribution and logistics services

Revenue from distribution and logistics services is recognised when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising from acquisition of foreign operations on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of each of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 14 and 24 contain information about the assumptions and their risk factors relating to goodwill impairment and defined benefit retirement obligations.

In addition, in the process of applying the Group's accounting policies, management has made the following accounting judgements and estimates which have the most significant effect on the amounts recognised in the Historical Financial Information:

(a) Expected credit loss of trade and other receivables

The Group's recognises the expected credit losses of trade and other receivables subsequent to initial recognition of these assets based on information about past events, current conditions and forecast future economic conditions. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables are measured on 12-month expected credit losses. In making the judgement, management considers available reasonable and supportable information such as actual or expected significant changes in the operating results of customers and actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

(b) Useful lives of other property, plant and equipment

Other property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are provisions of air freight forwarding services, ocean freight forwarding services and distribution and logistics services. Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

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

	Years ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15					
Disaggregated by major service lines					
– Provision of air freight forwarding services	1,014,855	992,046	916,951	194,878	210,254
– Provision of ocean freight forwarding services	274,752	261,476	253,229	78,905	77,895
– Provision of distribution and logistics services	234,296	285,173	313,669	79,515	74,072
	1,523,903	1,538,695	1,483,849	353,298	362,221

Disaggregation of revenue from contracts with customers by the geographic markets is disclosed in note 4(b)(ii).

All of the revenue of the Group is recognised over time as customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group's revenue is recognised using output method based on either time lapse or units processed.

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.

The Group's customer base is diversified. Revenue from the provision of services to the customers with whom transactions have exceeded 10% of the Group's revenue in the respective years or periods during the Relevant Periods, including provision of services to entities which are known to the Group to be under common control with these customers is set out below.

	Years ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Allport Group *(see note 28(c))*	180,492	158,323	154,518	N/A*	N/A*
Cargo Services Group *(see note 28(c))*	N/A*	N/A*	N/A*	N/A*	47,053

* Less than 10% of the Group's revenue in the respective years or periods.

Details of concentration risk arising from these customers are set out in note 27(a).

(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 service by air
- Ocean freight: this segment provides freight forwarding service by sea
- Distribution and logistics: this segment provides cost-effective supply chain solution

(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 Relevant Periods is set out below.

	Year ended 31 December 2017			
	Air freight	**Ocean freight**	**Distribution and logistics**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Reportable segment revenue – external sales	1,014,855	274,752	234,296	1,523,903
Reportable segment gross profit	148,803	63,431	48,970	261,204
Administrative and other operating expenses				(191,700)
Other income				1,250
Other net loss				(2,270)
Share of profits of associates				175
Finance costs				(4,079)
Profit before taxation				64,580

	Year ended 31 December 2018			
	Air freight	**Ocean freight**	**Distribution and logistics**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Reportable segment revenue – external sales	992,046	261,476	285,173	1,538,695
Reportable segment gross profit	155,100	69,435	73,819	298,354
Administrative and other operating expenses				(232,370)
Other income				1,331
Other net gain				2,238
Share of profits of associates				210
Finance costs				(7,751)
Profit before taxation				62,012

	Year ended 31 December 2019			
	Air freight	**Ocean freight**	**Distribution and logistics**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Reportable segment revenue – external sales	916,951	253,229	313,669	1,483,849
Reportable segment gross profit	187,978	64,311	54,499	306,788
Administrative and other operating expenses				(231,946)
Other income				1,272
Other net gain				327
Share of profits of associates				934
Finance costs				(9,447)
Profit before taxation				67,928

	Three months ended 31 March 2020			
	Air freight	**Ocean freight**	**Distribution and logistics**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Reportable segment revenue – external sales	210,254	77,895	74,072	362,221
Reportable segment gross profit	43,003	18,090	11,362	72,455
Administrative and other operating expenses				(63,440)
Other income				716
Other net loss				(524)
Share of profits of associates				349
Finance costs				(3,092)
Profit before taxation				6,464

	Three months ended 31 March 2019 (unaudited)			
	Air freight	**Ocean freight**	**Distribution and logistics**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Reportable segment revenue – external sales	194,878	78,905	79,515	353,298
Reportable segment gross profit	42,102	17,404	15,531	75,037
Administrative and other operating expenses				(56,977)
Other income				405
Other net loss				(458)
Share of profits of associates				86
Finance costs				(2,514)
Profit before taxation				15,579

(ii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the amounts of non-current assets (other than deferred tax assets and other financial assets). The geographical location of revenue from customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of goodwill and intangible assets, and the location of operations, in the case of interests in associates.

Revenue from external customers:

	Years ended 31 December			**Three months ended 31 March**	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Hong Kong	520,361	506,514	502,939	108,134	133,039
Mainland China	607,792	600,724	532,604	115,156	96,964
Taiwan	198,132	139,793	89,492	20,416	22,017
Italy	190,030	259,357	277,069	88,953	91,485
Other countries	7,588	32,307	81,745	20,639	18,716
	1,523,903	1,538,695	1,483,849	353,298	362,221

Non-current assets:

	At 31 December			At 31 March
	2017	2018	2019	2020
	$'000	*$'000*	*$'000*	*$'000*
Hong Kong	71,333	64,619	123,510	113,510
Mainland China	28,903	56,037	47,731	68,631
Taiwan	25,687	22,929	25,540	26,542
Italy	4,670	69,886	63,552	63,833
Other countries	113	2,079	613	583
	130,706	215,550	260,946	273,099

5 OTHER INCOME AND NET (LOSS)/GAIN

	Years ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Other income					
Interest income	274	330	439	75	61
Government grants	452	456	164	–	277
Others	524	545	669	330	378
	1,250	1,331	1,272	405	716
Other net (loss)/gain					
Gain/(loss) on disposal of other property, plant and equipment	112	410	60	1	(2)
Net foreign exchange (loss)/gain	(2,536)	1,218	(298)	(517)	(578)
Others	154	610	565	58	56
	(2,270)	2,238	327	(458)	(524)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Years ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(unaudited)	
(a) Finance costs					
Interest on bank loans and overdrafts *(note 20(c))*	1,713	2,274	3,265	788	1,259
Interest on amounts due to Cargo Services Group (non-trade) *(note 20(c))*	656	804	550	147	3
Interest on lease liabilities *(note 20(c))*	1,710	4,673	5,632	1,579	1,830
	4,079	7,751	9,447	2,514	3,092
(b) Staff costs					
Contribution to defined contribution retirement plans	20,634	23,818	21,353	5,254	4,354
Expenses recognised in respect of defined benefit retirement plans *(note 24(a)(iii))*	905	1,084	1,568	397	334
Salaries, wages and other benefits	189,964	217,400	226,335	57,540	50,207
	211,503	242,302	249,256	63,191	54,895
(c) Other items					
Auditors' remuneration	1,638	1,594	1,937	342	394
Depreciation of other property, plant and equipment *(note 12)*	7,732	10,642	15,095	3,292	3,827
Depreciation of right-of-use assets *(note 12)*	49,014	65,106	83,513	17,808	20,464
Amortisation of intangible assets *(note 13)*	292	321	363	95	63
Management fee expenses					
– related parties *(note 28(c))*	2,520	4,714	5,292	927	862
– other party (*)	526	842	3,276	139	391
Listing expenses	–	–	8,450	–	10,338

(*) Management fee expense paid to a non-controlling interest (without significant influence) of a subsidiary.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Income tax in the consolidated statements of profit or loss represents:

	Years ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Current tax – Hong Kong Profits Tax					
Provision for the year/period	3,864	3,850	3,612	846	526
Current tax – Outside Hong Kong					
Provision for the year/period	10,526	14,504	17,155	4,794	4,637
(Over)/under-provision in respect of prior years	–	(10)	20	–	–
	10,526	14,494	17,175	4,794	4,637
Withholding tax on distributed profits					
PRC withholding tax	618	–	–	–	–
Italy withholding tax	179	177	166	–	–
Taiwan withholding tax	1,091	2,273	2,262	–	–
France withholding tax	–	–	41	–	–
Japan withholding tax	–	–	–	–	82
	1,888	2,450	2,469	–	82
Deferred tax					
Origination and reversal of temporary differences	440	92	122	834	834
	16,718	20,886	23,378	6,474	6,079

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance notes, the PRC Corporate Income Tax rate of 25% is applicable to the Principal Businesses that were historically carried out in the PRC during the Relevant Periods.

Taxation for subsidiaries incorporated in other jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant countries, in which, the corporate tax rate is 27.9% in Italy during the Relevant Periods and the rates of corporation tax in Taiwan are at 17%, 20%, 20%, 20% and 20% for years ended 31 December 2017, 2018 and 2019, the three months ended 31 March 2019 (unaudited) and 2020 respectively.

Withholding tax was paid to tax authorities of the PRC, Italy, Taiwan, France and Japan in respect of dividend income received from subsidiaries, charging at a rate of 5%, 10%, 20%, 12.8% and 5% respectively for the year ended 31 December 2017 and 5%, 10%, 21%, 12.8% and 5% respectively for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 (unaudited) and 2020.

(b) Reconciliation between tax expense and accounting profits at applicable tax rates:

	Years ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Profit before taxation	64,580	62,012	67,928	15,579	6,464
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	12,839	15,211	16,915	4,192	2,607
Tax effect of non-deductible expenses	770	1,083	1,969	718	2,216
Tax effect of non-taxable income	(139)	(81)	(150)	(68)	(58)
Tax effect of tax losses not recognised	761	2,092	1,524	572	84
Tax effect of other temporary differences not recognised	(78)	(34)	394	101	286
Tax effect of utilisation of tax losses previously not recognised	–	–	–	–	(129)
Withholding tax on the distributable and distributed profits of subsidiaries	2,621	2,683	2,718	862	1,230
Statutory tax concession	–	–	–	–	(204)
(Over)/under-provision in respect of prior years	–	(10)	20	–	–
Others	(56)	(58)	(12)	97	47
	16,718	20,886	23,378	6,474	6,079

8 DIRECTORS' EMOLUMENTS

For the directors as at the date of this report, their emoluments for the Relevant Periods are as follows:

	Year ended 31 December 2017				
	Directors' fees *$'000*	Salaries, allowances and benefits in kind *$'000*	Discretionary bonuses *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Ngan Tim Wing *(Note(i))*	–	2,907	51	66	3,024
Cheung Siu Ming Ringo *(Note(i))*	–	415	39	50	504
Chen Nga Man *(Note(i))*	–	2,293	41	18	2,352
Lau Shek Yau John *(Note(ii))*	–	–	–	–	–
	–	5,615	131	134	5,880

	Year ended 31 December 2018				
	Directors' fees *$'000*	Salaries, allowances and benefits in kind *$'000*	Discretionary bonuses *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Ngan Tim Wing *(Note(i))*	–	2,952	57	66	3,075
Cheung Siu Ming Ringo *(Note(i))*	–	420	43	50	513
Chen Nga Man *(Note(i))*	–	2,100	46	18	2,164
Lau Shek Yau John *(Note(ii))*	–	–	–	–	–
	–	5,472	146	134	5,752

	Year ended 31 December 2019				
	Directors' fees *$'000*	Salaries, allowances and benefits in kind *$'000*	Discretionary bonuses *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Ngan Tim Wing *(Note(i))*	–	3,374	46	67	3,487
Cheung Siu Ming Ringo *(Note(i))*	–	758	35	50	843
Chen Nga Man *(Note(i))*	–	3,694	37	18	3,749
Lau Shek Yau John *(Note(ii))*	–	–	–	–	–
	–	7,826	118	135	8,079

	Three months ended 31 March 2020				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Ngan Tim Wing *(Note(i))*	–	702	–	17	719
Cheung Siu Ming Ringo *(Note(i))*	–	217	–	13	230
Chen Nga Man *(Note(i))*	–	980	–	5	985
Lau Shek Yau John *(Note(ii))*	–	–	–	–	–
	–	1,899	–	35	1,934

	Three months ended 31 March 2019 (unaudited)				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Ngan Tim Wing *(Note(i))*	–	739	–	17	756
Cheung Siu Ming Ringo *(Note(i))*	–	105	–	13	118
Chen Nga Man *(Note(i))*	–	734	–	5	739
Lau Shek Yau John *(Note(ii))*	–	–	–	–	–
	–	1,578	–	35	1,613

Notes:

(i) Mr. Ngan Tim Wing, Mr. Cheung Siu Ming Ringo and Ms. Chen Nga Man were appointed as executive directors of the Company on 16 January 2020, 1 April 2020 and 1 April 2020, respectively. The emoluments shown above represents remuneration received from the Group by them in their capacity as employees of the Group during the Relevant Periods.

(ii) Mr. Lau Shek Yau John was appointed as a director of the Company on 14 December 2017 and re-designated as a non-executive director on 1 April 2020. No remuneration was received from the Group by Mr. Lau Shek Yau John during the Relevant Periods. Mr. Lau Shek Yau John received remuneration from a fellow subsidiary of the Group in respect of his services to the larger group which includes the Group. No apportionment has been made for his services to the Group as they are incidental to his responsibilities to the larger group.

During the Relevant Periods, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals as set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the Relevant Periods.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments of the Group, two of them are directors as of the date of this report, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Years ended 31 December			**Three months ended 31 March**	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Salaries and other emoluments	3,260	2,927	2,903	841	673
Discretionary bonuses	137	153	130	–	–
Retirement scheme contributions	78	82	83	21	21
	3,475	3,162	3,116	862	694

The emoluments of the above individuals with the highest emoluments other than the directors as of the date of this report as disclosed in note 8 are within the following bands:

	Years ended 31 December			**Three months ended 31 March**	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
$Nil – $1,000,000	2	1	1	3	3
$1,000,001 – $1,500,000	–	2	2	–	–
$1,500,001 – $2,000,000	1	–	–	–	–

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	Years ended 31 December									Three months ended 31 March					
	2017			2018			2019			2019			2020		
	Before tax amount $'000	Tax benefit $'000	Net-of tax amount $'000	Before tax amount $'000	Tax benefit $'000	Net-of tax amount $'000	Before tax amount $'000	Tax benefit $'000	Net-of tax amount $'000	Before tax amount $'000 (unaudited)	Tax benefit $'000 (unaudited)	Net-of tax amount $'000 (unaudited)	Before tax amount $'000	Tax benefit $'000	Net-of tax amount $'000
Exchange differences on translation of financial statements of overseas subsidiaries	7,574	–	7,574	(4,574)	–	(4,574)	(562)	–	(562)	268	–	268	(3,122)	–	(3,122)
Remeasurement of defined benefit obligations *(note 24)*	(485)	135	(350)	(426)	119	(307)	(1,613)	475	(1,138)	(211)	62	(149)	1,035	(300)	735
Other comprehensive income	7,089	135	7,224	(5,000)	119	(4,881)	(2,175)	475	(1,700)	57	62	119	(2,087)	(300)	(2,387)

11 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and the preparation of the financial information of the Group for the Relevant Periods on the basis as disclosed in note 1.

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvements $'000	Furniture and fixtures $'000	Motor vehicles $'000	Office equipment and machinery $'000	Computer equipment $'000	Warehouse equipment $'000	Sub-total $'000	Right-of-use assets $'000	Total $'000
Cost:									
As at 1 January 2017	26,749	2,577	5,236	17,731	5,266	17,451	75,010	126,720	201,730
Exchange adjustments	78	9	–	51	58	61	257	3,910	4,167
Additions	2,406	158	1,056	1,024	349	3,396	8,389	79,098	87,487
Disposals	–	–	(1,040)	(463)	(79)	(612)	(2,194)	(28,087)	(30,281)
As at 31 December 2017	29,233	2,744	5,252	18,343	5,594	20,296	81,462	181,641	263,103
As at 1 January 2018	29,233	2,744	5,252	18,343	5,594	20,296	81,462	181,641	263,103
Exchange adjustments	(207)	22	3	(293)	(23)	(16)	(514)	(964)	(1,478)
Additions	14,728	1,063	567	1,825	503	42,418	61,104	103,297	164,401
Disposals	(1,593)	(1,621)	(1,158)	(1,238)	(110)	(1,889)	(7,609)	(50,859)	(58,468)
As at 31 December 2018	42,161	2,208	4,664	18,637	5,964	60,809	134,443	233,115	367,558
As at 1 January 2019	42,161	2,208	4,664	18,637	5,964	60,809	134,443	233,115	367,558
Exchange adjustments	(317)	(37)	(2)	(168)	(22)	(921)	(1,467)	(777)	(2,244)
Additions	13,467	347	110	2,431	828	3,635	20,818	126,837	147,655
Disposals	(604)	(57)	(655)	(3,161)	(335)	(2,119)	(6,931)	(115,184)	(122,115)
As at 31 December 2019	54,707	2,461	4,117	17,739	6,435	61,404	146,863	243,991	390,854
As at 1 January 2020	54,707	2,461	4,117	17,739	6,435	61,404	146,863	243,991	390,854
Exchange adjustments	(847)	(48)	(111)	(296)	(66)	(1,756)	(3,124)	(358)	(3,482)
Additions	279	–	–	63	6	4,200	4,548	27,615	32,163
Disposals	–	–	–	(20)	–	–	(20)	(5,550)	(5,570)
As at 31 March 2020	54,139	2,413	4,006	17,486	6,375	63,848	148,267	265,698	413,965

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment and machinery	Computer equipment	Warehouse equipment	Sub-total	Right-of-use assets	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Accumulated depreciation:									
As at 1 January 2017	18,990	2,028	4,249	12,379	4,021	13,120	54,787	72,592	127,379
Exchange adjustments	26	3	(15)	87	60	34	195	2,980	3,175
Depreciation charge for the year	2,882	121	414	1,901	666	1,748	7,732	49,014	56,746
Written-back on disposals	–	–	(936)	(423)	(75)	(306)	(1,740)	(28,087)	(29,827)
As at 31 December 2017	21,898	2,152	3,712	13,944	4,672	14,596	60,974	96,499	157,473
As at 1 January 2018	21,898	2,152	3,712	13,944	4,672	14,596	60,974	96,499	157,473
Exchange adjustments	61	5	39	(105)	(32)	(122)	(154)	(649)	(803)
Depreciation charge for the year	3,768	161	479	1,640	790	3,804	10,642	65,106	75,748
Written-back on disposals	(859)	(1,576)	(967)	(992)	(31)	(559)	(4,984)	(50,859)	(55,843)
As at 31 December 2018	24,868	742	3,263	14,487	5,399	17,719	66,478	110,097	176,575
As at 1 January 2019	24,868	742	3,263	14,487	5,399	17,719	66,478	110,097	176,575
Exchange adjustments	(252)	(6)	66	(268)	(130)	(59)	(649)	650	1
Depreciation charge for the year	6,623	282	428	1,593	642	5,527	15,095	83,513	98,608
Written-back on disposals	(596)	(7)	(608)	(2,531)	(251)	(1,484)	(5,477)	(114,352)	(119,829)
As at 31 December 2019	30,643	1,011	3,149	13,281	5,660	21,703	75,447	79,908	155,355
As at 1 January 2020	30,643	1,011	3,149	13,281	5,660	21,703	75,447	79,908	155,355
Exchange adjustments	(132)	(65)	(2)	(176)	(44)	(931)	(1,350)	(230)	(1,580)
Depreciation charge for the period	1,849	73	95	384	119	1,307	3,827	20,464	24,291
Written-back on disposals	–	–	–	(18)	–	–	(18)	(5,550)	(5,568)
As at 31 March 2020	32,360	1,019	3,242	13,471	5,735	22,079	77,906	94,592	172,498
Net book value:									
As at 31 December 2017	7,335	592	1,540	4,399	922	5,700	20,488	85,142	105,630
As at 31 December 2018	17,293	1,466	1,401	4,150	565	43,090	67,965	123,018	190,983
As at 31 December 2019	24,064	1,450	968	4,458	775	39,701	71,416	164,083	235,499
As at 31 March 2020	21,779	1,394	764	4,015	640	41,769	70,361	171,106	241,467

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		At 31 December			At 31 March
	Notes	**2017**	**2018**	**2019**	**2020**
		$'000	*$'000*	*$'000*	*$'000*
Other properties leased for own use, carried at depreciated cost	(i)	84,178	122,158	162,737	169,285
Motor vehicles, carried at depreciated cost	(ii)	964	860	1,346	1,821
		85,142	123,018	164,083	171,106

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Depreciation charge of right-of-use assets by class of underlying asset:				
Other properties leased for own use, carried at depreciated cost	48,648	64,584	82,939	20,283
Motor vehicles, carried at depreciated cost	366	522	574	181
Rent concessions	–	–	–	(294)
	49,014	65,106	83,513	20,170
Interest on lease liabilities *(note 6(a))*	1,710	4,673	5,632	1,830
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	21	20	18	77

The Group has applied the practical expedient to all rental concessions that meet the conditions in paragraph 46B of HKFRS 16. During the three months ended 31 March 2020, rent concessions of HK$294,000 to which the Group has applied the practical expedient in paragraph 46A of HKFRS 16 was recognised in profit or loss.

During the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020, additions to right-of-use assets were $79,098,000, $103,297,000, $126,837,000 and $27,615,000 respectively. These amounts related to the capitalised lease payments payable under new rental agreements relating to properties and motor vehicles.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(d) and 23, respectively.

(i) Other properties leased for own use

The Group has obtained the right to use other properties as its warehouses and offices through tenancy agreements. The leases typically run for an initial period of 2 to 6 years.

The leases into which the Group entered do not include an option to renew the lease. All of the leases are re-negotiated after the leases expire.

(ii) Motor vehicles, carried at depreciated cost

The Group leases certain motor vehicles under leases expiring from 3 to 5 years. None of the leases include an option to renew the lease or to purchase the leased motor vehicles at the end of the lease term at a price deemed to be a bargain purchase option nor variable lease payments.

(c) Prepayment for acquisition of property, plant and equipment

All of the prepayment for acquisition of property, plant and equipment as at 31 March 2020 are expected to be transferred to property, plant and equipment within one year.

13 INTANGIBLE ASSETS

	Software
	$'000
Cost:	
At 1 January 2017	1,321
Exchange adjustments	7
Additions	90
At 31 December 2017	1,418
At 1 January 2018	1,418
Exchange adjustments	12
Additions	315
At 31 December 2018	1,745
At 1 January 2019	1,745
Exchange adjustments	(20)
Additions	48
Disposal	(321)
At 31 December 2019	1,452
At 1 January 2020	1,452
Exchange adjustments	(62)
Additions	22
At 31 March 2020	1,412

	Software
	$'000
Accumulated amortisation:	
At 1 January 2017	411
Exchange adjustments	5
Amortisation charge for the year	292
At 31 December 2017	708
At 1 January 2018	708
Exchange adjustments	3
Amortisation charge for the year	321
At 31 December 2018	1,032
At 1 January 2019	1,032
Exchange adjustments	(17)
Amortisation charge for the year	363
Disposal	(148)
At 31 December 2019	1,230
At 1 January 2020	1,230
Exchange adjustments	(48)
Amortisation charge for the period	63
At 31 March 2020	1,245
Net book value:	
At 31 December 2017	710
At 31 December 2018	713
At 31 December 2019	222
At 31 March 2020	167

The amortisation charge for the year/period is included in "administrative and other operating expenses" in the consolidated statements of profit or loss.

14 GOODWILL

Cost:	At 31 December 2017 $'000	At 31 December 2018 $'000	At 31 December 2019 $'000	At 31 March 2020 $'000
At the beginning of the year/period	21,406	23,506	22,782	23,202
Exchange adjustments	2,100	(724)	420	(320)
At the end of the year/period	23,506	22,782	23,202	22,882

Goodwill is allocated to the Group's cash-generating units ("CGU") in the following business segment:

	At 31 December 2017 $'000	At 31 December 2018 $'000	At 31 December 2019 $'000	At 31 March 2020 $'000
Air freight forwarding business – Taiwan	23,506	22,782	23,202	22,882

On 12 March 2016, the Group entered into a sale and purchase agreement with each of the original shareholders, all of which were the then shareholders of Global Freight Forwarding Co., Limited ("Global Freight Forwarding"), pursuant to which the Group agreed to acquire in aggregate 2,450,000 shares of Global Freight Forwarding, representing 70% of its then entire issued shares by installments, at an aggregate consideration of HK$35,000,000. A goodwill arising on acquisition was recorded and carried at cost less accumulated impairment losses.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated average growth rate of 3%, 3%, 3% and 3% for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 respectively which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 12%, 12%, 12% and 13% for the year ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 respectively. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Based on the impairment assessment conducted by the Group, no impairment was identified in respect of goodwill as at 31 December 2017, 2018 and 2019 and 31 March 2020.

The estimated recoverable amount of the CGU exceeded its carrying amount as at 31 December 2017, 2018 and 2019 and 31 March 2020 by approximately $64.6 million, $60.9 million, $72.0 million and $56.9 million respectively (the "headroom").

The following table indicates how the amount of headroom would have changed if certain key assumption during the forecast period had changed, assuming all other assumptions remained constant:

	Decrease in headroom			
	As at 31 December 2017 $'000	As at 31 December 2018 $'000	As at 31 December 2019 $'000	As at 31 March 2020 $'000
Pre-tax discount rate increases by 100 basis point	9,154	9,605	10,277	8,638
Revenue growth rate decreases by 100 basis point	11,192	8,298	9,040	8,250

The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

In addition, had certain key assumptions during the forecast period been changed as below, while holding all other assumptions constant, the recoverable amount of the CGU would be approximately equal to its carrying amount.

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	$'000	*$'000*	*$'000*	*$'000*
Pre-tax discount rate increases to	32.0%	27.6%	31.6%	28.2%
Revenue growth rate decreases to	–3.9%	–6.6%	–6.8%	–5.1%

15 INVESTMENTS IN SUBSIDIARIES

The list of the subsidiaries of the Company as of the date of this report is disclosed in note 1.

The following table lists out the information relating to CN Investment Limited and CS Airfreight (Shanghai) Limited, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	CN Investment Limited and its subsidiaries				CS Airfreight (Shanghai) Limited and its subsidiaries			
	At 31 December			At 31 March	At 31 December			At 31 March
	2017	2018	2019	2020	2017	2018	2019	2020
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
NCI percentage of the sub-group *(note i)*	18.95%	18.95%	0%	0%	49%	49%	49%	49%
Current assets	420,310	416,197	N/A	N/A	286,333	277,034	277,296	268,865
Non-current assets	108,190	162,975	N/A	N/A	22,274	12,443	6,729	12,139
Current liabilities	(357,486)	(350,075)	N/A	N/A	(157,181)	(132,671)	(121,042)	(115,814)
Non-current liabilities	(31,892)	(73,635)	N/A	N/A	(6,876)	(1,977)	(410)	(3,902)
Net assets	139,122	155,462	N/A	N/A	144,550	154,829	162,573	161,288
Equity attributable to								
– Equity shareholders of holding company of the sub-group	119,741	134,097	N/A	N/A	144,550	154,829	162,573	161,288
– NCI of the subsidiaries of the sub-group	19,381	21,365	N/A	N/A	–	–	–	–
	139,122	155,462	N/A	N/A	144,550	154,829	162,573	161,288
Carrying amount of total NCI of the sub-group *(note ii)*	42,072	46,776	26,164	29,181	70,830	75,866	79,660	79,031
Revenue	1,071,757	1,121,997	1,204,748	N/A	502,773	438,561	355,037	70,044
Profit/(loss) for the year/period	34,921	27,758	42,279	N/A	14,535	11,697	8,768	(515)
Total comprehensive income	40,398	25,703	42,345	N/A	15,659	10,974	8,242	(18)
Profit/(loss) allocated to NCI	12,804	12,390	16,643	N/A	7,122	5,732	4,293	(252)
Dividend paid to NCI	7,406	7,905	5,883	N/A	–	–	–	–
Cash flows from operating activities	9,325	95,677	108,755	N/A	38,636	(26,551)	4,554	(6,500)
Cash flows from investing activities	(5,280)	(17,268)	(13,191)	N/A	279	76	360	1,081
Cash flows from financing activities	(12,151)	(56,290)	(85,989)	N/A	(4,616)	(1,765)	(2,807)	2,047

Notes:

i. On 31 December 2019, the Company acquired the remaining NCI of CN Investment Limited (see note 26(b)).

ii. There is no material non-controlling interest in any of the subsidiaries of the sub-group.

16 INTERESTS IN ASSOCIATES

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available.

Name of company	Place of incorporation/ establishment and operation	Amount of issued and total paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by subsidiaries	Principal activities
CN Logistics (Macau) Limited	Macau	MOP25,000	47.5%	–	50%	Provision of freight forwarding services
CN Logistics (Thailand) Co., Limited	Thailand	THB1,000,000	49%	–	49%	Provision of freight forwarding services
CN Logistics Israel Limited	Israel	NIS10,000	49%	–	49%	Provision of freight forwarding services

Summary financial information on associates

All of the above associates are accounted for using the equity method in the Historical Financial Information and are not individually material.

Aggregate information of associates that are not individually material, is disclosed below:

	Years ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Aggregate carrying amount of individually immaterial associates in the consolidated statements of financial position	860	1,072	2,023	1,162	2,314
Aggregate amounts of the Group's share of those associates'					
– Profit from operations	175	210	934	86	349
– Other comprehensive income	1	–	7	–	(15)
– Total comprehensive income	176	210	941	86	334

17 OTHER FINANCIAL ASSETS

	At 31 December			At 31 March
	2017	2018	2019	2020
	$'000	*$'000*	*$'000*	*$'000*
Equity securities measured at FVPL				
Unlisted equity securities	403	403	403	403

The unlisted equity securities are shares in Allport Korea Limited and 上海國際經貿報關行有限公司, incorporated in South Korea and established in the PRC respectively. Both companies are engaged in the provision of freight forwarding related services. Apart from a dividend of $26,000 received from Allport Korea Limited for the year ended 31 December 2019, no dividends were received from these investments during the Relevant Periods.

18 TRADE AND OTHER RECEIVABLES

	At 31 December			At 31 March
	2017	2018	2019	2020
	$'000	*$'000*	*$'000*	*$'000*
Trade receivables, net of loss allowance	294,653	241,599	250,632	269,208
Other receivables, prepayments and deposits	41,702	38,850	50,080	57,393
	336,355	280,449	300,712	326,601

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the portion of the Company's listing expenses that is of a nature which qualifies for charging against equity upon the listing and has been capitalised as prepayment amounted to $Nil, $Nil, $2,527,000 and $5,602,000, respectively. Apart from the foregoing, the remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

Ageing analysis

The ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	At 31 December			At 31 March
	2017	2018	2019	2020
	$'000	*$'000*	*$'000*	*$'000*
Within 1 month	209,518	174,473	162,109	159,285
1 to 2 months	65,846	46,116	59,576	54,759
2 to 3 months	11,960	13,858	18,217	23,293
Over 3 months	7,329	7,152	10,730	31,871
	294,653	241,599	250,632	269,208

Trade receivables are normally due within 30-60 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 27(a).

19 PLEDGED BANK DEPOSITS

The deposits are either pledged to secure certain banking facilities for guarantees on payment to certain airline suppliers and performance bond to customers of the Group or bank borrowings granted to the Group.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Cash at bank and on hand and cash and cash equivalents in the consolidated statements of financial position *(note)*	97,123	90,643	102,794	116,517
Bank overdrafts *(note 22)*	(820)	(1,128)	(1,317)	(5,103)
Cash and cash equivalents in the consolidated cash flow statements	96,303	89,515	101,477	111,414

Note: RMB maintained in the PRC is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Central Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign business in the PRC. The carrying amounts of cash and cash equivalents to which these restrictions applies amounted to $69,084,000, $34,512,000, $40,716,000 and $26,048,000 at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively.

(b) Reconciliation of profit before taxation to cash generated from operations:

		Years ended 31 December			Three months ended 31 March	
	Note	**2017**	**2018**	**2019**	**2019**	**2020**
		$'000	*$'000*	*$'000*	*$'000*	*$'000*
					(unaudited)	
Profit before taxation		64,580	62,012	67,928	15,579	6,464
Adjustments for:						
Depreciation of right-of-use assets	6(c)	49,014	65,106	83,513	17,808	20,464
Depreciation of other property, plant and equipment	6(c)	7,732	10,642	15,095	3,292	3,827
Amortisation of intangible assets	6(c)	292	321	363	95	63
(Gain)/loss on disposal of property, plant and equipment	5	(112)	(410)	(60)	(1)	2
Share of profits of associates		(175)	(210)	(934)	(86)	(349)
Rent concessions	12(b)	–	–	–	–	(294)
Interest income	5	(274)	(330)	(439)	(75)	(61)
Finance costs	6(a)	4,079	7,751	9,447	2,514	3,092
Foreign exchange loss/(gain)		4,192	(4,639)	(2,747)	5,524	1,533
Operating profit before changes in working capital		129,328	140,243	172,166	44,650	34,741
(Increase)/decrease in trade and other receivables		(97,949)	51,176	(20,999)	3,354	(25,244)
Increase in amounts due from associates		–	–	(175)	4,244	80
Decrease/(increase) in amounts due from Cargo Services Group		148,281	65	(18,088)	(12,355)	(32,547)
(Increase)/decrease in amounts due from Allport Group		(26,822)	(19,313)	27,501	22,080	7,142
Increase/(decrease) in trade and other payables		24,635	(23,601)	(14,379)	(38,014)	12,431
(Decrease)/increase in amounts due to Cargo Services Group		(26,940)	2,696	16,950	(2,043)	(7,210)
Increase/(decrease) in amounts due to Allport Group		2,566	3,629	(3,210)	(5,091)	(1,358)
Increase/(decrease) in amount due to a director of a subsidiary		2	(2)	–	–	–
Increase/(decrease) in amounts due to associates		64	(29)	2,249	86	2,932
Increase/(decrease) in defined benefit retirement obligation		1,397	425	2,744	511	(1,119)
Cash generated from/(used in) operations		154,562	155,289	164,759	17,422	(10,152)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated cash flow statements as cash flows from financing activities.

	Bank loans *(Note 22)* *$'000*	Lease liabilities *(Note 23)* *$'000*	Amounts due to Cargo Services Group (non-trade) *(Note 28(b))* *$'000*	Total *$'000*
At 1 January 2017	7,794	56,758	57,196	121,748
Changes from financing cash flows:				
Proceeds from new bank loans	44,324	–	–	44,324
Repayment of bank loans	(2,747)	–	–	(2,747)
Net proceeds from Cargo Services Group (non-trade)	–	–	11,980	11,980
Net increase in amount due to Cargo Services Group (non-trade)	–	–	52,052	52,052
Capital element of lease rentals paid	–	(52,335)	–	(52,335)
Interest element of lease rentals paid	–	(1,710)	–	(1,710)
Interest paid	(1,713)	–	(656)	(2,369)
Total changes from financing cash flows	39,864	(54,045)	63,376	49,195
Exchange adjustments	1,099	1,823	–	2,922
Other changes:				
Increase in lease liabilities from entering into new leases or renewal of existing leases during the year	–	79,098	–	79,098
Interest expenses *(note 6(a))*	1,713	1,710	656	4,079
Total other changes	1,713	80,808	656	83,177
At 31 December 2017	50,470	85,344	121,228	257,042

	Bank loans	Lease liabilities	Amounts due to Cargo Services Group (non-trade)	Total
	(Note 22)	*(Note 23)*	*(Note 28(b))*	
	$'000	*$'000*	*$'000*	*$'000*
At 1 January 2018	50,470	85,344	121,228	257,042
Changes from financing cash flows:				
Proceeds from new bank loans	226,125	–	–	226,125
Repayment of bank loans	(196,821)	–	–	(196,821)
Net proceeds from Cargo Services Group (non-trade)	–	–	2,656	2,656
Net decrease in amount due to Cargo Services Group (non-trade)	–	–	(47,150)	(47,150)
Capital element of lease rentals paid	–	(77,431)	–	(77,431)
Interest element of lease rentals paid	–	(4,673)	–	(4,673)
Interest paid	(2,274)	–	(804)	(3,078)
Total changes from financing cash flows	27,030	(82,104)	(45,298)	(100,372)
Exchange adjustments	(1,597)	(433)	–	(2,030)
Other changes:				
Increase in lease liabilities from entering into new leases or renewal of existing leases during the year	–	103,297	–	103,297
Interest expenses *(note 6(a))*	2,274	4,673	804	7,751
Total other changes	2,274	107,970	804	111,048
At 31 December 2018	78,177	110,777	76,734	265,688

	Bank loans	Lease liabilities	Amounts due to Cargo Services Group (non-trade)	Total
	(Note 22)	*(Note 23)*	*(Note 28(b))*	
	$'000	*$'000*	*$'000*	*$'000*
At 1 January 2019	78,177	110,777	76,734	265,688
Changes from financing cash flows:				
Proceeds from new bank loans	271,618	–	–	271,618
Repayment of bank loans	(263,052)	–	–	(263,052)
Net proceeds from Cargo Services Group (non-trade)	–	–	161	161
Net increase in amount due to Cargo Services Group (non-trade)	–	–	9,343	9,343
Capital element of lease rentals paid	–	(83,691)	–	(83,691)
Interest element of lease rentals paid	–	(5,632)	–	(5,632)
Interest paid	(3,265)	–	(550)	(3,815)
Total changes from financing cash flows	5,301	(89,323)	8,954	(75,068)
Exchange adjustments	(805)	(1,954)	–	(2,759)
Other changes:				
Increase in lease liabilities from entering into new leases or renewal of existing leases during the year	–	126,837	–	126,837
Interest expenses *(note 6(a))*	3,265	5,632	550	9,447
Total other changes	3,265	132,469	550	136,284
At 31 December 2019	85,938	151,969	86,238	324,145

	Bank loans	Lease liabilities	Amounts due to Cargo Services Group (non-trade)	Total
	(Note 22)	*(Note 23)*	*(Note 28(b))*	
	$'000	*$'000*	*$'000*	*$'000*
At 1 January 2020	85,938	151,969	86,238	324,145
Changes from financing cash flows:				
Proceeds from new bank loans	92,739	–	–	92,739
Repayment of bank loans	(52,938)	–	–	(52,938)
Net proceeds from Cargo Services Group (non-trade)	–	–	16	16
Net decrease in amount due to Cargo Services Group (non-trade)	–	–	(11,590)	(11,590)
Capital element of lease rentals paid	–	(19,393)	–	(19,393)
Interest element of lease rentals paid	–	(1,830)	–	(1,830)
Interest paid	(1,259)	–	(3)	(1,262)
Total changes from financing cash flows	38,542	(21,223)	(11,577)	5,742
Exchange adjustments	(370)	24	–	(346)
Other changes:				
Increase in lease liabilities from entering into new leases or renewal of existing leases during the period	–	27,615	–	27,615
Rent concessions	–	(294)	–	(294)
Interest expenses *(note 6(a))*	1,259	1,830	3	3,092
Total other changes	1,259	29,151	3	30,413
At 31 March 2020	125,369	159,921	74,664	359,954

	Bank loans	Lease liabilities	Amounts due to Cargo Services Group (non-trade)	Total
	(Note 22)	*(Note 23)*	*(Note 28(b))*	
	$'000	*$'000*	*$'000*	*$'000*
At 1 January 2019	78,177	110,777	76,734	265,688
Changes from financing cash flows:				
Proceeds from new bank loans	117,323	–	–	117,323
Repayment of bank loans	(107,333)	–	–	(107,333)
Net repayment to Cargo Services Group (non-trade)	–	–	(38)	(38)
Net decrease in amount due to Cargo Services Group (non-trade)	–	–	(5,816)	(5,816)
Capital element of lease rentals paid	–	(17,696)	–	(17,696)
Interest element of lease rentals paid	–	(1,579)	–	(1,579)
Interest paid	(788)	–	(147)	(935)
Total changes from financing cash flows	9,202	(19,275)	(6,001)	(16,074)
Exchange adjustments	(455)	2,225	–	1,770
Other changes:				
Increase in lease liabilities from entering into new leases or renewal of existing leases during the period	–	65,873	–	65,873
Interest expenses *(note 6(a))*	788	1,579	147	2,514
Total other changes	788	67,452	147	68,387
At 31 March 2019	87,712	161,179	70,880	319,771

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprise the following:

	Years ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Within operating cash flows	21	20	18	2	77
Within financing cash flows	54,045	82,104	89,323	20,654	21,223
	54,066	82,124	89,341	20,656	21,300

These amounts relate to the following:

	Years ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Lease rentals paid	54,066	82,124	89,341	20,656	21,300
	54,066	82,124	89,341	20,656	21,300

(e) Effect of disposal of a subsidiary on the financial position of the Group

On 31 December 2019, the Group disposed of CN LOGISTICS USA INC. ("CN US"), which engages in provision of freight forwarding and distribution and logistics services in the US.

Details of the carrying amounts of net assets of CN US over which control was lost are as follows:

	At 31 December 2019
	$'000
Property, plant and equipment	(298)
Intangible assets	(152)
Trade and other receivables	(944)
Amounts due from fellow subsidiaries	(5,739)
Cash and cash equivalents	(617)
Trade and other payables	1,741
Net assets	(6,009)
Net cash inflows arising on disposal	
Consideration received, satisfied in cash	6,009
Cash and cash equivalents disposed of	(617)
Proceeds from disposal of a subsidiary	5,392

21 TRADE AND OTHER PAYABLES

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Trade payables	204,248	175,357	159,707	160,875
Other payables and accrued charges	47,774	47,382	44,208	55,900
	252,022	222,739	203,915	216,775

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

The ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Within 1 month	161,479	118,727	113,861	97,260
1 to 3 months	39,788	51,919	42,679	60,165
Over 3 months	2,981	4,711	3,167	3,450
	204,248	175,357	159,707	160,875

22 BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts were repayable as follows:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Within 1 year or on demand	47,392	76,206	83,866	127,142
After 1 year but within 2 years	3,898	–	–	3,330
After 2 years but within 5 years	–	3,099	3,389	–
	3,898	3,099	3,389	3,330
	51,290	79,305	87,255	130,472

The bank loans and overdrafts were analysed as follows:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Unsecured bank overdrafts *(note 20(a))*	820	1,128	1,317	5,103
Bank loans				
– unsecured *(note (i))*	39,946	78,177	85,938	125,369
– secured *(note (ii))*	10,524	–	–	–
	50,470	78,177	85,938	125,369
	51,290	79,305	87,255	130,472

At 31 December 2017, 2018 and 2019 and 31 March 2020, the interest rates of bank loans are in the range of 0.40%–6.38%, 0.40%–5.19%, 0.40%–4.96% and 0.40%–4.83% per annum, respectively.

(i) At 31 December 2017, 2018 and 2019 and 31 March 2020, certain banking facilities were jointly entered by certain subsidiaries of the Group and certain entities controlled by Cargo Services Group ("Joint Facilities"). The maximum limit of Joint Facilities were $117,000,000, $234,000,000, $234,000,000 and $234,000,000 respectively at 31 December 2017, 2018 and 2019 and 31 March 2020, of which $20,290,000, $188,469,000, $212,230,000 and $208,224,000 had been utilised by the Group and certain entities controlled by Cargo Services Group at 31 December 2017, 2018 and 2019 and 31 March 2020 respectively. The Joint Facilities are unsecured, guaranteed by the Company's director, certain subsidiaries of the Group and certain entities controlled by Cargo Services Group.

(ii) At 31 December 2017, bank loan of $10,524,000 was secured by bank deposits of the Group with an aggregate amount of $2,105,000. The bank loan has been fully repaid during the year ended 31 December 2018.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(b).

According to a facility letter (the "Facility Letter") dated 6 January 2020 entered into between a bank (as lender), Cargo Services Airfreight Limited and CN Logistics Limited (as borrowers), and the Company, Cargo Services Group and Mr. Lau Shek Yau John (as guarantors), in respect of facilities of an aggregate limit of up to HK$64 million, under which HK$46.9 million was outstanding as at 31 March 2020 as short-term financing. The Company undertakes, amongst others, to maintain tangible net worth of not less than a prescribed level when the Facility Letter comes into effect. The Group had encountered a breach of such financial covenant, since the Company had been unable to satisfy such tangible net worth requirement.

The Group has notified the relevant bank in relation to such breach once the Group was aware of the same. On 7 April 2020, the Group and the relevant bank entered into a revised facility letter, in which the relevant financial covenant has been removed.

Except for the aforementioned, as at 31 December 2017, 2018 and 2019 and 31 March 2020, none of the covenants relating to drawn down facilities had been breached.

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each of the reporting period:

	At 31 December						At 31 March	
	2017		2018		2019		2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Within 1 year	54,699	58,626	42,915	47,219	58,888	65,350	64,795	71,237
After 1 year but within 2 years	24,290	26,788	17,517	19,969	29,414	33,819	30,813	35,334
After 2 years but within 5 years	6,355	7,273	20,135	23,936	37,541	46,018	39,462	48,145
After 5 years	–	–	30,210	32,404	26,126	27,777	24,851	26,364
	30,645	34,061	67,862	76,309	93,081	107,614	95,126	109,843
	85,344	92,687	110,777	123,528	151,969	172,964	159,921	181,080
Less: Total future interest expenses		(7,343)		(12,751)		(20,995)		(21,159)
Present value of lease liabilities		85,344		110,777		151,969		159,921

24 EMPLOYEE RETIREMENT BENEFITS

The Group operates and participates in a number of defined contribution and defined benefit plans.

(a) Defined benefit retirement plan

Defined Benefit Scheme

The Group is legally required to make severance pay to its employees in Italy in any case of termination.

Italian law provides that, on the date upon termination of employment for any reason, employers have to pay a termination indemnity ('Trattamento di fine Rapporto' or TFR) to all employees. The TFR is calculated based on annual salary (ordinary salary, excluding bonuses, travel allowance and one-off items) divided by 13.5 (which corresponds, at approximately 7.41%), revalued on the basis of 75% of the inflation rate plus a fixed rate of 1.5% on every December 31.

The legislation also provides for the possibility of employees requesting a partial withdrawal of TFR in advance when the employment relationship is still ongoing. The partial withdrawal can be requested by employees with at least 8 years of employment. Eligible employees can request an advance for an amount of up to 70% of TFR. The advance can be obtained only once during the employment relationship.

The independent actuarial valuations of the TFR at 31 December 2017, 2018 and 2019 and 31 March 2020 were prepared by independent professionally qualified actuaries at Olivieri Associati, who is a registered actuarial specialist in Italy, using the projected unit credit method.

The scheme exposes the Group to actuarial risks, such as interest rate risk and longevity risk.

(i) The amounts recognised in the consolidated statements of financial position are as follows:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Present value of wholly or partly funded obligations	4,226	4,651	7,395	6,276

A portion of the above liabilities is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amount payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay approximately $56,000 in contributions to defined benefit retirement plans in the remaining period of 2020.

(ii) Movements in the present value of the defined benefit obligations:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
At the beginning of the year/period	2,551	4,226	4,651	7,395
Remeasurements:				
– Actuarial losses/(gains) arising from changes in demographic assumptions	–	13	(3)	–
– Actuarial losses/(gains) arising from changes in financial assumptions	167	130	806	(1,081)
– Other actuarial losses	318	282	808	46
Exchange adjustment	417	(177)	(126)	(128)
	3,453	4,474	6,136	6,232
Benefits paid by the scheme	(132)	(907)	(309)	(290)
Current service costs	911	1,094	1,576	339
Interest cost	(6)	(10)	(8)	(5)
At the end of the year/period	4,226	4,651	7,395	6,276

The weighted average duration of the defined benefit obligations is 26.4 years, 28.2 years, 28.4 years and 27.3 years at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively.

(iii) Amounts recognised in the consolidated statements of profit or loss and other comprehensive income is as follows:

	Years ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Current service cost	911	1,094	1,576	399	339
Net interest on defined benefit obligations	(6)	(10)	(8)	(2)	(5)
Total amounts recognised in profit or loss	905	1,084	1,568	397	334
Actuarial losses/(gains) and total amounts recognised in other comprehensive income	485	425	1,611	211	(1,035)
Total defined benefit costs/(gains)	1,390	1,509	3,179	608	(701)

The current service cost and net interest on defined benefit obligations are recognised in "administrative and other operating expenses" in the consolidated statements of profit or loss.

(iv) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
Discount rate	3.22%	3.56%	1.94%	2.59%

The below analysis shows how the defined benefit obligations would have increased or decreased as a result of 0.5% change in the significant actuarial assumption:

	Discount rate increase by 0.5%				Discount rate decrease by 0.5%			
	At 31 December			At 31 March	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**	**2017**	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
(Decrease)/increase in defined benefit obligations	(3,847)	(4,175)	(6,636)	(5,695)	4,660	5,199	8,272	6,941

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plans

(i) The Group operates a Mandatory Provident Fund scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by an independent corporate trustee. Under the MPF scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000. Contributions to the MPF scheme vest immediately.

(ii) Pursuant to the relevant labour rules and regulations in the PRC, employees of the subsidiaries in the PRC are members of the central pension scheme operated by the PRC municipal government authorities. The Group is required to contribute a certain percentage of employees' remuneration to the central pension scheme to fund the benefits. The only obligation for the Group with respect to the central pension scheme is the associated contribution under the central pension scheme. Contributions to the scheme vest immediately.

(iii) In Taiwan, the Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

25 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Provision for Hong Kong Profits Tax for the year/period	3,864	3,850	3,612	526
Balance of Hong Kong Profits Tax Provision relating to prior years	–	3,864	5,672	158
	3,864	7,714	9,284	684
Taxation outside Hong Kong – corporate income tax	3,352	6,936	5,842	8,349
	7,216	14,650	15,126	9,033

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Differences between depreciation allowances and related depreciation of property, plant and equipment *$'000*	Depreciation charge of right-of-use assets *$'000*	Undistributed profits of subsidiaries outside Hong Kong *$'000*	Defined benefit obligations *$'000*	Credit loss allowance *$'000*	Total *$'000*
Deferred tax arising from:						
At 1 January 2017	8	249	(2,347)	(10)	–	(2,100)
Exchange adjustments	–	–	(268)	–	–	(268)
Credited/(charged) to profit or loss	49	244	(733)	–	–	(440)
Credited to reserves	–	–	–	135	–	135
At 31 December 2017	57	493	(3,348)	125	–	(2,673)
At 1 January 2018	57	493	(3,348)	125	–	(2,673)
Exchange adjustments	–	–	118	(1)	–	117
Credited/(charged) to profit or loss	63	78	(233)	–	–	(92)
Credited to reserves	–	–	–	119	–	119
At 31 December 2018	120	571	(3,463)	243	–	(2,529)
At 1 January 2019	120	571	(3,463)	243	–	(2,529)
Exchange adjustments	(2)	–	2	(2)	–	(2)
Credited/(charged) to profit or loss	115	12	(249)	–	–	(122)
Credited to reserves	–	–	–	475	–	475
At 31 December 2019	233	583	(3,710)	716	–	(2,178)
At 1 January 2020	233	583	(3,710)	716	–	(2,178)
Exchange adjustments	(7)	–	60	(12)	–	41
Credited/(charged) to profit or loss	28	(8)	(1,148)	–	294	(834)
Credited to reserves	–	–	–	(300)	–	(300)
At 31 March 2020	254	575	(4,798)	404	294	(3,271)

(ii) Reconciliation to the consolidated statements of financial position

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Deferred tax assets	675	934	1,532	1,527
Deferred tax liabilities	3,348	3,463	3,710	4,798

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses and other temporary differences of $2,681,000, $4,739,000, $6,657,000 and $6,898,000 at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively, as it is not probable that future taxable profits against which the losses and other temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2017, 2018 and 2019 and 31 March 2020, deferred tax liabilities of $619,000, $1,443,000, $2,253,000 and $2,246,000 have not been recognised in respect of the withholding tax that would be payable on the distribution of retained profits of certain subsidiaries as the Company controls the dividend policy of these subsidiaries and the Company determined that it is probable that these profits will not be distributed in the foreseeable future.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

During the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 (unaudited) and 2020, the Group's subsidiaries declared dividends of $7,406,000, $7,905,000, $5,883,000, $Nil and $380,000 respectively to non-controlling interests. No dividend has been declared or paid by the Company to its equity shareholders during the Relevant Periods.

The Company did not declare or pay any dividends to the equity shareholders of the Company during the Relevant Periods. On 11 September 2020, the Company declared a dividend of HK$85,344,000 and the payment of such dividend, primarily by way of setting off with amounts due from a director and Cargo Services Group, had been made on the same date.

(b) Share capital

Authorised and issued share capital of the Company

	At 31 December						At 31 March	
	2017		2018		2019		2020	
	No of shares	*Amount $'000*	*No of shares*	*Amount $'000*	*No of shares*	*Amount $'000*	*No of shares*	*Amount $'000*
Authorised:								
Ordinary shares of (31 December 2017 and 2018: US$1 each 31 December 2019 and 31 March 2020: US$0.001 each)	50,000	390	50,000	390	500,000,000	3,900	500,000,000	3,900
Ordinary shares, issued and fully paid:								
At the beginning of the year/period	–	–	50,000	390	50,000	390	100,000,000	780
Issue of shares upon incorporation	50,000	390	–	–	–	–	–	–
Share subdivision	–	–	–	–	49,950,000	–	–	–
Capitalisation issue of shares	–	–	–	–	38,000,000	296	–	–
Issue of shares for acquisition of non-controlling interests	–	–	–	–	12,000,000	94	–	–
Issue of shares	–	–	–	–	–	–	4,705,884	37
At the end of the year/period	50,000	390	50,000	390	100,000,000	780	104,705,884	817

The share capital of the Group refers to the share capital of the Company and the share capitals of the companies now comprising the Group before they were transferred to the Company.

The Company was incorporated on 19 December 2017. The authorised share capital was US$50,000 (equivalent to HK$390,000) divided into 50,000 shares with par value of US$1.0 (equivalent to HK$7.8) each. 50,000 shares were issued to provide the initial capital of the Company upon incorporation of the Company.

On 16 December 2019, the authorised share capital of the Company was sub-divided from US$50,000 divided into 50,000 shares with par value of US$1 each to US$50,000 divided into 50,000,000 shares having par value of US$0.001 each. On the same date, the authorised share capital of the Company was increased from US$50,000 (equivalent to HK$390,000) to US$500,000 (equivalent to HK$3,900,000) divided into 500,000,000 Shares with par value of US$0.001 each.

On 31 December 2019, the Company capitalised US$38,000 standing to the credit of the share premium of the Company by applying that sum in paying up in full at par 38,000,000 shares for allotment and issue to the immediate holding company. On the same date, the Company acquired 18.95% shareholdings of a subsidiary from non-controlling interest by allotment of 12,000,000 shares to the non-controlling interest with a fair value of HK$5.13 per share as consideration, the excess of the issue price over the par value of the shares were credited to the share premium of the Company.

On 2 March 2020, the Company issued 4,705,884 shares for cash consideration of $20,000,000. The par value was credited to the Company's share capital, while the excess of the proceeds over the par value was credited to the Company's share premium.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (2009 Revision) of the Cayman Islands, the share premium of the Company is available for distributions or paying dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the payment of distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The share premium is attributable to the acquisition of non-controlling interest and capitalisation issue of the Company during the year ended 31 December 2019 and issue of Company's share during the three months ended 31 March 2020 (see note 26(b)).

(ii) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary Shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(iii) Reserve fund

The Articles of Association of certain PRC subsidiaries require the appropriation of 10% of their profit after tax each year, based on their statutory audited financial statements, to the reserve fund until the balance reaches 50% of the registered capital of the respective PRC subsidiaries. The reserve fund may be capitalised as the paid-in capital of these subsidiaries.

In accordance with the local laws in Taiwan, Taiwan subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as reserve fund until such reserve reaches 100% of those subsidiaries' share capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(v) Net parent investment

The net parent investment represents the interest in net assets of Principal Businesses which were held by an entity under common control outside the Group through the dates presented, inclusive of cumulative operating results. In addition, the transactions between the Group and the entity under common control outside the Group for the operation and the transfer of net assets of Principal Businesses during the Relevant Periods were reflected as deemed contribution from/distribution to the Parent Company within equity in the Historical Financial Information.

The deemed contribution from Parent Company for the year ended 31 December 2017 mainly arose from net increase in working capital of the Principal Businesses operated by an entity outside the Group during the year.

The deemed contribution from Parent Company for the year ended 31 December 2018 mainly arose from the inclusion of certain fixed assets of customised distribution center in Shanghai which are clearly or specifically attributable to the Principal Businesses before the Reorganisation.

The deemed distribution to Parent Company for the year ended 31 December 2019 mainly represented the discharge of working capital of the Principal Businesses operated by the entity outside of the Group when the Group has legally taken up the operations of all Principal Businesses as part of the Reorganisation.

The deemed distribution to Parent Company for the three months ended 31 March 2020 mainly represented the consideration paid for the fixed assets of customised distribution center in Shanghai as part of the Reorganisation.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with sound credit ratings, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is not significantly influenced by the individual characteristics of each customer as the Group does not have significant exposure to individual customers. As at 31 December 2017, 2018 and 2019 and 31 March 2020, 3%, 4%, 5% and 8% of the total trade receivables were due from the Group's largest customer and 15%, 15%, 19% and 25% of the total trade receivables were due from the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30–60 days from the date of billing.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	At 31 December 2017		
	Expected loss rate	Gross carrying amount *$'000*	Loss allowance *$'000*
Current (not past due)	–*	209,518	–
1 to 30 days past due	–*	65,846	–
31 to 60 days past due	–*	11,960	–
More than 60 days past due	4.95%	7,711	382
		295,035	382

	At 31 December 2018		
	Expected loss rate	Gross carrying amount *$'000*	Loss allowance *$'000*
Current (not past due)	–*	174,473	–
1 to 30 days past due	–*	46,116	–
31 to 60 days past due	–*	13,858	–
More than 60 days past due	4.65%	7,501	349
		241,948	349

	At 31 December 2019		
	Expected loss rate	Gross carrying amount *$'000*	Loss allowance *$'000*
Current (not past due)	–*	162,109	–
1 to 30 days past due	–*	59,576	–
31 to 60 days past due	–*	18,217	–
More than 60 days past due	1.60%	10,904	174
		250,806	174

	At 31 March 2020		
	Expected loss rate	Gross carrying amount *$'000*	Loss allowance *$'000*
Current (not past due)	0.44%	159,987	702
1 to 30 days past due	0.44%	55,001	242
31 to 60 days past due	0.44%	23,396	103
More than 60 days past due	2.28%	32,613	742
		270,997	1,789

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the debtors.

* The Group has assessed the expected credit loss rate for the trade receivables in these categories. However, in view of the overall low historical default rates and immaterial forward-looking adjustment, the expected credit losses for these categories of account receivables are insignificant that they are rounded down to nil in thousand dollars scale.

Movements in the loss allowance account in respect of trade receivables: during the Relevant Periods are as follows:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Balance at the beginning of the year	85	382	349	174
Impairment losses recognised during the year/period	297	75	21	1,615
Reversal of impairment losses during the year/period	–	(108)	(196)	–
Balance at the end of the year	382	349	174	1,789

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each of the reporting period) and the earliest date the Group can be required to pay.

	At 31 December 2017					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at the end of the year
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other payables	252,022	–	–	–	252,022	252,022
Amount due to a director of a subsidiary	2	–	–	–	2	2
Amounts due to Cargo Services Group	122,571	–	–	–	122,571	122,571
Amounts due to Allport Group	3,182	–	–	–	3,182	3,182
Amounts due to associates	64	–	–	–	64	64
Bank loans and overdrafts	48,182	3,914	–	–	52,096	51,290
Leases liabilities	58,626	26,788	7,273	–	92,687	85,344
	484,649	30,702	7,273	–	522,624	514,475

	At 31 December 2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at the end of the year
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other payables	222,739	–	–	–	222,739	222,739
Amounts due to Cargo Services Group	80,773	–	–	–	80,773	80,773
Amounts due to Allport Group	6,811	–	–	–	6,811	6,811
Amounts due to associates	35	–	–	–	35	35
Bank loans and overdrafts	78,983	–	3,133	–	82,116	79,305
Lease liabilities	47,219	19,969	23,936	32,404	123,528	110,777
	436,560	19,969	27,069	32,404	516,002	500,440

	At 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at the end of the year**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other payables	203,915	–	–	–	203,915	203,915
Amounts due to Cargo Services Group	107,227	–	–	–	107,227	107,227
Amounts due to Allport Group	3,601	–	–	–	3,601	3,601
Amounts due to associates	2,284	–	–	–	2,284	2,284
Bank loans and overdrafts	87,179	–	3,410	–	90,589	87,255
Lease liabilities	65,350	33,819	46,018	27,777	172,964	151,969
	469,556	33,819	49,428	27,777	580,580	556,251

	At 31 March 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at the end of the period**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other payables	216,775	–	–	–	216,775	216,775
Amounts due to Cargo Services Group	121,509	–	–	–	121,509	121,509
Amounts due to Allport Group	2,243	–	–	–	2,243	2,243
Amounts due to associates	5,216	–	–	–	5,216	5,216
Bank loans and overdrafts	129,121	3,356	–	–	132,477	130,472
Leases liabilities	71,237	35,334	48,145	26,364	181,080	159,921
	546,101	38,690	48,145	26,364	659,300	636,136

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of each of the reporting period.

	At 31 December 2017		At 31 December 2018		At 31 December 2019		At 31 March 2020	
	Effective interest rate *%*	*$'000*	*Effective interest rate* *%*	*$'000*	*Effective interest rate* *%*	*$'000*	*Effective interest rate* *%*	*$'000*
Fixed rate borrowings:								
Lease liabilities	3.67	85,344	4.90	110,777	4.83	151,969	4.69	159,921
Amounts due to Cargo Services Group	5.00	35,931	5.03	38,587	5.10	38,748	5.00	38,764
		121,275		149,364		190,717		198,685
Variable rate borrowings:								
Bank overdrafts	0.24	820	0.09	1,128	0.42	1,317	0.11	5,103
Bank loans	6.62	50,470	5.00	78,177	4.63	85,938	4.77	125,369
		51,290		79,305		87,255		130,472
Total borrowings		172,565		228,669		277,972		329,157

(ii) Sensitivity analysis

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instrument, a change in interest rate at the end of each reporting period would not affect the profit or loss.

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each of the reporting period, the impact on the Group's profit before tax is estimated as an annualised impact/the impact for the whole period on interest expense or income of such a change in interest rates. At 31 December 2017, 2018 and 2019 and 31 March 2020, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax by approximately $256,000, $397,000, $436,000 and $163,000 respectively.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

	Exposure to foreign currencies as at 31 December 2017 (expressed in Hong Kong dollars)									
	AUD	*CHF*	*EUR*	*GBP*	*JPY*	*RMB*	*TWD*	*HKD*	*USD*	*KRW*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other receivables	–	179	8,047	1,941	818	6,243	–	15	25,375	9
Amount due from a director	–	–	–	–	–	–	–	10,500	–	–
Amounts due from Cargo Services Group	–	150	–	–	62	7	–	150,143	8,298	–
Amounts due from Allport Group	–	–	–	–	–	361	–	–	25,583	–
Cash and cash equivalents	1	19	405	192	141	10	–	2	31,693	–
Trade and other payables	(1,367)	(802)	(9,521)	(4,133)	(942)	(8,566)	–	(939)	(6,151)	(738)
Amounts due to Cargo Services Group	(176)	–	(3,492)	(82)	–	(8,010)	–	(23,570)	(7,171)	–
Amounts due to associates	–	–	–	–	–	–	–	–	(15)	–
Amounts due to Allport Group	–	–	(55)	(4,808)	–	–	–	–	(2,998)	–
Net exposure arising from recognised assets and liabilities	(1,542)	(454)	(4,616)	(6,890)	79	(9,955)	–	136,151	74,614	(729)

	Exposure to foreign currencies as at 31 December 2018 (expressed in Hong Kong dollars)									
	AUD	*CHF*	*EUR*	*GBP*	*JPY*	*RMB*	*TWD*	*HKD*	*USD*	*KRW*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other receivables	–	197	7,010	1,259	885	11,530	30	27	14,788	–
Amounts due from a director	–	–	–	–	–	–	–	11,516	–	–
Amounts due from Cargo Services Group	–	–	11	–	12	20,534	–	147,181	48,527	–
Amounts due from Allport Group	–	–	–	5	–	2,809	–	–	41,552	–
Cash and cash equivalents	1	19	4,404	1,142	1,316	27	–	–	11,955	–
Trade and other payables	(1,230)	(550)	(7,734)	(3,817)	(821)	(6,490)	–	(335)	(4,537)	–
Amounts due to Cargo Services Group	(377)	(2,435)	(11,349)	(669)	(2,571)	(7,696)	–	(24,025)	(10,250)	–
Amounts due to Allport Group	–	–	(72)	(263)	–	–	–	–	(6,530)	–
Amounts due to associates	–	–	–	–	–	–	–	–	(30)	–
Net exposure arising from recognised assets and liabilities	(1,606)	(2,769)	(7,730)	(2,343)	(1,179)	20,714	30	134,364	95,475	–

Exposure to foreign currencies as at 31 December 2019 (expressed in Hong Kong dollars)

	AUD	*CHF*	*EUR*	*GBP*	*JPY*	*RMB*	*TWD*	*HKD*	*USD*	*KRW*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other receivables	–	84	5,614	1,336	714	12,741	116	109	11,021	–
Amount due from a director	–	–	–	–	–	–	–	–	–	–
Amounts due from Cargo Services Group	–	8	42	–	84	6,639	–	141,339	9,730	–
Amounts due from Allport Group	–	–	–	–	–	34	–	–	9,735	–
Cash and cash equivalents	5	29	1,252	1,000	134	64	1	789	13,582	–
Trade and other payables	(1,185)	(401)	(5,768)	(1,296)	(872)	(69)	–	(77)	(5,769)	–
Amounts due to Cargo Services Group	(243)	–	(6,186)	(256)	(4)	(237)	–	(28,497)	(10,454)	–
Amounts due to Allport Group	–	–	(507)	(392)	–	–	–	–	(2,321)	–
Amounts due to associates	–	–	–	–	–	–	–	–	(2,321)	–
Net exposure arising from recognised assets and liabilities	(1,423)	(280)	(5,553)	392	56	19,172	117	113,663	23,203	–

Exposure to foreign currencies as at 31 March 2020 (expressed in Hong Kong dollars)

	AUD	*CHF*	*EUR*	*GBP*	*JPY*	*RMB*	*TWD*	*HKD*	*USD*	*KRW*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other receivables	–	52	4,752	781	636	6,970	–	220	24,439	–
Amounts due from a director	–	–	–	–	–	–	–	–	–	–
Amounts due from Cargo Services Group	3	–	–	–	–	5,332	–	140,295	9,109	–
Amounts due from Allport Group	–	–	–	–	–	288	–	–	9,404	–
Amounts due from Associates	–	–	–	–	–	–	–	–	92	–
Cash and cash equivalents	5	75	2,349	2,842	68	509	–	193	10,874	–
Trade and other payables	(1,069)	(259)	(4,886)	(883)	(797)	(65)	–	(41)	(11,046)	–
Amounts due to Cargo Services Group	(39)	(442)	(4,841)	–	(386)	(42)	–	(28,842)	(12,934)	–
Amounts due to Allport Group	–	–	(71)	(271)	–	–	–	–	(2,061)	–
Amounts due to associates	–	–	–	–	–	(1)	–	–	(5,255)	–
Net exposure arising from recognised assets and liabilities	(1,100)	(574)	(2,697)	2,469	(479)	12,991	–	111,825	22,622	–

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit before taxation that would arise if foreign exchange rates to which the entity has significant exposure at the end of each of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	At 31 December						At 31 March	
	2017		2018		2019		2020	
	Increase in foreign exchange rates	Increase/ (decrease) on profit before taxation *$'000*	Increase in foreign exchange rates	Increase/ (decrease) on profit before taxation *$'000*	Increase in foreign exchange rates	Increase/ (decrease) on profit before taxation *$'000*	Increase in foreign exchange rates	Increase/ (decrease) on profit before taxation *$'000*
AUD	5%	(77)	5%	(80)	5%	(72)	5%	(55)
CHF	5%	(23)	5%	(138)	5%	(14)	5%	(29)
EUR	5%	(231)	5%	(387)	5%	(278)	5%	(139)
GBP	5%	(345)	5%	(117)	5%	20	5%	123
JPY	5%	4	5%	(59)	5%	3	5%	(24)
RMB	5%	(498)	5%	1,036	5%	959	5%	650
TWD	5%	–	5%	2	5%	6	5%	–
HKD	5%	(91)	5%	(84)	5%	(4)	5%	19
USD	5%	914	5%	485	5%	334	5%	260
KRW	5%	(36)	5%	–	5%	–	5%	–

The effect on profit before taxation by decreasing the foreign exchange rates by 5% is in the same magnitude yet opposite direction with above table.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit before tax in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of each of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(e) Fair values

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	**Level 2**	**Level 3**
	$'000	*$'000*	*$'000*	*$'000*
Recurring fair value measurement				
Unlisted equity securities	403	–	–	403

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	**Level 2**	**Level 3**
	$'000	*$'000*	*$'000*	*$'000*
Recurring fair value measurement				
Unlisted equity securities	403	–	–	403

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	**Level 2**	**Level 3**
	$'000	*$'000*	*$'000*	*$'000*
Recurring fair value measurement				
Unlisted equity securities	403	–	–	403

	Fair value at 31 March 2020	Fair value measurements as at 31 March 2020 categorised into		
		Level 1	**Level 2**	**Level 3**
	$'000	*$'000*	*$'000*	*$'000*
Recurring fair value measurement				
Unlisted equity securities	403	–	–	403

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each of the reporting period in which they occur.

The fair values of the unlisted equity securities are estimated as being the present values of future cash flows, discounted at interest rates based on the government yield curve as at each of the end of the reporting period plus an adequate constant credit spread, adjusted for the Group's own credit risk.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2017, 2018 and 2019 and 31 March 2020.

28 MATERIAL RELATED PARTY TRANSACTIONS

The following individuals and companies are significant related parties of the Group that had transactions and/or balances with the Group during the Relevant Periods.

Name of Party	Relationship
Cargo Services Group	Cargo Services Group consists of Cargo Services Group Limited, a company incorporated in Cayman Islands, CS Logistics Holdings Ltd., a company incorporated in British Virgin Islands, and their subsidiaries and associates (excluding Allport Group defined below and the Group). Cargo Services Group Limited, CS Logistics Holding Limited and the Group are members of the same group throughout the Relevant Periods.
Allport Group	Allport Group consists of EV Cargo Global Forwarding Limited ("EV Cargo") (formerly known as Allport Group Limited), a company incorporated in United Kingdom, and its subsidiaries and associates. EV Cargo was a subsidiary of Cargo Services Group until 3 October 2018. On 3 October 2018, Cargo Services Group disposed of its control in EV Cargo and it became an associate of Cargo Services Group. Starting from 9 December 2019, Cargo Services Group lost its significant influence on Allport Group. Allport Group is a non-controlling interest of a subsidiary of the Group throughout the Relevant Periods.
CN Logistics (Thailand) Co., Ltd	An associate of the Group
CS Logistics (Macau) Limited	An associate of the Group
CN Logistics Israel Limited	An associate of the Group
Prolinair	Non-controlling interest of a subsidiary
Hansaeng Express Co., Ltd	Non-controlling interest of a subsidiary
Blue Bird System	Non-controlling interest of a subsidiary
Mr. Lau Shek Yau John	Non-Executive director of the Company and ultimate controlling party of the Group
Mr. Ngan Tim Wing	Executive director of the Company
Yuval Perlman	A director of a subsidiary, namely CN Logistics USA Inc.
Empire Transportation Company Limited	A company wholly owned by Mr. Ngan Tim Ming, the brother of Mr. Ngan.
Transway Logistics Company Limited	A Company owned as to 50% by Ms. Ngan Yuk Chu, the sister of Mr. Ngan Tim Wing, and as to 50% by Mr. Li Man Chiu, the brother-in-law of Mr. Ngan.

In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, the Group entered into the following material transactions with its related parties during the Relevant Periods.

(a) Key management personnel remuneration

All members of key management personnel are the directors of the Company and their remuneration is disclosed in note 8.

(b) Balances with related parties

		Amounts owed to the Group by related parties				Amounts owed by the Group to related parties			
		At 31 December			At 31 March	At 31 December			At 31 March
	Notes	**2017**	**2018**	**2019**	**2020**	**2017**	**2018**	**2019**	**2020**
		$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Amounts due from Cargo Services Group	(i), (v), (x)	209,859	231,734	260,249	274,657	–	–	–	–
Amounts due from Allport Group	(iv), (v)	26,822	46,135	18,634	11,492	–	–	–	–
Amounts due from associates	(ii), (v), (x)	353	340	1,111	1,192	–	–	–	–
Amount due from a director	(iii), (v), (x)	10,500	11,516	11,500	11,500	–	–	–	–
Amount due to a director of a subsidiary	(vi)	–	–	–	–	2	–	–	–
Amounts due to Cargo Services Group	(vii), (x)	–	–	–	–	122,571	80,773	107,227	121,509
Amounts due to Allport Group	(iv)	–	–	–	–	3,182	6,811	3,601	2,243
Amounts due to associates	(iv)	–	–	–	–	64	35	2,284	5,216
Lease liabilities due to Cargo Services Group	(viii)	–	–	–	–	5,106	3,202	1,943	12,693

Notes:

(i) As at 31 December 2017, 2018 and 2019 and 31 March 2020, amounts due from Cargo Services Group included trade related balances of $4,744,000, $4,679,000, $16,624,000 and $49,171,000 respectively, which are unsecured, interest-free and due within 30–60 days from the date of billing.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, included in amounts due from Cargo Services Group are non-trade related amounts of $29,855,000, $33,013,000, $38,609,000 and $43,336,000, which bear interest at 5.0%, 5.0%, 5.1% and 5.0% per annum respectively, and are unsecured and recoverable on demand.

Apart from above, the remaining balances are non-trade related and are unsecured, interest-free and recoverable on demand.

(ii) As at 31 December 2019 and 31 March 2020, amounts due from associates included a trade-related balance of $175,000 and $95,000 respectively, which is unsecured, interest-free and due within 30–60 days from the date of billing. There were no trade-related balance as at 31 December 2017 and 2018. The remaining balances apart from aforementioned trade-related balances are non-trade related and are unsecured, interest-free and recoverable on demand.

(iii) These amounts are non-trade related, interest-free, unsecured and recoverable/repayable on demand.

(iv) These amounts are trade related balances, which are unsecured, interest-free and due within 30–60 days from the date of billing.

(v) No loss allowances have been made in respect of these balances as the credit risk is assessed to be insignificant according to the accounting policy 2(j)(i).

(vi) This amount represents prepaid corporate administrative expense by a director of a subsidiary.

(vii) As at 31 December 2017, 2018 and 2019 and 31 March 2020, amounts due to Cargo Services Group include trade related balances of $1,343,000, $4,039,000, $20,989,000 and $46,845,000 respectively, which are unsecured, interest-free and due within 30–60 days from the date of billing.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, included in amounts due to Cargo Services Group are non-trade related amounts of $35,931,000, $38,587,000, $38,748,000 and $38,764,000, which bear interest at 5.0%, 5.0%, 5.1% and 5.0% per annum respectively, and are unsecured and repayable on demand.

Apart from above, the remaining balances included in amounts due to Cargo Services Group are non-trade related, unsecured, interest-free and repayable on demand.

(viii) The Group entered into lease arrangements in respect of certain leasehold properties from Cargo Services Group for provision of distribution and logistics services. The related additions of right of use assets and lease liability during the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 were $7,201,000, $5,059,000, $6,185,000 and $12,329,000 respectively. The duration of the leases falls within the range of 2–4 years during the Relevant Periods. The rent payable for the year/period to Cargo Services Group were $7,156,000, $7,357,000, $7,462,000 and $1,864,000 respectively for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 respectively. The amount of rent payable by the Group under the lease arrangements were determined with reference to amounts charged by the Cargo Services Group to third parties.

(ix) The amounts due from/to subsidiaries of the Company are non-trade related, unsecured, interest-free and repayable on demand.

(x) The non-trade related balances of the amounts due from Cargo Services Group after offsetting the amounts due to Cargo Services Group, the non-trade related balances of the amounts due from associates and the balance of amount due from a director have been settled in full as of the date of this report.

(c) Transactions with related parties

	Years ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Cargo Services Group:					
– Freight forwarding services income received	47,041	50,510	65,796	11,378	47,053
– Freight forwarding services fee paid	(9,878)	(22,753)	(23,678)	(4,404)	(4,813)
– Management fee paid	(2,223)	(2,038)	(2,198)	(455)	(425)
– Interest expenses paid on amounts due to Cargo Services Group	(656)	(804)	(550)	(147)	(2)
– Interest expenses on lease liabilities	(350)	(445)	(354)	(197)	(65)
Allport Group:					
– Freight forwarding services income received	180,492	158,323	154,518	25,900	13,473
– Freight forwarding services fee paid	(26,232)	(23,216)	(20,462)	(4,125)	(3,850)
Associates:					
– Freight forwarding services income received	10	53	196	86	121
– Freight forwarding services fee paid	(305)	(421)	(6,004)	(180)	(10,032)
Non-controlling interests of subsidiaries:					
– Freight forwarding services income received	224	479	968	323	398
– Freight forwarding services fee paid	(7,022)	(2,801)	(1,830)	(331)	(742)
– Management fee paid	(297)	(2,676)	(3,094)	(472)	(437)
Empire Transportation Company Limited					
– Trucking service expenses	11,600	15,087	18,351	4,266	1,658
Transway Logistics Company Limited					
– Trucking service expenses	7,209	7,995	8,065	2,240	777

29 COMMITMENTS

Capital commitments outstanding not provided for were as follows:

	At 31 December			At 31 March
	2017	**2018**	**2019**	**2020**
	$'000	*$'000*	*$'000*	*$'000*
Contracted for	–	–	–	4,886

30 CONTINGENT LIABILITIES

As at 31 December 2017, 2018, 2019 and 31 March 2020, joint financial guarantees were given by certain subsidiaries of the Group together with certain entities controlled by Cargo Services Group to the bank for the Joint Facilities (see note 22).

As at the end of the Relevant Periods, the directors do not consider it probable that a claim will be made against the Group under the Joint Facilities. The maximum liability of the Group at the end of the Relevant Periods under the Joint Facilities is the amount of the facilities drawn down by the Group and certain entities controlled by Cargo Services Group.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations, which are not yet effective for the Relevant Periods and which have not been adopted in this Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined
HKFRS 17, *Insurance contracts*	1 January 2021
Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact to the Group.

32 SUBSEQUENT EVENTS AFTER THE RELEVANT PERIODS

(i) Impact of coronavirus disease 2019 (COVID-19)

Based on the best knowledge and belief of the directors and current information available, the outbreak of COVID-19 pandemic since January 2020 is affecting the Group's operation. However, the directors do not expect any material adverse impact on the Group's financial performance in the short-term. The long-term impact brought by the pandemic on our Group is still subject to further development of the outbreak of COVID-19 and government advice, bans, lockdowns and/or restrictions, in particular the outbreak in Europe. Accordingly, the directors consider it is too early to gauge whether there will be a long term or permanent impact of any significance on our operations at this stage. The directors will continue to assess the impact of the COVID-19 on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the pandemic.

(ii) Dividends

On 11 September 2020, the Company declared a dividend of HK$85,344,000 and the payment of such dividend, primarily by way of setting off with amounts due from a director and Cargo Services Group, had been made on the same date.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 March 2020.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 31 March 2020 as if it had taken place on 31 March 2020.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 March 2020 or at any future dates.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 31 March 2020	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to equity shareholders of the Company**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to equity shareholders of the Company per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an Offer Price of HK$2.45 per share	231,712	102,491	334,203	1.34
Based on an Offer Price of HK$2.85 per share	231,712	123,969	355,681	1.42

Notes:

1. The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 31 March 2020 is based on the consolidated total equity attributable to equity shareholders of the Company of HK$254,761,000 as at 31 March 2020, as extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, after adjustment for deduction of intangible assets of HK$167,000 and goodwill of HK$22,882,000.

2. The estimated net proceeds from the Global Offering are based on the estimated offer prices of HK$2.45 per Share (being the minimum Offer Price) and HK$2.85 per Share (being the maximum Offer Price), after deduction of the estimated underwriting fees and related listing expenses payable by the Group (excluding listing expenses of approximately HK$18,788,000 that were charged to profit or loss up to 31 March 2020), and 53,700,000 Shares expected to be issued under the Global Offering. The calculation of such estimated net proceeds does not take into account of any share issued upon the exercise of the Over-allotment Options, any shares issued upon the exercise of the options granted under the Share Option Scheme and any shares issued and repurchased pursuant to the general mandates granted to the Directors referred to in the sections to in the sections headed "Share Capital – General Mandate to Issue Shares" or "Share Capital – General Mandate to Repurchase Shares" in this prospectus.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 250,000,000 Shares are in issue (being the number of Shares expected to be in issue immediately after completion of the Global Offering), assuming that the Global Offering had been completed as of 31 March 2020, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, any shares issued upon the exercise of the options granted under the Share Option Scheme and any shares issued and repurchased pursuant to the general mandates granted to the Directors referred to in the sections to in the sections headed "Share Capital – General Mandate to Issue Shares" or "Share Capital – General Mandate to Repurchase Shares" in this prospectus.

4. The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share has not taken into account the dividend to equity shareholders of the Company of HK$85,344,000, which was declared and paid subsequent to 31 March 2020 and before the listing of the Company. Had the dividends been taken into account, the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share would become HK$1.00 and HK$1.08 based on the estimated offer prices of HK$2.45 per Share and HK$2.85 per Share, respectively.

5. No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2020.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CN LOGISTICS INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of CN Logistics International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 March 2020 and related notes as set out in Part A of Appendix II to the prospectus dated 30 September 2020 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 31 March 2020, as if the Global Offering had taken place at 31 March 2020. As part of this process, information about the Group's financial position as at 31 March 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related

Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 March 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
30 September 2020

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – B. Documents Available for Inspection" in Appendix V to this prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 17 September 2020. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

(aa) any contract or arrangement for the giving to the Director or his close associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;

(bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his close associate(s) has himself/themselves guaranteed or secured in whole or in part;

(cc) any contract or arrangement by a Director or his close associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his close associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

(dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

(ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his close associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, close associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his close associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;

(gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his close associate(s) may benefit; and

(hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his close associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) Qualification shares

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) Alterations of capital

The Company may from time to time by ordinary resolution:

(i) increase its share capital;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions – majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice has been duly given in accordance with paragraph 2(i) below for further details.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

At the annual general meeting in each year, the members shall appoint one or more firms of auditors to hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of the term of office and shall by ordinary resolution at that meeting appoint another auditor in its place for the remainder of his term. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reason(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" and "member" therein shall include "stock" and "stockholder".

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together representing not less than 95 per cent. of the total voting rights at the meeting of all the members.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

(i) in paying distributions or dividends to members;

(ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Companies Law; or

(iv) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands. The register of members shall contain particulars as required by Section 40 of the Companies Law. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times. A copy of the register of Directors must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Beneficial ownership register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(m) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

(n) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – B. Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 14 December 2017.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises a memorandum of association and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

(a) Changes in share capital

(i) As at the date of incorporation of our Company, the authorised share capital was US$50,000 divided into 50,000 Shares having a par value of US$1.0 each.

(ii) On 16 December 2019, the authorised share capital of our Company was subdivided from US$50,000 divided into 50,000 Shares having a par value of US$1 each to US$50,000 divided into 50,000,000 Shares having a par value of US$0.001 each. On the same day, the authorised share capital of our Company was increased from US$50,000 to US$500,000 divided into 500,000,000 Shares having a par value of US$0.001 by the creation of 450,000,000 new Shares.

(iii) The authorised share capital of our Company was increased from US$500,000 to US$50,000,000 by the creation of 49,500,000,000 new Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below and subject to the conditions contained therein.

(iv) Immediately following completion of the Global Offering and Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, our authorised share capital will be US$50,000,000 divided into 50,000,000,000 Shares, of which 250,000,000 Shares will be issued fully paid or credited as fully paid, and 49,750,000,000 Shares will remain unissued.

(v) Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Controlling Shareholders over us.

Save as disclosed herein and in the paragraphs headed "3. Resolutions of our Shareholders passed on 17 September 2020" and "4. Group reorganisation" in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions of our Shareholders passed on 17 September 2020

By resolutions of our Shareholders passed on 17 September 2020:

(a) we approved and adopted the amended and restated Articles of Association;

(b) we approved and adopted the amended and restated memorandum of association with effect upon the increase of the authorised share capital of our Company as set out in the resolution in paragraph (c)(i) below becoming effective;

(c) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and such listing and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (bb) the Offer Price having been duly determined; (cc) the execution and delivery of the Underwriting Agreements; and (dd) the obligations of the Underwriters under each of the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) thereunder by the Joint Global Coordinators, on behalf of the Underwriters) and not being terminated in accordance with the respective terms of the Underwriting Agreements or otherwise, in each case, on or before the day falling 30 days after the date of this prospectus:

(i) the authorised share capital of our Company was increased from US$500,000 to US$50,000,000 by the creation of a further 49,500,000,000 new Shares;

(ii) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "16. Share Option Scheme" of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iv) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise US$91,594.116 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 91,594,116 Shares for allotment and issue to the holders of Shares whose names appeared on the register of members of our Company at the close of business on 17 September 2020 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(v) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or pursuant to exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, or under the Global Offering or upon the exercise of the Over-allotment Option, an aggregate number of Shares not exceeding the sum of (aa) 20% of the aggregate number of Shares in issue immediately following completion of the Global Offering and Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of any options which may be granted under the Share Option Scheme, and (bb) the aggregate number of Shares which may be purchased by us pursuant to the authority granted to our Directors as referred to in subparagraph (vi) below, until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(vi) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed or recognised by the SFC and the Stock Exchange for this purpose with an aggregate number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of any options which may be granted under the Share Option Scheme until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(vii) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (vi) above; and

(d) the form and substance of each of the service agreements made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our non-executive Director and independent non-executive Directors with our Company were approved.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the paragraph headed "History, Reorganisation and Corporate Structure – The Reorganisation" in this prospectus.

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus. The following alterations in the share capital of each of our Company's subsidiaries took place within the two years immediately preceding the date of this prospectus:

(a) CN Siyan was established on 18 January 2019 as a wholly foreign owned enterprise under the laws of the PRC, with an initial registered capital of RMB1 million.

(b) CN France HK was incorporated on 28 May 2019 in Hong Kong as a limited liability company. The issued share capital of CN France HK, on incorporation, was HK$10,000 divided into 10,000 shares. Upon incorporation, CN HK and Wise Pointer Limited subscribed for 7,000 and 3,000 ordinary shares in CN France HK at HK$7,000 and HK$3,000 respectively.

(c) CN Airfreight was incorporated on 1 November 2019 in Hong Kong as a limited liability company. The issued share capital of CN Airfreight, on incorporation, was HK$1 divided into one share. Upon incorporation, CN Logistics HK subscribed for one ordinary share of CN Airfreight at HK$1.

(d) On 13 May 2020, the registered capital of CN Siyan increased from RMB1 million to RMB41.5 million. As of the Latest Practicable Date, approximately 83.1% of the registered capital of CN Siyan had been paid up.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Further information about our Group's PRC establishment

Our Group has interest in the registered capital of three companies established in the PRC. A summary of the corporate information as at the Latest Practicable Date of each of those companies is set out as follows:

(a) CN Jiada

(i) Name of the enterprise:	CN Jiada
(ii) Economic nature:	Wholly foreign owned enterprise
(iii) Registered owner:	CS Airfreight (100%)
(iv) Total investment:	US$1.64 million
(v) Registered capital:	US$1.22 million (the registered capital of CN Jiada had been fully paid up)
(vi) Attributable interest to our Group:	51%
(vii) Term of operation:	From 15 July 2005 to 14 July 2025
(viii) Scope of business:	To undertake international shipping agency services for import and export by sea and air freight, including: cargo pick-up, booking, storage, transit, containers assembling and unpacking, settlement of shipping and miscellaneous charges, customs declaration, inspection, related short-distance transportation services and consulting services; domestic transportation agency business. (Projects subject to approval according to law may only be operated after approval by relevant departments)

(b) CN Guangzhou

(i) Name of the enterprise:	CN Guangzhou
(ii) Economic nature:	Wholly foreign owned enterprise
(iii) Registered owner:	CN Logistics HK (100%)
(iv) Total investment:	RMB8 million
(v) Registered capital:	RMB8 million (the registered capital of CN Guangzhou had been fully paid up)
(vi) Attributable interest to our Group:	95%
(vii) Term of operation:	From 26 November 2007 to 26 November 2027
(viii) Scope of business:	Containers handling (includes loading and unloading) and transportation agency (specific businesses are road freight forwarding agency; international freight forwarding agency. For foreign-invested enterprises that involve in national regulations on the implementation of special management measures, the scope of operations is subject to approval by the approving authority; for foreign-invested enterprises that do not involve in national regulations on the implementation of special management measures, the business scope is subject to the filing of record to commercial departments; for projects subject to approval according to law, business may only be operated after approval by relevant departments)

(c) CN Siyan

(i) Name of the enterprise:	CN Siyan
(ii) Economic nature:	Wholly foreign owned enterprise
(iii) Registered owner:	CN Logistics HK (100%)
(iv) Total investment:	RMB41.5 million
(v) Registered capital:	RMB41.5 million (approximately 83.1% of the registered capital of CN Siyan had been paid up)
(vi) Attributable interest to our Group:	95%
(vii) Term of operation:	From 18 January 2019 to 17 January 2049
(viii) Scope of business:	Licensed items: food business; liquor business. (Projects subject to approval according to law may be operated after approval by relevant departments, and the specific business projects shall be subject to the approval documents or licenses of relevant departments.) General items: Supply chain management services; edible agricultural products, chemicals and products (except hazardous chemicals and explosive substances for civil purpose), rubber products, plastic products, machinery and equipment, wholesale, import and export of textile materials and products, commission agency (except auctions) and related supporting services; warehousing services (except dangerous goods); business information consulting; computer software development; international cargo transportation agency; cargo collection, consignment, booking, storage, transit, assembling and unpacking container, settlement of miscellaneous charges and transportation consulting services. (Except for projects that need to be approved according to law, business activities can be independently operated with business license)

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on 17 September 2020, the Repurchase Mandate was given to our Directors authorising any repurchase by us of Shares on the Stock Exchange or any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the number of Shares in issue immediately following completion of the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, such mandate to expire at the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the Cayman Islands laws, any repurchases by us may be made out of our profits or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or, if so authorised by the Articles of Association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of us or from sums standing to the credit of our share premium account or, if authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/ or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders as a whole.

(d) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or our gearing levels which, in the opinion of our Directors, are from time to time appropriate for us.

(e) General

The exercise in full of the Repurchase Mandate, on the basis of 250,000,000 Shares in issue immediately after the Listing, would result in up to 25,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under Part 16 of the Companies Ordinance

Our Company has established our principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance at Unit B, 13th Floor, Park Sun Building, 97-107 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 6 May 2020. Mr. Tsang Chiu Ho, the company secretary of our Company, has been appointed as the agent of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

(1) a share purchase agreement dated 31 December 2019 entered into between (i) Mr. Ngan and Ms. Chen and (ii) our Company for the purchase by our Company from (a) Ms. Chen for her one share of CN MI; and (b) Mr. Ngan for his 17 shares of CN MI, in consideration of and in exchange for our Company allotting and issuing, credited as fully paid, of an aggregate of 12,000,000 Shares, as to 11,330,000 Shares to Mr. Ngan and 670,000 Shares to Ms. Chen, respectively;

(2) a debt conversion agreement dated 27 December 2019 entered into between CN US and CN HK for (i) the automatic conversion of certain advances owed by CN US to CN HK (the "**Loan**") in the aggregate amount of US$1,429,820.19 into existing shares of CN US' common stock owned by CN HK; and (ii) the repayment by CN US to CN HK the accrued and unpaid interest under the Loan of US$4,751.60;

(3) a securities purchase agreement dated 31 December 2019 entered into between (i) Cargo Services (Sea) Limited ("**Cargo Sea**"); (ii) CN HK; and (iii) CN US for the purchase by Cargo Sea from CN HK the 1,000 shares of CN US' common stock, representing the entire issued and outstanding shares of CN US, at the cash consideration of US$770,380;

(4) an asset transfer agreement dated 29 February 2020 entered into between Cargo Services (China) Limited* 嘉宏國際運輸代理有限公司 ("**CS China**") and CN Siyan for the transfer by CS China to CN Siyan of certain assets as specified in such asset transfer agreement, and the rights attached to such assets, at the cash consideration of RMB25,581,693.51;

(5) a subscription agreement dated 2 March 2020 entered into between Mr. Charles Lau, our Company, CS Logistics and Mr. Lau in relation to the subscription by Mr. Charles Lau for 1,176,471 Shares in cash at the subscription price of HK$5,000,000;

(6) a subscription agreement dated 2 March 2020 entered into between Mr. Wu, our Company, CS Logistics and Mr. Lau in relation to the subscription by Mr. Wu for 1,176,471 Shares in cash at the subscription price of HK$5,000,000;

(7) a subscription agreement dated 2 March 2020 entered into between Global Megain, our Company, CS Logistics and Mr. Lau in relation to the subscription by Global Megain for 1,176,471 Shares in cash at the subscription price of HK$5,000,000;

(8) a subscription agreement dated 2 March 2020 entered into between Yuantong Taiwan, our Company, CS Logistics and Mr. Lau in relation to the subscription by Yuantong Taiwan for 1,176,471 Shares in cash at the subscription price of HK$5,000,000;

(9) a deed of novation, assignment and set-off dated 11 September 2020 entered into among our Company, CN HK, CN BVI, CN Logistics HK, CN International, CS International, CS Airfreight, CS Shanghai BVI, CS Logistics and CS Far East, pursuant to which certain debts due among the parties thereto were novated and/or assigned among the parties, in consideration of the assignee(s) of the relevant debts and the debtor(s) novating the relevant payables paying to the relevant assignee(s) and novatee(s) of the relevant debts an amount equal to the debts so assigned/novated, and the settlement of debts owed among the relevant parties by way of set-off;

(10) a deed of indemnity dated 17 September 2020 executed by our Controlling Shareholders with and in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed "17. Estate Duty, Tax and Other Indemnity" of this appendix; and

(11) the Hong Kong Underwriting Agreement.

10. Material properties of our Group

As of the Latest Practicable Date, our Group had leased the following material properties, details of which are set out below:

	Address and description of location	Main usage	Approximate gross floor area	Restrictions on use	(1) Type of ownership (2) Term of lease	Details of encumbrances, liens, pledges and mortgages
	Hong Kong					
1.	Upper Ground Floor, Luen Fat No.3 Industrial Building, Nos. 123-129 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	19,000 sq.ft.	For general industrial and/or godown purposes	(1) Leased (2) 15 February 2020 to 14 December 2020 (both days inclusive)	N/A

	Address and description of location	Main usage	Approximate gross floor area	Restrictions on use	(1) Type of ownership (2) Term of lease	Details of encumbrances, liens, pledges and mortgages
2.	First Floor, Luen Fat No. 3 Industrial Building, Nos. 123–129 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	17,000 sq.ft.	For general industrial and/or godown purposes	(1) Leased (2) 1 May 2019 to 30 April 2021 (both days inclusive)	N/A
3.	Second Floor, Luen Fat No. 3 Industrial Building, Nos. 123–129 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	17,000 sq.ft.	For general industrial and/or godown purposes	(1) Leased (2) 1 April 2019 to 31 March 2021 (both days inclusive)	N/A
4.	Third Floor, Luen Fat No. 3 Industrial Building, Nos. 123–129 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	14,000 sq.ft.	For general industrial and/or godown purposes	(1) Leased (2) 1 May 2019 to 30 April 2021 (both days inclusive)	N/A
5.	(i) The watchmen room (including the W.C. thereof) on the entrance floor, (ii) the entire entrance floor (including the parking areas thereof), (iii) the entire under sub lower ground floor, (iv) the entire under lower ground floor, (v) the entire lower ground floor comprising workshops A and B, (vi) the entire ground floor comprising workshops A (including office) and B, (vii) the entire first floor comprising workshops A and B and (viii) the entire second floor comprising workshops A and B of the building (excluding the roof and the top roof of the building) known as Hensey Industrial Building, Nos. 433–441 Castle Peak Road, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	140,000 sq.ft.	For industrial and/or godown purposes	(1) Leased (2) 1 May 2019 to 30 April 2023 (both days inclusive)	N/A

	Address and description of location	Main usage	Approximate gross floor area	Restrictions on use	(1) Type of ownership (2) Term of lease	Details of encumbrances, liens, pledges and mortgages
6.	Units A, B and C on Second Floor, Building A, Mercantile Industrial & Warehouse Building, Nos.16/24 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	22,000 sq.ft.	For general industrial and/or godown purposes	(1) Leased (2) 1 January 2019 to 31 December 2021 (both days inclusive)	N/A
7.	Units A and B on Third Floor, Building A, Mercantile Industrial & Warehouse Building, Nos.16/24 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	16,000 sq.ft.	For general industrial and/or godown purposes	(1) Leased (2) 16 November 2018 to 15 November 2020 (both days inclusive)	N/A
8.	Units A and B on Fourth Floor, Building A, Mercantile Industrial & Warehouse Building, Nos.16/24 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	16,000 sq.ft.	For general industrial and/or godown purposes	(1) Leased (2) 1 September 2018 to 31 August 2021	N/A
9.	Unit C on Seventh Floor, (formerly known as B1 Building B), Mercantile Industrial & Warehouse Building, Nos. 16–24 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	8,200 sq.ft.	For general industrial and/or godown purposes	(1) Leased (2) 16 April 2020 to 15 April 2022 (both days inclusive)	N/A
10.	Unit C on Eighth Floor, (formerly known as B1 Building B), Mercantile Industrial & Warehouse Building, Nos. 16–24 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	8,200 sq.ft.	For general industrial and/or godown purposes	(1) Leased (2) 1 January 2019 to 31 December 2020 (both days inclusive)	N/A

	Address and description of location	Main usage	Approximate gross floor area	Restrictions on use	(1) Type of ownership (2) Term of lease	Details of encumbrances, liens, pledges and mortgages
11.	Unit A on Tenth Floor of Building A, Mercantile Industrial & Warehouse Building, Nos.16/24 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	8,700 sq.ft.	For general industrial and/or godown purposes	(1) Leased (2) 27 August 2019 to 26 August 2021	Mortgage in favour of a bank
12.	Third Floor, Lower Mezzanine of Third Floor and Upper Mezzanine of Third Floor of Block 1, Goodman Tuen Mun Distribution Centre, 3A Hung Cheung Road, Tuen Mun, New Territories, Hong Kong This property is located in an industrial area.	Warehouse	58,313 sq.ft.	For industrial or godown purposes	(1) Leased (2) 1 January 2019 to 31 December 2021 (both days inclusive) 1 January 2022 to 31 December 2024 (both days inclusive)	N/A
	PRC					
13.	1800 Wenchuan Road, Baoshan District, Shanghai, the PRC This property is located in an industrial area.	Warehouse	3,677.2 sq.m.	Land: For warehouse purpose	(1) Leased (2) 1 January 2019 to 31 December 2020	N/A
14.	Block 9 and 7, 2735 Fujin Road, Baoshan District, Shanghai, the PRC This property is located in an industrial area.	Warehouse	8,511.4 sq.m.	Land: For industrial and mining storage (industry) purpose Building: For warehouse purpose	(1) Leased (2) 1 January 2020 to 31 December 2022	Subject to pledge
	Italy					
15.	A warehouse located in the Municipality of Origgio, Italy at Via Saronnino snc, 21040 (VA), map section 9039, Sub 11, Car D/1 This property is located in a non-residential area.	Warehouse and offices	17,034 sq.m.	Only for non-residential use	(1) Finance lease (2) 1 November 2018 to 31 October 2030	N/A

Save as disclosed in the paragraph headed "Business – Properties" in this prospectus, there were no investigations, notices, pending litigation, breaches of law or title defects in relation to our above material properties.

11. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group had not registered any trademark which is material in relation to our Group's business.

As at the Latest Practicable Date, our Group has applied for registration of the following trademark which is material in relation to our Group's business:

Trademark	Class	Applicant	Place of application	Application number	Date of application
CN LOGISTICS INTERNATIONAL HOLDINGS LIMITED CN LOGISTICS INTERNATIONAL HOLDINGS LIMITED	39	Our Company	Hong Kong	305366494	21 August 2020

(b) Domain name

As of the Latest Practicable Date, our Group had registered the following domain name which is material in relation to our Group's business:

Domain name	Registered owner	Registration date	Expiry date
www.cnlogistics.com.hk	CS Airfreight	10 April 2007	12 April 2022

12. Related party transactions

Save as disclosed in the paragraph headed "Further information about our Directors and Shareholders – 13. Directors" in this appendix, in the sections headed "Continuing Connected Transactions" and "Relationship with our Controlling Shareholders" in this prospectus and in note 28 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material related party transactions.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SHAREHOLDERS

13. Directors

(a) Disclosure of interests of directors

(i) Mr. Ngan, Ms. Chen, and Mr. Lau are interested in the Reorganisation.

(ii) Save as disclosed in this paragraph and the paragraph headed "History, Reorganisation and Corporate Structure – The Reorganisation" and the sections headed "Continuing Connected Transactions" and "Relationship with our

Controlling Shareholders" in this prospectus, none of our Directors or their associates engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 17 September 2020 which may be terminated by either party by giving not less than three months' written notice. The term of service contract shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than three months' written notice to the other.

During the term of the service contract with our Company, in addition to his/her current remuneration, bonus, payment and/or allowance payable under his/her existing employment contracts with other member(s) of our Group each of these executive Directors is entitled to the basic annual salary of HK$300,000 (subject to an annual increment after 1 January 2021 at the discretion of our Directors of not more than 10% of the average annual salary for the 12 months immediately prior to such increase).

In addition, during the term of the service contract, each of the executive Directors is also entitled to a discretionary management bonus in such sum as the Board may in its absolute discretion determine provided that the aggregate maximum amount of bonuses payable to all the executive Directors for any financial year of our Company shall not exceed 10% of the audited consolidated net profit attributable to the Shareholders (after taxation and non-controlling interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of management bonus payable to him.

The current annual salaries of our executive Directors under their service contracts with our Company and their existing employment contracts with other member(s) of our Group (excluding any discretionary bonuses, performance related payments and/or allowance) are as set out below:

Name	**Annual salary** *(HK$)*
Mr. Ngan	557,748
Ms. Chen	452,532
Mr. Cheung	420,000

Non-executive Director and independent non-executive Directors

The non-executive Director and each of the independent non-executive Directors has been appointed for an initial term of three years commencing from 17 September 2020 which may be terminated by either party by giving not less than three months' written notice. The term of appointment shall be renewed and extended automatically for successive terms of two years upon expiry of the then current term until terminated by either party giving not less than three months' written notice to the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. The non-executive Director will not receive any remuneration for holding his office as a non-executive Director but will be reimbursed with out-of-pocket expenses in connection with the attendance of board meeting of our Company. Each of the independent non-executive Directors is entitled to a director's fee of HK$300,000 per annum with effect from the Listing Date. Save for directors' fees (as the case may be), none of the non-executive Director or the independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or independent non-executive Director, respectively.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of Directors

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of FY2017, FY2018, FY2019 and 3M2020 were approximately HK$5.9 million, HK$5.8 million, HK$8.1 million and HK$1.9 million, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 December 2020, are expected to be approximately HK$8.4 million.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for FY2017, FY2018, FY2019 and 3M2020 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the years/period ended FY2017, FY2018, FY2019 and 3M2020.

*(d) **Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations following the Global Offering***

Immediately following completion of the Global Offering and Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Name of Director/ Chief executive of our Company	Name of Group member/associated corporation	Capacity/ Nature of interest	Number and class of securities *(Note 1)*	Percentage of shareholding
Mr. Lau	Our Company	Interest of a controlled corporation *(Note 2)*	164,980,222 Shares (L)	66.0%
	CS Logistics	Interest of a controlled corporation *(Note 3)*	75 ordinary shares (L)	75%
	CS Seafreight	Interest of a controlled corporation *(Note 4)*	50,000 ordinary shares (L)	100%
	CS Holdings	Interest of a controlled corporation *(Note 5)*	20,000,000 ordinary shares (L) 2 preference shares (L)	100%
	CS Group	Interest of a controlled corporation *(Note 6)*	823,333 ordinary shares (L)	100%
	Hundred Honest Limited	Interest of a controlled corporation *(Note 7)*	1,000,000 ordinary shares (L)	20%
		Beneficial owner	4,000,000 ordinary shares (L)	80%
Mr. Ngan	Our Company	Beneficial owner	21,241,203 Shares (L)	8.5%

Name of Director/ Chief executive of our Company	Name of Group member/associated corporation	Capacity/ Nature of interest	Number and class of securities *(Note 1)*	Percentage of shareholding
Ms. Chen	Our Company	Beneficial owner	1,256,099 Shares (L)	0.5%
	CN France HK	Interest of a controlled corporation *(Note 8)*	3,000 ordinary shares (L)	30%
	CN France	Interest of a controlled corporation *(Note 9)*	6,400 ordinary shares (L)	16%
	CN BVI	Beneficial owner	1,000 ordinary shares (L)	2%
Mr. Cheung	CN BVI	Beneficial owner	1,500 ordinary shares (L)	3%

Notes:

1. The letter "L" denotes our Directors' long position in the shares of our Company or the relevant associated corporation.

2. The 164,980,222 Shares are held by CS Logistics. CS Logistics is owned as to 75.0% by CS Seafreight, which is in turn wholly-owned by CS Holdings. CS Holdings is wholly-owned by CS Group, which is in turn wholly-owned by Hundred Honest Limited. Hundred Honest Limited is owned as to 80.0% by Mr. Lau. By virtue of the SFO, CS Seafreight, CS Holdings, CS Group, Hundred Honest Limited and Mr. Lau are deemed to be interested in the Shares held by CS Logistics.

3. These shares are held by CS Seafreight. Please refer to Note 2 above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Logistics in which CS Seafreight is interested.

4. These shares are held by CS Holdings. Please refer to Note 2 above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Seafreight in which CS Holdings is interested.

5. These shares are held by CS Group. Please refer to Note 2 above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Holdings in which CS Group is interested.

6. These shares are held by Hundred Honest Limited. Please refer to Note 2 above in respect of the relationship between Mr. Lau and this associated corporation. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of CS Group in which Hundred Honest Limited is interested.

7. These shares are held by LLEA & Company Limited which is in turn owned as to 99.9% by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares of Hundred Honest Limited in which LLEA & Company Limited is interested.

8. The 3,000 shares in CN France HK are held by Wise Pointer Limited, which is wholly-owned by Ms. Chen. By virtue of the SFO, Ms. Chen is taken to be interested in the shares held by Wise Pointer Limited.

9. The 6,400 shares in CN France are held by Wise Pointer Limited, which is wholly-owned by Ms. Chen. By virtue of the SFO, Ms. Chen is taken to be interested in the shares held by Wise Pointer Limited.

10. Certain of the percentage shown in the chart are approximate figures.

14. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors, immediately following completion of the Global Offering and Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted, and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the paragraph headed "13. Directors – (d) Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations following the Global Offering" in this appendix, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

(i) Interests in our Company

Name of Shareholders	Capacity/ nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
CS Logistics	Beneficial Owner	164,980,222 Shares (L)	66.0%
CS Seafreight	Interest of a controlled corporation *(Note 2)*	164,980,222 Shares (L)	66.0%
CS Holdings	Interest of a controlled corporation *(Note 2)*	164,980,222 Shares (L)	66.0%
CS Group	Interest of a controlled corporation *(Note 2)*	164,980,222 Shares (L)	66.0%
Hundred Honest Limited	Interest of a controlled corporation *(Note 2)*	164,980,222 Shares (L)	66.0%
Ms. Ngan Au Kei Yee	Interest of spouse *(Note 3)*	21,241,203 Shares (L)	8.5%

Notes:

1. The letter "L" denotes the shareholder's long position in the Shares.

2. These 164,980,222 Shares are held by CS Logistics. CS Logistics is owned as to 75.0% by CS Seafreight, which is in turn wholly-owned by CS Holdings. CS Holdings is wholly-owned by CS Group, which is in turn wholly-owned by Hundred Honest Limited. Hundred Honest Limited is owned as to 80.0% by Mr. Lau. By virtue of the SFO, CS Seafreight, CS Holdings, CS Group, Hundred Honest Limited and Mr. Lau are deemed to be interested in the Shares held by CS Logistics.

3. Ms. Ngan Au Kei Yee is the spouse of Mr. Ngan. Under the SFO, Ms. Ngan Au Kei Yee is deemed to be interested in the same number of Shares in which Mr. Ngan is interested.

(ii) Interests in issued voting shares of other members of our Group

Name of members of our Group	Name of shareholder	Capacity/nature of interest	Number and class of securities/ percentage of corporate capital holding	Approximate percentage of shareholding/ corporate capital holding
CS Shanghai BVI	Princetonhall Limited *(Note 1)*	Beneficial owner	24,500 ordinary shares	49%
CN France HK	Wise Pointer Limited *(Note 2)*	Beneficial owner	3,000 ordinary shares	30%
Global Freight Forwarding	Ms. Yang Shu Yu (楊淑鈺)	Beneficial owner	420,000 ordinary shares	12%
CN France	Prolinair SAS	Beneficial owner	13,200 ordinary shares	33%
	Wise Pointer Limited *(Note 2)*	Beneficial owner	6,400 ordinary shares	16%
CN Japan	Kanematsu Logistics & Insurance Ltd.	Beneficial owner	19 ordinary shares	19%
CN Switzerland	Mr. Fabio Di Nello	Beneficial owner	20 ordinary shares	20%
	Ms. Augusta Morandin	Beneficial owner	20 ordinary shares	20%
CN Italy	Mr. Fabio Di Nello	Beneficial owner	15% of corporate capital holding	15%
	Ms. Augusta Morandin	Beneficial owner	15% of corporate capital holding	15%
CN Korea	Han Saeng Express Co., Ltd.	Beneficial owner	12,000 ordinary shares	40%

Notes:

1. Allport is the holding company (having such meaning as defined in the Listing Rules) of Princetonhall Limited.

2. Wise Pointer Limited is an investment holding company wholly-owned by Ms. Chen.

15. Disclaimers

Save as disclosed in this appendix and the sections headed "History, Reorganisation and Corporate Structure", "Continuing Connected Transactions", "Relationship with our Controlling Shareholders" and "Underwriting" in this prospectus:

(a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering and Capitalisation Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of us;

(b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in the paragraph 23 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in the paragraph 23 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of us; and

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 23 below:

   (i) is interested legally or beneficially in any securities of any member of us; or

   (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of us.

OTHER INFORMATION

16. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution passed by the then Shareholders on 17 September 2020:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, the Directors and other selected participants for their contributions to us. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of us so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("**Invested Entity**") in which any member of us holds an equity interest;

(bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of us or any Invested Entity;

(dd) any customer of any member of us or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of us or any Invested Entity;

(ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Invested Entity;

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of us;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of us to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of us.

(iii) Maximum number of the Shares

(aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by us must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.

(bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of us) to be granted under the Share Option Scheme and any other share option scheme of us must not in aggregate exceed 10% of the number of Shares in issue on the Listing Date, being 25,000,000 Shares ("**General Scheme Limit**").

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of us must not exceed 10% of the number of Shares in issue as at the date of approval of the refreshed limit and, for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of us) previously granted under the Share Option Scheme and any other share option scheme of us will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of us (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates

(aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

(bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders, within such time as may be specified in the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting (with such grantee, his associates and all core connected persons of our Company abstaining from voting in favour).

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reconstruction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of our results for any year, half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or us or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and us or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of us by reason of the cessation of its relations with us or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly-owned by eligible participants

If the grantee is a company wholly-owned by one or more eligible participants:

(aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number of Shares to which the Share Option Scheme or any option relates (insofar as it is/ they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (aa) any adjustments shall give a grantee the same proportion of the number of issued shares as that to which he was entitled prior to such alteration; (bb) the issue of Shares or other securities of us as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (cc) no alteration may be made to the extent that a Share would be issued at less than its nominal value; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant subparagraphs (iii)(cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the option period in respect of such option;

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and

(cc) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

(aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) Compliance with the Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

17. Estate duty, tax and other indemnity

The Controlling Shareholders (together, the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries stated therein) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing; and

(b) taxation, together with all reasonable costs (including all legal costs), fines, penalties, costs, charges, expenses or other liabilities which may be incurred by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any transaction or event entered into or occurring on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 March 2020;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 April 2020 and ended on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of any of the Indemnifiers, otherwise than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 April 2020; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 March 2020 or pursuant to any statement of intention made in this prospectus; or

(c) to the extent of any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 March 2020 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or

(d) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority in the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation or taxation claim after the date of the Deed of Indemnity with retrospective effect.

Under the Deed of Indemnity, each of the Indemnifiers has also jointly and severally undertaken to us that he/she/it will indemnify and at all times keep each of the members of our Group fully indemnified on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, fines, penalties and charges and of whatever nature suffered or incurred by any member of our Group directly or indirectly arising out of or in connection with the non-compliance or alleged non-compliance by any member of our Group with any applicable laws and regulations on or before the Listing Date.

Under the Deed of Indemnity, each of the Indemnifiers has also jointly and severally undertaken to us that he/she/it will indemnify and at all times keep each of the members of our Group fully indemnified on demand from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

18. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition of our Company.

19. Preliminary expenses

The preliminary expenses of our Company were approximately HK$19,800 and has been paid by our Company.

20. Promoter

(a) Our Company does not have any promoter.

(b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

21. Agency fees or commissions received

For details of the agency fees or commissions (including the discretionary incentive fees) to be received by the Underwriters, please refer to the paragraph headed "Underwriting – International Placing – Commissions, fees and expenses" in this prospectus.

22. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the Listing is HK$7.2 million.

23. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

CMBC International Capital Limited	Licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
KPMG	Certified Public Accountants; Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Qualified PRC lawyers
Hogan Lovells	Legal adviser as to International Sanctions laws
China Insights Industry Consultancy	Industry consultant

24. Consents of experts

Each of the experts as set out in paragraph 23 above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or legal memorandum and/or legal opinion and/or opinions and/or confirmations and/or summary thereof (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

25. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

26. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

27. Miscellaneous

(a) Save as disclosed in this appendix and in the sections headed "History, Reorganisation and Corporate Structure" and "Underwriting" in this prospectus:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2020 (being the date to which the latest audited consolidated financial statements of our Group were made up); and

(c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

28. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the paragraph headed "Statutory and General Information – Other Information – 24. Consents of experts" in Appendix IV to this prospectus; and

(c) copies of the material contracts referred to in the paragraph headed "Statutory and General Information – Further Information about the Business of our Group – 9. Summary of material contracts" in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40/F., Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for each of the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020;

(d) the report from KPMG on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the Companies Law;

(f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;

(g) the legal opinions prepared by our PRC Legal Advisers in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(h) the legal memorandum issued by Hogan Lovells, legal advisers to our Company as to International Sanctions law;

(i) the material contracts referred to in the paragraph headed "Statutory and General Information – Further Information about the Business of our Group – 9. Summary of material contracts" in Appendix IV to this prospectus;

(j) the service contracts and employment contracts referred to in the paragraph headed "Statutory and General Information – Further Information about our Directors and Shareholders – 13. Directors – (b) Particulars of Directors' service contracts" in Appendix IV to this prospectus;

(k) the rules of the Share Option Scheme;

(l) the written consents referred to in the paragraph headed "Statutory and General Information – Other Information – 24. Consents of experts" in Appendix IV to this prospectus; and

(m) the industry report prepared by CIC, the extracts of which is set out in the section headed "Industry Overview" in this prospectus.

CN Logistics International Holdings Limited
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