C&N Holdings Limited
春能控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8430)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of C&N Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.

The original announcement is prepared in the English language. This announcement is translated into Chinese. In the event of any inconsistencies between the Chinese and the English version, the latter shall prevail.

* *For identification purposes only*

HIGHLIGHTS

- The Group's revenue amounted to approximately S$29,400,000 for the year ended 31 December 2018, representing a decrease of approximately S$1,422,000 or 4.6% as compared to the year ended 31 December 2017.

- The profit attributable to the owners of the Company was approximately S$467,000 for the year ended 31 December 2018, representing an increase of approximately S$874,000 as compared to the loss of S$406,000 for the year ended 31 December 2017. If the one-off listing expenses incurred in the year ended 31 December 2017 of approximately S$3,108,000 were excluded, the Group would have recorded a profit for the year ended 31 December 2017 of approximately S$2,702,000, representing a decrease of approximately S$2,235,000. This was due to the combined effect of lower revenue and gross profit exacerbated by higher administrative expenses.

- The Board does not recommend the payment of any dividend for the year ended 31 December 2018.

ANNUAL RESULTS

The board of Directors (the "Board") of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018, together with the comparative figures for the corresponding year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *S$*	2017 *S$*
Revenue	5	**29,400,494**	30,822,059
Cost of sales		**(24,860,871)**	(23,986,785)
Gross profit		**4,539,623**	6,835,274
Other income	5	**410,551**	284,072
Administrative expenses		**(4,153,745)**	(6,753,245)
Finance costs	6	**(155,814)**	(175,464)
Profit before tax	7	**640,615**	190,637
Income tax expense	8	**(173,460)**	(597,023)
Profit/(loss) for the year representing total comprehensive income/(loss) for the year		**467,155**	(406,386)
Basic and diluted earnings/(loss) per share attributable to ordinary equity holders of the Company	9	**0.0007**	(0.0008)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** *S$*	2017 *S$*
Non-current assets			
Property, plant and equipment		**14,149,261**	14,379,084
Deferred tax assets		**78,614**	78,360
Available-for-sale investment		**—**	6,750
Deposits		**66,500**	66,500
Total non-current assets		**14,294,375**	14,530,694
Current assets			
Trade receivables	10	**6,066,811**	5,781,140
Deposits and other receivables		**19,360**	33,490
Prepayments		**43,684**	109,844
Pledged deposits		**501,500**	806,710
Cash and bank balances		**8,702,552**	9,093,347
Total current assets		**15,333,907**	15,824,531
Current liabilities			
Trade payables	11	**1,349,220**	1,900,091
Contract liabilities		**154,995**	—
Other payables and accruals	12	**1,107,194**	1,162,053
Loans and borrowings	13	**2,485,022**	2,247,813
Tax payable		**35,922**	448,454
Total current liabilities		**5,132,353**	5,758,411
NET CURRENT ASSETS		**10,201,554**	10,066,120
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,495,929**	24,596,814
Non-current liabilities			
Loans and borrowings	13	**2,093,989**	2,790,723
Deferred tax liabilities		**783,327**	654,633
Total non-current liabilities		**2,877,316**	3,445,356
NET ASSETS		**21,618,613**	21,151,458
EQUITY			
Share capital	14	**1,106,317**	1,106,317
Reserves		**20,512,296**	20,045,141
TOTAL EQUITY		**21,618,613**	21,151,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is 19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong. The head office and principal place of business of the Group is 3 Soon Lee Street, #06-03, Pioneer Junction, Singapore 627606.

The Group is principally engaged in offering various transport and storage services to the logistics industry in Singapore, primarily trucking and hubbing services.

The consolidated financial statements have been prepared under the historical cost convention and are presented in Singapore dollar ("S$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. These consolidated financial statements have been prepared under the historical cost convention. These consolidated financial statements are presented in Singapore dollars ("S$") except when otherwise indicated. These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the new/revised IFRSs that are relevant to the Group and effective from the current accounting period as detailed in note 3 to the announcement.

3. ADOPTION OF NEW/REVISED IFRSs

A number of new/revised IFRSs are first effective for the current accounting period of the Group. Of these, the changes in accounting policies relevant to these consolidated financial statements are as follows:

IFRS 9: Financial Instruments

IFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in IFRS 9 are based on an expected credit loss model and replace the IAS 39 incurred loss model.

(a) Classification and measurement

For equity securities, the Group has classified its available-for-sale investment to financial assets at fair value through profit or loss. There was no significant impact arising from these changes.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses on all trade receivables. There was no significant impact from these changes. The Group has adopted the new standard on the required effective date without restating prior periods' information. There no difference between the previous carrying amount and the carrying amount as at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company applied IFRS 15 using modified retrospective approach, whereby the cumulative effect of initially applying the new standard is recognised at the date of initial application i.e. 1 January 2018, as an adjustment to the opening balance of retained earnings and has elected to apply the exemption in IFRS 1 to apply the following practical expedients in accordance with the transitional provision in IFRS 15.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Note	**Increase/ (Decrease)**
Assets		
Contract asset	(i)	397,021
Trade receivable	(i)	(397,021)
Total assets		—

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on total comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted.

Consolidated statement of financial position as at 31 December 2018:

	Note	Amounts prepared under **IFRS 15** ***S$***	 **Previous IAS 18** ***S$***	**Increase/ (Decrease)**
Liabilities				
Contract liabilities	(ii)	**154,995**	**—**	**154,995**
Advance payment from customers	(ii)	**—**	**154,995**	**(154,995)**
Total liabilities		**154,995**	**154,995**	**—**

(i) According to IFRS 15, once either party to an existing contract (i.e., the customer or the Company) has performed its performance obligation, the contract is presented in the financial statements as a contract asset or a contract liability. Contract assets relates to unbilled receivables.

(ii) According to IFRS 15, once either party to an existing contract (i.e., the customer or the Company) has performed its performance obligation, the contract is presented in the financial statements as a contract asset or a contract liability. Contract liability relates to advance payment from customers.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable segments as follows:

(a) the trucking segment refers to the provision of cargo transportation and other related services. The Group offers cargo transportation services, primarily of containers, from the customers designated pick up points to their designated delivery points within Singapore.

(b) the hubbing segment refers to the offering of the Group's container storage facility at its logistics yard to its customers.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income, finance costs, as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, available-for-sale investment, pledged deposits, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, loans and borrowings, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2018	Trucking	Hubbing	Total
	S$	*S$*	*S$*
Segment revenue *(note 5)*			
Sales to external customers	**23,685,387**	**5,715,107**	**29,400,494**
Segment results	**1,625,200**	**2,914,423**	**4,539,623**
Reconciliation			
Other income			**410,551**
Finance costs			**(155,814)**
Administrative expenses			**(4,153,745)**
Profit before tax			**640,615**
Segment assets	**18,717,738**	**1,498,334**	**20,216,072**
Reconciliation			
Deferred tax assets			**78,614**
Pledged deposits			**501,500**
Cash and bank balances			**8,702,552**
Corporate and other unallocated assets			**129,544**
Total assets			**29,628,282**
Segment liabilities	**1,911,770**	**101,170**	**2,012,940**
Tax payable			**35,922**
Loans and borrowings			**4,579,011**
Deferred tax liabilities			**783,327**
Corporate and other unallocated liabilities			**598,469**
Total liabilities			**8,009,669**
Other segment information			
Depreciation	**1,890,416**	**260,000**	**2,150,416**
Unallocated amounts			**89,472**
			2,239,888
Capital expenditure*	**2,327,237**	**500,000**	**2,827,237**

* Represented additions to property, plant and equipment

Year ended 31 December 2017	Trucking	Hubbing	Total
	S$	*S$*	*S$*
Segment revenue			
Sales to external customers	25,619,718	5,202,341	30,822,059
Segment results	4,255,105	2,580,169	6,835,274
Reconciliation			
Other income			284,072
Finance costs			(175,464)
Administrative expenses			(6,753,245)
Profit before tax			190,637
Segment assets	17,195,497	1,889,379	19,084,876
Reconciliation			
Deferred tax assets			78,360
Available-for-sale investment			6,750
Pledged deposits			806,710
Cash and bank balances			9,093,347
Corporate and other unallocated assets			1,285,182
Total assets			30,355,225
Segment liabilities	2,335,621	91,389	2,427,010
Tax payable			448,454
Loans and borrowings			5,038,536
Deferred tax liabilities			654,633
Corporate and other unallocated liabilities			635,134
Total liabilities			9,203,767
Other segment information			
Depreciation	1,599,851	325,000	1,924,851
Unallocated amounts			152,148
			2,076,999
Capital expenditure*	5,150,358	—	5,150,358

* Represented additions to property, plant and equipment

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue is set out below:

	2018	2017
	S$	*S$*
Customer A	**11,365,018**	11,588,551
Customer B	**3,656,991**	3,265,167
Customer C	**2,676,868**	4,524,775

The revenue from the above major customers was derived from both the trucking and hubbing segments.

Information about geographical areas

Since all of the Group's revenue and profit were generated from the provision of trucking and hubbing services in Singapore and all of the Group's non-current assets were located in Singapore for the years ended 31 December 2018 and 2017, no geographical segment information in accordance with IFRS 8 Operating Segments is provided.

5. REVENUE AND OTHER INCOME

Revenue represents the value of services rendered, net of goods and services tax ("GST"), during the year.

An analysis of revenue and other income is as follows:

	2018	2017
	S$	*S$*
Revenue from contracts with customers	**29,400,494**	—
Trucking services	—	25,619,718
Hubbing services	—	5,202,341
	29,400,494	30,822,059

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018	***S$***
Type of goods or services	
Trucking services	**23,685,387**
Hubbing services	**5,715,107**
	29,400,494
Timing of revenue recognition	
Services transferred at a point in time	**23,685,387**
Services transferred over time	**5,715,107**
	29,400,494

Geographical markets

All of the Group's revenue were generated in Singapore.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Trucking income

The performance obligation is satisfied at a point in time upon delivery of customer good to the designated location.

Hubbing income

The performance obligation is satisfied over the respective storage periods on a straight-line basis.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are S$352,457 which are expected to be recognised in less than one year.

	2018	2017
	S$	*S$*
Other income		
Gain on disposal of items of property, plant and equipment	**182,100**	68,507
Interest income	**—**	36,963
One-off incentive for wage subsidies	**104,883**	178,602
Exchange gain	**123,568**	—
	410,551	284,072

There were no unfulfilled conditions or contingencies relating to the wage subsidies received from Singapore Government.

6. FINANCE COSTS

	2018	2017
	S$	*S$*
Interest on finance leases	**131,881**	86,065
Interest on bank and other loans*	**23,933**	89,399
	155,814	175,464

* *including bank overdrafts*

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2018	2017
	S$	*S$*
Depreciation	**2,239,888**	2,076,999
Employee benefits (excluding directors' remuneration)		
— Salaries and wages	**8,308,550**	7,860,117
— CPF contributions	**713,642**	687,761
	9,022,192	8,547,878
Fair value loss on equity investments at fair value through profit or loss	**6,750**	—
Auditor's remuneration	**164,000**	156,797
Exchange (gain)/loss	**(123,568)**	88,187
Initial Public Offering related expenses	**—**	3,108,059
Rental expenses	**1,542,189**	1,524,564

8. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the year (2017: Nil).

The Singapore statutory income tax rate has been provided at the rate of 17% (2017: 17%) for the year. Income tax expense of the Group relates wholly to the taxable profits of its two operating subsidiaries which were taxed at the statutory tax rate of 17% in Singapore. Major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	2018	2017
	S$	*S$*
Current tax — Singapore		
— Charge for the year	**45,020**	468,572
— Overprovision in respect of prior years	**—**	(26,697)
Deferred tax		
— Origination and reversal of temporary differences	**82,934**	155,148
— Overprovision in respect of prior years	**45,506**	—
Total tax charge for the year	**173,460**	597,023

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

	2018	2017
	S$	*S$*
Profit/(loss) attributable to the ordinary equity holders of the Company	**467,155**	(406,386)
Weighted average number of ordinary shares in issue	**640,000,000**	512,876,712
Basic and diluted earnings/(loss) per share	**0.0007**	(0.0008)

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue.

The weighted average number of ordinary shares in issue used in the calculation of basic earnings/(loss) per share for the years ended 31 December 2018 and 2017 is based on the assumption that 480,000,000 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 1,000,000 ordinary shares issued on 10 February 2017 and 25 February 2017, respectively and 479,000,000 ordinary shares issued under the Capitalisation Issue, as if those shares were outstanding throughout the years.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

10. TRADE RECEIVABLES

	2018	2017
	S$	*S$*
External parties	**6,066,811**	5,781,140

Trade receivables are all non-interest bearing and are generally repayable on terms of 30 to 60 days.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice dates, is as follows:

	2018	2017
	S$	*S$*
Less than 30 days	**3,171,048**	2,980,180
31 to 60 days	**2,117,976**	1,837,638
61 to 90 days	**541,734**	493,692
More than 90 days	**236,053**	469,630
Total	**6,066,811**	5,781,140

11. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled on terms of 30 days.

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

	2018	2017
	S$	*S$*
Less than 30 days	**887,101**	1,688,762
31 to 60 days	**435,601**	171,113
61 to 90 days	**26,518**	13,483
More than 90 days	**—**	26,733
Total	**1,349,220**	1,900,091

12. OTHER PAYABLES AND ACCRUALS

	2018	2017
	S$	*S$*
Accrued liabilities	**864,023**	905,492
GST payable	**178,909**	—
Other payables	**64,262**	256,561
Total	**1,107,194**	1,162,053

Other payables and accruals are non-interest-bearing and are normally repayable on demand.

13. LOANS AND BORROWINGS

	2018	2017
	S$	*S$*
Current:		
Finance lease payables	**2,352,671**	2,070,944
Bank loans — secured	**132,351**	102,414
Bank loans — unsecured	**—**	74,455
	2,485,022	2,247,813
Non-current:		
Finance lease payables	**1,619,090**	1,910,476
Bank loans — secured	**474,899**	624,325
Bank loans — unsecured	**—**	255,922
	2,093,989	2,790,723
Total	**4,579,011**	5,038,536
Analysed into:		
Bank loans and overdraft:		
Within one year or on demand	**132,351**	176,869
In the second year	**130,926**	181,817
In the third to fifth years, inclusive	**237,608**	465,184
Beyond five years	**106,365**	233,246
	607,250	1,057,116
Other borrowings:		
Within one year or on demand	**2,352,671**	2,070,944
In the second year	**1,411,141**	1,371,246
In the third to fifth years, inclusive	**207,949**	539,230
	3,971,761	3,981,420
	4,579,011	5,038,536

Notes:

(a) Finance leases

The finance leases obligations are secured by charges over the leased assets. For the year ended 31 December 2018, the average effective interest rate of the leases was 2.71% (2017: 2.71%) per annum.

(b) Bank loans, bank overdraft and other loans

For the year ended 31 December 2018, the effective interest rates of the Group's bank loans, bank overdraft and other loans ranged from 1.7% to 4.85% (2017: 1.7% to 6.75%) per annum.

The Group's secured bank loans and overdraft are secured by:

(i) mortgages over the Group's buildings situated in Singapore, which had an aggregate carrying amount of S$989,514 (2017: S$1,034,726) as at 31 December 2018;

(ii) time deposits with carrying amounts of S$501,500 (2017: S$806,710) as at 31 December 2018; and

(iii) joint and several personal guarantees provided by the directors of the Company.

14. SHARE CAPITAL

The movements in the Company's authorised and issued share capital from 10 February 2017 (date of incorporation) to 31 December 2018, are as follows:

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares** *HK$*
Authorised:			
38,000,000 ordinary shares of HK$0.01 each on 10 February 2017 (date of incorporation)		38,000,000	380,000
Increase of 4,962,000,000 ordinary shares of HK$0.01 each on 25 September 2017	(b)	4,962,000,000	49,620,000
At 31 December 2018		5,000,000,000	50,000,000
Issued and fully paid:			
Issue of 1 ordinary share of HK$0.01 each on the date of incorporation of the Company	(a)	1	0.01
Issue of 999,999 ordinary shares of HK$0.01 each pursuant to the Reorganisation	(a)	999,999	9,999.99
Issue of 479,000,000 ordinary shares of HK$0.01 each under the Capitalisation Issue	(c)	479,000,000	4,790,000
Issue of 160,000,000 ordinary shares of HK$0.01 each under the Initial Public Offering	(d)	160,000,000	1,600,000
At 31 December 2018		640,000,000	6,400,000

Notes:

(a) 1 ordinary share and 999,999 ordinary shares of HK$0.01 each were issued and allotted to Ventris Global Limited on 10 February 2017 and 25 September 2017 respectively.

(b) Pursuant to an ordinary resolution passed on 25 September 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$50,000,000 by the creation of 4,962,000,000 additional ordinary shares of HK$0.01 each.

(c) Pursuant to an ordinary resolution passed on 25 September 2017, 479,000,000 ordinary shares of HK$0.01 each were issued, allotted and credited as fully paid at par by way of capitalisation from the share premium account to the holders of shares whose name appeared on the register of members of the Company at the close of business on 25 September 2017 in proportion to their respective shareholdings (the "Capitalisation Issue"). This allotment and the Capitalisation Issue were conditional on the share premium account being credited as a result of the placing of new shares in connection with the Company's initial public offering as detailed in note (d) below.

(d) In connection with the Company's initial public offering, 160,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.44 per share for a total cash consideration before expenses, of approximately HK$70,400,000. Dealing in the Company's shares on GEM of the Stock Exchange commenced on 18 October 2017.

15. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of transport and storage services to the logistics industry in Singapore. We offer trucking and hubbing services to our customers. Trucking services refer to the delivery of cargo, primarily containers, from our customers' designated pick up point to their designated delivery point. Hubbing services refer to the handling and storage of laden and empty containers at our logistics yard or other locations designated by our customer(s).

Led by our experienced management team, we have developed a reputation as a reliable transport and hubbing services provider equipped with a large vehicle fleet that is capable of handling large volumes of customer orders.

FINANCIAL REVIEW

Revenue

Our Group's revenue comprised of revenue from provision of transport and hubbing services to the logistics industry in Singapore. For the year ended 31 December 2018, the revenue of the Group decreased by approximately S$1,422,000 or approximately 4.6% to approximately S$29,400,000 compared to the year ended 31 December 2017. The decrease was mainly attributable to the increasing challenge and uncertainty in the global trade economy. The following table sets forth the revenue of our Group by revenue type for the periods indicated:

	2018		2017	
	S$'000	*%*	*S$'000*	*%*
Trucking services	**23,685**	**80.6**	25,620	83.1
Hubbing services	**5,715**	**19.4**	5,202	16.9
	29,400	**100.0**	30,822	100.0

Revenue from trucking services

Revenue from trucking services decreased by approximately S$1,935,000 to S$23,685,000 for the year ended 31 December 2018, representing a 7.6% decrease. The decrease is mainly due to the uncertainty in the global trade economy. Our customers are mainly logistics service providers along the supply chain in Singapore. The cargoes that we transport for our customers include various types of plastic resin, scrap steel, paper products and others. These cargoes are mainly for import/export business, hence any uncertainty in the global trade economy will directly impact our customers, and hence the Group.

Revenue from hubbing services

Revenue from hubbing services increased by 9.9% or approximately S$513,000. It is common for customers to request for us to truck the containers, and also provide storage space for these containers while waiting for vessels to arrive at port before we can truck the containers over for loading. Customers that require hubbing services are generally those whom have large volume in the import and export of goods, mainly including freight forwarders and global logistics companies.

However, the increase in hubbing revenue will not be proportionate to the increase in trucking revenue due to the following reasons: (i) different customers and different job orders may have different service requirement, such as different sizes of containers and number of storage days, hence revenue earned will differ; and (ii) not all our customers require hubbing services.

In 2018, with the uncertainty in the global trade economy, there were numerous instances whereby our customers' vessels were delayed, or there were unforeseen situations at the ports of destination that prevented timely shipping. These resulted in our customers hubbing their cargoes with us for extended periods of time, and hence the increase in hubbing revenue despite a decrease in trucking revenue.

Gross Profit

The overall gross profit decreased from approximately S$6,835,000 for the year ended 31 December 2017 to approximately S$4,540,000 for the year ended 31 December 2018, mainly due to decrease in revenue from trucking services and increase in cost of sales. The overall gross profit margin decreased from 22.2% for the year ended 31 December 2017 to 15.4% for the year ended 31 December 2018. The table below sets forth a breakdown of gross profit and gross profit margin by revenue type for the periods indicated:

	2018		2017	
	S$'000	***Gross profit margin %***	*S$'000*	*Gross profit margin %*
Trucking services	**1,625**	**6.9%**	4,255	16.6%
Hubbing services	**2,915**	**51.0%**	2,580	49.6%
	4,540	**15.4%**	6,835	22.2%

Gross profit from trucking services

The gross profit margin for trucking services decreased from 16.6% for the year ended 31 December 2017 to 6.9% for the year ended 31 December 2018 mainly due to: a) increase in fuel costs with an increase in diesel prices; and b) decrease in revenue as mentioned above. As more than a third of the cost of sales for trucking services are made up of fixed costs including depreciation and wages, a decrease in revenue will decrease gross profit margin as the fixed costs remain relatively similar.

Gross profit from hubbing services

The gross profit margin for hubbing services increased from 49.6% for the year ended 31 December 2017 to 51.0% for the year ended 31 December 2018 mainly due to an increase in hubbing revenue. As more than half of the cost of sales for hubbing services are made up of fixed costs including rental expenses, depreciation and wages, an increase in revenue will increase gross profit margin.

Other Income

Other income increased by approximately S$127,000 from approximately S$284,000 for the year ended 31 December 2017 to approximately S$411,000 for the year ended 31 December 2018. The increase was mainly attributed to a foreign exchange gain of approximately S$124,000 with the depreciation of Singapore dollar against Hong Kong dollar for the cash balance maintained in Hong Kong bank.

Administrative Expenses

Administrative expenses comprised mainly of office expenses, staff costs, auditor's remuneration, and compliance costs. Total administrative expenses decreased from approximately S$6,753,000 in the year ended 31 December 2017 to approximately S$4,154,000 in the year ended 31 December 2018.

Staff costs comprised of Directors' remuneration and remuneration of support staff from the accounts and finance, operations and marketing departments. Staff costs increased by approximately S$686,000 due to annual salary increment and increased bonus payout.

For the year ended 31 December 2017, the Group incurred listing expenses of approximately S$3,108,000 for the listing of the shares of the Company.

Income Tax

The Group's income tax expense decreased by approximately S$424,000 from approximately S$597,000 to approximately S$173,000 for the year ended 31 December 2018. The decrease in tax expense is mainly due to the incurrence of listing expenses in 2017, which were non-deductible for tax purposes.

Profit/(Loss) for the Year

Due to the combined effect of the aforesaid factors, we recorded a profit of approximately S$467,000 for the year ended 31 December 2018, representing an increase of approximately S$874,000 as compared to the loss of S$406,000 for the year ended 31 December 2017.

If the one-off listing expenses incurred in the year ended 31 December 2017 of approximately S$3,108,000 were excluded, the Group would have recorded a profit for the year ended 31 December 2017 of approximately S$2,702,000, representing a decrease of approximately S$2,235,000. This was due to the combined effect of lower revenue and gross profit exacerbated by higher administrative expenses.

Liquidity and Financial Resources and Capital Structure

As at 31 December 2018, the Group had total assets of approximately S$29,628,000 (2017: S$30,355,000), which is financed by total liabilities and shareholders' equity (comprising share capital, share premium and retained earnings) of approximately S$8,009,000 (2017: S$9,204,000) and approximately S$21,619,000 (2017: S$21,151,000) respectively. The current ratio as at 31 December 2018 of the Group was approximately 3.0 times (2017: approximately 2.7 times).

As at 31 December 2018, the Group had cash and cash equivalents of approximately S$8,703,000 (2017: S$9,093,000) which were placed with major banks in Singapore and Hong Kong.

The total interest-bearing finance leases, bank and other borrowings of the Group as at 31 December 2018 was approximately S$4,579,000 (2017: S$5,039,000). The gearing ratio (calculated based on interest-bearing liabilities divided by total equity) of the Group as of 31 December 2018 was 21.2% (2017: 23.8%).

Foreign Exchange Exposure

The Group transacts mainly in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries. However, the Group retains a large part of its proceeds from the Share Offer in Hong Kong dollars which contributed to an unrealised foreign exchange gain of approximately S$124,000 (2017: loss of approximately S$104,000) as Hong Kong dollars appreciated (2017: depreciated) against Singapore dollars.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Company's prospectus dated 6 October 2017 and in this Announcement, the Group did not have other plans for material investments or capital assets as of 31 December 2018.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the financial year ended 31 December 2018, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Significant Investments Held

The Group did not hold any significant investments during the year ended 31 December 2018.

Contingent liabilities

Performance guarantees were given by financial institutions and insurance companies on behalf of the Group to certain suppliers. The Group in turn, provides a counter indemnity to the financial institutions and insurance companies. The aggregate amount of the performance guarantees given by the financial institutions and insurance companies was S$660,000 as at 31 December 2018 (2017: S$640,000).

Capital commitments

As at 31 December 2018, the Group has of approximately S$37,000 for the implementation and set up of the container tracking system (2017: nil).

Employee Information and Remuneration Policies

As at 31 December 2018, the Group had an aggregate of 175 employees.

The employees of the Group are remunerated according to their job scope and responsibilities. The local employees are also entitled to discretionary bonus depending on their respective performance. The foreign workers are employed on one or two year contractual basis and are remunerated according to their work skills.

Total staff costs, including Directors' emoluments, amounted to approximately S$9,721,000 for the year ended 31 December 2018 (2017: approximately S$9,254,000).

The Group did not experience any significant problem with our employees or disruptions to our operations due to labour disputes, nor did the Group experience any difficulty in the recruitment and retention of experienced employees. The Group continues to maintain a good relationship with our employees.

Use of Proceeds

	Planned use of proceeds as shown in the Prospectus (adjusted on a pro rata basis based on the actual net proceeds) *HK$'000*	Planned use of proceeds as shown in the Prospectus from the date of the Listing to 31 December 2018 (adjusted on a pro rata basis based on the actual net proceeds) *HK$'000*	Actual use of proceeds from the date of the Listing to 31 December 2018 *HK$'000*	Unutilised amount as at 31 December 2018[1] *HK$'000*
Enhancement of capacity for transport and storage services through acquisition of new vehicles	26,062	23,704	—	26,062[2]
Expansion and enhancement of workforce to support increased business activities	7,923	7,923	4,544	3,379[3]
Information technology enhancement to support business activities	4,147	4,147	—	4,147[4]
Purchase of office to incorporate an increase in workforce	2,619	2,619	—	2,619[5]
Working capital and other general	2,365	2,365	2,365	—
	43,116	40,758	6,909	36,207

[1] The unused proceeds are deposited in a licensed bank in Hong Kong.

[2] As at 31 December 2018, approximately HK$23,704,000 allocated for the enhancement of capacity for transport and storage services through acquisition of new vehicles has not been used by the Group. As stated in the Prospectus, the Group intended to use the net proceeds to acquire Euro VI compliant prime movers that are more environmentally friendly. Based on our initial understanding, Euro VI compliant prime movers was set to come into force in Singapore from 1 January 2018. However, Euro VI was only available in the market in the fourth quarter.

In addition, being in the transportation business, the Group is dependent on the global trade movement. A number of the Group's customers had either put their expansion plans on hold or reduced the sales volume to the Group. Seeing the uncertainty of business volume from our customers and the current fleet utilisation rate, management decided to put the Group's expansion plans on hold until the Group can have better visibility on our customers' growth. Hence no acquisition of Euro VI was made after its introduction in the market in the last quarter of 2018. Purchase of trailers was consequently delayed.

[3] As at 31 December 2018, approximately HK$7,923,000 was allocated for the expansion of workforce to cater to the Group's expansion plan. The Group intended to hire one financial controller and two finance executives in finance department, and three operation staffs in operation departments. In addition, the Group intended to hire additional 27 experienced truck drivers, with recruitment cost for the new workforce.

We have hired a financial controller, a finance executive and three operation staff, and also 12 drivers, not factoring those drivers with a short turnover.

[4] As at 31 December 2018, approximately HK$4,147,000 was allocated for information technology enhancement to support business activities through the installation and implementation of a) tailor-made container tracing system, and b) tailor-made enterprise resources planning system that will integrate with the container tracing system. Additional computer work stations, servers and ancillary equipment will be acquired to support the new systems. Testing of the container tracing system was carried out in Q4 last year, and it was eventually concluded that the supplier's system was not suitable for the Group's business. We have sourced for another supplier, and testing is currently being carried out, and expected to be implemented by 1H 2019. Once the system is successfully implemented, the Group will proceed with the enterprise resources planning system and hardware acquisition.

[5] As at 31 December 2018, approximately HK$2,619,000 was allocated for the purchase of a new office to incorporate an increase in our workforce. Till the date of the report, the Group has spoken to 2 owners of office units located at our current area that had intention to sell. However, both units were priced above market price, which the Group is not willing to pay. The Group is currently sourcing for other alternate unit.

As at the date of this announcement, the Directors do not anticipate any changes to the plan as to the use of proceeds.

Prospects

The Group continues to strive to provide customers with timely delivery and storage of their containers, continue our growth strategy and enhance overall competitiveness and market share in Singapore. In 2018, the Group saw increasing challenge with the uncertainly in the global trade economy that has impacted the general economic and market conditions in Singapore and the industry in which we operate, which has affected the business operations to a certain extent. Management is monitoring the situation and in constant discussion with our customers to understand the situation and their needs.

The future plans of the Group are detailed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As disclosed in the Prospectus, the Company expects to: (a) maintain growth in the industry and enhance overall competitiveness and market share in Singapore; (b) increase service capacity through the acquisition of new vehicles; (c) enhance and expand the Group's workforce to keep up with the Group's business expansion; (d) purchase a new office to incorporate an increase in workforce; and (e) enhance the Group's information technology system. With the uncertainty in the global trade economy, the Group is cautious with its expansion plans.

Pledge of Assets

The carrying amount of motor vehicles held under finance leases was approximately S$12,386,000 as at 31 December 2018. Leased assets are pledged as securities for the related finance lease liabilities.

In addition to the assets held under finance leases, the Group's buildings with an aggregate carrying amount of approximately S$990,000 were mortgaged to secure the Group's bank loans as at 31 December 2018.

Share Option Scheme

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted by the sole shareholder of the Company by way of written resolutions passed on 25 September 2017. Details of the Share Option Scheme are set out in Appendix IV to the Prospectus.

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the year ended 31 December 2018.

COMPETING BUSINESS

For the year ended 31 December 2018, none of the Directors, controlling shareholder or their respective close associates (as defined in the GEM Listing Rules) has any interests in a business that competes or is likely to compete either directly or indirectly with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE

The code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the "CG Code") are applicable to the Company commencing from 18 October 2017, the date of Listing. The Company has adopted the code provisions, where applicable, upon Listing. For the period under review, the Company had complied with all the code provisions set out in the CG Code with the exception of the following deviation:

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Chua is acting as the chairman and the chief executive officer. In view of Mr. Chua being the founder of our Group, and his responsibilities in corporate strategic planning and overall business development, the Board believes that it is in the interests of both our Group and our Shareholders to have Mr. Chua taking up both roles for effective management and business development. Therefore, the Directors consider the deviation from Code Provision A.2.1 the CG Code to be appropriate in such circumstance. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of the chairman and chief executive officer is necessary.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float under the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of this announcement.

DIVIDEND

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend the payment of dividend for the year ended 31 December 2018.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "2018 AGM") will be held on 10 May 2019 at 10:30 a.m.. In order to determine the entitlements of the Shareholders to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 7 May 2019 to 10 May 2019, both days inclusive, during which period no transfer of shares will be registered. All transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:30 p.m. on 6 May 2019.

REQUIRED STANDARD OF DEALINGS FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). The Company had made specific enquiries with all the Directors and each of them had confirmed his/her compliance with the Required Standard of Dealings during the year ended 31 December 2018.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The primary duties of our audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of the Group. The audit committee consists of three independent non-executive Directors, namely Mr. Kwong Choong Kuen, who has the appropriate auditing and financial related management expertise and serves as the chairman of the audit committee, Mr. Dax Teo Tak Sin and Ms. Grace Choong Mai Foong. The audit committee has reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2018 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

By order of the Board
C&N Holdings Limited
Chua Kang Lim
Chairman

Hong Kong, 25 March 2019

As at the date of the announcement, the Board comprises two executive directors, namely, Mr. Chua Kang Lim and Ms. Chua Sui Feng; and three independent non-executive directors, namely, Mr. Kwong Choong Kuen, Mr. Dax Teo Tak Sin and Ms. Grace Choong Mai Foong.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the Company's website at www.cnlimited.com.