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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 2020

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 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\$26,264,000 for the year ended 31 December 2020, representing a decrease of approximately S\$2,485,000 or 8.6% as compared to the year ended 31 December 2019.
- The loss attributable to the owners of the Company was approximately S\$811,000 for the year ended 31 December 2020 as compared to a loss of approximately S\$980,000 for the year ended 31 December 2019. The difference is mainly attributable to a decrease in revenue and gross profit margin, offset by an increase in other income.
- The Board does not recommend the payment of any dividend for the year ended 31 December 2020.

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 2020, 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 2020

	<i>Notes</i>	2020 <i>S\$</i>	2019 <i>S\$</i>
Revenue	5	26,263,891	28,749,270
Cost of sales		(24,764,822)	(25,501,065)
Gross profit		1,499,069	3,248,205
Other income	5	1,546,602	93,058
Administrative expenses		(3,977,633)	(4,286,455)
Finance costs	6	(69,443)	(96,267)
Loss before tax	7	(1,001,405)	(1,041,459)
Income tax credit	8	189,995	61,304
Loss for the year and total comprehensive loss for the year		<u>(811,410)</u>	<u>(980,155)</u>
Basic and diluted loss per share attributable to ordinary equity holders of the Company	9	<u>(0.0013)</u>	<u>(0.0015)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>S\$</i>	2019 <i>S\$</i>
Non-current assets			
Property, plant and equipment		9,491,718	8,643,323
Right-of-use assets		1,949,999	4,939,806
Intangible assets		292,200	371,889
Financial asset at fair value through profit or loss		—	—
Deferred tax assets		94,607	94,607
Deposits		52,500	52,500
		<hr/>	<hr/>
Total non-current assets		11,881,024	14,102,125
Current assets			
Trade receivables	10	4,494,439	4,717,865
Deposits and other receivables		184,595	60,052
Contract assets		25,685	3,944
Prepayments		51,177	46,608
Pledged deposits		503,517	502,509
Cash and bank balances		11,643,529	6,566,132
		<hr/>	<hr/>
Total current assets		16,902,942	11,897,110
Current liabilities			
Trade payables	11	1,244,185	1,093,518
Contract liabilities		188,691	140,431
Other payables and accruals	12	1,227,884	976,017
Loans and borrowings	13	1,444,915	1,853,953
Tax payable		—	6,893
		<hr/>	<hr/>
Total current liabilities		4,105,675	4,070,812
NET CURRENT ASSETS		12,797,267	7,826,298
TOTAL ASSETS LESS CURRENT LIABILITIES		24,678,291	21,928,423
		<hr/>	<hr/>
Non-current liabilities			
Loans and borrowings	13	4,304,017	552,842
Deferred tax liabilities		547,226	737,123
		<hr/>	<hr/>
Total non-current liabilities		4,851,243	1,289,965
NET ASSETS		19,827,048	20,638,458
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	14	1,106,317	1,106,317
Reserves		18,720,731	19,532,141
		<hr/>	<hr/>
TOTAL EQUITY		19,827,048	20,638,458
		<hr/> <hr/>	<hr/> <hr/>

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 in Hong Kong 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.

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, except for the equity investment which has been measured at fair value. 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 2019 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

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	Covid-19-Related Rent Concessions (early adopted)
Amendments to IAS 1 and IAS 8	Definition of Material

The *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs did not have any significant impact on the financial position and performance of the Group.

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, non-lease-related finance costs, as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, equity investment at fair value through profit or loss, 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 (other than lease liabilities), deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2020	Trucking S\$	Hubbing S\$	Total S\$
Segment revenue (note 5)			
Sales to external customers	21,673,030	4,590,861	<u>26,263,891</u>
Segment results	604,302	894,767	1,499,069
<i>Reconciliation</i>			
Other income			1,546,602
Finance costs (other than interest on lease liabilities)			(35,958)
Corporate and other unallocated expenses			<u>(4,011,118)</u>
Loss before tax			<u>(1,001,405)</u>
Segment assets	14,295,239	1,640,917	15,936,156
<i>Reconciliation</i>			
Deferred tax assets			94,607
Pledged deposits			503,517
Cash and bank balances			11,634,529
Corporate and other unallocated assets			<u>606,157</u>
Total assets			<u>28,783,966</u>
Segment liabilities	2,191,234	44,816	2,236,050
<i>Reconciliation</i>			
Loans and borrowings (exclude lease liabilities)			5,185,955
Deferred tax liabilities			547,226
Corporate and other unallocated liabilities			<u>987,687</u>
Total liabilities			<u>8,956,918</u>
Other segment information			
Depreciation	1,902,601	596,333	2,498,934
Unallocated amounts			<u>127,132</u>
			<u>2,626,066</u>
Capital expenditure*	50,912	470,000	<u>520,912</u>

* Represents additions to property, plant and equipment and right-of-use assets

Year ended 31 December 2019	Trucking	Hubbing	Total
	<i>S\$</i>	<i>S\$</i>	<i>S\$</i>
Segment revenue <i>(note 5)</i>			
Sales to external customers	24,480,007	4,269,263	<u>28,749,270</u>
Segment results	2,117,703	1,130,502	3,248,205
<i>Reconciliation</i>			
Other income			93,058
Finance costs (other than interest on lease liabilities)			(12,160)
Administrative expenses			<u>(4,370,562)</u>
Loss before tax			<u>(1,041,459)</u>
Segment assets	16,585,978	1,715,015	18,300,993
<i>Reconciliation</i>			
Deferred tax assets			94,607
Pledged deposits			502,509
Cash and bank balances			6,566,132
Corporate and other unallocated assets			<u>534,994</u>
Total assets			<u>25,999,235</u>
Segment liabilities	2,988,807	403,778	3,392,585
<i>Reconciliation</i>			
Tax payable			6,893
Loans and borrowings (exclude lease liabilities)			475,543
Deferred tax liabilities			737,123
Corporate and other unallocated liabilities			<u>748,633</u>
Total liabilities			<u>5,360,777</u>
Other segment information			
Depreciation	1,918,735	558,230	2,476,965
Unallocated amounts			<u>86,009</u>
			<u>2,562,974</u>
Capital expenditure*	1,507,980	—	<u>1,507,980</u>

* Represents additions to property, plant and equipment and right-of-use assets

Information about major customers

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

	2020 S\$	2019 S\$
Customer A	11,042,686	12,145,499
Customer B	3,385,967	3,661,042
Customer C	2,712,541	2,703,690

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 2020 and 2019, 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 is as follows:

	2020 S\$	2019 S\$
Revenue from contracts with customers	<u>26,263,891</u>	<u>28,749,270</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020 S\$	2019 S\$
Type of goods or services		
Trucking services	21,673,030	24,480,007
Hubbing services	4,590,861	4,269,263
	<u>26,263,891</u>	<u>28,749,270</u>
Timing of revenue recognition		
Services transferred at a point in time	21,673,030	24,480,007
Services transferred over time	4,590,861	4,269,263
	<u>26,263,891</u>	<u>28,749,270</u>

Geographical markets

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

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020	2019
	S\$	S\$
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Trucking services	<u>140,431</u>	<u>154,995</u>

(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 amounts of transaction prices allocated to the performance obligations are expected to be recognised as revenue within one year.

Other income

An analysis of other income is as follows:

	2020	2019
	S\$	S\$
Interest income	1,008	1,009
Gain on disposal of items of property, plant and equipment	—	12,015
Government grants	<u>1,545,594</u>	<u>80,034</u>
	<u>1,546,602</u>	<u>93,058</u>

There were no unfulfilled conditions or contingencies relating to the various government grants received from the Singapore Government.

6. FINANCE COSTS

	2020	2019
	S\$	S\$
Interest on lease liabilities	33,485	84,107
Interest on bank borrowings	<u>35,958</u>	<u>12,160</u>
	<u><u>69,443</u></u>	<u><u>96,267</u></u>

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2020	2019
	S\$	S\$
Employee benefits (excluding Directors' remuneration)		
— Salaries and wages	7,783,083	8,136,710
— CPF contributions	<u>641,657</u>	<u>693,219</u>
	<u><u>8,424,740</u></u>	<u><u>8,829,929</u></u>
Depreciation of property, plant and equipment	1,615,315	1,632,767
Amortisation of intangible assets	79,689	26,561
Depreciation of right-of-use assets	931,062	903,646
Lease payments not included in the measurement of lease liabilities	936,954	1,222,357
Auditor's remuneration	155,280	187,732
Loss/(gain) on disposal of items of property, plant and equipment	26,947	(12,015)
Exchange loss	<u>30,411</u>	<u>27,652</u>

8. INCOME TAX CREDIT

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 (2019: Nil).

The Singapore statutory income tax rate has been provided at the rate of 17% (2019: 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 2020 and 2019 are:

	2020	2019
	S\$	S\$
Current tax — Singapore		
— Charge for the year	—	—
— (Overprovision)/underprovision in respect of prior years	(98)	893
Deferred tax		
— Origination and reversal of temporary differences	(201,429)	(62,722)
— Underprovision in respect of prior years	11,532	525
	<u> </u>	<u> </u>
Total income tax credit for the year	<u>(189,995)</u>	<u>(61,304)</u>

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

	2020	2019
	S\$	S\$
Loss attributable to the ordinary equity holders of the Company	<u>(811,410)</u>	<u>(980,155)</u>
Weighted average number of ordinary shares in issue	<u>640,000,000</u>	<u>640,000,000</u>
Basic and diluted loss per share	<u>(0.0013)</u>	<u>(0.0015)</u>

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

The Group has no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

10. TRADE RECEIVABLES

	2020 S\$	2019 S\$
External parties	<u>4,494,439</u>	<u>4,717,865</u>

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:

	2020 S\$	2019 S\$
Less than 30 days	2,719,840	2,501,752
31 to 60 days	1,425,081	1,822,988
61 to 90 days	331,313	384,908
More than 90 days	<u>18,205</u>	<u>8,217</u>
Total	<u>4,494,439</u>	<u>4,717,865</u>

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:

	2020 S\$	2019 S\$
Less than 30 days	868,624	889,195
31 to 60 days	375,561	169,435
61 to 90 days	<u>—</u>	<u>34,888</u>
Total	<u>1,244,185</u>	<u>1,093,518</u>

12. OTHER PAYABLES AND ACCRUALS

	2020 S\$	2019 S\$
Accrued liabilities	802,916	784,283
GST payable	143,272	148,274
Other payables	52,242	43,460
Deferred grant income	<u>229,454</u>	<u>—</u>
Total	<u>1,227,884</u>	<u>976,017</u>

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

13. LOANS AND BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	SS	Effective interest rate (%)	Maturity	SS
Current:						
Lease liabilities	2.69% to 3.26%	2021	346,313	2.47% to 3.41%	2020	1,723,027
Bank loans — secured	Bank's Non-Residential Mortgage Board Rate ("NMBR")	2021	<u>1,098,602</u>	Bank's Non-Residential Mortgage Board Rate ("NMBR")	2020	<u>130,926</u>
			1,444,915			1,853,953
Non-current:						
Lease liabilities	2.69%	2022–2023	216,664	2.47% to 3.41%	2021	208,225
Bank loans — secured	Bank's Non-Residential Mortgage Board Rate ("NMBR")	2022–2026	<u>4,087,353</u>	Bank's Non-Residential Mortgage Board Rate ("NMBR")	2021–2026	<u>344,617</u>
			<u>4,304,017</u>			<u>552,842</u>
Total			<u><u>5,748,932</u></u>			<u><u>2,406,795</u></u>

2020

S\$

2019

S\$

Analysed into:

Bank loans:

Within one year or on demand	1,098,602	130,926
In the second year	1,072,314	134,932
In the third to fifth years, inclusive	3,005,602	165,626
Beyond five years	9,437	44,059
	<u>5,185,955</u>	<u>474,543</u>

Other borrowings:

Within one year or on demand	346,313	1,723,027
In the second year	143,261	208,225
In the third to fifth years, inclusive	73,403	—
	<u>562,977</u>	<u>1,931,252</u>
	<u><u>5,748,932</u></u>	<u><u>2,406,795</u></u>

Notes:

(a) Bank borrowings

For the year ended 31 December 2020, the effective interest rates of the Group's bank loans and other loans ranged from 1.70% to 3.26% (2019: 1.70% to 4.85%) per annum.

The Group's secured bank loans are secured by:

- (i) mortgages over the Group's properties situated in Singapore, which had an aggregate carrying amount of \$899,090 (2019: \$944,302) as at 31 December 2020;
- (ii) time deposits with carrying amounts of \$503,517 (2019: \$502,509) as at 31 December 2020; and
- (iii) joint and several personal guarantees provided by the Directors.

14. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$</i>	Share capital <i>(equivalent to S\$)</i>
Ordinary share of HK\$0.01 each			
Authorised			
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>5,000,000,000</u>	<u>50,000,000</u>	
Issued and fully paid			
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>640,000,000</u>	<u>6,400,000</u>	<u>1,106,317</u>

15. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of transport and storage services to the logistics industry in Singapore, offering trucking and hubbing services to the 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 the Group's logistics yard or other locations designated by the customers.

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.

With the emergence of Covid-19, the global economy faced great scales of disruptions, and the Singapore Government implemented control measures to slow the spread of COVID-19, which included the suspension of non-essential services and closure of most workplace premises. This has inevitably led to the Singapore economy to contract 5.4% in 2020. As our customers are mainly logistics service providers along the supply chain in Singapore, the cargo 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.

FINANCIAL REVIEW

Revenue

The 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 2020, the revenue of the Group decreased by approximately S\$2,485,000 or approximately 8.6% to approximately S\$26,264,000 compared to the year ended 31 December 2019. The decrease was mainly attributable to the slowdown in the Singapore economy and disruptions in the global trade economy. The following table sets forth the revenue of the Group by revenue type for the periods indicated:

	2020		2019	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Trucking services	21,673	82.5	24,480	85.2
Hubbing services	4,591	17.5	4,269	14.8
	<u>26,264</u>	<u>100.0</u>	<u>28,749</u>	<u>100.0</u>

Revenue from trucking services

Revenue from trucking services decreased by approximately S\$2,807,000 to S\$21,673,000 for the year ended 31 December 2020, representing a 11.5% decrease. The decrease was mainly due to the general decrease in volume from our customers with the unfavourable trade economy outlook and port closures in some countries for a few months as a result of COVID-19.

Revenue from hubbing services

Revenue from hubbing services increased by 7.5% or approximately S\$322,000. 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, who are mainly freight forwarders and global logistics companies.

However, the increase/decrease in hubbing revenue will not be proportionate to the trend in revenue from trucking services 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.

For the year ended 31 December 2020, with the uncertainty in the global trade economy, there were numerous instances whereby our customers' vessels were delayed, or closure of destination ports that prevented timely shipping. These resulted in our customers hubbing their cargoes with us for extended periods of time, and hence the increase in revenue from hubbing services despite a decrease in revenue from trucking services.

Gross profit

The overall gross profit decreased from approximately S\$3,248,000 for the year ended 31 December 2019 to approximately S\$1,499,000 for the year ended 31 December 2020, mainly due to a decrease in revenue. The overall gross profit margin decreased from approximately 11.3% for the year ended 31 December 2019 to approximately 5.7% for the year ended 31 December 2020. The table below sets forth a breakdown of gross profit and gross profit margin by revenue type for the periods indicated:

	2020		2019	
	<i>S\$'000</i>	<i>Gross profit margin</i>	<i>S\$'000</i>	<i>Gross profit margin</i>
Trucking services	604	2.8%	2,118	8.7%
Hubbing services	895	19.5%	1,130	26.5%
	<u>1,499</u>	<u>5.7%</u>	<u>3,248</u>	<u>11.3%</u>

Gross profit from trucking services

The gross profit margin for trucking services decreased from approximately 8.7% for the year ended 31 December 2019 to approximately 2.8% for the year ended 31 December 2020 mainly due to the decrease in trade volume. As more than a third of the costs for trucking services pertained to fixed costs like wages and depreciation, a decrease in revenue will decrease the gross profit margin.

Gross profit from hubbing services

The gross profit margin for hubbing services decreased from 26.5% for the year ended 31 December 2019 to approximately 19.5% for the year ended 31 December 2020 mainly due to disruptions and port closures in the global and local trade economy. Subcontractors had to be engaged in the port to store cargoes that have been affected by port closures, hence increasing costs.

Other income

Other income increased by approximately S\$1,454,000 from approximately S\$93,000 for the year ended 31 December 2019 to approximately S\$1,547,000 for the year ended 31 December 2020. The increase was mainly attributed to the receipt of government grants mainly from the Jobs Support Scheme and Foreign Worker Levy Rebate in 2020 to help Singapore businesses during the COVID-19 period.

Administrative expenses

Administrative expenses comprised mainly of office expenses, staff costs, auditor's remuneration and compliance costs. Total administrative expenses remained relatively stable at approximately S\$3,978,000 and approximately S\$4,286,000 for the years ended 31 December 2020 and 2019 respectively.

Income tax credit

The Group's income tax credit increased from approximately S\$61,000 to approximately S\$190,000 for the year ended 31 December 2020. The increase in income tax credit is mainly due to the Group being in a taxable loss position.

Loss for the year

Due to the combined effect of the aforesaid factors, we recorded a loss of approximately S\$811,000 for the year ended 31 December 2020, representing a decrease of approximately S\$169,000 as compared to the loss of approximately S\$980,000 for the year ended 31 December 2019.

Liquidity and Financial Resources and Capital Structure

As at 31 December 2020, the Group had total assets of approximately S\$28,784,000 (2019: approximately S\$25,999,000), which is financed by total liabilities and shareholders' equity (comprising share capital, share premium and retained earnings) of approximately S\$8,957,000 (2019: approximately S\$5,361,000) and approximately S\$19,827,000 (2019: approximately S\$20,638,000) respectively. The current ratio as at 31 December 2020 of the Group was approximately 4.1 times (2019: approximately 2.9 times).

As at 31 December 2020, the Group had cash and cash equivalents of approximately S\$11,644,000 (2019: approximately S\$6,566,000) which were placed with major banks in Singapore and Hong Kong.

The loans and borrowings of the Group as at 31 December 2020 was approximately S\$5,749,000 (2019: approximately S\$2,407,000). The gearing ratio (calculated based on loans and borrowings divided by total equity) of the Group as of 31 December 2020 was 29.0% (2019: 11.7%).

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 loss of approximately S\$30,000 (2019: approximately S\$28,000) as Hong Kong dollars depreciated (2019: depreciated) against Singapore dollars.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Company's prospectus dated 6 October 2017 (the "Prospectus") and in this Announcement, the Group did not have other plans for material investments or capital assets as of 31 December 2020.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2020, 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 2020.

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 2020 (2019: S\$660,000).

Capital Commitments

As at 31 December 2020, the Group had no capital commitment (2019: approximately S\$26,000 for the completion of the container tracking system).

Employee Information and Remuneration Policies

As at 31 December 2020, the Group had an aggregate of 166 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\$9,166,000 for the year ended 31 December 2020 (2019: approximately S\$9,908,000).

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.

Comparison of business objectives with actual business progress

Business strategies up to 30 June 2019 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 December 2020
Purchase new vehicles to expand our current transportation fleet capabilities	— Purchase of 30 units of Euro VI compliant prime movers and 40 units of trailers	The Group has purchased 10 units of Euro VI and 10 units of trailers. ^[1]
Purchase a new office to incorporate an increase in our workforce	— Purchase an industrial unit with area of around 1,000 square feet located at Pioneer Junction as additional office space — Renovation of the new office	The Group is still sourcing for a satisfactory office unit. ^[2]
Strengthen our information technology system	— Obtain quotation, finish installation and implementation test of tailor-made container tracing system — Obtain quotation, finish installation and implementation test of tailor-made enterprise resources planning system — Obtain quotation, purchase and finish installation and set-up of computer work stations, servers and ancillary equipment	The Group has finished installation of the system. The Group has finished installation of the system. The Group has purchased and finished installation and set-up of computer work stations servers and ancillary equipment.
Expand our workforce to support our business expansion	— Hire one financial controller and two finance executives in finance department, and three operation staffs in operation departments — Hire additional 27 experienced truck drivers, with recruitment cost for the new workforce	The Group has hired a financial controller, finance executives and three operation staffs. The Group has hired 27 drivers, not factoring those drivers with a short turnover.

^[1] As at 30 June 2019, approximately HK\$26,062,000 was allocated for the enhancement of capacity for transport and storage services through acquisition of new vehicles. 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 of 2018.

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 current fleet utilisation rate, management decided to monitor market conditions and wait for better visibility on our customers' growth. As such, acquisition of 10 units of Euro VI was made in 2019, after its introduction in the market in the last quarter of 2018. The Group has also purchased 10 units of trailers. The Group will continue to monitor the market to time the acquisition of the remaining vehicles, with the expected completion date in end of 2021.

^[2] As at 30 June 2019, approximately HK\$2,619,000 was allocated for the purchase of a new office to incorporate an increase in our workforce. Up to the date of the report, the Group has signed an option to purchase an office unit, and is expected to complete the purchase in the first half of 2021.

Use of Proceeds

	Planned use of proceeds as shown in the Prospectus (adjusted on a pro rata basis based on the actual net proceeds) <i>HK\$'000</i>	Amount of the net proceeds utilised up to 31 December 2017 <i>HK\$'000</i>	Amount of the net proceeds utilised up to 31 December 2018 <i>HK\$'000</i>	Amount of the net proceeds utilised up to 31 December 2019 <i>HK\$'000</i>	Amount of the net proceeds utilised up to 31 December 2020 <i>HK\$'000</i>	Unutilised amount as at 31 December 2020 ^[1] <i>HK\$'000</i>
Enhancement of capacity for transport and storage services through acquisition of new vehicles	26,062	—	—	8,823	8,823	17,239
Expansion and enhancement of workforce to support increased business activities	7,923	336	4,544	7,923	7,923	—
Information technology enhancement to support business activities	4,147	—	—	4,147	4,147	—
Purchase of office to incorporate an increase in workforce	2,619	—	—	—	—	2,619
Working capital and other general	2,365	2,365	2,365	2,365	2,365	—
	<u>43,116</u>	<u>2,701</u>	<u>6,909</u>	<u>23,258</u>	<u>23,258</u>	<u>19,858</u>

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

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

Prospects

2020 has been a challenging year for the Group, with the COVID-19 pandemic causing great uncertainty to the general economic and market conditions in Singapore and the industry in which we operate. This has affected our business operations to a large extent.

While the Singapore's economy contracted by 5.4% in 2020, Singapore is expecting recovery and forecasted its gross domestic product (GDP) to grow at 4% to 6% in 2021 with the opening of the global markets. Management is continuously monitoring the situation and in constant discussion with our customers to understand their changing business needs.

Additionally, the Group continues to strive to provide customers with timely delivery and storage of their containers, execute our growth strategy in the industry, as well as enhance overall competitiveness and market share in Singapore.

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 will be cautious with its expansion plans.

Pledge of Assets

The Group’s properties with an aggregate carrying amount of approximately S\$899,000 were mortgaged to secure the Group’s bank loans as at 31 December 2020.

Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”) which became effective on 18 October 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 2020.

COMPETING BUSINESS

For the year ended 31 December 2020, 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 2020.

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

Up to the date of this announcement, the Group has entered into an option to purchase an office unit in the same building as its existing units. The purchase is expected to be completed in the first half of 2021.

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 2020.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "2021 AGM") will be held on 28 June 2021 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 22 June 2021 to 28 June 2021, 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 21 June 2021.

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 2020.

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 2020 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 2020 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, 22 March 2021

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.