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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 2019

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$28,749,000 for the year ended 31 December 2019, representing a decrease of approximately S$651,000 or 2.2% as compared to the year ended 31 December 2018.

- The loss attributable to the owners of the Company was approximately S$980,000 for the year ended 31 December 2019 as compared to a profit of approximately S$467,000 for the year ended 31 December 2018. The difference is mainly attributable to a decrease in revenue and gross profit margin.

- The Board does not recommend the payment of any dividend for the year ended 31 December 2019.

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 2019, 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 2019

	Notes	**2019** *S$*	2018 *S$*
Revenue	5	**28,749,270**	29,400,494
Cost of sales		**(25,501,065)**	(24,860,871)
Gross profit		**3,248,205**	4,539,623
Other income	5	**93,058**	410,551
Administrative expenses		**(4,286,455)**	(4,153,745)
Finance costs	6	**(96,267)**	(155,814)
(Loss)/profit before tax	7	**(1,041,459)**	640,615
Income tax credit/(expense)	8	**61,304**	(173,460)
(Loss)/profit for the year and total comprehensive (loss)/income for the year		**(980,155)**	467,155
Basic and diluted (loss)/earnings per share attributable to ordinary equity holders of the Company	9	**(0.0015)**	0.0007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 S$	2018 S$
Non-current assets			
Property, plant and equipment		**8,643,323**	14,149,261
Intangible assets		**371,889**	—
Financial asset at fair value through profit or loss		**—**	—
Deferred tax assets		**94,607**	78,614
Right-of-use assets		**4,939,806**	—
Deposits		**52,500**	66,500
Total non-current assets		**14,102,125**	14,294,375
Current assets			
Trade receivables	10	**4,717,865**	6,066,811
Deposits and other receivables		**60,052**	19,360
Contract assets		**3,944**	—
Prepayments		**46,608**	43,684
Pledged deposits		**502,509**	501,500
Cash and bank balances		**6,566,132**	8,702,552
Total current assets		**11,897,110**	15,333,907
Current liabilities			
Trade payables	11	**1,093,518**	1,349,220
Contract liabilities		**140,431**	154,995
Other payables and accruals	12	**976,017**	1,107,194
Loans and borrowings	13	**1,853,953**	2,485,022
Tax payable		**6,893**	35,922
Total current liabilities		**4,070,812**	5,132,353
NET CURRENT ASSETS		**7,826,298**	10,201,554
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,928,423**	24,495,929
Non-current liabilities			
Loans and borrowings	13	**552,842**	2,093,989
Deferred tax liabilities		**737,123**	783,327
Total non-current liabilities		**1,289,965**	2,877,316
NET ASSETS		**20,638,458**	21,618,613
EQUITY			
Share capital	14	**1,106,317**	1,106,317
Reserves		**19,532,141**	20,512,296
TOTAL EQUITY		**20,638,458**	21,618,613

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.

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, 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 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.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the condensed consolidated financial statements. The nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases — Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of yard and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in loans and borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of S$5,225,624 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *S$*
Assets	
Increase in right-of-use assets	5,843,452
Decrease in property, plant and equipment	(5,225,624)
Increase in total assets	617,828
Liabilities	
Increase in loans and borrowings	617,828
Increase in total liabilities	617,828

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	S$
Operating lease commitments as at 31 December 2018	1,730,000
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(1,100,000)
	630,000
Weighted average incremental borrowing rate as at 1 January 2019	1.88%
Discounted operating lease commitments as at 1 January 2019	617,828
Add: Finance lease liabilities recognised as at 31 December 2018	3,971,761
Lease liabilities as at 1 January 2019	4,589,589

(b) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance study, the interpretation did not have any impact on the financial position or 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 2019	**Trucking** *S$*	**Hubbing** *S$*	**Total** *S$*
Segment revenue *(note 5)*			
Sales to external customers	**24,480,007**	**4,269,263**	**28,749,270**
Segment results	**2,117,703**	**1,130,502**	**3,248,205**
Reconciliation			
Other income			**93,058**
Finance costs			
(other than interest on lease liabilities)			**(12,160)**
Corporate and other unallocated expenses			**(4,370,562)**
Loss before tax			**(1,041,459)**
Segment assets	**16,585,978**	**1,715,015**	**18,300,993**
Reconciliation			
Deferred tax assets			**94,607**
Pledged deposits			**502,509**
Cash and bank balances			**6,566,132**
Corporate and other unallocated assets			**534,994**
Total assets			**25,999,235**
Segment liabilities	**2,988,807**	**403,778**	**3,392,585**
Reconciliation			
Tax payable			**6,893**
Loans and borrowings (exclude lease liabilities)			**475,543**
Deferred tax liabilities			**737,123**
Corporate and other unallocated liabilities			**748,633**
Total liabilities			**5,360,777**
Other segment information			
Depreciation	**1,918,735**	**558,230**	**2,476,965**
Unallocated amounts			**86,009**
			2,562,974
Capital expenditure*	**1,507,980**	**—**	**1,507,980**

* Represented additions to property, plant and equipment

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
Reconciliation			
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

Information about major customers

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

	2019	2018
	S$	*S$*
Customer A	**12,145,499**	11,365,018
Customer B	**3,661,042**	3,656,991
Customer C	**2,703,690**	2,676,868

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 2019 and 2018, 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:

	2019	2018
	S$	*S$*
Revenue from contracts with customers	**28,749,270**	29,400,494

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019	2018
	S$	*S$*
Type of goods or services		
Trucking services	**24,480,007**	23,685,387
Hubbing services	**4,269,263**	5,715,107
	28,749,270	29,400,494
Timing of revenue recognition		
Services transferred at a point in time	**24,480,007**	23,685,387
Services transferred over time	**4,269,263**	5,715,107
	28,749,270	29,400,494

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:

	2019	2018
	S$	***S$***
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Trucking services	**154,995**	—

(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 2019 are S$305,943 (2018: S$352,457) which are expected to be recognised in less than one year.

Other income

An analysis of other income is as follows:

	2019	2018
	S$	***S$***
Gain on disposal of items of property, plant and equipment	**12,015**	182,100
One-off incentive for wage subsidies	**81,043**	104,883
Exchange gain	**—**	123,568
	93,058	410,551

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

6. FINANCE COSTS

	2019	2018
	S$	*S$*
Interest on lease liabilities	**84,107**	—
Interest on finance leases	**—**	131,881
Interest on bank and other loans	**12,160**	23,933
	96,267	155,814

7. (LOSS)/PROFIT BEFORE TAX

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

	2019	2018
	S$	*S$*
Employee benefits (excluding directors' remuneration)		
— Salaries and wages	**8,136,710**	8,308,550
— CPF contributions	**693,219**	713,642
	8,829,929	9,022,192
Fair value loss on equity investments at fair value through profit or loss	**—**	6,750
Depreciation of property, plant and equipment	**1,632,767**	2,239,888
Amortisation of intangible assets	**26,561**	–
Depreciation of right-of-use assets	**903,646**	–
Minimum lease payments under operating leases	_	1,542,189
Lease payments not included in the measurement of lease liabilities	**1,222,357**	–
Auditor's remuneration	**187,732**	164,000
Exchange loss/(gain)	**27,652**	(123,568)

8. INCOME TAX

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 (2018: Nil).

The Singapore statutory income tax rate has been provided at the rate of 17% (2018: 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 2019 and 2018 are:

	2019	2018
	S$	*S$*
Current tax — Singapore		
— Charge for the year	**—**	45,020
— Underprovision in respect of prior years	**893**	—
Deferred tax		
— Origination and reversal of temporary differences	**(62,722)**	82,934
— Overprovision in respect of prior years	**525**	45,506
Total tax (credit)/charge for the year	**(61,304)**	173,460

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

	2019	2018
	S$	*S$*
(Loss)/profit attributable to the ordinary equity holders of the Company	**(980,155)**	467,155
Weighted average number of ordinary shares in issue	**640,000,000**	640,000,000
Basic and diluted (loss)/earnings per share	**(0.0015)**	0.0007

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

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

10. TRADE RECEIVABLES

	2019	2018
	S$	*S$*
External parties	**4,717,865**	6,066,811

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:

	2019	2018
	S$	*S$*
Less than 30 days	**2,501,752**	3,171,048
31 to 60 days	**1,822,988**	2,117,976
61 to 90 days	**384,908**	541,734
More than 90 days	**8,217**	236,053
Total	**4,717,865**	6,066,811

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:

	2019	2018
	S$	*S$*
Less than 30 days	**889,195**	887,101
31 to 60 days	**169,435**	435,601
61 to 90 days	**34,888**	26,518
Total	**1,093,518**	1,349,220

12. OTHER PAYABLES AND ACCRUALS

	2019	2018
	S$	*S$*
Accrued liabilities	**784,283**	864,023
GST payable	**148,274**	178,909
Other payables	**43,460**	64,262
Total	**976,017**	1,107,194

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

13. LOANS AND BORROWINGS

	31 December 2019			1 January 2019 (restated)	31 December 2018		
	Effective interest rate (%)	Maturity	S$	S$	Effective interest rate (%)	Maturity	S$
Current:							
Lease liabilities	2.47% to 3.41%	2020	1,723,027	2,658,684	2.47% to 3.41%	2019	2,352,671
Bank loans — secured	bank's Non-Residential Mortgage Board Rate ("NMBR")	2020	130,926	132,351	bank's Non-Residential Mortgage Board Rate ("NMBR")	2019	132,351
			1,853,953	2,791,035			2,485,022
Non-current:							
Lease liabilities	2.47% to 3.41%	2021	208,225	1,930,905	2.47% to 3.41%	2020–2021	1,619,090
Bank loans — secured	bank's Non-Residential Mortgage Board Rate ("NMBR")	2021–2026	344,617	474,899	bank's Non-Residential Mortgage Board Rate ("NMBR")	2020–2026	474,899
			552,842	2,405,804			2,093,989
Total			2,406,795	5,196,839			4,579,011

	2019	2018
	S$	*S$*
Analysed into:		
Bank loans:		
Within one year or on demand	**130,926**	132,351
In the second year	**134,932**	130,926
In the third to fifth years, inclusive	**165,626**	237,608
Beyond five years	**44,059**	106,365
	474,543	607,250
Other borrowings:		
Within one year or on demand	**1,723,027**	2,352,671
In the second year	**208,225**	1,411,141
In the third to fifth years, inclusive	**—**	207,949
	1,931,252	3,971,761
	2,406,795	4,579,011

Notes:

(a) Bank loans and other loans

For the year ended 31 December 2019, the effective interest rates of the Group's bank loans and other loans ranged from 1.70% to 4.85% (2018: 1.70% to 4.85%) per annum.

The Group's secured bank loans are secured by:

(i) mortgages over the Group's buildings situated in Singapore, which had an aggregate carrying amount of $944,302 (2018: $$989,514) as at 31 December 2019;

(ii) time deposits with carrying amounts of $502,509 (2018: $501,500) as at 31 December 2019; and

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

14. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares	Share capital
		HK$	*(equivalent to S$)*
Ordinary share of HK$0.01 each			
Authorised			
At 1 January 2018, 31 December 2018 and 31 December 2019	**5,000,000,000**	**50,000,000**	
Issued and fully paid			
At 1 January 2018, 31 December 2018 and 31 December 2019	**640,000,000**	**6,400,000**	**1,106,317**

15. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: 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.

Like many other export-reliant Asian economies, Singapore has been hit hard by cooling global demand and the continuously escalating US-China trade war since the beginning of 2019, which has disrupted world supply chains in a blow to business investment and corporate profits. 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

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 2019, the revenue of the Group decreased by approximately S$651,000 or approximately 2.2% to approximately S$28,749,000 compared to the year ended 31 December 2018. The decrease was mainly attributable to the continued 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:

	2019		2018	
	S$'000	*%*	*S$'000*	*%*
Trucking services	**24,480**	**85.2**	23,685	80.6
Hubbing services	**4,269**	**14.8**	5,715	19.4
	28,749	**100.0**	29,400	100.0

Revenue from trucking services

Revenue from trucking services increased by approximately S$795,000 to S$24,480,000 for the year ended 31 December 2019, representing a approximately 3.4% increase. The increase was mainly due to the increase in volume from trucking services, contributed by higher demand from one of our major customers, which is offset by a general decrease in volume from most of our other customers with the unfavourable trade economy outlook.

Revenue from hubbing services

Revenue from hubbing services decreased by approximately 25.3% or approximately S$1,446,000. 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 freight forwarders and global logistics companies.

However, the increase/decrease in hubbing revenue will not be proportionate to the increase/decrease 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.

The decrease is due to lower container volume hubbed in our yard, as there was a change in customer dynamics, whereby there were more local service engagements which did not require our hubbing services during this period. In addition, with lower trade activities during the year, volume hubbed in our yard also significantly decreased.

Gross Profit

The overall gross profit decreased from approximately S$4,540,000 for the year ended 31 December 2018 to approximately S$3,248,000 for the year ended 31 December 2019, mainly due to a decrease in revenue from hubbing services and increase in cost of sales. The overall gross profit margin decreased from approximately 15.4% for the year ended 31 December 2018 to approximately 11.3% for the year ended 31 December 2019. The table below sets forth a breakdown of gross profit and gross profit margin by revenue type for the periods indicated:

	2019		2018	
	S$'000	***Gross profit margin***	*S$'000*	*Gross profit margin*
Trucking services	**2,118**	**8.7%**	1,625	6.9%
Hubbing services	**1,130**	**26.5%**	2,915	51.0%
	3,248	**11.3%**	4,540	15.4%

Gross profit from trucking services

The gross profit margin for trucking services increased from approximately 6.9% for the year ended 31 December 2018 to approximately 8.7% for the year ended 31 December 2019 mainly due to the contracting of a new project with one of our major customers in 2019 that increased trucking revenue. As more than a third of trucking costs pertain to fixed costs like depreciation and wages, an increase in revenue will increase the gross profit margin.

Gross profit from hubbing services

The gross profit margin for hubbing services decreased from 51.0% for the year ended 31 December 2018 to approximately 26.5% for the year ended 31 December 2019 mainly due to a) competitive environment; b) incurrence of non-recurring operating costs for maintenance works performed on the yards during the year; and c) decrease in revenue due to continued challenges and uncertainty in the global trade economy.

Other Income

Other income decreased by approximately S$318,000 from approximately S$411,000 for the year ended 31 December 2018 to approximately S$93,000 for the year ended 31 December 2019. The decrease was mainly attributed to lower gain on disposal of items of property, plant and equipment, and foreign exchange loss of S$28,000 for the year, as compared to year ended 31 December 2018 which recorded a foreign exchange gain of approximately S$124,000.

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$4,286,000 and approximately S$4,154,000 for the years ended 31 December 2019 and 2018 respectively.

Income Tax

The Group's income tax expense decreased by approximately S$234,000 from approximately S$173,000 to a credit of approximately S$61,000 for the year ended 31 December 2019. The decrease in tax expense is mainly due to the Group being in a taxable loss position.

(Loss)/Profit for the Year

Due to the combined effect of the aforesaid factors, we recorded a loss of approximately S$980,000 for the year ended 31 December 2019, representing a decrease of approximately S$1,447,000 as compared to the profit of approximately S$467,000 for the year ended 31 December 2018.

Liquidity and Financial Resources and Capital Structure

As at 31 December 2019, the Group had total assets of approximately S$25,999,000 (2018: approximately S$29,628,000), which is financed by total liabilities and shareholders' equity (comprising share capital, share premium and retained earnings) of approximately S$5,361,000 (2018: approximately S$8,009,000) and approximately S$20,638,000 (2018: approximately S$21,619,000) respectively. The current ratio as at 31 December 2019 of the Group was approximately 2.9 times (2018: approximately 3.0 times).

As at 31 December 2019, the Group had cash and cash equivalents of approximately S$6,566,000 (2018: approximately S$8,703,000) which were placed with major banks in Singapore and Hong Kong.

The loans and borrowings of the Group as at 31 December 2019 was approximately S$2,407,000 (2018: approximately S$4,579,000). The gearing ratio (calculated based on loans and borrowings divided by total equity) of the Group as of 31 December 2019 was 11.7% (2018: 21.2%).

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$28,000 (2018: gain of approximately S$124,000) as Hong Kong dollars depreciated (2018: appreciated) 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 2019.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2019, 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 2019.

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 2019 (2018: S$660,000).

Capital Commitments

As at 31 December 2019, the Group had no capital commitment (2018: approximately S$37,000 for the implementation and set up of the container tracking system).

Employee Information and Remuneration Policies

As at 31 December 2019, the Group had an aggregate of 170 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$9,506,000 for the year ended 31 December 2019 (2018: approximately S$9,721,000).

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 2019
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	The Group is still sourcing for a satisfactory office unit.[2]
	— Renovation of the new office	
Strengthen our information technology system	— Obtain quotation, finish installation and implementation test of tailor-made container tracing system	The Group has obtained quotation for the container tracing system and is under-going compatibility testing.
	— Obtain quotation, finish installation and implementation test of tailor-made enterprise resources planning system	The Group has obtained a preliminary quotation for 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 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	The Group has hired a financial controller, finance executives and three operation staffs.
	— Hire additional 27 experienced truck drivers, with recruitment cost for the new workforce	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 spoken to 3 owners of office units located at Pioneer Junction that had intention to sell. However, the units were priced above market price, which the Group is not willing to pay. The Group is currently sourcing for other alternate unit and expects to complete purchase in 2021, given the current unfavourable economy outlook.

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$'000*	Amount of the net proceeds utilised up to 31 December 2017 *HK$'000*	Amount of the net proceeds utilised up to 31 December 2018 *HK$'000*	Amount of the net proceeds utilised up to 31 December 2019 *HK$'000*	Unutilised amount as at 31 December 2019[1] *HK$'000*
Enhancement of capacity for transport and storage services through acquisition of new vehicles	26,062	—	—	8,823	17,239
Expansion and enhancement of workforce to support increased business activities	7,923	336	4,544	7,923	—
Information technology enhancement to support business activities	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	—
	43,116	2,701	6,909	23,258	19,858

[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

The Group continues to strive to provide customers with timely delivery and storage of their containers, continue our growth strategy in the industry and enhance overall competitiveness and market share in Singapore. In 2019, the Group saw increasing challenge with the uncertainty 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.

With Singapore's economy growing at a decade-low of 0.7% last year, Singapore is expecting possibly even slower growth in 2020 and has downgraded its gross domestic product (GDP) forecast to -0.5% to 1.5%, amid concerns about the ongoing COVID-19 outbreak. Management is continuously monitoring the situation and in constant discussion with our customers to understand their changing business 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 will be cautious with its expansion plans.

Pledge of Assets

The carrying amount of motor vehicles held under finance leases was approximately S$4,631,000 as at 31 December 2019. 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$944,000 were mortgaged to secure the Group's bank loans as at 31 December 2019.

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 2019.

COMPETING BUSINESS

For the year ended 31 December 2019, 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 2019.

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 outbreak of novel coronavirus (COVID-19) continues to spread to countries across the world.

Up to the date of this announcement, management has not been aware of any cases of COVID-19 infection among the staff. The COVID-19 has certain impact on the business operations of the Group, since it is a logistics company that is largely dependent on the global trade economy. At this point in time, management cannot determine the duration of the coronavirus and therefore are not yet able to quantify the full financial impact. However, management will closely monitor the evolving coronavirus situation and assess the ongoing development and respond accordingly.

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 2019.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "2019 AGM") will be held on 29 June 2020 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 23 June 2020 to 29 June 2020, 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 22 June 2020.

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 2019.

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 2019 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 2019 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 2020

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.