C&N Holdings Limited
春能控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 8430

2019 Annual Report

* For identification purpose only

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This report, 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 report is accurate and complete in all material respects and not misleading and deceptive; (2) there are no other matters the omission of which would make any statement herein or this report misleading; (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chua Kang Lim
Ms. Chua Sui Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Dax Teo Tak Sin
Mr. Kwong Choong Kuen
Ms. Grace Choong Mai Foong

COMPANY SECRETARY

Mr. Chang Man Leong

AUTHORISED REPRESENTATIVES

(for the purposes of the GEM Listing Rules)
Mr. Chua Kang Lim
Mr. Chang Man Leong

AUTHORISED REPRESENTATIVES

(for the purposes of the Companies Ordinance)
Mr. Chang Man Leong

AUDIT COMMITTEE

Mr. Kwong Choong Kuen *(Chairman)*
Mr. Dax Teo Tak Sin
Ms. Grace Choong Mai Foong

REMUNERATION COMMITTEE

Mr. Dax Teo Tak Sin *(Chairman)*
Mr. Kwong Choong Kuen
Ms. Grace Choong Mai Foong

NOMINATION COMMITTEE

Ms. Grace Choong Mai Foong *(Chairwoman)*
Mr. Dax Teo Tak Sin
Mr. Kwong Choong Kuen

REGISTERED OFFICE

Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

3 Soon Lee Street #06–03, Pioneer Junction, Singapore 627606

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

COMPLIANCE ADVISER

Vinco Capital Limited
Unit 2610, 26/F, The Center, 99 Queen's Road, Central, Hong Kong

PRINCIPAL BANKER

DBS Bank Ltd
12 Marina Bay Boulevard, Level 3 Marina Bay Financial Centre Tower 3, Singapore 018982

COMPANY WEBSITE

www.cnlimited.com

STOCK CODE

8430

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors") of C&N Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I present the annual results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018.

The overall operating environment continued to be challenging for the Group in the past year. The Group saw increasing challenge with the uncertainly in the global trade economy that has impacted the general economic and market conditions in Singapore and the industry in which we operate, which has affected the business operations to an extent. Our customers are mainly logistics service providers along the supply chain in Singapore. The cargoes that we transport for our customers include various types of plastic resin, scrap steel, paper products and others. These cargoes are mainly for import/export business, hence any uncertainty in the global trade economy will directly impact our customers, and hence the Group.

REVIEW

Our Group's revenue comprised of revenue from provision of transport and storage 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 challenges and uncertainty in the global trade economy.

In line with the decrease in revenue, the Group's gross profit decreased by approximately S$1,291,000 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. Gross profit margin decreased from 15.4% for the year ended 31 December 2018 to 11.3% for the year ended 31 December 2019. The decrease in gross profit margin is 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 as mentioned above.

The Group recorded a loss for the year of approximately S$980,000 for the year ended 31 December 2019 compared to a profit for the year of approximately S$467,000 for the year ended 31 December 2018.

PROSPECTS

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. We have already witnessed the impact of COVID-19 on trade activities for the first few months of 2020. The coming year promises to be a challenging and volatile year for the Group. Management is constantly monitoring the global trade economy and in constant discussion with our customers to understand the situation and their needs.

APPRECIATION

On behalf of the Board, I would like to thank shareholders and our business partners, suppliers and customers for their continuous support to the Group. My heartfelt appreciation also goes to our management and colleagues for their dedication and valuable contributions to the Group in the past year. We will pragmatically develop our business and strive for the best return for our shareholders.

Chua Kang Lim
Chairman, executive Director and chief executive officer

25 March 2020

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 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 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 15.4% for the year ended 31 December 2018 to 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 6.9% for the year ended 31 December 2018 to 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 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 $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 report, 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 (2018: 175).

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 unfavorable 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)	Amount of the net proceeds utilised up to 31 December 2017	Amount of the net proceeds utilised up to 31 December 2018	Amount of the net proceeds utilised up to 31 December 2019	Unutilised amount as at 31 December 2019[1]
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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 report, 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% 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 is 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 has a share option scheme (the "Share Option Scheme") which was approved and adopted by the sole shareholder of the Company by way of written resolutions passed on 25 September 2017. Details of the Share Option Scheme can be found on page 44 of this annual report.

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the year ended 31 December 2019.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Chua Kang Lim ("K L Chua"), age 65, founder of our Group, is our executive Director, chief executive officer and the chairman of our Board. He has been a director of CA Transportation since February 1992 and a director of Nexis Logistics since April 2003, which are the Group's subsidiaries. Mr. K L Chua is responsible for the overall strategic planning and business development of our Group.

Mr. K L Chua has over 28 years of experience in the logistics industry in Singapore. Prior to the establishment of our Group, Mr. K L Chua was involved in business of packing and crating services. Mr. K L Chua was a partner of Teng Lee Packing Co from September 1982 to October 1992, an owner of K. L. Chua Container Service from March 1994 to June 2013 and a director of Teng Lee Packing Co Pte Ltd from October 1992 to May 2012 respectively and involved in their business operation and management. As (i) Teng Lee Packing Co engaged in the business of providing freight forwarding services and wholesale of logs, (ii) K. L. Chua Container Service engaged in the business of providing freight and container services, and (iii) Teng Lee Packing Co Pte Ltd engaged in the business of providing freight and warehousing services, Mr. K L Chua gained experience in management skills and knowledge of freight logistics business.

Mr. K L Chua is the father of both Ms. S F Chua, an executive Director of our Company, and Ms. S H Chua, our Purchasing and Human Resources Director. Mr. K L Chua is also the elder brother of Mr. C H Chua, our Senior Sales Manager.

Ms. Chua Sui Feng ("S F Chua"), age 40, is our executive Director. She joined our Group in May 2003 and has over 16 years of experience in the transport and storage industry. Ms. S F Chua is responsible for overall management of daily operations and business development in relation to our Group's business operations.

Prior to working in the transport and storage industry, Ms. S F Chua had worked as an assistant IT architect of Commerce Exchange Pte Ltd from May 2000 to November 2000. Ms. S F Chua obtained a Diploma in Multimedia Computing from Ngee Ann Polytechnic in August 2000. Ms. S F Chua subsequently graduated from the Queensland University of Technology, with a Bachelor of Information Technology in February 2002.

Ms. S F Chua is the daughter of Mr. K L Chua, our executive Director. Ms. S F Chua is also the younger sister of Ms. S H Chua, our Purchasing and Human Resources Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Dax Teo Tak Sin, aged 41, is our independent non-executive Director appointed on 25 September 2017. He is currently the chairman of the remuneration committee and a member of the audit and nomination committees. Mr. Teo has over 16 years of experience in the audit profession. Mr. Teo graduated from the Nanyang Technological University with a Bachelor of Accountancy in July 2003. Mr. Teo is a Chartered Accountant of Singapore and has been a member of the Institute of Certified Public Accountants of Singapore since February 2007 and a member of the Institute of Singapore Chartered Accountants since July 2013.

Mr. Kwong Choong Kuen, aged 47, is our independent non-executive Director appointed on 25 September 2017. He is currently the chairman of the audit committee and a member of the nomination and remuneration committees. Mr. Kwong has over 19 years of experience in the finance profession. Mr. Kwong graduated from Nanyang Technological University with a Bachelor of Accountancy in June 1996. Mr. Kwong is also a Chartered Accountant of Singapore and has been a member of the Institute of Certified Public Accountants of Singapore since September 1999 and a member of the Institute of Singapore Chartered Accountants since July 2013. Mr. Kwong has been a non-executive Director of BHCC Holdings Limited (a company listed on the Main Board, stock code: 1552) since March 2020.

Ms. Grace Choong Mai Foong, aged 51, is our independent non-executive Director appointed on 25 September 2017. She is currently the chairwoman of the nomination committee and a member of the audit and remuneration committees. Ms. Choong has over 19 years of experience in the financial services industry. Ms. Choong graduated from Universiti Utara Malaysia with a Bachelor of Economics with Honours in September 1992.

SENIOR MANAGEMENT

Mr. Chua Chin Ho ("C H Chua"), aged 56, is our Sales Director and joined our Group in January 2015 and is primarily responsible for the sales and marketing activities of our Group. Mr. C H Chua graduated with a Diploma in Business Administration from the PSB Academy in 2001. Mr. C H Chua has over 28 years of experience in the logistics industry. Prior to joining our Group, he was a sales manager in Chun Logistics Pte Ltd. Mr. C H Chua is the younger brother of Mr. K L Chua, our executive Director.

Ms. Chua Shu Hui ("S H Chua"), aged 42, is our Purchasing and Human Resources Director and joined our Group in June 2011 and is primarily responsible for the purchasing and human resource matters of our Group. Ms. S H Chua graduated with a Diploma in Business Administration and Marketing from the TMC Business School in August 1997. Ms. S H Chua has over 20 years of relevant experience in the transportation industry. Ms. S H Chua is the daughter of Mr. K L Chua, our executive Director. Ms. S H Chua is also the elder sister of Ms. S F Chua, our executive Director.

Mr. Toh Hwa Keong, aged 42, is our Full Container Load ("FCL") Operations Manager and joined our Group in November 2003 and is primarily responsible for the FCL operations of our Group. He graduated with a Diploma in Electronics, Electrical and Communications Engineering from Singapore Polytechnic on 26 May 1997. Mr. Toh Hwa Keong has over 15 years of relevant experience in the transportation services industry.

COMPANY SECRETARY

Mr. Chang Man Leong, aged 42, is the company secretary of our Company. Mr. Chang does not act as an individual employee of our Company, but as an external service provider. Mr. Chang is a practising solicitor and a partner at Michael Li & Co. specialising in corporate finance work including initial public offerings, mergers and acquisitions and restructuring. Mr. Chang obtained his Bachelor of Business Administration degree from the Chinese University of Hong Kong in 1999 and subsequently a Bachelor of Laws degree from the University of Hong Kong in 2005. Mr. Chang was admitted as a solicitor in Hong Kong in November 2008.

COMPLIANCE OFFICER

Mr. K L Chua is an executive Director and the compliance officer of the Company. His biographical details and professional qualifications are set out on page 12 of this annual report.

Corporate Governance Report

The Board, as a whole, is responsible for managing the Corporate Governance function of the Group directly or through delegation to the Audit Committee and Management. The main responsibilities include:

- Developing, reviewing and monitoring the code of conduct, corporate governance policies and practices; and compliance manual applicable to employees and directors;

- Reviewing and monitoring the training and continuous professional development of directors and senior management;

- Assigning the Audit Committee to review an Group's policies and practices on corporate governance and make recommendations to the board; and review the Group's compliance with the Code and disclosure in the Corporate Governance Report; and

- Assigning the Management to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements.

The Board believes that good corporate governance is essential for efficient and effective management of our business to safeguard the interest of our stakeholders and achieve the highest return for our shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code from 1 January 2019 up to 31 December 2019, except for Code Provision A.2.1 of the CG Code — segregation of the roles of chairman and chief executive officer.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. K L Chua is acting as the chairman and the chief executive officer. In view of Mr. K L Chua being the founder of the Group, and his responsibilities in corporate strategic planning and overall business development as mentioned above, the Board believes that it is in the interests of both our Group and our Shareholders to have Mr. K L Chua taking up both roles for effective management and business development. Therefore, the Directors consider the deviation from Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules to be appropriate in such circumstance. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of the chairman and chief executive officer is necessary.

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.

NON-COMPETITION UNDERTAKING

Ventris Global Limited and Mr. K L Chua (collectively, the "Controlling Shareholders") entered into a deed of non-competition dated 3 October 2017 in favour of the Company and the subsidiaries (the "Deed of Non-competition"). Pursuant to the Deed of Non-competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of the subsidiaries), among others, that during the continuation of the Deed of Non-competition, it or he would not, and would procure that its or his close associates (other than any member of our Group) would not, whether on its or his own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the provision of transport and storage services to the logistics industry in Singapore and business ancillary to any of the foregoing), in Hong Kong, Singapore and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on such business from time to time (the "Restricted Business"). Each of the Controlling Shareholders has further undertaken that if each of the Controlling Shareholders and/or any of its/his close associates is offered or becomes aware of any project or new business opportunity that related to the Restricted Business, it/he shall promptly notify the Company in writing and the Group shall have a right of first refusal to take up such opportunity.

For details of the Deed of Non-competition, please refer to the section headed "Relationship with our Controlling Shareholders — Deed of Non-competition" in the Prospectus.

The Company has received a written confirmation from the Controlling Shareholders that they have complied with the terms of the Deed of Non-Competition since the date of listing of the share of the Company on GEM (the "Listing Date") and up to the date of this annual report. The independent non-executive Directors have also reviewed the status of compliance and written confirmation from the Controlling Shareholders, and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of the Controlling Shareholders since 1 January 2019 and up to the date of this annual report.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board which assumes the responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising its affairs. All Directors should make decisions objectively in the interests of the Group.

The Board formulates strategies and sets directions for the Group's activities to develop its business and enhance shareholders' value. The Board also assumes the responsibilities for maintaining high standard of corporate governance, including among others, reviewing the Company's policies and practices on corporate governance, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

The Board has established board committees with specific written terms of reference which deal clearly with the committees' authority and duties. Details of the respective committee's terms of reference are available at the websites of the Company and the Stock Exchange.

The day-to-day management, administration and operation of the Group are delegated to the executive Director and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions being entered into by the abovementioned officers.

Board Composition

As at the date of this report, the Board comprises five Directors of which two are executive Directors and three are independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:

Mr. Chua Kang Lim *(Chairman)*
Ms. Chua Sui Feng

Independent non-executive Directors:

Mr. Dax Teo Tak Sin
Mr. Kwong Choong Kuen
Ms. Grace Choong Mai Foong

From 1 January 2019 up to the date of this report, there was no change in the composition of the Board. The biographical details of the Directors are set out in the section headed "Directors and Senior Management Profile" on pages 12 to 13 of this annual report.

Other than Ms. Chua Sui Feng who is the daughter of Mr. Chua Kang Lim, the Directors do not have financial, business, family or other material/relevant relationships with each other.

Throughout the period from 1 January 2019 to the date of this report, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, accounting for at least one-third of the Board, with at least one independent non-executive director possessing the appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the independent non-executive Directors to be independent and meet the requirements set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

Roles and Responsibility of the Board

The Board is responsible for the overall management of the Group, which includes controlling resources allocation of the Company and leading the Company to strive for success. It oversees the Group's businesses, strategic decisions, internal control, risk management and performances.

The management team is delegated with the authority and responsibility by the Board for the daily management of the Group. The delegated functions and work tasks are periodically reviewed. Major corporate matters that are specifically delegated by the Board to the management include (1) the preparation of quarterly, interim and annual reports and announcements for the Board's approval before publishing; (2) implementation of adequate systems of internal controls and risk management procedures; and (3) compliance with relevant statutory and regulatory requirements and rules and regulations.

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

Board/Board Committee Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's quarterly, interim and annual results. The attendance of each Director at the Board meetings is set out in the section headed "Attendance Records of Directors and Committee Members" of this report. On 25 March 2020, the board has at the board meeting approved, among other matters, the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2019.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice is given for a regular Board meeting. All Directors are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. The minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Attendance Records of Directors

During the Year, a total of four (4) regular Board meetings and one (1) annual general meeting were held and the attendance of each of the Directors is set out as follows:

	Attendance/Number of Meetings Held	
	Regular board Meetings	2018 AGM
Executive Directors		
Mr. Chua Kang Lim	4/4	1/1
Ms. Chua Sui Feng	4/4	1/1
Independent Non-executive Directors		
Mr. Dax Teo Tak Sin	4/4	1/1
Mr. Kwong Choong Kuen	4/4	1/1
Ms. Grace Choong Mai Foong	4/4	1/1

Appointment and Re-election of Directors

The executive Directors have entered into service contracts with the Company for a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing sent by either party to the other. Each of the independent non-executive Directors has entered into a letter of appointment with the Company. Each of the independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association. The nomination committee is responsible for reviewing the Board composition, assessing the independence of independent non-executive Directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board as an essential element to improving governance and performance, and to creating a competitive advantage. In designing the Board's composition, measurable objectives of the board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. The Board shall review the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's business, with due regard to the benefits of diversity of the Board.

Directors' Training and Continuing Professional Development

Directors are aware of Code Provision A.6.5 regarding continuing professional development programme for directors. Every director is required to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Company. On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly updated and apprised of the amendments to or updates on the relevant laws, rules, regulations and guidelines, particularly the effects of such new or amended laws, rules, regulations and guidelines on directors specifically, and the Company and the Group generally. On an ongoing basis, Directors are encouraged to keep up-to-date on all matters relevant to the Group and to attend briefings, seminars and relevant training courses as appropriate.

For the year ended 31 December 2019, all Directors participated in appropriate continuous professional development activities by way of attending training sessions or reading materials relevant to the Company's business, directors' duties and responsibilities, corporate governance and recent amendments to the Listing Rules.

Directors' and Officers' Liabilities

The Company has in place appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis by the Company.

BOARD COMMITTEES

The Board is supported by three Board Committees. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within their respective terms of reference.

AUDIT COMMITTEE

Our Group established an Audit Committee on 25 September 2017 which comprises three members. Our audit committee has adopted the written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Audit Committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Group. The committee will be assisted by the professional accounting firm engaged by our Group, which will conduct regular internal audits and report to the committee. As at the date of this report, the Audit Committee comprises three members, namely, Mr. Kwong Choong Kuen, Mr. Dax Teo Tak Sin and Ms. Grace Choong Mai Foong. Mr. Kwong Choong Kuen is the chairman of the Audit Committee.

For the financial year ended 31 December 2019, four meetings of the Audit Committee were held to review the quarterly, interim and annual results of the Group and the meeting was attended by the Company's external auditor so that the members of the Audit Committee could exchange their views and concerns on the financial reporting process of the Group with the auditor. Risk management and internal control systems of the Group were also reviewed.

The attendance of each member of the Audit Committee is set out as follows:

Name of members of Audit Committee Meeting	Attendance/ Number of Meetings Held
Mr. Kwong Choong Kuen *(Chairman)*	4/4
Mr. Dax Teo Tak Sin	4/4
Ms. Grace Choong Mai Foong	4/4

Subsequent to the year under review and up to the date of this annual report, the Audit Committee has held one meeting and reviewed with the management and the external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the following:

- the review of the audited financial statements for the year ended 31 December 2019;
- the recommendation to the Board for the proposal for reappointment of the external auditor of the Company and approval of the remuneration and terms of engagement of the external auditor; and
- the review of the risk management and internal control systems of the Company and its subsidiaries.

REMUNERATION COMMITTEE

As at the date of this Report, the Remuneration Committee comprises three members. Our Remuneration Committee has adopted written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Remuneration Committee are, among other things, to evaluate the performance and to determine, with delegated responsibility, on the remuneration package of our Directors and senior management. The Remuneration Committee comprises three members, namely, Mr. Dax Teo Tak Sin, Mr. Kwong Choong Kuen and Ms. Grace Choong Mai Foong. Mr. Dax Teo Tak Sin is the chairman of the Remuneration Committee.

For the financial year ended 31 December 2019, one meeting of the Remuneration Committee was held to review the remuneration package of the executive Directors and senior management for the financial year ended 31 December 2019. On 25 March 2020, the Remuneration Committee held a meeting to approve the remuneration packages and performance bonuses for the executive Directors and senior management of the Company.

The attendance of each member of the Remuneration Committee is set out as follows:

Name of members of Remuneration Committee Meeting	**Attendance/ Number of Meetings Held**
Mr. Dax Teo Tak Sin *(Chairman)*	1/1
Mr. Kwong Choong Kuen	1/1
Ms. Grace Choong Mai Foong	1/1

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2019 is set out below:

Remuneration band (in HK$)	**Number of individuals**
Nil to HK$1,000,000	2
HK$1,000,001–HK$1,500,000	1

Particulars of the Directors' remuneration for the year ended 31 December 2019 are set out in note 8 to the consolidated financial statements.

NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee comprises three members. Our Nomination Committee has adopted written terms of reference in compliance with paragraph A5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The Nomination Committee is responsible for monitoring the implementation of the Board Diversity Policy and will at the appropriate time set measurable objectives for achieving diversity of the Board. The Nomination Committee has adopted a set of nomination procedures for review of the structure, size and composition (including the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of Independent Non-executive Directors. No candidate had been nominated for appointment as additional Director during the year. The Nomination Committee comprises three members, namely, Ms. Grace Choong Mai Foong, Mr. Dax Teo Tak Sin and Mr. Kwong Choong Kuen. Ms. Grace Choong Mai Foong is the chairwoman of the Nomination Committee.

For the financial year ended 31 December 2019, one meeting of the Nomination Committee was held to consider a) the re-election of Mr. Chua Kang Lim as an executive Director; b) the re-election of Mr. Kwong Choon Kuen as an independent non-executive Director and Chairman of the Audit Committee; c) reviewed the structure, size and composition of the Board; and d) accessed the independence of independent non-executive Directors. On 25 March 2020, the Nomination Committee held a meeting to review the structure, size and composition of the Board and concluded that members of the Board have possessed the expertise and independence to carry out the Board's functions and responsibilities.

The attendance of each member of the Nomination Committee is set out as follows:

Name of members of Nomination Committee Meeting	Attendance/ Number of Meetings Held
Ms. Grace Choong Mai Foong *(Chairwoman)*	1/1
Mr. Dax Teo Tak Sin	1/1
Mr. Kwong Choong Kuen	1/1

FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements for the year ended 31 December 2019. As at 31 December 2019, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Group on a going-concern basis. The responsibilities of the external auditors regarding their financial reporting are set out in the independent auditor's report contained in this annual report for the year ended 31 December 2019.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. Nevertheless the Company engaged an external professional firm to carry out internal audit functions. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board has engaged an external professional firm as its risk management and internal control review adviser ("the Adviser") to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2019. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management. The Board and Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

DIVIDEND POLICY

Provided that the Group is profitable and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the shareholders of the Company.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account various factors, which include, but are not limited to, the operating results and performance, cash flow, financial position, capital requirements and future prospects of the Group, as well as the interests of the shareholders of the Company.

Declaration and payment of dividend by the Company are also subject to the laws of the Cayman Islands, the memorandum and articles of association of the Company and any applicable laws, rules and regulations.

For the avoidance of doubt, there can be no assurance that a dividend will be proposed or declared in any specific period.

EXTERNAL AUDITOR'S REMUNERATION

The remuneration of external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Services Rendered	**Fees paid/ payable** *(S$'000)*
Audit services	167
Non-audit services	13
	180

The reporting responsibilities of Ernst & Young are set out in the independent auditor's report on page 49 to 52 of this annual report.

COMPANY SECRETARY

Mr. Chang Man Leong is the company secretary of the Company as appointed pursuant to Rule 5.14 of the GEM Listing Rules. Mr. Chang obtained his Bachelor of Business Administration degree from the Chinese University of Hong Kong in 1999 and subsequently a Bachelor of Laws degree from the University of Hong Kong in 2005. Mr. Chang is a practising solicitor, and was admitted as a solicitor in Hong Kong in November 2008.

Mr. Chang does not act as an individual employee of the Company, but as an external service provider. Pursuant to paragraph F.1.1 of the CG Code, the Company can engage an external service provider as its company secretary, provided that the Company should disclose the identity of a person with sufficient sensitivity at the Company whom the external provider can contact, in this respect, the Company has nominated Ms. S F Chua, an executive Director, as its contact point for Mr. Chang. Mr. Chang has taken no less than 15 hours of relevant professional training for the year ended 31 December 2019.

COMMUNICATION WITH SHAREHOLDERS

The Company communicates with the shareholders and the potential investors of the Company mainly in the following ways:

(i) the holding of annual general meetings and general meetings of the Company, if any, which may be convened for specific purpose and provide opportunities for shareholders and investors to communicate directly with the Board;

(ii) the publication of quarterly, half-yearly and annual reports, announcements and/or circulars as required under the GEM Listing Rules and/or press releases of the Company providing updated information on the Group; and

(iii) the latest information on the Group is available on the respective websites of the Stock Exchange and the Company.

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

Pursuant to the Company's Articles of Association, any shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring an extraordinary general meeting to be called by the Board. The written requisition (i) must state the purpose(s) of the extraordinary general meeting, and (ii) must be signed by the requisitionist(s) and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionist(s). Such requisitions will be verified with the Company's branch share registrar and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene an extraordinary general meeting by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionist(s) will be advised of this outcome and accordingly, the extraordinary general meeting will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene the extraordinary general meeting, the requisitionist(s) or any of them representing more than one-half of the total voting rights of all of them may convene an extraordinary general meeting, but any extraordinary general meeting so convened shall not be held after expiration of two months from the said date of deposit of the requisition. An extraordinary general meeting convened by the requisitionist(s) shall be convened in the same manner, as nearly as possible, as that in any extraordinary general meeting to be convened by the Board.

Right to put forward proposals at general meeting

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her proposal with his/her detailed contact information at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

Right to make enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong. Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, shareholders can contact Union Registrars Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CONSTITUTIONAL DOCUMENTS

During the period from Listing Date to 31 December 2019, there had been no significant change in the Company's constitutional documents. The Articles of Association of the Company are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company's business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications. As such, the purpose for the Company to formulate investor relations policies is to let investors have access to the information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to write to the Company or send their enquiries to the Company's email of business@cnlimited.com to share their opinions with the Board. The Company's website also discloses the latest business information of the Group to investors and the public.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

The management provides such explanation and information to the Board and reports to the Board on the financial position and prospects of the business of the Group so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the independent auditor's report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. As at 31 December 2019, the Board was not aware of any material uncertainties relating to any events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the external auditor about their reporting responsibility is set out in the section headed "Independent Auditor's Report" of this annual report.

FOREWORD

This Environmental, Social and Governance Report (the “ESG Report”) published by C&N Holdings Limited (“C&N”, the “Company” or “we”) outlines the various initiatives, policies, data and relevant Key Performance Index (“KPI”) of the Company and its subsidiaries (collectively referred to the “Group”) in supporting the sustainable development and the performance of the Group in the Environmental, Social and Governance (“ESG”) aspects.

SCOPE OF THE REPORT

The Group is principally engaged in offering various transport and storage services to the logistics industry in Singapore, primarily trucking and hubbing services. Trucking services are referred to the delivery of cargo, primarily containers, from the customers’ designated pick up point to their designated delivery point. Hubbing services are referred to the handling and storage of laden and empty containers at our logistic yards or other locations designated by our customers.

This ESG report cover the financial year ended 31 December 2019 (the “Review year”) and the scope of this ESG report is determined in accordance to the principles of materiality, quantitative measures, balance and consistency and hence focuses on our trucking and hubbing operations.

APPROVAL BY THE BOARD

The Board of Directors acknowledges its responsibilities for identifying, assessing and approving our ESG strategy, important matters, initiatives, policies, reviewing our ESG reporting scope and boundary and approving this ESG report.

An ESG Working Group, which is directly delegated by and reporting to the Board, has also been established for supporting the Board, including for driving our ESG initiatives, overseeing ESG related matters, collecting and calculating relevant ESG data and KPI and reviewing this ESG report. The ESG Working Group is comprised of an Executive Director and various management from human resources, finance and operation department.

BASIS OF REPORTING

The Company is of the view that this ESG report is prepared and presented in accordance to the principles of materiality, quantitative measures, balance and consistency.

We prepared this ESG report with reference to and in compliance with the provisions of The Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong (“SEHK”).

A complete index in compliance with the ESG Reporting Guide is also available in this ESG Report for reference. Except for “comply or explain” provisions that the Group believes are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, the Group has complied with all the “comply or explain” provisions set out in the ESG Reporting Guide in the Review year.

The Group is determined to be a responsible enterprise and is committed to perfecting its business and improving the operation. In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that our stakeholders concerned most.

We define our stakeholders as people who affect our business or who are affected by our business. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. In addition, we are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions.

We have an open and honest relationship with our stakeholders and maintained continuous communications with them. We welcome comments and suggestions on the Report or towards our performance in respect of sustainability via email to business@cnlimited.com.

STAKEHOLDERS ENGAGEMENT

With the goal to strengthen its sustainability approach and performance, the Group has put tremendous effort in listening to both its internal and external stakeholders. The Group highly values the feedback from is stakeholders and takes initiative to build a trustful and supportive relationship with them through their preferred communication channels.

Our identified key stakeholders are employees, investors & shareholders, customers, business partners (e.g. suppliers and banks), government bodies and communities. We have an open and honest relationship with our stakeholders and maintained continuous communications with them in the course of formulating our business decision, operational strategies and ESG measures.

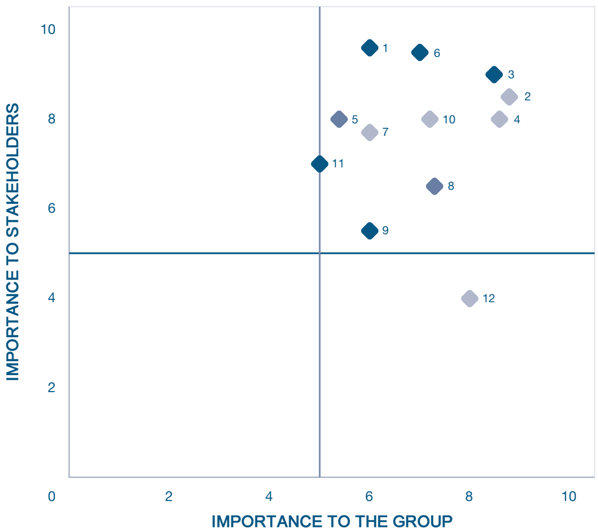
Key Stakeholders	Communication Channels
Investors & Shareholders	✓ Corporate website ✓ Annual general meeting ✓ Announcements and disclosures ✓ Public reports
Employees	✓ Regular management & staff meetings ✓ Training ✓ Internal policy circulation ✓ Performance Evaluation
Customers	✓ Customer assessments ✓ Direct meeting and visit by our Directors and Management with customers ✓ Continuous follow-up by our Customer Services Team
Business Partners	✓ Vendors' assessment ✓ Continuous quality and delivery review
Government Departments & Regulators	✓ Regular policy and regulatory updates ✓ Formal correspondence ✓ Ad-hoc meetings
Communities	✓ Industrial & community events ✓ Social media

We welcome comments and suggestions on the Report or towards our performance in respect of sustainability via email to business@cnlimited.com.

Materiality assessment

The management and staff of the Group's respective major functions have participated in the preparation of the ESG Report to assist the Group in reviewing its operations and identifying relevant ESG issues that are critical to the Group and stakeholders. The result from the materiality assessment was mapped and presented below.

The Group reviewed and assessed its materiality analysis matrix and prioritized sustainability issues according to changes from time to time. This review assists in prioritizing its sustainability issues by highlighting the material and significant assets, to align them with stakeholders' expectations.



Most Concerned Issues	Label	ESG Aspects
Efficient consumption	5	Environment
Emission control	8	Environment
Equal opportunity	1	Social
Staff health and safety	3	Social
Efficient work arrangement	6	Social
Staff development & training	9	Social
Procumbent practice	11	Social
Customer Services	2	Governance
Open communication	4	Governance
Anti-corruption & bribery	7	Governance
Compliance operation	10	Governance
Managing and monitoring risks	12	Governance

Sustainability performance highlight

C&N focuses on the implementation of sustainable practices in a diverse range of arenas.

For starter, C&N cares for its employees and believes that employees are the creators, practitioners and trailblazers of the fulfilment of corporate sustainability values. C&N puts great efforts into the welfare, automate work-tool, environment provided to employees, aiming to build and retain a vibrant team.

Besides, we always put customers in the high priority and endeavor to offer as much friendly and responsive experience as possible for both recurring and new customers. Not only does C&N priorities the health and safety of its workers, an unwavering determination to keep efficient, reliable, and enhancing its services is believed by the Group to ensure the resilience and stability of business development as well.

CARE FOR OUR EMPLOYEES

We owe much of our success to a team of dedicated and efficient workforce. We recognise that our people essentially form the foundation on which we fulfil goals and continuously drive our business to new levels of milestone. The Group is aspired to build a supportive working environment and stable career environment for the people who form the core of the Group's business.

Regulatory Compliance

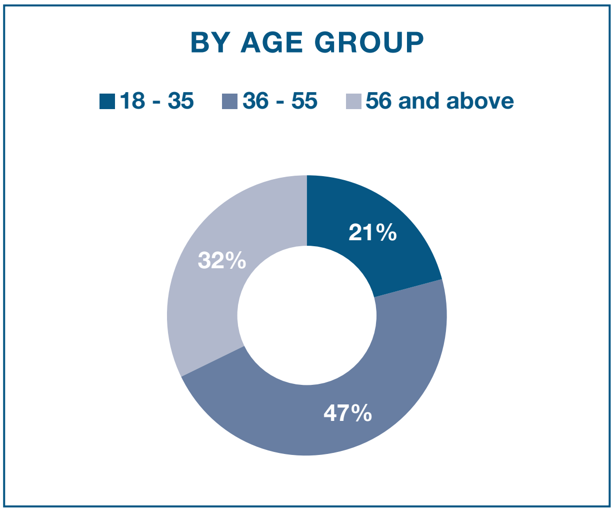
The Group is responsible for reviewing and updating our human resources practices and policies on a regular basis and ensuring that they strictly adhere to the applicable employment laws and regulations in Singapore. In the Review year, the Group was in compliance with relevant laws and regulations that have a significant impact on us and relating to to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, prevention of child or forced labour and other benefits and welfare, including, but not limited to the following:

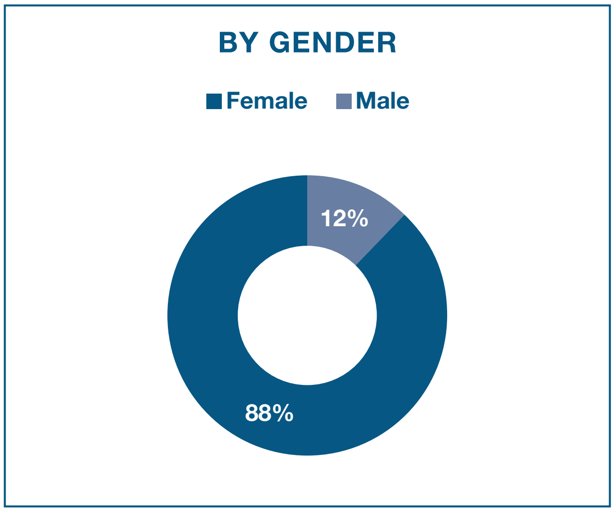
- The Employment Act (Chapter 91 of Statutes of Singapore)
- The Employment of Foreign Manpower Act (Chapter 91A of Statutes of Singapore)
- The Employment of Foreign Manpower (Work Passes) Regulations 2012 of Singapore
- The Central Provident Fund Ordinance of Singapore
- The Employees' Compensation Ordinance of Singapore
- The Employment of Children and Young Persons Regulations of Singapore
- The Retirement and Re-employment Act of Singapore
- The Child Co-Savings Development Act of Singapore

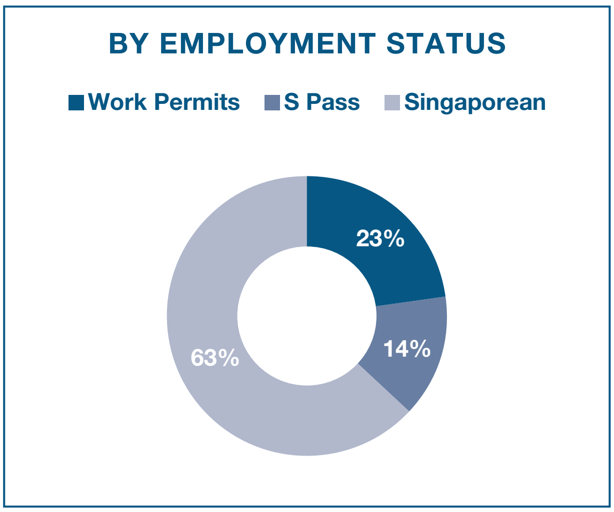
Employee structure

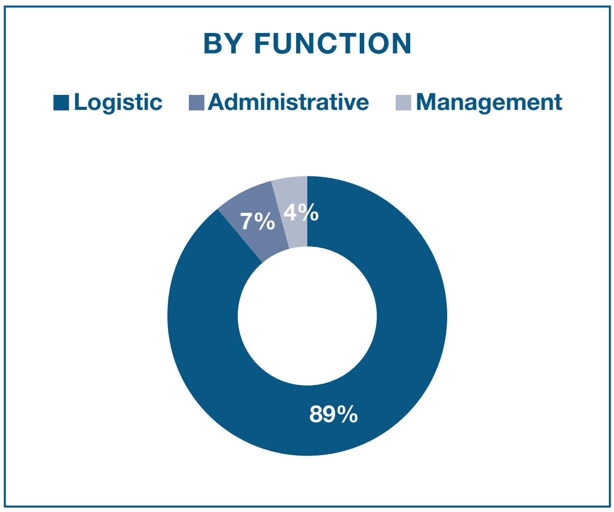
The Group attaches great importance to human resources management.

As at the financial year ended 31 December 2019, we have 170 employees. During the year, we have 34 employees who joined our Group and 39 employees who left our Group, who are mostly belong to the logistic department.









Welfares and safeguards

A sustainable and stable workforce is in the means to better facilitate every parties, creating common values with the hope to deliver up-standard quality service for a sustainable development and future.

To achieve the goal, we also put a strong emphasis on assuring comprehensive welfares and safeguards for employees. The Company implemented a compensation and benefits system to further provide employees with competitive remuneration. On top of legislated requirements relating to employee compensation, our full-time employees are entitled to medical care, dental benefits, business travel accident insurance, matrimonial leave, and paternity leave.

We are eager to provide a harmonious working environment for our employees. We offer various leisure and gathering events to light up the office atmosphere and enhance bonding among employees.

Equal opportunities and Anti-discrimination

The Group is dedicated to ruling out discrimination in all aspects of employments, including recruitment and promotion.

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. The training, promotion opportunities, dismissals and retirement policies of the Group are based on factors irrespective of the employees' age, gender, race, color, disability, nationality, religion or any other non-job-related elements in all business units of the Group.

We also have put in place an equal opportunity policy which allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with The Employment Act, The Retirement and Re-employment Act and The Child Co-Savings Development Act of Singapore.

The Group has also formulated its protocol reference to Employment Act of Singapore for determining enough working hours and rest time for employees. The Group arranges reasonable working hours and rest periods for its employees. Any appointment, promotion, or termination of recruitment contract would be based on reasonable, lawful grounds and staff handbooks. The Group strictly prohibits any kind of unfair or illegitimate dismissals.

Prevention of child and forced labour

It is our strict policy to combat against illegal employment on child labour and forced labour. The human resources department of the Group inspected and keeps records of the valid identity documents and working visa of job applicants before confirmation of their employment to ensure that all our staffs are lawfully employable. Our human resource department is also responsible for continuously monitoring and managing the day-to-day human resources matters, including prevention of any kind of forced labour or workplace abuse.

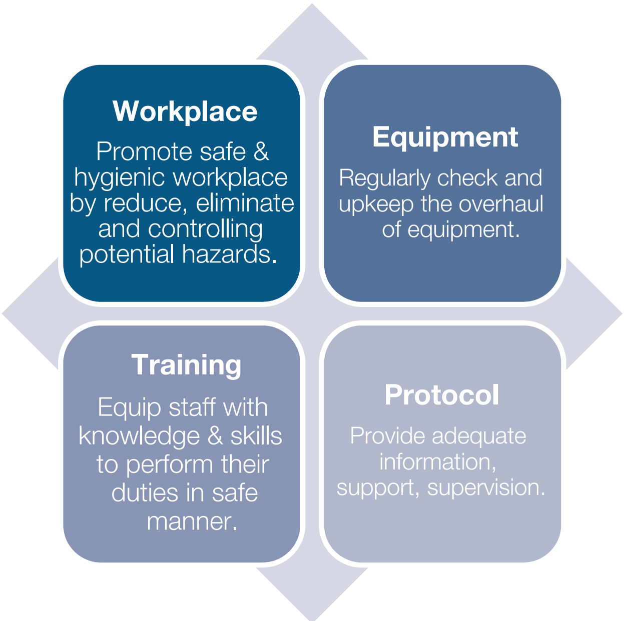
Employees are highly encouraged to report any incidents, including equal opportunities, discrimination, workplace safety, child or force labour, if any, to our human resources department of the Group. The Senior Management has the duties of investigating, assessing, recording such reported cases and taking any necessary disciplinary actions on confirmed incidents.

Health and safety

Occupational health and safety concerns primarily stem from the use, handling, storage, transportation and maintenance of the equipment within the premises and in the customers' job sites.

The Group believes that health and safety at work involves both the prevention of harm and the promotion of employees' well-being.

To provide and maintain a safe, clean and environmentally friendly working condition for employees, the Group has established protocol and guidelines regarding safety and health, which are in line with relevant laws and regulations in Singapore including, but not limited to The Workplace Safety and Health ("WSH") Act and The Workplace Safety and Health (Incident Reporting) Regulations of Singapore.



Health and safety requirements are incorporated into the Group's policies for all employees to comply with. According to our safe work procedures and employee handbook (e.g. smoking and abuse of alcohol and drugs are prohibited in the workplace). The Group provides induction programs and safety training programs to new employees such that they can be familiar with our protocol in relation to health and safety matters as quickly as they can. The Group also maintains the risk management system including procedures of identification and prevention of risks and hazards in the working area and follow-up actions for accidents or personal injuries.

In the Review period, the Group is in compliance with that have a significant impact on us and are related to providing a safe working environment and protecting employees from occupational hazards, including, but not limited to The Workplace Safety and Health Act (Chapter 354A of Statutes of Singapore) and The Work Injury Compensation Act (Chapter 354 of Statutes of Singapore) ("WICA").

Development and training

The Group values the importance of the growth and development of its employees and has formulated its internal training program.

At oversight and management level, our Group has provided annual trainings to our Directors and Senior Management on topics of corporate governance, and regulatory compliance to ensure they are updated with latest regulatory requirements or market trends.

At operational level, we provide induction and refresher courses to ensure that the drivers are up to date with the latest safety regulations, while our customers may also conduct their own safety courses for our drivers who operate within their premises. For example, the port operator conducts regular training courses to train new drivers so they would be able to maneuverer the prime movers safely inside the port.

CARE FOR OUR CUSTOMERS

In touch with customer needs by improving efficiency

As a leading transport and storage service provider in Singapore, our Group offers trucking and hubbing services to our customers locally and globally. We listen to the voice of our customers by providing responsive and attentive workforce equipped with up-to-update tools & equipment.

In the Review year, we have maintained a sizable logistic fleet, composing of prime movers, trailers, reaches stackers, forklifts, lorries and light vehicles. We provide our services through our qualified drivers responsible for handling and storage of empty containers and laden at our logistics yard, which is regarded as hubbing services, and for providing the timely and quality cargo delivery service from pick up station to delivery station designated by customers, which is regarded as trucking service.

Our Group's main business segment falls within the Transportation services of the above value chain diagram. Being a leading transportation and logistics company in Singapore, C&N endeavors to up-keep the reputation, built and excel in the business performance. Over the years, the Group managed to have a stable and close relationship with suppliers who keep providing quality goods and services in contribution to our business.

We have also invested and applied certain technological device and systems that would promote workflow timeliness and accuracy and abate the workload of our staff. For example, our operational system facilitates the matching and reconciliation of key operation data with our key business partners' database automatically on a daily basis.

Regulatory compliance

In the Review year, the Group is in compliance with relevant laws and regulations that are related to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Value chain, the transportation and storage sector

Our Group's main business segment falls within the Transportation services of the value chain in Port logistic services.

Being a leading transportation and logistics companies in Singapore, C&N endeavours to up-keep the reputation built and excel in the business performance. Over the years, the Group managed to have a stable and close relationship with a list of suppliers who keep providing quality goods and services in contribution to our business.

Quality management

The Group emphasizes the quality management of its services and is committed to providing customers with reliable and flexible services. Our quality control policy can be divided into two segments and they have provided a solid platform for us to deliver our services in a reliable and flexible manner to meet our customer's ever-changing demand and market needs.

The first segment, in macro view, entails our management principles to ensure our workforce provides reliable and controllable service as steady as possible.

1 Standardised workflow - daily update on client work schedule.

2 Regular review and improve work tools - implement software to take up repeating data-entry task.

3 Constant communicate with client - daily, weekly and monthly communication in email, phone and events.

4 Internal audit - Reciprocal inspection and engage external professionals to perform assessment.

The Group has also established relevant quality and safety inspection protocol which standardizes order handling. Our customer service department plays a key role in understanding and confirming client's needs and expectation of each order, setting out direction prior to launching any project, and actively coordinating projects with customers in the course of providing services.

In the Review year, we believe we have provided quality services and do not receive any material complaints from our customers.

The second segment, in operational level, we ensure the workplace and equipment are maintain in good condition.

Operational quality control mechanism

Vehicle selection	The selection of the brand and model of vehicles to purchase is important as it impacts on the ability of our Group to deliver reliable trucking services in a timely manner and concurrently provide a safe working environment for our drivers.
Regular vehicle inspection	Regular vehicle maintenance regime for our vehicles is implemented. All vehicles in our fleet are subject to regular inspection as regulated by the Land Transport Authority of Singapore ("LTA") with the view that vehicles which are not roadworthy can be a potential hazard to other road users and that regular inspections help to minimise vehicular breakdowns and road accidents.
Safety courses for drivers	As drivers are operating heavy vehicles such as prime movers, reach stackers and lorries, we require all drivers to attend relevant safety courses. We conduct in-house safety courses for all our drivers. Our customers and suppliers may also conduct their own safety courses for our drivers who operate within their premises.

With a solid foundation, we also have daily operational quality control measures to safeguard our resource and maintain the stability and reliability of our workforce.

Selection of suppliers and sub-contractors

We do not only consider commercial benefits during the quotation processes, but also assess their track records in relation to prior performance, reputation, corporate capacity, customer feedback. We did not enter into any material contractual agreement with supplier or sub-contractors in the reporting period.

In the course of our operation, we seldom source out any of our operating function out, except in rare situation that we do not have the right equipment or capacity to perform the order. Even so, we only engage outsiders to perform part of the work or rent their equipment. Discussion and close monitoring on the outsourcing tasks are performed by the responsible department.

Customer privacy protection

The Group places great emphasis on the privacy protection of its customers and ensures that the customers' rights are strictly protected in accordance with the Personal data Protection Act (Singapore) in terms of consumer data policy. It is included in the Group's protocol that all information collected would only be used for the purpose authorized by customers in the first place. The Group prohibits the provision of consumer information to a third party without authorization from the customers.

All collected personal data is treated confidentially and kept securely, accessible by designated personnel only.

Advertising & labelling

In our course of operation, we are not required to handle advertising, labelling, and privacy matters of customers, suppliers, and business partners. We have confidentiality policy implemented in Employee handbook to require our employee to maintain confidentiality with respect to confidential information pertaining to its operations.

The Group did not identify any non-compliance case in relation to service liability.

Anti-corruption

The Group prohibits all forms of bribery, extortion, fraud and money laundering and requires all employees to strictly abide by professional ethics. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group's interest.

Anti-corruption procedures are put into our practice and embedded in our employee handbook, human resource policy, and whistle blowing policy covers similar standard in regulating employee to possess business ethics.

Our business model and operating procedures are inherently subjected to lower risk of money laundering. Nevertheless, our internal policies also prohibit us from dealing with suspicious third parties, from disposing any kind of suspicious funds and from engaging in any suspicious activities that are or might be associated with illicit acts. We adhere to the relevant anti-money laundering requirements and will report any suspicious transactions that go beyond reasonable doubts and come to our attentions.

We will take disciplinary or legal actions against any acts of bribery, extortion, fraud and money laundering.

In the Review year, the Group is in compliance with relevant laws and regulations that have a significant impact on us and are in relation to bribery, extortion, fraud and money laundering, including, but not limited to The Prevention of Corruption Act (Chapter 241) and The Competition Act (Chapter 50B) of Singapore. Indeed, we are not aware of any reported or suspected cases on such matters.

CARE FOR OUR ENVIRONMENT

Pursuant to which we have taken into account factors concerning environmental protection and, and will continue to devote operating and financial resources on environmental compliance as required under applicable laws or regulations, thereby related to air and greenhouse gas emissions ("GHG"), discharges into water and land, and generation of hazardous and non-hazardous waste, including, but not limited to The Environmental Protection and Management Act (Chapter 94A of Statutes of Singapore) ("EPMA").

Air & GHG Emission management

The principal greenhouse gas ("GHG") emissions of the Group are direct GHG emissions from gasoline generated through logistic operation, energy indirect GHG emissions generated mainly from purchased electricity, and indirect GHG emissions mainly generated from paper consumption. We have implemented certain operational measures and minimized consumption by improving the efficiency of our workflow.

Conservation Practices

During daily operation and office administration, the Group generates GHG emissions directly or indirectly through resource consumption. To properly manage our GHG emissions, the Group actively adopts conservation and monitoring measures. We adopts digitized office to minimize paper usage, conducts regular vehicle maintenance and monitor fuel consumption, phases out any vehicles that fail to satisfy the standards of the national emission policy, purchases regular diesel and gasoline for vehicles, and conduct annual inspections to ensure the compliance with national emission standards, encouraging modern telecommunication system to avoid unnecessary travel arrangement; and encouraging employees to switch off IT devices, such as computers and monitors when not in use. These are some of our conservation practices to increase our employees' awareness of reducing GHG emissions.

Consumption Efficiency Management

The energy consumed by the Group in the operation are mainly electricity and diesel. The major energy consumption of the Group during its daily operation is electricity consumption in the operation, and gasoline consumption via logistic operation. The Group regards reducing energy consumption and recycling of resources as priorities during operating processes. We keep improving our efficient minded management system and have implemented various resource conservation protocol and introduce more systematic software, which enable us to increase the efficient of operation and thus reduce the consumption of diesel.

The Group is committed to establishing an electronic automated office. The office makes full use of the online system, while general business notices, communication and data transmissions are conducted through the internet system, and has established electronic workflows. Printing and copying are minimized to the largest extent to reduce paper usage, while double-side printing is also encouraged in the office.

The Group has formulated rules and regulations to achieve the goal of energy saving and efficient consumption. The relevant specific measures such as selects energy-efficient equipment and electrical appliances, turns off all unnecessary lights, air conditioners, computers and other office equipment in office areas, forbids the run of idle vehicles and equipment.

Water consumption and waste management

The water consumption of the Group mainly comes from the office water consumption. We encourage all employees to develop the habit of conserving water consciously. The Group also discharges domestic sewage in our office premise during daily operation, which is discharged into the urban sewage pipe network. As water is supplied by the Government in Singapore and in consideration of our minimal water consumption needs, we do not have issues with sourcing water.

Our operation did not generate significant amount of non-hazardous waste and water wastage/pollution. The non-hazardous wastes generated by the Group's business activities are domestic waste and paper. Such wastes will eventually be collected and processed by general waste service providers.

The Environment and Natural Resources

Through a series of measures to conserve electricity and diesel that have been introduced above, the Group continues to explore possible measure towards the building of a reliable, resilient and sustainable corporation that pioneers in the logistic industry in Singapore.

The Group is committed to providing employees with a comfortable and green working environment to enhance work efficiency. The Group maintains office discipline and environmental hygiene and keeps the personal office area and public areas clean and tidy. We will deal with any identified problems and potential risks in time to maintain a sound working environment.

CARE FOR OUR COMMUNITY

Community Involvement

C&N has consistently been committed towards corporate social responsibility where it aims to promote and achieve a positive impact toward the community. We actively participate in social networking activities, conferences and gathering in Singapore logistic organization. We encourage our senior management to attend these events thereby to exchange of ideas and also contributed invaluably to community.

The Group is also developing a Community Engagement Policy for setting out long-term objectives and strategy which will drive the scope, extend and manner of our involvement in the community and the types of community engagement, such as community education and community children support, we will involve.

ENVIRONMENTAL KEY PERFORMANCE INDICATORS

Emission Type	Indicator	FY2019
Greenhouse gas[2]	Direct emissions — Scope 1[3] (tonnes CO_2)	9,504.3
	Indirect emissions — Scope 2[4] (tonnes CO_2)	20.9
	Indirect emissions — Scope 3[5] (tonnes CO_2)	0.8
Exhaust gas	Sulphur Dioxide (SO_x) — kg	58.5
	Nitrogen Oxides (NO_x) — kg	25,062.6
	Particulate Matter (PM) — kg	2,484.5

Major resource consumed	Unit	Amount	Intensity[1]
Water — processing	liter	362.5	12.6
Electricity — processing	kWh	49,893.0	1,738.4
Diesel	liter	3,635,925.4	126,687.3
Paper	kg	2,600.0	90.6

Notes to above table:

1. Intensity is calculated by the emissions by the Group's revenue for FY2019 (S$28.7million).

2. GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, Appendix II: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange.

3. Major source of Scope 1 emission came from usage of Diesel.

4. Major source of Scope 2 emission came from usage of purchased electricity.

5. Major source of Scope 3 emission came from paper consumption.

6. Our operation does not generate hazardous waste.

7. Domestic waste totals have been deemed immaterial to our operations, thus we do not maintain relevant record.

8. Packaging material usage is insignificant in our operation process, thus we do not maintain relevant record.

SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
A. Environment			
A1 Emission	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.	Care for our Environment	Complied
KPI A1.1	The types of emissions and respective emissions data.	Environmental Key Performance Indicators	Complied
KPI A1.2	Greenhouse gas emissions in total, and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	Complied
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — total hazardous waste produced in operation were insignificant.	Explained
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	Complied
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Air & GHG Emission management Conservation practice	Complied
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Water consumption & waste management	Complied
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Consumption efficiency management	Complied

SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	Complied
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	Complied
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Key Performance Indicators	Complied
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable — we do not have problem in sourcing water in our operation.	Explained
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Key Performance Indicators	Complied
A3 The Environment and Natural Resources	Policies on minimizing the operation's significant impact on the environment and natural resources.	The Environment and natural resources	Complied
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and natural resources	Complied
B. Social			
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Care for our Employees	Complied

SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
B2 Health and Safety	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Health and safety	Complied
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and training	Complied
B4 Labour Standard	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	Prevention of child and forced labour	Complied
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Quality management	Complied
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Care for our Customers	Complied
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	Anti-corruption	Complied
B8 Community Investment	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	Care for our Community	Complied

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements. The business of the Group comprises the provision of transport and storage services to the logistics industry in Singapore, offering trucking and hubbing services to customers. There were no significant changes in the nature of the Group's principal activities during the year.

A review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in the section headed "Management Discussion and Analysis" set out on pages 5 to 11 of this annual report. This discussion forms part of this Directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

Further discussion and analysis of the principal risks and uncertainties facing the Group can be found in the "Management Discussion and Analysis" set out on pages 5 and 11 of the annual report. The above section forms part of this report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 53 to 115.

The Board takes into account of the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Directors do not recommend the payment of any dividend for the year ended 31 December 2019.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders unless otherwise required by the Stock Exchange.

RESERVES

Details of movements in reserves of the Group for the year ended 31 December 2019 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company did not have reserves available for cash distribution as at 31 December 2019, calculated under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as it has accumulated losses. However, the amount of approximately S$19.8 million included in the Company's share premium account may be distributed as dividends provided that immediately following the date on which the dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 78% of the total sales for the year and sales to the largest customer included therein amounted to 42%. Purchases from the Group's five largest suppliers accounted for 46% of the total purchases for the year and purchase from the largest supplier included therein amounted to 20%. The Group maintains good relationships with its customers and suppliers.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or suppliers.

USE OF PROCEEDS FROM SHARE OFFER

As at 31 December 2019, the Company has not yet utilised the net proceeds of approximately HK$19.9 million (approximately S$3.4 million) raised from the Share Offer in accordance with the intended use of proceeds set out in the Prospectus. Details of the intended uses and utilised amount are set out on page 10 of the annual report.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporate environment that focuses on conserving natural resources. We believe that everyone can make a difference — a small step from each employee will go a long way to reducing our carbon footprint on the earth. As a responsible Group, we strive to keep improving the efficient use of the natural resources, and aim to develop energy saving culture.

The environmental, social and governance report is set out on page 25 to 39 of the annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 December 2019.

DIRECTORS

The Directors during the year were:

Executive Directors:

Mr. Chua Kang Lim
Ms. Chua Sui Feng

Independent non-executive Directors:

Mr. Dax Teo Tak Sin
Mr. Kwong Choong Kuen
Ms. Grace Choong Mai Foong

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Chua Kang Lim and Ms. Chua Sui Feng have service contracts with the Company for a fixed term of three years commencing from 18 October 2017. The service contracts will continue thereafter until terminated by not less than three months' notice in writing sent by either party or the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. Each of the independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Pursuant to the Articles and Association of the Company, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with Code Provision A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to the Articles and Association of the Company, at each general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. The remuneration of the employees of the Group are based on the remuneration policy of the Group considering the qualifications and contributions of individuals to the Group.

Details of the remuneration of the Directors and five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in note 8 (for the Directors) and note 9 (for the five highest paid individuals) to the financial statements.

The Directors' remuneration are subject to the authority granted by the shareholders of the Company to the Board to fix their remuneration or shareholders' approval at general meetings and monitored by the remuneration committee on a continuous basis. Other emoluments are determined by the Company's remuneration committee with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, or any of the Company's subsidiaries was a party at any time during or as at the end of the year ended 31 December 2019.

As at 31 December 2019, no contract of significance had been entered into between the Company, or any of its subsidiaries and the Controlling Shareholder of the Company (as defined in the GEM Listing Rules) or any of its subsidiaries.

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.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the year ended 31 December 2019.

Directors' and chief executive's interests and short positions in shares and underlying shares and debentures

As at 31 December 2019, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executive of the Company (the "Chief Executive") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of director	*Note*	**Directly beneficially owner**	**Through controlled corporation**	**Total**	**Approximate percentage of the issued share capital**
Mr. Chua Kang Lim	(1)	—	325,000,000	325,000,000	50.78%

Note

(1) These shares are held by Ventris Global Limited ("Ventris"). The entire issued share capital of Ventris is legally and beneficially owned by Mr. Chua. Mr. Chua is deemed to be interested in the shares of the Company in which Ventris is interested under Part XV of the SFO.

Long position in shares and underlying shares of associated corporations:

Name of associated corporation	Name	Capacity and nature of interest	Percentage of the associated corporation's share capital
Ventris Global Limited	Mr. Chua Kang Lim	Beneficial owner	100%

Save as disclosed above, as at 31 December 2019, none of the Directors and Chief Executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") which became effective on 18 October 2017. The following is a summary of the principal terms and conditions of the Share Option Scheme.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to any employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of our Company or any subsidiary (including any director of our Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by our Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of our Board has contributed or may contribute to our Group (the "Eligible Participants"), as incentive or reward for their contribution to our Group to subscribe for the shares of the Company thereby linking their interest with that of our Group.

(b) Grant and acceptance of options

Subject to the terms of the Share Option Scheme, our Directors may, in its absolute discretion make offer to the Eligible Participants. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from, and inclusive of, the date upon which it is made provided that no such offer shall be open for acceptance after ten years from the adoption date of the Share Option Scheme or the termination of the same or after the Eligible Participant to whom the offer is made ceased to be an Eligible Participant.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the offer date).

Any offer may be accepted by an Eligible Participant in respect of less than the total number of shares which are offered provided that it is accepted in respect of a board lot for dealing in the shares on the Stock Exchange or an integral multiple thereof.

(c) Subscription Price

The subscription price for shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event will not be less than the highest of (a) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

(d) Maximum number of shares

(i) Subject to (iii) below, the maximum number of shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Group shall not exceed such number of shares as equals 10% of the issued share capital of our Company at the effective date of the Share Option Scheme, i.e. the Listing Date. On the basis of a total of 640,000,000 shares in issue as at the Listing Date, the relevant limit is 64,000,000 shares which represent 10% of the issued shares on the Listing Date and the date of this annual report. Our Company may seek approval by the Shareholders in general meeting to refresh the 10% limit provided that the total number of shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of our Group in these circumstances must not exceed 10% of the issued share capital of our Company at the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.

(ii) Our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to Eligible Participant specifically identified by our Company before such approval is sought. Our Company will send a circular to the Shareholders containing a generic description of the specified Eligible Participant who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participant with an explanation as to how the terms of the options serve such purpose, and such information as may be required under the GEM Listing Rules from time to time.

(iii) The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other share option schemes of our Group must not exceed 30% of the shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Group if this will result in the limit being exceeded.

(iv) Unless approved by the Shareholders in the manner set out below, the total number of shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue. Where any further grant of options to an Eligible Participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person of our Company) abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the GEM Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before our Shareholders' approval and the date of meeting of our Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(v) Each grant of options to any of our Directors, chief executive or substantial shareholders of our Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial shareholder or an independent non-executive Director, or any of his/her respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1 per cent. of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders. The Company must send a circular to the shareholders. All the grantee, his/her associates and all core connected persons of our Company must abstain from voting at such general meeting, except that any of them may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

(e) Exercise of options

An option may be exercised at any time during the period to be determined and identified by our Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

Although there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding, lapsed, cancelled or exercised at any time during the year ended 31 December 2019. The Share Option Scheme will expire on 17 October 2027.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2019 and up to the date of this report, except for the Share Option Scheme, the Company or any of its subsidiaries is not a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year ended 31 December 2019.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors and the Chief Executive are aware, as at 31 December 2019, other than the Directors and Chief Executive, the following person had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Directly beneficially owned	Interest of spouse	Through controlled corporation	Total	Approximate percentage of the issued share capital
Ventris Global Limited	325,000,000	—	—	325,000,000	50.78%
Mr. Dai Wangfei	79,000,000	—	—	79,000,000	12.34%

Save as disclosed above, as at 31 December 2019, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Company and the Group had no transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares are held by the public as at the date of this report and the Company has maintained prescribed public float under the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 34 to the financial statements.

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 2019 AGM, 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

A full corporate governance report is set out on pages 14 to 24 of this annual report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2019. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Vinco Capital Limited, as at 31 December 2019, save for the compliance adviser agreement dated 3 October 2017 entered into between the Company and Vinco Capital Limited, neither Vinco Capital Limited, its directors, employees and close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDITORS

Ernst & Young will retire at the conclusion of the 2019 AGM and a resolution for their reappointment as auditors of the Company will be proposed at the 2019 AGM.

On behalf of the board of directors

Chua Kang Lim
Chairman

Hong Kong
25 March 2020

EY 安永

To the shareholders of C&N Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of C&N Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 115, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment for trade receivables As at 31 December 2019, trade receivables of the Group amounted to S$4,717,865. The Group's trade receivables balance was significant to the Group as it represented 18% of the total assets of the Group. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The determination as to whether trade receivables are collectable involves management judgement and estimates. As such, we determined that this is a key audit matter. Management considered the age of the outstanding balances, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers. Management incorporated this information together with the default rate of the industry and forward looking growth rate to determine the provision of expected credit losses on trade receivables. The significant accounting judgements and estimates and disclosures related to trade receivables are included in note 17 Trade receivables to the financial statements.	Our audit procedures included, but are not limited to the following procedures. We assessed the Group's processes relating to the monitoring of trade receivables and reviewed the ageing of receivables to identify collection risks. We requested trade receivable confirmations, reviewed management's reconciliation of confirmation replies, where applicable, and obtained evidence of receipts from selected customers subsequent to financial year end. We assessed management's assumptions used in assessing the expected credit losses through review of specific debtors' payment history and management's assessment of credit risk of these debtors. We also reviewed and assessed management's expected credit loss model assessment and assessed the adequacy of the Group's disclosures of trade receivables and the related risks such as credit risk and liquidity risk in note 31 to the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is TJEN, MICHAEL.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

25 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019

	Notes	**2019**	2018
		$	*$*
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)	10	**61,304**	(173,460)
(Loss)/profit for the year and total comprehensive (loss)/income for the year		**(980,155)**	467,155
(Loss)/earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	12	**(0.0015)**	0.0007

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 $	2018 $
Non-current assets			
Property, plant and equipment	13	**8,643,323**	14,149,261
Intangible assets	32	**371,889**	—
Financial asset at fair value through profit or loss	33	**—**	—
Deferred tax assets	15	**94,607**	78,614
Right-of-use assets	14(a)	**4,939,806**	—
Deposits	16	**52,500**	66,500
Total non-current assets		**14,102,125**	14,294,375
Current assets			
Trade receivables	17	**4,717,865**	6,066,811
Deposits and other receivables	16	**60,052**	19,360
Contract assets	20	**3,944**	—
Prepayments		**46,608**	43,684
Pledged deposits	18	**502,509**	501,500
Cash and bank balances	18	**6,566,132**	8,702,552
Total current assets		**11,897,110**	15,333,907
Current liabilities			
Trade payables	19	**1,093,518**	1,349,220
Contract liabilities	20	**140,431**	154,995
Other payables and accruals	21	**976,017**	1,107,194
Loans and borrowings	22	**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	22	**552,842**	2,093,989
Deferred tax liabilities	15	**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	24	**1,106,317**	1,106,317
Reserves	25	**19,532,141**	20,512,296
Total equity		**20,638,458**	21,618,613

Chua Kang Lin
Director

Chua Sui Feng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Share capital $	Share premium $	Retained earnings $	Total equity $
1 January 2019	**1,106,317**	**19,773,348**	**738,948**	**21,618,613**
Loss for the year and total comprehensive loss for the year	**—**	**—**	**(980,155)**	**(980,155)**
At 31 December 2019	**1,106,317**	**19,773,348***	**(241,207)***	**20,638,458**

	Share capital $	Share premium $	Retained earnings $	Total equity $
1 January 2018	1,106,317	19,773,348	271,793	21,151,458
Profit for the year and total comprehensive income for the year	—	—	467,155	467,155
At 31 December 2018	1,106,317	19,773,348*	738,948*	21,618,613

* These reserve accounts comprise the consolidated reserves of $19,532,141 (2018: $20,512,296) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
(Loss)/profit before tax		**(1,041,459)**	640,615
Adjustments for:			
Depreciation of property, plant and equipment	13	**1,632,767**	2,239,888
Fair value loss on equity investment at fair value through profit or loss	7	**—**	6,750
Depreciation of right-of-use assets	14	**903,646**	—
Amortisation of intangible assets	32	**26,561**	—
Gain on disposal of items of property, plant and equipment	5	**(12,015)**	(182,100)
Finance costs	6	**96,267**	155,814
Exchange loss		**27,652**	—
		1,633,419	2,860,967
Decrease/(increase) in trade receivables		**1,348,946**	(682,692)
(Increase)/decrease in contract assets		**(3,944)**	397,021
(Increase)/decrease in deposits and other receivables		**(26,692)**	14,130
(Increase)/decrease in prepayments		**(2,924)**	66,160
Decrease in trade payables		**(255,702)**	(550,871)
Decrease in other payables and accruals		**(131,177)**	(54,859)
(Decrease)/increase in contract liabilities		**(14,564)**	154,995
Cash generated from operations		**2,547,362**	2,204,851
Income tax paid		**(29,922)**	(457,552)
Net cash flows generated from operating activities		**2,517,440**	1,747,299
Cash flows from investing activities			
Purchase of items of property, plant and equipment	13	**(1,516,888)**	(434,698)
Purchase of items of intangible assets	32	**(398,450)**	—
Proceeds from disposal of items of property, plant and equipment		**176,450**	1,010,419
Net cash flows (used in)/generated from investing activities		**(1,738,888)**	575,721
Cash flows from financing activities			
(Increase)/decrease in pledged deposits		**(1,009)**	305,210
Repayment of loans and borrowings		**(131,707)**	(449,866)
Principal portion of lease payments/finance lease rental payments		**(2,658,337)**	(2,413,345)
Interest paid		**(96,267)**	(155,814)
Net cash flows used in financing activities		**(2,887,320)**	(2,713,815)
Net decrease in cash and cash equivalents		**(2,108,768)**	(390,795)
Cash and cash equivalents at beginning of year		**8,702,552**	9,093,347
Effect of foreign exchange rate changes, net		**(27,652)**	—
Cash and cash equivalents at end of year		**6,566,132**	8,702,552

1. CORPORATE AND GROUP 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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is 19th Floor, Prosperity Tower, 89 Queen's Road Central, Central, Hong Kong. The head office and principal place of business of the Group is at 3 Soon Lee Street, #06-03, Pioneer Junction, Singapore 627606.

The Company is an investment holding company. Its subsidiaries are engaged in offering various transport management services to the logistics industry in Singapore, primarily trucking and hubbing.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ operations	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CA Transportation & Warehousing Pte	Singapore	$3,000,000	—	100%	Trucking and hubbing
Nexis Logistics Services Pte Ltd.	Singapore	$200,000	—	100%	Trucking and hubbing
New Pine Global Limited	The British Virgin Islands	U$3	100%	—	Investment holding

2.1 BASIS OF PREPARATION

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which include International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for the equity investment which has been measured at fair value. The consolidated financial statements are presented in Singapore dollars ("S$" or "$") except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

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 $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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 January 2019

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

	Increase/ (decrease) $
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:

	$
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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business* [1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform* [1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
IFRS 17	*Insurance Contracts* [2]
Amendments to IAS 1 and IAS 8	*Definition of Material* [1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made as at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its equity investment at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	—	20% to 10%
Furniture and fittings	—	20%
Office equipment	—	100%
Computers	—	100%
Buildings	—	3.8%
Leasehold improvements	—	50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least as at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased computer software is stated at cost, less any impairment losses, and is amortised on the straight-line basis over its estimated useful lives of 5 years.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. However, the depreciation period is remaining useful of the underlying asset if the lessee is reasonably certain to exercise an option to purchase the underlying asset or if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

Yard	—	2 years
Motor vehicles	—	8 to 9 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in loans and borrowings.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable before 1 January 2019)

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

— the rights to receive cash flows from the asset have expired; or

— the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual term.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates..

Deferred tax is provided, using the liability method, on all temporary differences as at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised except:

— when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Where the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) *Rendering of services*

The majority of revenue is derived from the provision of transport management service, such as trucking and hubbing of customer products.

Trucking income is recognised at the point in time when services are provided.

Hubbing income is recognised over the respective storage periods on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(b) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Defined contribution plans

The Group makes contributions to the Central Provident Fund (“CPF”) scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Dividend

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The financial statements are presented in Singapore dollar, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) Identifying performance obligations in a bundled service of trucking services and hubbing services

The Group provides trucking services that are either provided separately or bundled together with the providing of hubbing services to a customer. The Group determined that both trucking services and hubbing services are each capable of being distinct. Trucking services mainly refer to the transportation of containers using prime movers or the transportation of loose goods using lorries and other ancillary services. Hubbing services refer to container storage services provided through container yards leased by the Group. Although, the trucking services and hubbing services are usually inputs to a combined item in the contract, the Group determined that the promises to provide the trucking services and the hubbing services are distinct within the context of the contract. For trucking business, the Group needs to deliver the goods to the designated point while hubbing business, the Group has to sublet their yards to their customers to allow them to store their containers. In addition, the trucking services and hubbing services are not highly interdependent or highly interrelated, because the Group would be able to provide the trucking services even if the customer declined hubbing services. Consequently, the Group has allocated a portion of the transaction price to the trucking services and the hubbing services based on relative standalone selling prices.

(b) Determining the timing of satisfaction of hubbing services

The Group concluded that revenue for hubbing services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Group determined that hubbing income is recognised over the respective storage periods on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 31 to the financial statements.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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 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, interest 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.

4. SEGMENT INFORMATION (continued)

Year ended 31 December 2019	Trucking $	Hubbing $	Total $
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

4. SEGMENT INFORMATION (continued)

Year ended 31 December 2018	Trucking	Hubbing	Total
	$	*$*	*$*
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

4. SEGMENT INFORMATION (continued)

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
	$	$
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 GST, during the year.

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019	2018
	$	$
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

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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
	$	*$*
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 amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019	2018
	$	*$*
Amounts expected to be recognised as revenue:		
Within one year	**305,943**	352,457

5. REVENUE AND OTHER INCOME (continued)

Other income

An analysis of other income is as follows:

	2019 $	2018 $
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 the Singapore Government.

6. FINANCE COSTS

	2019 $	2018 $
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
	$	$
Employee benefits (excluding Directors' remuneration *(note 8)*)		
— 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 *(note 13)*	**1,632,767**	2,239,888
Amortisation of intangible assets *(note 32)*	**26,561**	—
Depreciation of right-of-use assets *(note 14)*	**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. DIRECTORS' REMUNERATION

The Directors received remuneration from the subsidiaries of the Group, for their appointment as Directors of these subsidiaries. The remuneration of each of the Directors as recorded in the financial statements of the Group's subsidiaries is set out below:

	Fees	**Salaries and bonuses**	**CPF contributions**	**Total**
	$	$	$	$
Year ended 31 December 2019				
Chua Kang Lim	**120,000**	**503,650**	**18,994**	**642,644**
Chua Sui Feng	**—**	**131,400**	**22,338**	**153,738**
	120,000	**635,050**	**41,332**	**796,382**
Year ended 31 December 2018				
Chua Kang Lim	120,000	517,500	23,088	660,588
Chua Sui Feng	—	135,000	22,950	157,950
	120,000	652,500	46,038	818,538

8. DIRECTORS' REMUNERATION (continued)

The fees paid to independent non-executive Directors during the year were as follows:

	2019	2018
	$	$
Dax Teo Tak Sin	20,000	20,000
Kwong Choong Kuen	25,000	25,000
Grace Choong Mai Foong	20,000	20,000
	65,000	65,000

There were no other emoluments payable to the independent non-executive Directors during the year (2018: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two Directors (2018: two Directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2019	2018
	$	$
Salaries and bonuses	422,886	423,012
CPF contributions	45,757	50,213
Total	468,643	473,225

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	2019	2018
HK$1,500,001 to HK$2,000,000	—	—
HK$1,000,001 to HK$1,500,000	1	1
Nil to HK$1,000,000	2	2

During the year and in the prior year, no emoluments were paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

10. 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 profits 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
	$	*$*
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

A reconciliation of the tax (credit)/charge applicable to (loss)/profit before tax at the statutory rate for the jurisdiction in which the Company's subsidiaries are domiciled to the tax (credit)/charge at the Group's effective tax rate is as follows:

	2019	2018
	$	*$*
(Loss)/profit before tax	**(1,041,459)**	640,615
Tax at Singapore statutory tax rate of 17%	**(177,048)**	108,905
Expenses not deductible for tax	**133,548**	100,186
Effects of partial tax exemption and tax rebate	**—**	(25,925)
Tax relief	**—**	(10,000)
Underprovision in respect of prior years	**893**	—
Over recognition of deferred tax asset in prior financial years	**525**	45,506
Benefits from previously unrecognised tax losses	**(19,281)**	(22,124)
Others	**59**	(23,088)
Tax (credit)/charge at the Group's effective tax rate	**(61,304)**	173,460

Tax relief mainly related to accelerated deductions claimed for wear and tear of qualifying fixed assets purchased and used in business.

11. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year (2018: Nil).

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

	2019 $	2018 $
(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 has no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles $	Furniture and fittings $	Office equipment $	Computers $	Buildings $	Leasehold improvements $	Total $
Cost							
At 1 January 2018	29,156,772	1,971	590	137,429	1,189,985	50,719	30,537,466
Additions	2,827,237	–	–	11,147	–	–	2,838,384
Disposals	(3,765,252)	–	–	–	–	–	(3,765,252)
At 31 December 2018	28,218,757	1,971	590	148,576	1,189,985	50,719	29,610,598
Effect of adoption of IFRS 16	(5,873,543)	–	–	–	–	–	(5,873,543)
At 1 January 2019 (restated)	22,345,214	1,971	590	148,576	1,189,985	50,719	23,737,055
Additions	1,507,980	–	–	8,908	–	–	1,516,888
Disposals	(1,732,164)	–	–	–	–	–	(1,732,164)
At 31 December 2019	22,121,030	1,971	590	157,484	1,189,985	50,719	23,521,779
Accumulated depreciation							
At 1 January 2018	15,853,086	1,971	590	126,343	155,259	21,133	16,158,382
Charge for the year	2,150,416	–	–	18,900	45,212	25,360	2,239,888
Disposals	(2,936,933)	–	–	–	–	–	(2,936,933)
At 31 December 2018	15,066,569	1,971	590	145,243	200,471	46,493	15,461,337
Effect of adoption of IFRS 16	(647,919)	–	–	–	–	–	(647,919)
At 1 January 2019 (restated)	14,418,650	1,971	590	145,243	200,471	46,493	14,813,418
Charge for the year	1,573,319	–	–	10,010	45,212	4,226	1,632,767
Disposals	(1,567,729)	–	–	–	–	–	(1,567,729)
At 31 December 2019	14,424,240	1,971	590	155,253	245,683	50,719	14,878,456
Net book value							
At 31 December 2018	13,152,188	–	–	3,333	989,514	4,226	14,149,261
At 31 December 2019	7,696,790	–	–	2,231	944,302	–	8,643,323

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets held under finance leases

For the year ended 31 December 2018, the Group acquired motor vehicles with an aggregate cost of $2,403,686 by means of finance leases. The cash outflows on acquisition of property, plant and equipment amounted to $434,698 for the year ended 31 December 2018. The carrying amount of motor vehicles held under finance leases were $5,225,624 as at 31 December 2018. Leased assets are pledged as securities for the related finance lease liabilities.

Assets pledged as securities

The Group's buildings with an aggregate carrying amount of $944,302 (2018: $989,514) were mortgaged to secure the Group's bank loans as at 31 December 2019 (note 22 (a)(i)).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of motor vehicles and yard used in its operations. Leases of yard generally have lease terms of 2 years, while motor vehicles generally have lease terms between 2 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Yard	Motor vehicles	Total
	$	*$*	*$*
As at 1 January 2019	617,828	5,225,624	5,843,452
Depreciation charge	(308,914)	(594,732)	(903,646)
As at 31 December 2019	308,914	4,630,892	4,939,806

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under loans and borrowings) and the movements during the year are as follows:

	2019 Lease liabilities $	2018 Finance lease payables $
Carrying amount at 1 January	**4,589,589**	3,981,420
New leases	**–**	2,403,686
Accretion of interest recognised during the year	**84,107**	131,881
Payments	**(2,742,444)**	(2,545,226)
Carrying amount at 31 December	**1,931,252**	3,971,761
Analysed into:		
Current portion	**1,723,027**	2,352,671
Non-current portion	**208,225**	1,619,090

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 31 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 $
Interest on lease liabilities	**84,107**
Depreciation charge of right-of-use assets	**903,646**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**1,222,357**
Total amount recognised in profit or loss	**2,210,110**

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 26(c) and 28(c), to the financial statements.

15. DEFERRED TAX

The components of deferred tax assets and liabilities with the net balance recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax liabilities arising from:

	Excess of net book values of plant and equipment and right-of-use assets over tax values	Total
	$	*$*
At 1 January 2018	598,700	598,700
Charged to profit or loss during the year *(note 10)*	108,107	108,107
At 31 December 2018	706,807	706,807
Charged to profit or loss during the year *(note 10)*	392,791	392,791
At 31 December 2019	1,009,598	1,009,598

Deferred tax assets arising from:

	Provision	Tax benefit available for offsetting against future taxable profits	Total
	$	*$*	*$*
At 1 January 2018	–	22,427	22,427
Charged to profit or loss during the year *(note 10)*	–	(20,333)	(20,333)
At 31 December 2018	–	2,094	2,094
Credited to profit or loss during the year *(note 10)*	1,261	453,727	454,988
At 31 December 2019	1,261	455,821	457,082

15. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019	2018
	$	*$*
Net deferred tax assets recognised in the consolidated statement of financial position	**94,607**	78,614
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(737,123)**	(783,327)
	(642,516)	(704,713)

There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders.

16. DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	$	*$*
Non-current:		
Deposits	**52,500**	66,500
Current:		
Other receivables	**26,942**	—
Deposits	**33,110**	19,360
	60,052	19,360

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal. The balance of other receivables is unsecured, interest-free and have no fixed terms of repayment.

17. TRADE RECEIVABLES

	2019	2018
	$	$
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
	$	$
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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The credit risk exposure on the Group’s trade receivables using a provision matrix is minimal.

18. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2019	2018
	$	*$*
Cash and bank balances	**6,566,132**	8,702,552
Time deposits	**502,509**	501,500
	7,068,641	9,204,052
Less: Pledged time deposits:		
Pledged for bank overdraft facility (note 22(a)(ii))	**(502,509)**	(501,500)
Cash and bank balances	**6,566,132**	8,702,552

Cash at banks are denominated in S$ and Hong Kong dollars ("HK$"), and earn interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Cash and bank balances denominated in HK$ amounted to $3,602,956 (2018: $6,323,520) as at 31 December 2019.

19. 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
	$	*$*
Less than 30 days	**889,195**	887,101
31 to 60 days	**169,435**	435,601
61 to 90 days	**34,888**	26,518
	1,093,518	1,349,220

20. CONTRACT ASSETS/CONTRACT LIABILITIES

Contract assets

	2019	2018
	$	$
Contract assets arising from:		
Trucking services	3,944	–

Contract liabilities

	31 December 2019	31 December 2018	1 January 2018
	$	$	$
Short-term advances received from customers			
Trucking services	136,487	154,995	–

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for providing trucking services. Contract assets are transferred to receivables when the rights become unconditional (i.e invoiced). The expected timing of recovery or settlement for contract assets as at 31 December 2019 is within one year. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit loss. As at 31 December 2019, the loss allowance was assessed to be minimal.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received short-term advances from customers for sales of goods and services. The decrease/increase in contract liabilities in 2019 and 2018 was mainly due to the decrease/increase in short-term advances received from customers in relation to the provision of trucking services at the end of the year.

21. OTHER PAYABLES AND ACCRUALS

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

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

22. LOANS AND BORROWINGS

	31 December 2019			1 January 2019 (restated)	31 December 2018		
	Effective interest rate (%)	**Maturity**	***$***	*$*	Effective interest rate (%)	Maturity	*$*
Current:							
Lease liabilities *(note 14(b), 23)*	**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 *(note 14(b), 23)*	**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

22. LOANS AND BORROWINGS (continued)

	2019	2018
	$	*$*
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
	475,543	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.

23. FINANCE LEASE PAYABLES

The Group leases some of its motor vehicles under finance lease arrangements. These leases were classified as finance leases prior to IFRS 16 becoming effective on 1 January 2019 and had remaining lease terms ranging from two to three years.

As at 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	2018	
	Minimum lease payments $	Present value of minimum lease payments $
Not later than one year	2,427,730	2,352,671
In the second year	1,435,033	1,411,141
In the third to fifth years, inclusive	209,268	207,949
Total minimum finance lease payments	4,072,031	3,971,761
Less: Amounts representing future finance charges	(100,270)	—
Total net finance lease payables	3,971,761	3,971,761
Portion classified as current liabilities	(2,352,671)	
Non-current portion	1,619,090	

24. SHARE CAPITAL

The movements in the Company's authorised and issued share capital during the years ended 31 December 2019 and 2018 are as follows:

	Number of ordinary shares	Nominal value of ordinary shares *HK$*	Share capital *(equivalent to S$)*
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

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 54 of the Annual Report.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had no non-cash additions to right-of-use assets and lease liabilities, in respect of lease arrangements for plant and equipment.

In year 2018, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of $2,403,686.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

2019

	Bank and other loans $	Finance lease payables/ Lease liabilities $
At 31 December 2018	**607,250**	**3,971,761**
Effect of adoption of IFRS 16	**–**	**617,828**
At 1 January 2019 (restated)	**607,250**	**4,589,589**
Changes from financing cash flows	**(131,707)**	**(2,658,337)**
Interest expense	**–**	**84,107**
Interest paid classified as financing cash flows	**–**	**(84,107)**
At 31 December 2019	**475,543**	**1,931,252**

2018

	Bank and other loans $	Finance lease payables $
At 1 January 2018	1,057,116	3,981,420
Changes from financing cash flows	(449,866)	(2,413,345)
Non-cash changes	–	2,403,686
At 31 December 2018	607,250	3,971,761

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 $
Within operating activities	**1,222,357**
Within financing activities	**2,742,444**

27. CONTINGENT LIABILITIES

Performance guarantees were given by the 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 $660,000 as at 31 December 2019 (2018: $660,000).

28. COMMITMENTS

(a) Capital commitments

	2019	2018
	$	*$*
Contracted, but not provided for:		
Capital expenditure in respect of implementation and set-up of the container tracking system	**–**	37,000

(b) Operating lease commitments as at 31 December 2018

The Group leased its logistics yard under operating lease arrangements.

Leases for the logistics yard were negotiated for terms ranging from one to three years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	$
Within one year	1,415,000
In the second to fifth years, inclusive	315,000
	1,730,000

(c) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are $675,000 due within one year.

29. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	2019	2018
	$	*$*
Remuneration paid to key management personnel (including Directors' remuneration *(note 8)*)	**1,275,760**	1,287,820

30. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Financial assets at fair value through profit or loss		
	Designated as such upon initial recognition	Financial assets at amortised cost	Total
	$	*$*	*$*
Financial asset at fair value through profit or loss	–	–	–
Pledged deposits	–	502,509	502,509
Cash and bank balances	–	6,566,132	6,566,132
Trade receivables	–	4,717,865	4,717,865
Contract assets	–	3,944	3,944
Deposits and other receivables	–	112,552	112,552
Total	–	11,903,002	11,903,002

Financial liabilities

	Financial liabilities at amortised cost	Total
	$	*$*
Trade payables	1,093,518	1,093,518
Financial liabilities included in other payables and accruals	827,743	827,743
Loans and borrowings	2,406,795	2,406,795
Total	4,328,056	4,328,056

30. FINANCIAL INSTRUMENTS (continued)

(a) Financial instruments by category (continued)

2018

Financial assets

	Financial assets at fair value through profit or loss		
	Designated as such upon initial recognition	Financial assets at amortised cost	Total
	$	$	$
Financial asset at fair value through profit or loss	—	—	—
Pledged deposits	—	501,500	501,500
Cash and bank balances	—	8,702,552	8,702,552
Trade receivables	—	6,066,811	6,066,811
Deposits and other receivables	—	85,860	85,860
Total	—	15,356,723	15,356,723

Financial liabilities

	Financial liabilities at amortised cost	Total
	$	$
Trade payables	1,349,220	1,349,220
Financial liabilities included in other payables and accruals	835,426	835,426
Loans and borrowings	4,579,011	4,579,011
Total	6,763,657	6,763,657

30. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	2019	2018	**2019**	2018
	$	*$*	***$***	*$*
Financial asset				
Financial asset at fair value through profit or loss	**–**	–	**–**	–
Financial liabilities				
Finance lease payables	**–**	3,971,761	**–**	3,971,761
Loans and borrowings (other than lease liabilities)	**475,543**	607,250	**475,543**	607,250
Total	**475,543**	4,579,011	**475,543**	4,579,011

Management has assessed that the fair values of cash and bank balances, the current portion of pledged deposits, trade receivables, trade payables, financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals approximate their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the loans and borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

30. FINANCIAL INSTRUMENTS (continued)

(c) Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair values:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active market (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	Total
	$	$	$	$
Financial asset at fair value through profit or loss	—	—	—	—

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active market (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	Total
	$	$	$	$
Financial asset at fair value through profit or loss	—	—	—	—

30. FINANCIAL INSTRUMENTS (continued)

(c) Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active market (Level 1) $	Significant observable input (Level 2) $	Significant unobservable input (Level 3) $	Total $
Loans and borrowings (other than lease liabilities)	**—**	**475,543**	**—**	**475,543**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active market (Level 1) $	Significant observable input (Level 2) $	Significant unobservable input (Level 3) $	Total $
Finance lease payables	—	3,971,761	—	3,971,761
Bank loans and other loans	—	607,250	—	607,250
	—	4,579,011	—	4,579,011

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than six months from the end of the reporting period.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Group's policy is to keep 60% to 90% (2018: 60% to 90%) of its loans and borrowings at fixed rates of interest for the year. Approximately 80% (2018: 87%) of the Group's loans and borrowings are at fixed rates of interest as at 31 December 2019.

Sensitivity analysis for interest rate risk

As at the end of the reporting period, if interest rates had been 75 basis points higher for the Group's floating rate debts with all other variables held constant, the Group's profit before tax for the years ended 31 December 2019 and 2018 would have remained substantially unchanged. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in the prior year.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	$	$	$	$	$
31 December 2019					
Trade receivables*	–	–	–	4,717,865	4,717,865
Contract assets*	–	–	–	3,944	3,944
Financial assets included in deposits and other receivables					
— Normal**	112,552	–	–	–	112,552
Pledged deposits					
— Not yet past due	502,509	–	–	–	502,509
Cash and cash equivalents					
— Not yet past due	6,566,132	–	–	–	6,566,132
Total	7,181,193	–	–	4,721,809	11,903,002

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	$	$	$	$	$
31 December 2018					
Trade receivables*	–	–	–	6,066,811	6,066,811
Financial assets included in deposits and other receivables					
— Normal**	85,860	–	–	–	85,860
Pledged deposits					
— Not yet past due	501,500	–	–	–	501,500
Cash and cash equivalents					
— Not yet past due	8,702,552	–	–	–	8,702,552
Total	9,289,912	–	–	6,066,811	15,356,723

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

* For trade receivables and contract assets which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 17 and 20 to the financial statements.

** The credit quality of the financial assets included in deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Exposure to credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk represented the carrying amount of each class of financial assets recognised in the consolidated statement of financial position.

Credit risk concentration profile

The Group manages concentration of credit risk by monitoring the individual profile of its trade receivables on an ongoing basis.

As at 31 December 2019, approximately 64% (2018: 70%) of the Group's trade receivables were due from the top three customers.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a shortage of funds.

The Group's exposure to liquidity risk arises in the general funding of the Group's operating activities. The Group's cash and bank balances and operating cash flows are actively managed to ensure adequate working capital requirements and that repayment and funding needs are met.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted repayment obligations.

	31 December 2019			
	1 year or on demand	1 to 5 years	Over 5 years	Total
	$	$	$	$
Trade and other payables	1,921,261	–	–	1,921,261
Lease liabilities	1,744,304	208,940	–	1,953,244
Bank loans and other loans	148,521	335,175	45,172	528,868
	3,814,086	544,115	45,172	4,403,373

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2018			
	1 year or on demand	1 to 5 years	Over 5 years	Total
	$	$	$	$
Trade and other payables	2,339,641	—	—	2,339,641
Finance lease payables	2,427,730	1,644,301	—	4,072,031
Bank loans and other loans	142,971	411,527	117,340	671,838
	4,910,342	2,055,828	117,340	7,083,510

Capital management

The primary objective of the Group's capital management is to safeguard its ability to continue as a going concern in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The gearing ratios which are total loans and borrowings divided by the total equity as at the end of the reporting period were as follows:

	2019	2018
	$	$
Total loans and borrowings	**2,406,795**	4,579,011
Total equity	**20,638,458**	21,618,613
Gearing ratio	**11.7%**	21.2%

32. INTANGIBLE ASSETS

	Software	Total
	$	$
Cost:		
At 31 December 2018 and 1 January 2019	—	—
Additions	398,450	398,450
At 31 December 2019	398,450	398,450
Accumulated amortisation:		
At 31 December 2018 and 1 January 2019	—	—
Amortisation for the year	26,561	26,561
At 31 December 2019	26,561	26,561
Net book value:		
At 31 December 2018	—	—
At 31 December 2019	371,889	371,889

33. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	$	$
Non-current:		
Quoted equity security, at fair value	**—**	—

The above equity investment was classified as financial asset at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

In FY2018, the Group recognised a fair value loss of $6,750 for the quoted equity security as there was "significant" or "prolonged" decline in the fair value of this investment below its cost. The Group regards "significant" generally as 20% and "prolonged" as greater than twelve months.

34. 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.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2019 $	2018 $
Non-current asset		
Investment in subsidiary	**10,283,630**	10,283,630
Total non-current asset	**10,283,630**	10,283,630
Current assets		
Deposits and other receivables	**2,282,320**	245,678
Prepayments	**43,287**	43,684
Cash and bank balances	**3,600,580**	6,323,520
Total current assets	**5,926,187**	6,612,882
Current liabilities		
Other payables and accruals	**218,551**	228,789
Total current liabilities	**218,551**	228,789
Net current assets	**5,707,636**	6,384,093
Net assets	**15,991,266**	16,667,723
Equity		
Share capital	**1,106,317**	1,106,317
Reserves	**14,884,949**	15,561,406
Total equity	**15,991,266**	16,667,723

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: A summary of the Company's reserves is as follows:

Company	Share premium $	Accumulated losses $	Total $
At 1 January 2018	19,773,348	(3,742,635)	16,030,713
Loss for the year and total comprehensive income for the year	–	(469,307)	(469,307)
At 31 December 2018	19,773,348	(4,211,942)	15,561,406
Loss for the year and total comprehensive income for the year	–	(676,457)	(676,457)
At 31 December 2019	19,773,348	(4,888,399)	14,884,949

36. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 25 March 2020.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
	S$	*S$*	*S$*	*S$*	***S$***
RESULTS					
Revenue	27,684,381	27,008,662	30,822,059	29,400,494	**28,749,270**
Cost of sales	(22,059,670)	(20,763,078)	(23,986,785)	(24,860,871)	**(25,501,065)**
Gross profit	5,624,711	6,245,584	6,835,274	4,539,623	**3,248,205**
Other income	428,741	392,968	284,072	410,551	**93,058**
Administrative expenses	(2,302,888)	(2,474,257)	(6,753,245)	(4,153,745)	**(4,286,455)**
Finance costs	(159,897)	(119,347)	(175,464)	(155,814)	**(96,267)**
Profit/(loss) before tax	3,590,667	4,044,948	190,637	640,615	**(1,041,459)**
Income tax (expense)/credit	(545,663)	(699,297)	(597,023)	(173,460)	**61,304**
Profit/(loss) for the year	3,045,004	3,345,651	(406,386)	467,155	**(980,155)**
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Available-for-sale investment:					
Changes in fair value	(13,800)	(4,650)	–	–	**–**
Reclassification adjustments for losses included in profit or loss — Impairment losses	17,053	4,650	–	–	**–**
Other comprehensive income for the year	3,253	–	–	–	**–**
Total comprehensive income for the year	3,048,257	3,345,651	(406,386)	467,155	**(980,155)**

	31 December 2015	31 December 2016	31 December 2017	31 December 2018	**31 December 2019**
	S$	*S$*	*S$*	*S$*	***S$***
ASSETS AND LIABILITIES					
TOTAL ASSETS	17,350,183	17,673,620	30,355,225	29,628,282	**25,992,235**
TOTAL LIABILITIES	(9,734,025)	(6,711,811)	(9,203,767)	(8,009,669)	**(5,360,777)**
	7,616,158	10,961,809	21,151,458	21,618,613	**20,638,458**