



C&N Holdings Limited
春能控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 8430

2020 Interim Report

* For identification purpose only

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

This 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 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 or deceptive, and (2) there are no other matters the omission of which would make any statement herein or this report misleading.

The original announcement 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.

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Highlights

- The Group's overall revenue amounted to approximately S\$13,079,000 for the six months ended 30 June 2020, representing a decrease of approximately S\$1,108,000 or 7.8% as compared to the six months ended 30 June 2019.
- The loss attributable to the owners of the Company was approximately S\$579,000 for the six months ended 30 June 2020 as compared to a loss of approximately S\$947,000 for the six months ended 30 June 2019. The loss is mainly attributable to a decrease in sales volume and gross profit due to uncertainties in global business environment, as well as operational disruptions with the implementation of government control measures due to the recent Covid-19 outbreak.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2020.

Unaudited Interim Results

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 S\$ (Unaudited)	2019 S\$ (Unaudited)	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)
Revenue	3	6,658,289	6,639,352	13,079,404	14,187,322
Cost of sales		(6,163,175)	(6,187,663)	(12,275,923)	(12,845,488)
Gross profit		495,114	451,689	803,481	1,341,834
Other income	4	504,226	21,199	779,478	77,989
Administrative expenses		(917,032)	(1,036,419)	(2,114,431)	(2,315,068)
Finance costs	5	(13,731)	(26,396)	(27,844)	(56,704)
Profit/(loss) before tax	6	68,577	(589,927)	(559,316)	(951,949)
Income tax (expense)/credit	7	(19,840)	9,701	(19,840)	4,502
Profit/(loss) for the period and total comprehensive income for the period		48,737	(580,226)	(579,156)	(947,447)
Basic and diluted earnings/(loss) per share	8	0.0001	(0.0009)	(0.0009)	(0.0015)

Unaudited Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 S\$ (Unaudited)	31 December 2019 S\$ (Audited)
Non-current assets			
Property, plant and equipment	10	7,764,584	8,643,323
Intangible assets		332,045	371,889
Deferred tax assets		94,607	94,607
Right-of-use assets		4,973,037	4,939,806
Deposits		52,500	52,500
Total non-current assets		13,216,773	14,102,125
Current assets			
Trade receivables	11	4,452,553	4,717,865
Deposits and other receivables		35,110	60,052
Contract assets	14	186,168	3,944
Prepayments		56,983	46,608
Pledged deposits		502,509	502,509
Cash and bank balances		6,770,081	6,566,132
Total current assets		12,003,404	11,897,110
Current liabilities			
Trade payables	12	1,167,547	1,093,518
Contract liabilities	14	24,972	140,431
Other payables and accruals	13	1,417,036	976,017
Loans and borrowings	15	1,209,221	1,853,953
Tax payable		19,938	6,893
Total current liabilities		3,838,714	4,070,812
NET CURRENT ASSETS		8,164,690	7,826,298
TOTAL ASSETS LESS CURRENT LIABILITIES		21,381,463	21,928,423

Unaudited Consolidated Statement of Financial Position

As at 30 June 2020

	30 June 2020	31 December 2019
<i>Notes</i>	S\$ (Unaudited)	S\$ (Audited)
Non-current liabilities		
Loans and borrowings	15 585,038	552,842
Deferred tax liabilities	737,123	737,123
Total non-current liabilities	1,322,161	1,289,965
NET ASSETS	20,059,302	20,638,458
EQUITY		
Share capital	16 1,106,317	1,106,317
Reserves	18,952,985	19,532,141
TOTAL EQUITY	20,059,302	20,638,458

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Share capital S\$	Share premium S\$	Retained earnings S\$	Total equity S\$
At 1 January 2019 (audited)	1,106,317	19,773,348	738,948	21,618,613
Loss for the period and total comprehensive income for the period	—	—	(947,447)	(947,447)
At 30 June 2019 (unaudited)	1,106,317	19,773,348	(208,499)	20,671,166
At 1 January 2020 (audited)	1,106,317	19,773,348	(241,207)	20,638,458
Loss for the period and total comprehensive income for the period	—	—	(579,156)	(579,156)
At 30 June 2020 (unaudited)	1,106,317	19,773,348	(820,363)	20,059,302

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	S\$	S\$
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss before tax	(559,316)	(951,949)
Adjustments for:		
Depreciation of property, plant and equipment	829,889	1,093,659
Depreciation of right-of-use assets	446,457	157,500
Amortisation of intangible assets	39,844	—
Loss/(gain) on disposal of property, plant and equipment	21,166	(19,458)
Finance costs	27,844	51,492
	805,884	331,244
Decrease in trade receivables	265,312	674,922
Increase in contract assets	(182,224)	—
Decrease in deposits and other receivables	24,942	20
(Increase)/decrease in prepayments	(10,375)	16,618
Increase in trade payables	74,029	66,509
Increase/(decrease) in other payables and accruals	441,019	(74,487)
Decrease in contract liabilities	(115,459)	(137,718)
	1,303,128	873,108
Cash generated from operations	1,303,128	873,108
Income tax paid	(6,795)	(30,527)
	1,296,333	842,581
Net cash flows generated from operating activities	1,296,333	842,581
Cash flows from investing activities		
Purchase of items of property, plant and equipment	(47,000)	(156,718)
Proceeds from disposal of items of property, plant and equipment	18,000	536,700
	(29,000)	379,982
Net cash flows (used in)/from investing activities	(29,000)	379,982

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	S\$	S\$
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Repayment of loans and borrowings	(65,703)	(65,662)
Payment of principal portion of lease liabilities	(969,837)	(1,420,822)
Interest paid	(27,844)	(46,280)
Net cash flows used in financing activities	(1,063,384)	(1,532,764)
Net increase/(decrease) in cash and cash equivalents	203,949	(310,201)
Cash and cash equivalents at beginning of period	6,566,132	8,702,552
Cash and cash equivalents at end of period	6,770,081	8,392,351

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION AND GROUP REORGANISATION

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

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

These interim unaudited condensed consolidated financial statements have been prepared under the historical cost convention and are presented in Singapore Dollar ("S\$"), which is also the functional currency of the Company.

These interim unaudited condensed financial statements were approved by the Board of Directors of the Company on 11 August 2020.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019, which 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 accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new and revised IFRSs effective as of 1 January 2020.

Notes to the Condensed Consolidated Financial Statements

3. REVENUE AND SEGMENT INFORMATION

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

- (a) The trucking segment refers to the provision of cargo transportation and other related services. The Group offers cargo transportation services, primarily of containers, from the customers designated pick up points to their designated delivery points within Singapore.
- (b) The hubbing segment refers to the offering of the Group's container storage facility at its logistic yard to its customers.

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

An analysis of revenue is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers	6,658,289	6,639,352	13,079,404	14,187,322

Notes to the Condensed Consolidated Financial Statements

Revenue from contracts with customers

(i) Disaggregated revenue information

	Three months ended 30 June		Six months ended 30 June	
	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)
Type of goods or services				
Trucking services	5,525,096	5,467,121	10,674,976	11,957,334
Hubbing services	1,133,193	1,172,231	2,404,428	2,229,988
	6,658,289	6,639,352	13,079,404	14,187,322
Timing of revenue recognition				
Services transferred at a point in time	5,525,096	5,467,121	10,674,976	11,957,334
Services transferred over time	1,133,193	1,172,231	2,404,428	2,229,988
	6,658,289	6,639,352	13,079,404	14,187,322

Geographical markets

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

Notes to the Condensed Consolidated Financial Statements

(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 goods to the designated location.

Hubbing income

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

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2020 and 2019 are approximately S\$161,000 and S\$238,000 respectively, which are expected to be recognised in less than one year.

4. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)
Exchange (loss)/gain	(33,169)	—	181,901	—
Gain on disposal of items of property, plant and equipment	—	19,458	—	19,458
Government incentives	537,395	1,741	597,577	58,531
	504,226	21,199	779,478	77,989

There were no unfulfilled conditions or contingencies relating to the incentives from Singapore Government.

Notes to the Condensed Consolidated Financial Statements

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)
Interest on bank and other loans	5,874	3,337	8,837	6,099
Interest on lease liabilities	7,857	23,059	19,007	50,605
	13,731	26,396	27,844	56,704

6. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)
Depreciation of property, plant and equipment	411,888	540,420	829,889	1,093,659
Amortisation of intangible assets	19,923	—	39,844	—
Depreciation of right-of-use assets	224,277	80,271	446,457	157,500
Employee benefits (excluding directors' remuneration)				
— Salaries and wages	1,931,989	2,351,619	3,962,484	4,570,220
— CPF contribution	156,357	134,325	329,265	349,283
	2,088,346	2,485,944	4,291,749	4,919,503
Lease payments not included in the measurement of lease liabilities	226,714	309,342	489,177	661,461
Exchange loss/(gain)	33,169	(53,536)	(181,901)	6,444

Notes to the Condensed Consolidated Financial Statements

7. INCOME TAX EXPENSE/(CREDIT)

	Three months ended 30 June		Six months ended 30 June	
	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)
Current tax representing income tax expense/(credit) for the period	19,840	(9,701)	19,840	(4,502)

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.

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the period (six months ended 30 June 2019: nil).

Singapore corporate income tax has been provided at the rate of 17% (six months ended 30 June 2019: 17%) on the chargeable income arising in Singapore during the period. Income tax expense of the Group relates wholly to the profits of its two operating subsidiaries.

Notes to the Condensed Consolidated Financial Statements

8. EARNINGS/(LOSS) PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)
Profit/(loss) attributable to the owners of the Company	48,737	(580,226)	(579,156)	(947,447)
Number of ordinary shares in issue	640,000,000	640,000,000	640,000,000	640,000,000
Basic and diluted earnings/(loss) per share	0.0001	(0.0009)	(0.0009)	(0.0015)

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to owners of the Company and the weighted average number of ordinary shares of 640,000,000 (2019: 640,000,000) in issue during the period.

9. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with aggregate cost of S\$470,000 (six months ended 30 June 2019: S\$156,718), of which S\$423,000 was funded under hire purchase. The asset is reclassified as right-of-use assets in line with IFRS 16. Items of plant and equipment with a net book value of S\$39,166 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: S\$517,242), resulting in a loss on disposal of S\$21,166 (six months ended 30 June 2019: gain of S\$19,458).

Notes to the Condensed Consolidated Financial Statements

11. TRADE RECEIVABLES

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
External parties	4,452,553	4,717,865

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:

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Less than 30 days	2,393,070	2,501,752
31 to 60 days	1,711,183	1,822,988
61 to 90 days	343,270	384,908
More than 90 days	5,030	8,217
Total	4,452,553	4,717,865

Notes to the Condensed Consolidated Financial Statements

12. 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:

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Less than 30 days	872,092	889,195
31 to 60 days	254,738	169,435
61 to 90 days	40,717	34,888
	1,167,547	1,093,518

13. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Accrued liabilities	1,212,140	784,283
GST payable	112,671	148,274
Other payables	92,225	43,460
	1,417,036	976,017

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

Notes to the Condensed Consolidated Financial Statements

14. CONTRACT ASSETS/CONTRACT LIABILITIES

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Contract assets		
Contract assets arising from:		
Trucking services	186,168	3,944
Contract liabilities		
<i>Short-term advances received from customers</i>		
Trucking services	24,972	140,431

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 30 June 2020 and 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 30 June 2020 and 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 in contract liabilities in 2020 was mainly due to the decrease in short-term advances received from customers in relation to the provision of trucking services at the end of the period/year.

Notes to the Condensed Consolidated Financial Statements

15. LOANS AND BORROWINGS

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Current:		
Lease liabilities	1,077,156	1,723,027
Bank loans — secured	132,065	130,926
	1,209,221	1,853,953
Non-current:		
Lease liabilities	307,264	208,225
Bank loans — secured	277,774	344,617
	585,038	552,842
Total	1,794,259	2,406,795
Analysed into:		
<i>Bank loans</i>		
Within one year or on demand	132,065	130,926
In the second year	117,259	134,932
In the third to fifth years, inclusive	133,501	165,626
Beyond five years	27,014	44,059
	409,839	475,543
<i>Other borrowings:</i>		
Within one year or on demand	1,077,156	1,723,027
In the second year	160,879	208,225
In the third to fifth years, inclusive	146,385	—
	1,384,420	1,931,252
Total	1,794,259	2,406,795

Notes to the Condensed Consolidated Financial Statements

Notes:

(a) Leases

The lease obligations are secured by charges over the leased assets. For the six months ended 30 June 2020, the average effective interest rate of the leases was 2.71% (year ended 31 December 2019: 2.71%) per annum.

(b) Bank loans and other loans

For the six months ended 30 June 2020, the effective interest rates of the Group's bank loans and other loans ranged from 1.7% to 4.85% (year ended 31 December 2019: 1.7% 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 S\$921,697 (year ended 31 December 2019: S\$944,302) as at 30 June 2020;
- (ii) time deposits with carrying amounts of S\$502,509 (year ended 31 December 2019: S\$502,509) as at 30 June 2020; and
- (iii) joint and several personal guarantees provided by the directors of the Company.

Notes to the Condensed Consolidated Financial Statements

16. SHARE CAPITAL

	Number of ordinary shares (unaudited)	Nominal value of ordinary shares HK\$ (unaudited)	Share capital (equivalent to S\$) (unaudited)
Ordinary share of HK\$0.01 each			
Authorised			
At 1 January 2019, 31 December 2019 and 30 June 2020	5,000,000,000	50,000,000	
Issued and fully paid			
At 1 January 2019, 31 December 2019 and 30 June 2020	640,000,000	6,400,000	1,106,317

17. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	Three months ended 30 June		Six months ended 30 June	
	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)	2020 S\$ (Unaudited)	2019 S\$ (Unaudited)
Remuneration paid to key management personnel (including directors' remuneration)	189,344	255,471	465,587	595,428

The remuneration of the key management personnel of the Group is determined by having regard to the performance of individuals of the Group and market trends.

Management Discussion and Analysis

BUSINESS REVIEW

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

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

In the first half of 2020, the overall operating environment continued to be challenging for the Group. Based on advance estimates released by the Ministry of Trade and Industry, the Singapore economy contracted by 12.6 per cent on a year-on-year basis in the second quarter of 2020. In addition, government control measures were implemented to slow the spread of COVID-19, which included the suspension of non-essential services and closure of most workplace premises. With weak external demand amidst a global economic downturn precipitated by the COVID-19 pandemic, on a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 41.2 per cent in the second quarter of 2020. This has greatly impacted the demand for our services.

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.

Management Discussion and Analysis

Revenue

The Group's revenue comprised of revenue from provision of transport and hubbing services to the logistics industry in Singapore. For the six months ended 30 June 2020, the revenue of the Group decreased by approximately S\$1,108,000 or approximately 7.8% to approximately S\$13,079,000 compared to the six months ended 30 June 2019. The decrease was mainly attributable to the declining global trade economy with the emergence of COVID-19, which greatly decreased trading volume and closure of ports around the world. The following table sets forth the revenue of the Group by revenue type for the periods indicated:

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	S\$'000	%	<i>S\$'000</i>	<i>%</i>
Trucking services	10,675	81.6	11,957	84.3
Hubbing services	2,404	18.4	2,230	15.7
	13,079	100.0	14,187	100.0

Revenue from trucking services

Revenue from trucking services decreased by approximately S\$1,282,000 to S\$10,675,000 for the six months ended 30 June 2020, representing approximately 10.7% decrease. The decrease was mainly due to the general decrease in volume from our customers with the unfavourable trade economy outlook and port closures in some countries.

Revenue from hubbing services

Revenue from hubbing services increased by 7.8% or approximately S\$174,000. 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 for export. Customers that require hubbing services are generally those whom have large volume in the import and export of goods, who are mainly freight forwarders and global logistics companies.

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

Management Discussion and Analysis

For the six months ended 30 June 2020, with the uncertainty in the global trade economy, there were numerous instances whereby our customers' vessels were delayed, or closure of destination ports that prevented timely shipping. These resulted in our customers hubbing their cargoes with us for extended periods of time, and hence the increase in revenue from hubbing services despite a decrease in revenue from trucking services.

Gross profit

The overall gross profit decreased from approximately S\$1,342,000 for the six months ended 30 June 2019 to approximately S\$803,000 for the six months ended 30 June 2020, mainly due to a decrease in revenue. The overall gross profit margin decreased from approximately 9.5% for the six months ended 30 June 2019 to approximately 6.1% for the six months ended 30 June 2020. The table below sets forth a breakdown of gross profit and gross profit margin by revenue type for the periods indicated:

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	S\$'000	Gross profit margin %	S\$'000	Gross profit margin %
Trucking services	(97)	(0.9)%	874	7.3%
Hubbing services	900	37.4%	468	21.0%
	803	6.1%	1,342	9.5%

Gross profit from trucking services

The gross profit margin for trucking services decreased from a gross profit margin of approximately 7.3% for the six months ended 30 June 2019 to a gross loss margin of approximately -0.9% for the six months ended 30 June 2020 mainly due to the decrease in trade volume. More than 35% of the costs for trucking services pertained to fixed costs like wages and depreciation. With the approximate decrease of 10.7% in revenue from trucking services, revenue was insufficient to cover trucking costs, resulting in a gross loss margin of approximately -0.9% for the six months ended 30 June 2020.

Gross profit from hubbing services

The gross profit margin for hubbing services increased from 21.0% for the six months ended 30 June 2019 to approximately 37.4% for the six months ended 30 June 2020 mainly due to a) an increase in revenue, and b) incurrence of non-recurring operating costs for maintenance works performed on the yards in 2019 which were not incurred in 2020.

Management Discussion and Analysis

Other income

Other income increased by approximately S\$701,000 from approximately S\$78,000 for the six months ended 30 June 2019 to approximately S\$779,000 for the six months ended 30 June 2020. The increase was mainly attributed to exchange gain from the strengthening of Hong Kong dollars against Singapore dollars for cash balances maintained in Hong Kong dollars, and the receipt of government grants from the Jobs Support Scheme and Foreign Worker Level Rebate in 2020 to help Singapore businesses during the Covid-19 period.

Administrative expenses

Administrative expenses decreased by approximately S\$201,000 or 8.7% from approximately S\$2,315,000 for the six months ended 30 June 2019 to approximately S\$2,114,000 for the six months ended 30 June 2020. The decrease is mainly due to lesser office activity with the implementation of government control measures in Singapore.

Income tax expense

The Group's income tax expense increased by approximately S\$15,000 from approximately S\$5,000 to approximately S\$20,000 for the six months ended 30 June 2020. The increase in tax expense was due to taxable income for a Singapore subsidiary.

Loss for the period

Due to the combined effect of the aforesaid factors, we recorded an unaudited loss of approximately S\$579,000 for the six months ended 30 June 2020, as compared to the unaudited loss of approximately S\$947,000 for the six months ended 30 June 2019. For the three months ended 30 June 2020, the Group received the incentives in the amount of S\$537,395 from the Singapore Government. Without taking into account of the incentives received, the loss for the six months ended 30 June 2020 is mainly attributable to a decrease in sales volume and gross profit due to uncertainties in global business environment, as well as operational disruptions with the implementation of government control measures in Singapore due to the recent Covid-19 outbreak.

Dividend

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend the payment of dividend for the six months ended 30 June 2020.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2020, the Group had total assets of approximately S\$25,220,000 (31 December 2019: S\$25,999,000), which was financed by total liabilities and shareholders' equity (comprising share capital, share premium and reserves) of approximately S\$5,161,000 (31 December 2019: S\$5,361,000) and approximately S\$20,059,000 (31 December 2019: S\$20,638,000) respectively. The current ratio as at 30 June 2020 of the Group was approximately 3.1 times (31 December 2019: approximately 2.9 times).

As at 30 June 2020, the Group had cash and cash equivalents of approximately S\$6,770,000 (31 December 2019: S\$6,566,000) which were placed with major banks in Singapore and Hong Kong.

The loans and borrowings of the Group as at 30 June 2020 was approximately S\$1,794,000 (31 December 2019: S\$2,407,000). The gearing ratio (calculated based on loans and borrowings divided by total equity) of the Group as of 30 June 2020 was 8.9% (31 December 2019: 11.7%).

Capital structure

As at 30 June 2020, the Company's issued share capital amounted to HK\$6,400,000 divided by 640,000,000 Shares of HK\$0.01 each.

Foreign Exchange Exposure

The Group transacts mainly in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries. However, the Group retains a large part of its proceeds from the Share Offer in Hong Kong dollars which contributed to an unrealised foreign exchange gain of approximately S\$182,000 as at 30 June 2020 as Hong Kong dollars appreciated against Singapore dollars.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus of the Company dated 6 October 2017 (the "Prospectus") in relation to, among other matters, the listing of its shares on GEM on 18 October 2017 (the "Listing") and in this report, the Group did not have other plans for material investments or capital assets as of 30 June 2020.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Management Discussion and Analysis

Significant Investments Held

The Group did not hold any significant investments during the six months ended 30 June 2020.

Contingent liabilities

Performance guarantees were given by financial institutions and insurance companies on behalf of the Group to certain suppliers. The Group in turn, provides a counter indemnity to the financial institutions and insurance companies. The aggregate amount of the performance guarantees given by the financial institutions and insurance companies was S\$660,000 as at 30 June 2020 (31 December 2019: S\$660,000).

Capital commitments

As at 30 June 2020, the Group has committed approximately S\$26,000 for the completion of the container tracking system.

Employee Information and Remuneration Policies

As at 30 June 2020, the Group had an aggregate of 169 employees (31 December 2019: 170).

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\$4,823,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately S\$5,309,000).

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.

Management Discussion and Analysis

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 30 June 2020

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

Management Discussion and Analysis

^[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 this 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.

Management Discussion and Analysis

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 30 June 2020 ⁽¹⁾
	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	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	—
	43,116	2,701	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.

Management Discussion and Analysis

Prospects

The Group continues to strive towards providing customers with timely delivery and storage of their containers, enhancing overall competitiveness and market share in Singapore. In the first six months of 2020, the Group continues to see increasing challenge with the unprecedented impact of COVID-19 on the global economic outlook, which also impacted the general economic and market conditions in Singapore and the industry in which we operate. This has affected the business operations to a large extent.

The second half of 2020 continues to be confronted by the impact of the COVID-19 pandemic. 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.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2020, the interests and short positions of directors 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 (Cap. 571 of the Laws of Hong Kong) (the "SFO") held by the Directors and chief executives of the Company (the "Chief Executives") 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:

DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

Name of Director	Number of shares/ Position	Approximate percentage of shareholding	Capacity
Mr. Chua Kang Lim ("Mr. Chua")	325,000,000 (<i>Note</i>) Long position	50.78%	Interest of controlled company

Note: 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.

DIRECTORS' INTEREST IN THE SHARES OF VENTRIS, AN ASSOCIATED CORPORATION OF THE COMPANY

Director	Capacity/ Nature of interest	Number of shares in Ventris	Percentage of shareholding in Ventris
Mr. Chua	Beneficial owner	1 Long position	100%

Save as disclosed above, as at 30 June 2020, none of the Directors or the Chief Executive of the Company had any interests or short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be 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 required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as the Directors and the Chief Executive are aware, as at 30 June 2020, 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:

Shareholder	Number of shares/Position	Approximate percentage of shareholding	Capacity
Ventris Global Limited	325,000,000 Long position	50.78%	Beneficial owner
Dai Wangfei	79,000,000 Long position	12.34%	Beneficial owner

Save as disclosed above, as at 30 June 2020, the Directors and the Chief Executive of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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 meeting of the Company.

Other Information

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors or the substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had any interests in any businesses which competed or is likely to compete either directly or indirectly with the business of the Group.

SHARE OPTION SCHEME

On 25 September 2017, the then sole shareholder of the Company approved and adopted a share option scheme (the "Share Option Scheme") by way of written resolution passed on 25 September 2017 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. No option has been granted since its effective date and up to the date of this report.

PLEDGE OF ASSET

The Group's buildings with an aggregate carrying amount of approximately S\$922,000 (31 December 2019: approximately S\$944,000) were mortgaged to secure the Group's bank loans as at 30 June 2020.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

EVENTS AFTER THE REPORTING DATE

- (a) On 21 May 2020, CA Transportation & Warehousing Pte Ltd ("CA Transportation") agreed to purchase a new Sany brand five layer reach stacker (Model no.: SRSC45H1) (the "Equipment") from Ten-League Port Engineering Solutions Pte. Ltd. at the purchase price of S\$470,000. The balance of the purchase price of S\$423,000 is funded by a hire purchase line provided by DBS Bank Ltd. DBS Bank Ltd. has let and CA Transportation has taken on hire the Equipment subject to the terms and conditions of the hire purchase agreement dated 14 July 2020.
- (b) The outbreak of novel coronavirus (COVID-19) continues to 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 COVID-19 and therefore are not yet able to quantify the full financial impact. However, management will continue to closely monitor the evolving COVID-19 situation and assess the ongoing development and respond accordingly.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the six months ended 30 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. During the six months ended 30 June 2020, the Company had complied with all the code provisions set out in the CG Code with the exception of the following deviation:

Code Provision A.2.1

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

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

Other Information

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Rules 5.28 and 5.29 of the GEM Listing Rules and Code Provision C.3.3 of the CG Code. The primary duties of our audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of the Group. The audit committee consists of three independent non-executive Directors, namely Mr. Kwong Choong Kuen, who has the appropriate auditing and financial related management expertise and serves as the chairman of the audit committee, Mr. Dax Teo Tak Sin and Ms. Grace Choong Mai Foong. The audit committee has reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements of the Group for the six months ended 30 June 2020 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Singapore, 11 August 2020

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

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