



C&N Holdings Limited 春能控股有限公司*

Incorporated in the Cayman Islands with limited liability
Stock Code: 8430

2019 First Quarterly 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 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 or deceptive, and (2) there are no other matters the omission of which would make any statement herein or this report misleading.

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

	Pages
Highlights	2
Unaudited First Quarterly Results:	
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Unaudited Condensed Consolidated Statement of Changes in Equity	4
Notes to the Condensed Consolidated Financial Statements	5
Management Discussion and Analysis	11
Other Information	14

Highlights

- The Group's revenue amounted to approximately S\$7,548,000 for the three months ended 31 March 2019, representing an increase of approximately S\$363,000 or 5.0% as compared to the three months ended 31 March 2018.
- The loss attributable to the owners of the Company was approximately S\$367,000 for the three months ended 31 March 2019. The decrease in profit of approximately S\$209,000 is mainly attributable to a) decrease in gross profit margins and b) increase in staff costs with increase from annual salary increments.
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2019.

Unaudited First Quarterly 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 three months ended 31 March 2019, together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

For the three months ended 31 March 2019

		Three months ended	
		31 March	
		2019	2018
<i>Notes</i>		S\$	S\$
		(Unaudited)	(Unaudited)
Revenue	3	7,547,970	7,185,250
Cost of sales		(6,657,825)	(6,232,108)
		<hr/>	
Gross profit		890,145	953,142
Other income	4	56,790	108,192
Administrative expenses		(1,278,633)	(1,166,220)
Finance costs	5	(30,308)	(38,822)
		<hr/>	
Loss before tax	6	(362,006)	(143,708)
Income tax expense	7	(5,199)	(14,077)
		<hr/>	
Loss for the period and total comprehensive loss for the period		(367,205)	(157,785)
		<hr/>	
Basic and diluted earnings per share	8	(0.0006)	(0.0002)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2019

	Share capital S\$	Share premium S\$	Retained earnings S\$	Total equity S\$
At 1 January 2018 (audited)	1,106,317	19,773,348	271,793	21,151,458
Loss for the period and total comprehensive loss for the period	—	—	(157,785)	(157,785)
At 31 March 2018 (unaudited)	1,106,317	19,773,348	114,008	20,993,673
At 1 January 2019 (audited)	1,106,317	19,773,348	738,948	21,618,613
Loss for the period and total comprehensive loss for the period	—	—	(367,205)	(367,205)
At 31 March 2019 (unaudited)	1,106,317	19,773,348	371,743	21,251,408

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 quarterly 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 quarterly unaudited condensed financial statements were approved by the Board of Directors of the Company on 10 May 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable disclosure requirements of the GEM Listing Rules. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements, except for the adoption of the new and revised accounting standards which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2019.

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.

Notes to the Condensed Consolidated Financial Statements

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

An analysis of revenue is as follows:

	Three months ended 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Revenue from contracts with customers	7,547,970	7,185,250

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	Three months ended 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Type of goods or services		
Trucking services	6,490,213	5,723,177
Hubbing services	1,057,757	1,462,073
	7,547,970	7,185,250
Timing of revenue recognition		
Services transferred at a point in time	6,490,213	5,723,177
Services transferred over time	1,057,757	1,462,073
	7,547,970	7,185,250

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 31 March 2019 and 2018 are S\$299,421 and S\$222,581 respectively, which are expected to be recognised in less than one year.

4. OTHER INCOME

	Three months ended	
	31 March	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Gain on disposal of items of property, plant and equipment	—	36,645
One-off incentive for wage subsidies	56,790	71,547
	56,790	108,192

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 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Interest on bank and other loans	2,762	8,438
Interest on lease liabilities	27,546	30,384
	30,308	38,822

6. LOSS BEFORE TAX

	Three months ended 31 March	
	2019 S\$ (Unaudited)	2018 S\$ (Unaudited)
Depreciation on property, plant and equipment	553,239	549,163
Depreciation on right-of-use asset	77,229	—
Employee benefits (excluding directors' remuneration)		
— Salaries and wages	2,218,601	2,136,802
— CPF contribution	214,958	198,645
	2,433,559	2,335,447
Rental expenses	352,119	381,147
Exchange loss	59,980	160,234

Notes to the Condensed Consolidated Financial Statements

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Current tax		
— Singapore Corporate Income Tax (“CIT”)	5,199	14,077

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

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

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the reporting periods ended 31 March 2019 and 2018.

The Singapore statutory income tax rate has been provided at the rate of 17% (2018: 17%) for the reporting period. 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 reporting periods ended 31 March 2019 and 2018 are:

	Three months ended 31 March	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Loss before tax	(362,006)	(143,708)
Tax at Singapore CIT of 17%	(61,541)	(24,430)
Tax effect of expenses not deductible for tax purpose	66,740	38,507
Income tax expense for the period	5,199	14,077

Notes to the Condensed Consolidated Financial Statements

8. LOSS PER SHARE

	Three months ended 31 March	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Loss attributable to the owners of the Company	(367,205)	(157,785)
Number of ordinary shares in issue	640,000,000	640,000,000
Basic and diluted earnings per share	(0.0006)	(0.0002)

The calculation of the basic earnings per share is based on the loss for the period attributable to owners of the Company and the weighted average number of ordinary shares of 640,000,000 (2018: 640,000,000) in issue during the period.

9. DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: nil).

10. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	Three months ended 31 March	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Remuneration paid to key management personnel (including directors' remuneration)	339,957	327,847

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 the customers.

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

FINANCIAL REVIEW

Revenue

The Group's overall revenue amounted to approximately S\$7,548,000 for the three months ended 31 March 2019, representing an increase of approximately S\$363,000 or 5.0% as compared to the three months ended 31 March 2018.

Revenue from trucking services for the three months ended 31 March 2019 increased by approximately S\$767,000 or 13.4% as compared to the corresponding period in 2018. The increase was mainly due to the increase in volume from trucking services, contributed by higher demand from one of our major customers, and also revenue from new customers that have transactions with the Group for the three months ended 31 March 2019 and not in the corresponding period in 2018.

The increase in trucking revenue was offset by the decrease in revenue from hubbing services. Hubbing revenue for the three months ended 31 March 2019 decreased by approximately S\$404,000 or 27.7% as compared to the corresponding period in 2018. The decrease is due to lower container volume hubbed in our yard, as there was a change in customer dynamics, whereby there were more customers that engaged us for local services, and did not require our hubbing services in this quarter.

Gross Profit

Despite the increase in revenue, the Group's gross profit decreased by approximately S\$63,000 or 6.6% from approximately S\$953,000 for the three months ended 31 March 2018 to approximately S\$890,000 for the three months ended 31 March 2019.

The overall gross profit margin decreased from 13.3% for the three months ended 31 March 2018 to 11.8% for the three months ended 31 March 2019.

Management Discussion and Analysis

The decrease in gross profit margin for the three months ended 31 March 2019 as compared to the corresponding period in 2018 is attributable to: a) increase in fuel costs with an increase in diesel prices; and b) increase in hubbing costs due to maintenance works performed on the yards, which is usually required once every five years.

Other income

Other income decreased by approximately S\$51,000 from approximately S\$108,000 for the three months ended 31 March 2018 to approximately S\$57,000 for the three months ended 31 March 2019. The decrease was mainly attributed to lower government subsidies, and no gain from disposal of fixed assets in 2019.

Administrative expenses

Administrative expenses increased by approximately S\$113,000 or 9.6% from approximately S\$1,166,000 for the three months ended 31 March 2018 to approximately S\$1,279,000 for the three months ended 31 March 2019. The increase was mainly attributed to an increase in staff costs due to annual salary increment and higher bonus payout.

Income tax expense

The Group's income tax expense decreased by approximately S\$9,000 from approximately S\$14,000 to approximately S\$5,000 for the three months ended 31 March 2019. The decrease in tax expense was a result of lower taxable income.

Loss for the period

Due to the combined effect of the aforesaid factors, we recorded a loss of approximately S\$367,000 for the three months ended 31 March 2019, representing an increase of approximately S\$209,000 as compared to the loss for the three months ended 31 March 2018.

Contingent liabilities

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

Management Discussion and Analysis

Capital commitments

As at 31 March 2019, the Group has committed approximately S\$37,000 for the implementation and set up of the container tracking system.

Prospects

The Group continues to strive towards providing customers with timely delivery and storage of their containers, continuing our growth strategy and enhancing overall competitiveness and market share in Singapore. In the first three months of 2019, the Group continues to see 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. This has affected the business operations to a certain extent. Management is continuously monitoring the situation and in constant discussion with our customers to understand their changing 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.

Employee Information

As at 31 March 2019, the Group had an aggregate of 176 employees.

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

Total staff costs, including Directors’ emoluments, amounted to approximately S\$2,774,000 for the three months ended 31 March 2019 (three months ended 31 March 2018: approximately S\$2,663,000).

Other Information

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

As at 31 March 2019, 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 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:

DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

Name of Director	Number of shares/Position	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%

Other Information

Save as disclosed above, as at 31 March 2019, 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 31 March 2019, other than the Directors and Chief Executive, the following persons 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	Percentage of shareholding	Capacity
1. Ventris Global Limited	325,000,000	50.78%	Beneficial owner
2. Dai Wangfei	79,000,000	12.34%	Beneficial owner

Save as disclosed above, as at 31 March 2019, 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.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Vinco Capital Limited ("Vinco Capital"), save and except as the compliance adviser agreement entered into between the Company and Vinco Capital dated 3 October 2017, neither Vinco Capital, its close associates nor any of the directors or employees of Vinco Capital who have been involved in providing advice to the Company, has or may have any interest in securities of the Company or which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as of 31 March 2019.

SHARE OPTION SCHEME

On 25 September 2017, the then sole shareholder of the Company approved and conditionally adopted a share option scheme (the "Share Option Scheme") 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, outstanding, lapsed, cancelled or exercised since its effective date and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

PLEDGE OF ASSET

The carrying amount of motor vehicles held under finance leases was approximately S\$11,592,000 as at 31 March 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 leasehold buildings with an aggregate carrying amount of approximately S\$948,000 were mortgaged to secure the Group's bank loans as at 31 March 2019.

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 period.

EVENTS AFTER THE REPORTING DATE

There is no significant event subsequent to 31 March 2019 which would materially affect the Group's operating and financial performance.

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 three months ended 31 March 2019.

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 of the GEM Listing Rules. During the three months ended 31 March 2019, the Company had complied with all the code provisions set out in the CG Code with the exception of the following deviation:

Code Provision A.2.1

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

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

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 three months ended 31 March 2019.

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 year ended 31 March 2019 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Singapore, 10 May 2019

As at the date of the 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.