



2018 Interim Report

C&N Holdings Limited  
春能控股有限公司\*

Incorporated in the Cayman Islands with limited liability

Stock Code: 8430

\* For identification purpose only

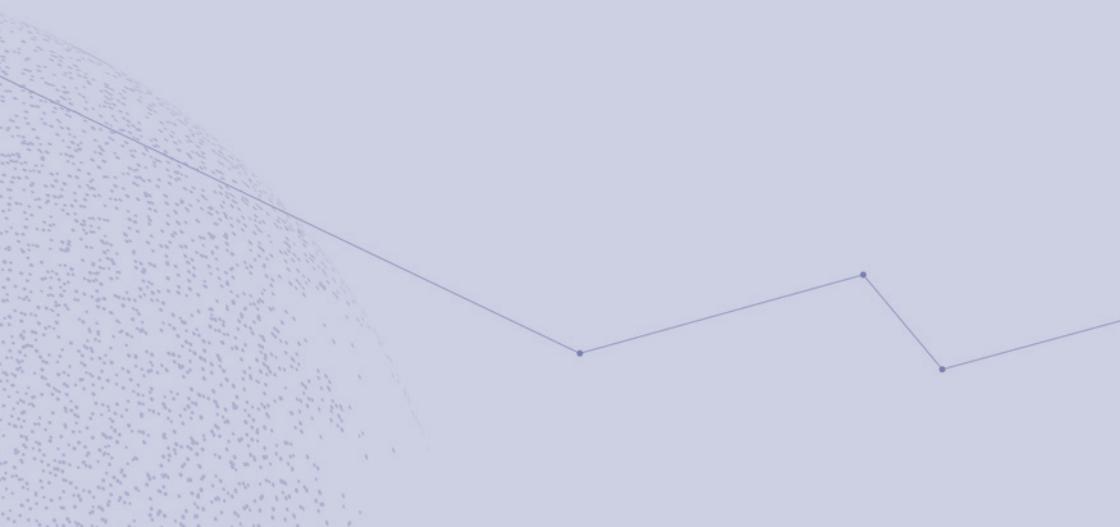
## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**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.**

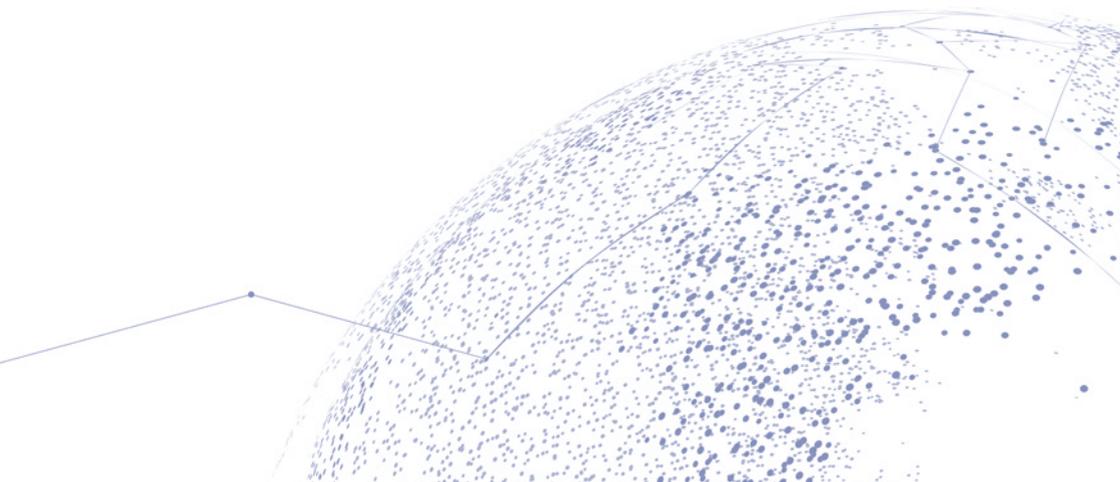
*This report, for which the directors (the “Directors”) of C&N Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) 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

	<b>Pages</b>
Highlights	2
Unaudited Interim Results:	
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Unaudited Consolidated Statement of Financial Position	4
Unaudited Condensed Consolidated Statement of Changes in Equity	6
Unaudited Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	21
Other Information	29



# Highlights

- The Group's revenue amounted to approximately S\$14,383,000 for the six months ended 30 June 2018, representing a decrease of approximately S\$205,000 or 1.4% as compared to the six months ended 30 June 2017.
- The profit attributable to the owners of the Company was approximately S\$225,000 for the six months ended 30 June 2018. For the six months ended 30 June 2017, excluding the non-recurring listing expenses of approximately S\$1,615,000 in connection with the listing, the profit attributable to the Company would have been approximately S\$1,934,000.
- The decrease in profit of approximately S\$1,709,000 (without considering the non-recurring listing expenses of approximately S\$1,615,000 in connection with the listing) is mainly attributable to a) decrease in gross profit of approximately S\$1,439,000, b) increase in staff costs with increase in headcount, salary and declaration of bonus, and offset by c) decrease in tax expense due to lower taxable income.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2018.

# 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 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

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

For the six months ended 30 June 2018

		Six months ended 30 June	
Notes		2018 S\$ (Unaudited)	2017 S\$ (Unaudited)
Revenue	3	14,383,218	14,588,603
Cost of sales		(12,260,494)	(11,026,495)
Gross profit		2,122,724	3,562,108
Other income and gains	4	201,453	142,110
Administrative expenses		(1,952,689)	(3,012,039)
Finance costs	5	(83,395)	(72,060)
Profit before tax	6	288,093	620,119
Income tax expense	7	(63,351)	(300,882)
Profit for the period and total comprehensive income for the period		224,742	319,237
Basic and diluted earnings per share	8	0.00035	0.00067

# Unaudited Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 S\$ (Unaudited)	31 December 2017 S\$ (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	15,052,045	14,379,084
Deferred tax assets		78,360	78,360
Available-for-sale investment		—	6,750
Deposits		87,757	66,500
Total non-current assets		15,218,162	14,530,694
<b>Current assets</b>			
Trade receivables	11	5,290,922	5,781,140
Deposits and other receivables		5,083	33,490
Prepayments		109,844	109,844
Pledged deposits		500,000	806,710
Cash and bank balances		9,168,179	9,093,347
Total current assets		15,074,028	15,824,531
<b>Current liabilities</b>			
Trade payables	12	907,167	1,900,091
Other payables and accruals	13	811,363	1,162,053
Loans and borrowings	14	2,891,421	2,247,813
Tax payable		273,682	448,454
Total current liabilities		4,883,633	5,758,411
<b>NET CURRENT ASSETS</b>		<b>10,190,395</b>	<b>10,066,120</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>25,408,557</b>	<b>24,596,814</b>

# Unaudited Consolidated Statement of Financial Position

As at 30 June 2018

		<b>30 June 2018</b>	31 December 2017
	<i>Notes</i>	<b>S\$ (Unaudited)</b>	S\$ (Audited)
<b>Non-current liabilities</b>			
Loans and borrowings	14	<b>3,367,724</b>	2,790,723
Deferred tax liabilities		<b>664,633</b>	654,633
Total non-current liabilities		<b>4,032,357</b>	3,445,356
<b>NET ASSETS</b>			
		<b>21,376,200</b>	21,151,458
<b>EQUITY</b>			
Share capital	15	<b>1,106,317</b>	1,106,317
Reserves		<b>20,269,883</b>	20,045,141
<b>TOTAL EQUITY</b>		<b>21,376,200</b>	21,151,458

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Share capital	Share premium	Retained earnings	Available-for-sale investment revaluation reserve	Merger reserve	Total equity
	S\$	S\$	S\$	S\$	S\$	S\$
At 1 January 2017 (audited)	—	—	7,761,809	—	3,200,000	10,961,809
Profit for the period and total comprehensive income for the period	—	—	319,237	—	—	319,237
At 30 June 2017 (unaudited)	—	—	8,081,046	—	3,200,000*	11,281,046
At 1 January 2018 (audited)	1,106,317	19,773,348	271,793	—	—	21,151,458
Profit for the period and total comprehensive income for the period	—	—	224,742	—	—	224,742
At 30 June 2018 (unaudited)	1,106,317	19,773,348	496,535	—	—	21,376,200

\* Merger reserve represents the aggregate issued paid-up capital of the subsidiaries comprising the Group.

# Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>S\$</b>	S\$
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from operating activities</b>		
Profit before tax	<b>288,093</b>	620,119
Adjustments for:		
Depreciation	<b>1,109,993</b>	998,726
Impairment loss on an available-for-sale investment	<b>6,750</b>	—
Gain on disposal of items of property, plant and equipment	<b>(115,021)</b>	(39,007)
Finance costs	<b>83,395</b>	57,916
	<b>1,373,210</b>	1,637,754
Decrease/(increase) in trade receivables	<b>490,218</b>	(1,616,038)
Decrease in deposits and other receivables	<b>7,150</b>	123,505
Increase in prepayments	<b>—</b>	(525,179)
(Decrease)/increase in trade payables	<b>(992,924)</b>	961,371
(Decrease)/increase in other payables and accruals	<b>(350,696)</b>	66,323
	<b>526,964</b>	647,736
Cash generated from operations	<b>526,964</b>	647,736
Income tax paid	<b>(228,123)</b>	(146,207)
	<b>298,841</b>	501,529
<b>Cash flows from investing activities</b>		
Purchases of items of property, plant and equipment	<b>(340,311)</b>	(982,126)
Proceeds from disposal of items of property, plant and equipment	<b>712,258</b>	62,925
	<b>371,947</b>	(919,201)
<b>Net cash flows from/(used in) investing activities</b>	<b>371,947</b>	(919,201)

# Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>S\$</b>	S\$
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from financing activities</b>		
New loans and borrowings	—	292,000
Decrease in pledged deposits	<b>306,710</b>	—
Repayment of loans and borrowings	<b>(90,515)</b>	(476,455)
Repayment of obligations under finance leases	<b>(728,756)</b>	(1,389,763)
Loan from a director	—	1,410,833
Interest paid	<b>(83,395)</b>	(57,916)
<b>Net cash flows used in financing activities</b>	<b>(595,956)</b>	(221,301)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>74,832</b>	(638,973)
Cash and cash equivalents at beginning of period	<b>9,093,347</b>	1,488,087
<b>Cash and cash equivalents at end of period</b>	<b>9,168,179</b>	849,114

# 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 Company was incorporated on 10 February 2017 and was incorporated for the purpose of acquiring the subsidiaries of the Group pursuant to the reorganisation (the "Reorganisation"), details of which have been set out in the section headed "History, Reorganisation and Corporate structure — Reorganisation" in the prospectus of the Company dated 6 October 2017 (the "Prospectus").

Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation. The Group is principally engaged in offering various transport and storage services to the logistics industry in Singapore, primarily trucking and hubbing services.

The Company became the holding company of the companies now comprising the Group on 25 September 2017 and the shares of the Company were listed on GEM on 18 October 2017 (the "Listing"). The companies now comprising the Group were under the common control of Mr. Chua Kang Lim (the "Controlling Shareholder") before and after the Reorganisation. Accordingly, the financial information for the six months ended 30 June 2017 has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the financial period.

These interim unaudited condensed financial statements were approved by the Board of Directors of the Company on 7 August 2018.

# Notes to the Condensed Consolidated Financial Statements

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 June 2018 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 2017, 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 and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2017, except for the adoption of the following IFRS which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 January 2018.

IFRS 15	Revenue from contracts with customers
IFRS 9	Financial instruments

All IFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been adopted by the Group in preparation of these condensed consolidated financial statements. The adoption of these new/revised IFRSs does not result in changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior period.

The Group has not early adopted any new/revised IFRSs that have been issued but are not yet effective. The directors are in the process of assessing the possible impact on the future adoption of these new/revised IFRSs, but are not yet in a position to reasonably estimate their impact on the Group’s results and financial statements.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements are presented in Singapore dollars (“S\$” or “\$”) except when otherwise indicated.

# 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.

The Group's revenue is recognised at a point in time. An analysis of the Group's revenue for the six months ended 30 June 2018 and 2017 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2018</b> <b>S\$</b> <b>(Unaudited)</b>	2017 <i>S\$</i> (Unaudited)
Trucking	<b>11,896,647</b>	12,539,252
Hubbing	<b>2,486,571</b>	2,049,351
	<b>14,383,218</b>	14,588,603

### Geographical information

The Group principally operates in Singapore, also the place of domicile. All revenue of the Group are generated from external customers located in Singapore.

# Notes to the Condensed Consolidated Financial Statements

## 4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Gain on disposal of items of property, plant and equipment	115,021	39,007
One-off incentive for wage subsidies	86,432	103,103
	<b>201,453</b>	<b>142,110</b>

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

## 5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Interest on bank and other loans	16,689	42,164
Interest on finance leases	66,706	29,896
	<b>83,395</b>	<b>72,060</b>

# Notes to the Condensed Consolidated Financial Statements

## 6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018 S\$ (Unaudited)	2017 S\$ (Unaudited)
Depreciation	1,109,993	998,726
Employee benefits (excluding directors' remuneration)		
— Salaries and wages	4,207,333	3,693,068
— CPF contribution	366,590	326,584
	<b>4,573,923</b>	4,019,652
Rental expenses	761,892	762,184
Exchange gain	(102,130)	—
Impairment loss on an available-for-sale investment	6,750	—
Listing expenses	—	1,615,072

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 S\$ (Unaudited)	2017 S\$ (Unaudited)
Deferred tax	10,000	21,840
Current tax — Charge for the period	53,351	279,042
	<b>63,351</b>	300,882

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.

# Notes to the Condensed Consolidated Financial Statements

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the period (six months ended 30 June 2017: nil).

Singapore corporate income tax has been provided at the rate of 17% (six months ended 30 June 2017: 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.

## 8. EARNINGS PER SHARE

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>S\$</b>	S\$
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to the owners of the Company	<b>224,742</b>	319,237
Number of ordinary shares in issue	<b>640,000,000</b>	480,000,000
Basic and diluted earnings per share	<b>0.00035</b>	0.00067

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of 640,000,000 issued during the period. The number of shares for the purpose of calculating the basic earnings per share for the six months ended 30 June 2017 is based on the assumption that 480,000,000 ordinary shares of the Company are in issue and issuable, comprising a total of 1,000,000 shares issued at date of incorporation and pursuant to the Reorganisation and the capitalisation issue of 479,000,000 ordinary shares as further detailed in note 15, as if the respective ordinary shares were outstanding throughout that period.

No adjustment has been made to the basic earnings per share presented as the Group had no potentially dilutive ordinary shares in issue during those periods.

# Notes to the Condensed Consolidated Financial Statements

## 9. DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired assets with aggregate cost of S\$2,380,191 (six months ended 30 June 2017: S\$2,887,207). Items of plant and equipment with a net book value of S\$597,237 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: S\$23,918), resulting in a gain on disposal of S\$115,021 (six months ended 30 June 2017: S\$39,007).

## 11. TRADE RECEIVABLES

	<b>As at 30 June 2018 S\$ (Unaudited)</b>	As at 31 December 2017 S\$ (Audited)
External parties	<b>5,290,922</b>	5,781,140

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:

	<b>As at 30 June 2018 S\$ (Unaudited)</b>	As at 31 December 2017 S\$ (Audited)
Less than 30 days	<b>2,807,779</b>	2,980,180
31 to 60 days	<b>1,767,588</b>	1,837,638
61 to 90 days	<b>583,027</b>	493,692
More than 90 days	<b>132,528</b>	469,630
Total	<b>5,290,922</b>	5,781,140

# 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:

	<b>As at 30 June 2018 S\$ (Unaudited)</b>	As at 31 December 2017 S\$ (Audited)
Less than 30 days	<b>823,622</b>	1,688,762
31 to 60 days	<b>83,545</b>	171,113
61 to 90 days	—	13,483
More than 90 days	—	26,733
<b>Total</b>	<b>907,167</b>	1,900,091

## 13. OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2018 S\$ (Unaudited)</b>	As at 31 December 2017 S\$ (Audited)
Accrued liabilities	<b>641,956</b>	905,492
GST payable	<b>113,927</b>	—
Other payables	<b>55,480</b>	256,561
<b>Total</b>	<b>811,363</b>	1,162,053

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

# Notes to the Condensed Consolidated Financial Statements

## 14. LOANS AND BORROWINGS

	As at 30 June 2018 S\$ (Unaudited)	As at 31 December 2017 S\$ (Audited)
<b>Current:</b>		
Finance lease payables	2,712,105	2,070,944
Bank loans — secured	102,310	102,414
Bank loans — unsecured	77,006	74,455
	<b>2,891,421</b>	2,247,813
<b>Non-current:</b>		
Finance lease payables	2,580,439	1,910,476
Bank loans — secured	570,549	624,325
Bank loans — unsecured	216,736	255,922
	<b>3,367,724</b>	2,790,723
Total	<b>6,259,145</b>	5,038,536
<b>Analysed into:</b>		
<i>Bank loans:</i>		
Within one year or on demand	179,316	176,869
In the second year	185,330	181,817
In the third to fifth years, inclusive	420,192	465,184
Beyond five years	181,763	233,246
	<b>966,601</b>	1,057,116
<i>Finance lease payables:</i>		
Within one year or on demand	2,712,105	2,070,944
In the second year	1,944,751	1,371,246
In the third to fifth years, inclusive	635,688	539,230
	<b>5,292,544</b>	3,981,420
Total	<b>6,259,145</b>	5,038,536

# Notes to the Condensed Consolidated Financial Statements

*Notes:*

(a) Finance leases

The finance leases obligations are secured by charges over the leased assets. For the six months ended 30 June 2018, the average effective interest rate of the leases is 2.74% (year ended 31 December 2017: 2.71%) per annum.

(b) Bank loans

For the six months ended 30 June 2018, the effective interest rates of the Group's bank loans and other loans range from 1.7% to 6.75% (year ended 31 December 2017: 1.7% to 6.75%) 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\$1,012,121 (31 December 2017: S\$1,034,726) as at 30 June 2018;
- (ii) time deposits with carrying amounts of S\$500,000 (31 December 2017: S\$806,710) as at 30 June 2018; and
- (iii) joint and several personal guarantees provided by the directors of the Company.

# Notes to the Condensed Consolidated Financial Statements

## 15. ISSUED CAPITAL

The movements in the Company's authorised and issued share capital during the period from 10 February 2017 (date of incorporation) to 30 June 2018 are as follows:

<i>Notes</i>	<b>Number of ordinary shares</b> (Unaudited)	<b>Nominal value of ordinary shares</b> <i>HK\$</i> (Unaudited)
<b>Authorised:</b>		
38,000,000 ordinary shares of HK\$0.01 each on 10 February 2017 (date of incorporation)	38,000,000	380,000.00
Increase of 4,962,000,000 ordinary shares of HK\$0.01 each on 25 September 2017	(b) 4,962,000,000	49,620,000.00
At 30 June 2018	<u>5,000,000,000</u>	<u>50,000,000.00</u>
<b>Issued and fully paid:</b>		
Issue of 1 ordinary share of HK\$0.01 each on the date of incorporation of the Company	(a) 1	0.01
Issue of 999,999 ordinary shares of HK\$0.01 each pursuant to the Reorganisation	(a) 999,999	9,999.99
Issue of 479,000,000 ordinary shares of HK\$0.01 each under the Capitalisation Issue	(c) 479,000,000	4,790,000.00
Issue of 160,000,000 ordinary shares of HK\$0.01 each under the Initial Public offering	(d) 160,000,000	1,600,000.00
At 30 June 2018	<u>640,000,000</u>	<u>6,400,000.00</u>

# Notes to the Condensed Consolidated Financial Statements

Notes:

- (a) 1 ordinary share and 999,999 ordinary shares of HK\$0.01 each was issued and allotted to Ventris Global Limited on 10 February 2017 and 25 September 2017 respectively.
- (b) Pursuant to an ordinary resolution passed on 25 September 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of 4,962,000,000 additional ordinary shares of HK\$0.01 each.
- (c) Pursuant to an ordinary resolution passed on 25 September 2017, 479,000,000 ordinary shares of HK\$0.01 each were issued, allotted and credited as fully paid at par by way of capitalisation from the share premium account to the holder of shares whose name appeared on the register of members of the Company at the close of business on 25 September 2017 in proportion to their respective shareholdings (the "Capitalisation Issue"). This allotment and the Capitalisation Issue were conditional on the share premium account being credited as a result of the placing of new shares in connection with the Company's initial public offering as detailed in note (d) below.
- (d) In connection with the Company's initial public offering, 160,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.44 per Share for a total cash consideration before expenses, of approximately HK\$70,400,000. Dealing in the Shares on GEM of the Stock Exchange commenced on 18 October 2017.

## 16. RELATED PARTY DISCLOSURES

### Compensation of key management personnel

	Six months ended 30 June	
	2018 S\$ (Unaudited)	2017 S\$ (Unaudited)
Remuneration paid to key management personnel (including directors' remuneration)	<b>611,031</b>	451,790

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

For the financial period till date, 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.

## FINANCIAL REVIEW

### Revenue

The Group's overall unaudited revenue amounted to approximately S\$14,383,000 for the six months ended 30 June 2018, representing a decrease of approximately S\$205,000 or 1.4% as compared to the six months ended 30 June 2017.

The decrease in revenue was mainly due to the uncertainty in the global trade economy. 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.

### Gross Profit

The Group's gross profit decreased by approximately S\$1,439,000 or 40.4% from approximately S\$3,562,000 for the six months ended 30 June 2017 to approximately S\$2,123,000 for the six months ended 30 June 2018.

The overall gross profit margin decreased from 24.4% for the six months ended 30 June 2017 to 14.8% for the six months ended 30 June 2018.

The decrease in gross profit margin for the six months ended 30 June 2018 as compared to the corresponding period in 2017 is attributable to: a) increase in fuel costs with an increase in diesel prices; and b) increase in labour costs with increased headcount and annual increment.

### Other income and gains

Other income and gains increased by approximately S\$59,000 from approximately S\$142,000 for the six months ended 30 June 2017 to approximately S\$201,000 for the six months ended 30 June 2018. The increase was mainly attributed to an increase in gain from disposal of vehicles that are beyond repair.

# Management Discussion and Analysis

## Administrative expenses

Administrative expenses decreased by approximately S\$1,059,000 or 35.2% from approximately S\$3,012,000 for the six months ended 30 June 2017 to approximately S\$1,953,000 for the six months ended 30 June 2018. The decrease was mainly attributed to non-recurring listing expenses of approximately S\$1,615,000 incurred in 2017, offset by increase in total employee benefits (including directors' remuneration) of approximately S\$580,000 due to annual salary increment and bonus payout.

## Income tax expense

The Group's income tax expense decreased by approximately S\$238,000 from approximately S\$301,000 to approximately S\$63,000 for the six months ended 30 June 2018. The decrease in tax expense was due to lower taxable income. The higher tax expense for six months ended 30 June 2017 was mainly due to the listing expenses incurred in 2017, which was non-deductible for tax purposes.

## Profit for the period

Due to the combined effect of the aforesaid factors, we recorded an unaudited profit of approximately S\$225,000 for the six months ended 30 June 2018, representing a lower profit of approximately S\$94,000 as compared to the unaudited profit for the six months ended 30 June 2017.

## 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 2018.

## Liquidity and Financial Resources

During the six months ended 30 June 2018, the Group's operations were mainly financed through internally generated cash flows and net proceeds raised from the Public Offer and Placing on GEM of the Stock Exchange of Hong Kong Limited ("Share Offer"). As at 30 June 2018 and 31 December 2017, the Group had net current assets of approximately S\$10,190,000 and S\$10,066,000 respectively, including cash and bank balances of approximately S\$9,168,000 and S\$9,093,000 respectively. The Group's current ratio increased from approximately 2.7 as at 31 December 2017 to approximately 3.1 as at 30 June 2018. Such an increase was mainly attributable to the decrease in payables as at 30 June 2018.

# Management Discussion and Analysis

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year and obligation under finance lease) divided by total equity at the respective reporting date. As at 30 June 2018, the Group's gearing ratio was 0.3 times, while it was 0.2 times as at 31 December 2017. The slight increase in gearing ratio was mainly due to increase in finance leases for acquisition of vehicles that were not factored in the use of proceeds of the Group. The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank balances and cash and banking credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

## Capital structure

The Shares of the Company were successfully listed on GEM on 18 October 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary Shares.

As at 30 June 2018, the Company's issued share capital amounted to HK6,400,000 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\$102,000 as at 30 June 2018 as Hong Kong dollars appreciated against Singapore dollars.

## Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus and in this report, the Group did not have other plans for material investments or capital assets as of 30 June 2018.

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2018, 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 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\$640,000 as at 30 June 2018 (31 December 2017: S\$640,000).

## Capital commitments

As at 30 June 2018, the Group has a commitment of approximately S\$37,000 for the implementation and set-up of the container tracking system (31 December 2017: nil).

## Employee Information

As at 30 June 2018, the Group had an aggregate of 178 employees (31 December 2017: 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\$5,185,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately S\$4,471,000).

# Management Discussion and Analysis

## Comparison of business objectives with actual business progress

### Business strategies up to 30 June 2018 as stated in the Prospectus

### Implementation plan

### Actual business progress up to 30 June 2018

Purchase new vehicles to expand our current transportation fleet capabilities	<ul style="list-style-type: none"> <li>– Purchase of 14 units of Euro VI compliant prime movers and 40 units of trailers</li> </ul>	The Group has not purchased any prime movers or trailers. <sup>[1]</sup>
Purchase a new office to incorporate an increase in our workforce	<ul style="list-style-type: none"> <li>– Purchase a new office with area of around 1,000 square feet located at Pioneer Junction</li> <li>– Renovation of the new office</li> </ul>	The Group is still sourcing for a satisfactory office unit. <sup>[2]</sup>
Strengthen our information technology system	<ul style="list-style-type: none"> <li>– Obtain quotation, finish installation and implementation test of tailor-made container tracing system</li> </ul>	The Group has obtained quotation for the container tracing system.
	<ul style="list-style-type: none"> <li>– Obtain quotation, finish installation and implementation test of tailor-made enterprise resources planning system</li> </ul>	The Group has obtained a preliminary quotation for tailor-made enterprise resources planning system.
	<ul style="list-style-type: none"> <li>– Obtain quotation, purchase and finish installation and set-up of computer work stations, servers and ancillary equipment</li> </ul>	The Group has obtained a preliminary quotation for hardware and equipment. <sup>[3]</sup>
Expand our workforce to support our business expansion	<ul style="list-style-type: none"> <li>– Hire one financial controller and two finance executives in finance department, and three operation staffs in operation departments</li> </ul>	The Group has hired a financial controller, a finance executive and three operation staff.
	<ul style="list-style-type: none"> <li>– Hire additional 14 experienced truck drivers, with recruitment cost for the new workforce</li> </ul>	The Group has hired 12 drivers, not factoring those drivers with a short turnover.

# Management Discussion and Analysis

- <sup>[1]</sup> As at 30 June 2018, approximately HK\$13,489,000 was allocated for the enhancement of capacity for transport and storage services through acquisition of new vehicles has not been used by the Group. 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, we were informed by our suppliers that the availability of these prime movers was delayed and may only be available towards the end of the year. Purchase of trailers was consequently delayed.
- <sup>[2]</sup> As at 30 June 2018, approximately HK\$2,619,000 was allocated for the purchase of a new office to incorporate an increase in our workforce. Till the date of the interim report, the Group has spoken to 2 owners of office units located at Pioneer Junction that had intention to sell. However, both units were priced above market price, which the Group is not willing to pay. The Group is currently sourcing for other alternate unit.
- <sup>[3]</sup> As at 30 June 2018, approximately HK\$4,147,000 was allocated for information technology enhancement to support business activities through the installation and implementation of a) tailor-made container tracing system, and b) tailor-made enterprise resources planning system that will integrate with the container tracing system. Additional computer work stations, servers and ancillary equipment will be acquired to support the new systems. Testing of the container tracing system was carried out in Q4 last year, and it was eventually concluded that the supplier's system was not suitable for the Group's business. We have sourced for another supplier, and testing is currently being carried out, and expected to be implemented by Q4 2018. Once the system is successfully implemented, the Group will proceed with the enterprise resources planning system and hardware acquisition.

# Management Discussion and Analysis

## Use of Proceeds

	Planned use of proceeds as shown in the Prospectus from the date of the Listing to 30 June 2018 (adjusted on a pro rata basis based on the actual net proceeds) <i>HK\$'000</i>	Planned use of proceeds as shown in the Prospectus from the date of the Listing to 30 June 2018 (adjusted on a pro rata basis based on the actual net proceeds) <i>HK\$'000</i>	Actual use of proceeds from the date of the Listing to 30 June 2018 <i>HK\$'000</i>	Unutilised amount as at 30 June 2018 <sup>(1)</sup> <i>HK\$'000</i>
Enhancement of capacity for transport and storage services through acquisition of new vehicles	26,062	13,489	—	26,062
Expansion and enhancement of workforce to support increased business activities	7,923	3,217	2,299	5,624
Information technology enhancement to support business activities	4,147	4,147	—	4,147
Purchase of office to incorporate an increase in workforce	2,619	2,619	—	2,619
Working capital and other general	2,365	2,365	2,365	—
	<b>43,116</b>	<b>25,837</b>	<b>4,664</b>	<b>38,452</b>

<sup>(1)</sup> The unused proceeds are deposited in a licensed bank in Hong Kong.

# Management Discussion and Analysis

## Prospects

The Group continues to strive to provide customers with timely delivery and storage of their containers, maintain growth in the industry and enhance overall competitiveness and market share in Singapore. In the first six months of 2018, the Group saw increasing challenge with the uncertainty in the global trade economy that has impacted on 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. Management is monitoring the situation and in constant discussion with our customers to understand the situation and their needs, and also looking to increase customers that do local deliveries to ensure another source of revenue.

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.

### 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 2018, 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 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	Percentage of shareholding	Capacity
Mr. Chua Kang Lim ("Mr. Chua")	359,800,000 (Note) Long position	56.22%	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 2018, 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.

## Other Information

### **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 2018, 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:

<b>Shareholder</b>	<b>Number of shares/ Position</b>	<b>Percentage of shareholding</b>	<b>Capacity</b>
Ventris Global Limited	359,800,000 Long position	56.22%	Beneficial owner
Dai Wangfei	79,000,000 Long position	12.34%	Beneficial owner

Save as disclosed above, as at 30 June 2018, 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.

### **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 30 June 2018.

### **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. No option has been granted since its effective date and up to the date of this report.

### **PLEDGE OF ASSET**

The carrying amount of motor vehicles held under finance leases was approximately S\$12,363,000 as at 30 June 2018 (31 December 2017: approximately S\$12,282,000). 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\$1,012,000 (31 December 2017: approximately S\$1,035,000) were mortgaged to secure the Group’s bank loans as at 30 June 2018.

### **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 30 June 2018 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 six months ended 30 June 2018.

## Other Information

### COMPLIANCE WITH THE CORPORATE GOVERNANCE

The code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the “CG Code”) are applicable to the Company commencing from 18 October 2017, the date of Listing. The Company has adopted and complied with the code provisions, where applicable, upon Listing. For the period under review, the Company had complied with all the code provisions set out in the CG Code with the exception of the following deviation:

#### Code Provision A.2.1

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

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

### 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 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 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, 7 August 2018

*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.*