

BUSINESS

BUSINESS OVERVIEW

Founded in 1992, our Group is a provider of transport management services to the logistics industry in Singapore. We offer trucking and hubbing services to our customers. Trucking services refer to the delivery of cargo, primarily containers, from our customers' designated pick up point to their designated delivery points. Hubbing services refer to the handling and storage of laden and empty containers at our logistics yard or any other location which may be designated by our customer(s). According to the Ipsos Report, based upon reported revenues for 2015, the Company is ranked 5th amongst the 46 transportation and logistics companies in Singapore that had a substantial focus on land transportation activities as part of their business.

Led by our experienced management team, we have developed reputation as a reliable transport management service provider equipped with a large vehicle fleet that is capable of handling large volumes of customer orders. As at the Latest Practicable Date, we have 160 staff under our employment of which 128 are drivers that support our vehicle fleet comprising 118 prime movers, 476 trailers, 6 reach stackers and 8 lorries, all of which were self-owned. In order to enhance the flexibility and cost effectiveness of our services, we engage subcontractors to carry out certain trucking services.

As at the Latest Practicable Date, we entered into a service agreement with an Independent Third Party for the use of a logistics yard of approximately 90,000 square feet for the provision of our hubbing service. We also own three units in an industrial building in Singapore from which we operate.

Singapore is encouraging economic diversification in areas such as medical sciences, financial services etc. to attract investments and boost regional competitiveness. As these industries grow, demand for goods and related services will increase in tandem thus creating opportunities for 'connective role' sectors (e.g. transportation and storage sector) to grow as well. Opportunities remain positive at large as the government is continuously structuring and developing plans to promote these new industrial areas. Therefore, the Directors believe that our Group is well positioned to capture the growth opportunities in the transport management service industry and will benefit from the growing demand for our services from existing and futures clients in the logistics industry in Singapore.

1. COMPETITIVE ADVANTAGES

The Directors believe that the following competitive advantages are the key factors to our Group's success and will enable our Group to further develop our business in the future.

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1.1 Our Group is one of the leading independent transport management services provider in Singapore

According to the Ipsos Report, based upon reported revenues for 2015, our Group was ranked 5th amongst the 46 transportation and logistics companies in Singapore. Given the fact that the other four companies ranked above us are concurrently involved in the provision of other logistics services such as warehousing and freight forwarding, which would to a certain extent, compete with the business carried out by some of our main customers being international logistic companies in Singapore. Under such circumstances, such customers would prefer to engage our Group, being focused on rendering trucking and hubbing services without competing businesses with them.

1.2 Our Group has a large fleet of vehicles to carry out our transport management services business.

As at Latest Practicable Date, our Group has a fleet of 118 prime movers, 476 trailers, 6 reach stackers and 8 lorries to carry out our transport management services business. Based on LTA vehicle statistics, there were approximately 5,300 articulated vehicles in Singapore as at 31 December 2016 where articulated vehicles typically refer to vehicles such as prime movers and low loaders. The number of prime movers in our fleet was approximately equivalent to 2.2% of all articulated vehicles in Singapore as at 31 December 2016, a testament to our large fleet size in Singapore.

1.3 Our Group offers flexible transport management services to cater for our customers' supply chain requirements

Our Group offers trucking and hubbing services to cater for our customers' supply chain requirements. These services are complementary to one another and provide customers with greater flexibility with respect to their logistical supply chain planning.

Prior to the provision of transport management services, we will typically hold discussions with our customers to ascertain:

- (i) their delivery plan and schedule; and
- (ii) their container storage requirements at our logistics yard, if so required.

This allows us to customise our services to meet the unique requirements of each customer and also facilitates the advanced planning of the transport management process to ensure efficient flow of services.

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1.4 Our Group has built up reputation in the industry due to our emphasis on providing quality services

Our Group’s focus on providing quality services coupled with continuous client engagement has enabled us to establish a strong customer base across industries. Our Group has established long working relationships with several customers over the years. In particular, we have been maintaining business relationship with our top five customers for over 7 years, 8 years, 7 years, 16 years and 15 years, respectively, as at the Latest Practicable Date.

We are able to meet the quality standards of our customers due to our emphasis on the quality of our services. Our focus on service quality covers various areas such as vehicle reliability, service reliability, flexible and customisable service offerings for our customers as well as responsiveness to customer feedback and constant process improvement. Please refer to paragraph 8 entitled “Quality Control” for further details on our quality control measures.

Since the commencement of our business with Customer A, our Group has ensured that our services are to the satisfaction of Customer A. For more details, please refer to paragraph 4.7 entitled “Our relationship with Customer A”. Throughout the length of our working relationship, the Directors confirm that we had not experienced any material complaints from Customer A in relation to the quality of our services.

In order to stay competitive in the market, we believe our emphasis on service quality has contributed and will continue to contribute to our continued success in earning our customers’ confidence in our services, which is essential to our long-term development in the transport management service industry.

1.5 Our Group’s experienced and dedicated management team

Our Group’s management team has extensive experience, in-depth knowledge and strong expertise in the transport management service industry. Our founder, Executive Director, Chief Executive Officer and Chairman, Mr. K L Chua has been with us since our establishment and has over 25 years of experience in the transport management services industry. Our Executive Director, Ms. S F Chua, has been with our Group since 2003 and has over 13 years of experience in the transport management service industry. Ms. S H Chua, one of our key members in the senior management team, is responsible for overseeing purchasing and human resources and has over 18 years of relevant experience in the transportation industry. Mr. C H Chua, a member of our senior management team, is responsible for the sales and marketing activities for our Group and has over 26 years of experience in the logistics industry. For further details regarding the experience of our management team, please refer to the section headed “Directors and senior management” in this document.

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We believe that the extensive experience of our management team and their industry knowledge and in-depth understanding of the transport management service industry would enable us to assess market trends effectively as well as to operate and manage our business efficiently.

1.7 Our Group has a close and stable working relationship with our suppliers

Our Directors believe that one of the key factors to our Group's success is our close working relationship with suppliers such as diesel providers and tyre companies. Our top five suppliers had business relationships with us for over 15 years, 10 years, 6 years, [1] year and 12 years, respectively, as at the Latest Practicable Date.

2. BUSINESS STRATEGIES

Our Group aims to strengthen our position as a transport management service provider in Singapore. To achieve this, our Group intends to focus on the following strategies.

2.1 Expand and upgrade our fleet size

We intend to expand our vehicle fleet size via the addition of prime movers and trailers in order to cope with increasing demand from our customers. We intend to acquire 50 additional prime movers, 60 trailers, 1 lorry for approximately S\$[REDACTED] million. The increased fleet size will enable us to cater for additional business from existing customers and business from new customers. With the purchase of newer models of prime movers, we will also be better equipped to reduce our carbon footprint and provide environmentally friendly business operations.

Currently, in order to cater for our business growth, we intend to acquire 20 additional prime movers, 20 trailers and 1 lorry from our internal resources and financing for approximately S\$[REDACTED] million by the end of July 2017. Up to the Latest Practicable Date, we have acquired 4 prime movers and 1 lorry by internal resources and finance lease arrangements for approximately S\$0.7 million.

In addition, we intend to acquire 30 additional prime movers and 40 trailers for approximately S\$[REDACTED] million from our [REDACTED] proceeds. The new prime movers and trailers will all be acquired by 30 June 2019.

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To support the increase in the vehicle fleet size, we will also be additionally hiring 27 drivers, 3 operations staff, 2 finance executives and a financial controller.

Based on our Group's higher utilisation rate of our prime movers, increasing from 81.4% for the year ended 31 December 2015 to 82.0% for the year ended 31 December 2016, our Directors are of the view that an expansion of our vehicle fleet size will allow us to better cope with increasing demand from our customers.

In addition, we intend to purchase another industrial unit of size around 1,000 square feet located at Pioneer Junction for use as additional office space to cater for increased staff strength. This additional office space and associated renovation cost will cost approximately S\$[REDACTED] million.

With these improvements to our Group's infrastructure, we believe they will enhance our reputation in the transport management service industry and better position our Group to attract new customers.

2.2 Strengthen our information technology systems

We intend to acquire a customised container tracking system that will allow our Group to track the movement of the containers via global positioning satellite data and better monitor job completion progress. With this new system, customers will also be able to track the movements of their containers from their side. The customised container tracking system will cost approximately S\$0.5 million and is expected to be implemented by 30 June 2018.

We also intend to acquire a customised enterprise resource planning ("ERP") and finance system that will allow our Group to integrate our various functions, such as financial management and accounting, operations and sales, into an integrated system. The integrated system will improve workflow efficiency between the various functions. The customised ERP and finance system will cost approximately S\$0.3 million and is expected to be implemented by 30 June 2018.

Additional hardware such as workstations and servers will need to be acquired to support the implementation of the customised container tracking system and enterprise resources planning system and financial and accounting systems. Additional hardware will cost approximately S\$0.2 million and is expected to be purchased by 30 June 2018.

We believe that the strengthening of our information technology systems will allow us to improve our workflow efficiency and deliver a better service experience to our customers.

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2.3 Continue to develop our leading market position in Singapore by maintaining long-term relationships with our top 5 customers and suppliers and expand our customer base

We intend to capitalise on our know-how, business relationship as well as our industry expertise to expand our customer base. Our Group's marketing efforts are mainly conducted through our sales and marketing team. We intend to maintain good relationships with our current customers so as to ensure that they will refer new customers to us. Our Directors believe that one of the key factors to our Group's success is the working relationship with our customers and suppliers. Our Group's top five customers have established business relationships with our Group for periods ranging from 7 to 16 years. Similarly, our Group's top five suppliers have established business relationships with our Group for periods ranging from [1] to 15 years. These long-term relationships between our customers and suppliers have allowed our Group to build a strong network within the logistics industry.

Besides obtaining new customers through referrals, we also seek out new clients by marketing our services to them. Mr. K L Chua, our Director, will regularly attend and host functions to build a stronger network with existing customers and that potential customers may be referred to our Group. Our sales and marketing team regularly contact customers to maintain good business relationship and expand our network by soliciting new customers through referrals from existing customers.

2.4 Continue to attract, train and retain skilled employees to support future growth and expansion

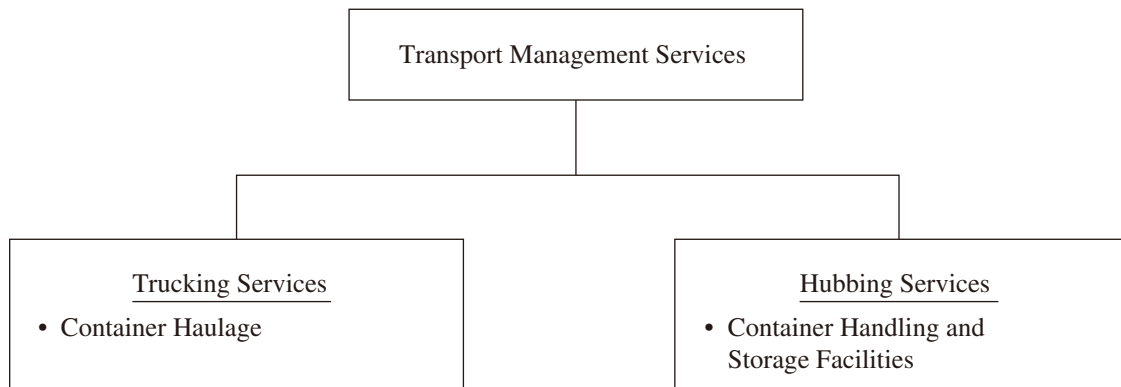
Our employees are critical to our success. We have invested, and intend to continue to invest in our employees in order to recruit, train and retain the best personnel for our business. We will continue to review and enhance our training to improve our employees' productivity and service quality and to keep them abreast of the knowledge and skills desirable to our customers. We will send our relevant personnel to attend courses such as Workplace, Safety and Health ("WSH") programme, as well as Apply Workplace Safety & Health in Process Plant, amongst others. These courses aim at workplace safety trainings in general as well as workplace safety training specifically for process plants such as petrochemicals. We evaluate the performance of our employees and review our remuneration policies to ensure that we offer competitive packages to our employees which are aligned with their performance.

Our Directors believe that the successful [REDACTED] will help enhance the corporate image of our Group and raise staff confidence as well as morale. It will improve our ability to attract, train and retain skilled employees to support our future growth and expansion.

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3. SERVICES AND OPERATIONS

As shown in the following diagram, we offer various transport management services, primarily trucking and hubbing services, to our customers.



We have leveraged our industry experience to specialise in offering industry-specific solutions to better serve our customers. We are also able to customise our services to fit the specific needs and requirements of our customers.

The following table sets out the revenue by types of service offered by our Group during the Track Record Period:

Type of service	Year ended 31 December 2015		Year ended 31 December 2016	
	S\$	%	S\$	%
Trucking	22,378,225	80.8	22,054,945	81.7
Hubbing	5,306,156	19.2	4,953,717	18.3

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3.1 Trucking

Our trucking services refer to the transportation of cargo, primarily containers, from our customers’ designated pick up points to their designated delivery point within Singapore. Our responsibilities include ensuring that the cargo is delivered punctually and in good condition. As at the Latest Practicable Date, our Group has 128 drivers under our employment for the provision of trucking services. Our vehicle fleet comprises 118 prime movers, 476 trailers and 8 lorries, which are all self-owned.



Prime mover



Trailer



Lorry

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Capacity and utilisation

Trucking revenue is our major source of revenue during the Track Record Period. It accounted for approximately 80.8% and 81.7% of our revenue for the years ended 31 December 2015 and 2016 respectively. Our trucking revenue is, amongst others, affected by the capacity and utilisation rate of our vehicle fleet.

The utilisation rate of our prime movers, which form the bulk of our vehicle fleet, is calculated based on comparing (i) the total actual annual trips performed by our drivers each year during the Track Record Period; and (ii) the estimated maximum annual trips performed based on the number of workers and the number of working days. The utilisation rate of our prime movers during the Track Record Period is as follows:

	Year ended 31 December 2015	Year ended 31 December 2016
Maximum annual trips performed ⁽¹⁾	373,492	372,119
Total actual annual trips performed	303,839	306,937
Utilisation rate ⁽²⁾	81.4%	82.0%

Notes:

- (1) The maximum annual trips of our prime movers were measured based on the number of drivers per month, the number of working days in a month and the number of trips performed per day assuming that there are 302 and 303 working days for the year ended 31 December 2015 and 2016 respectively. The daily trips a driver can perform per day is assumed to be approximately 11 trips which was derived by using the average number of trips of our drivers.
- (2) The utilisation rate of our prime movers in each financial year was calculated by dividing the total actual annual trips performed for the whole of the financial year by the maximum annual trips performed.

The average utilisation rate of our prime movers was approximately 81.4% and 82.0% for the two years ended 31 December 2016 respectively. The higher utilisation rate in 2016 was mainly due to an increase in the total actual annual trips performed for the year, increasing from 303,839 trips for the year ended 31 December 2015 to 306,937 trips for the year ended 31 December 2016.

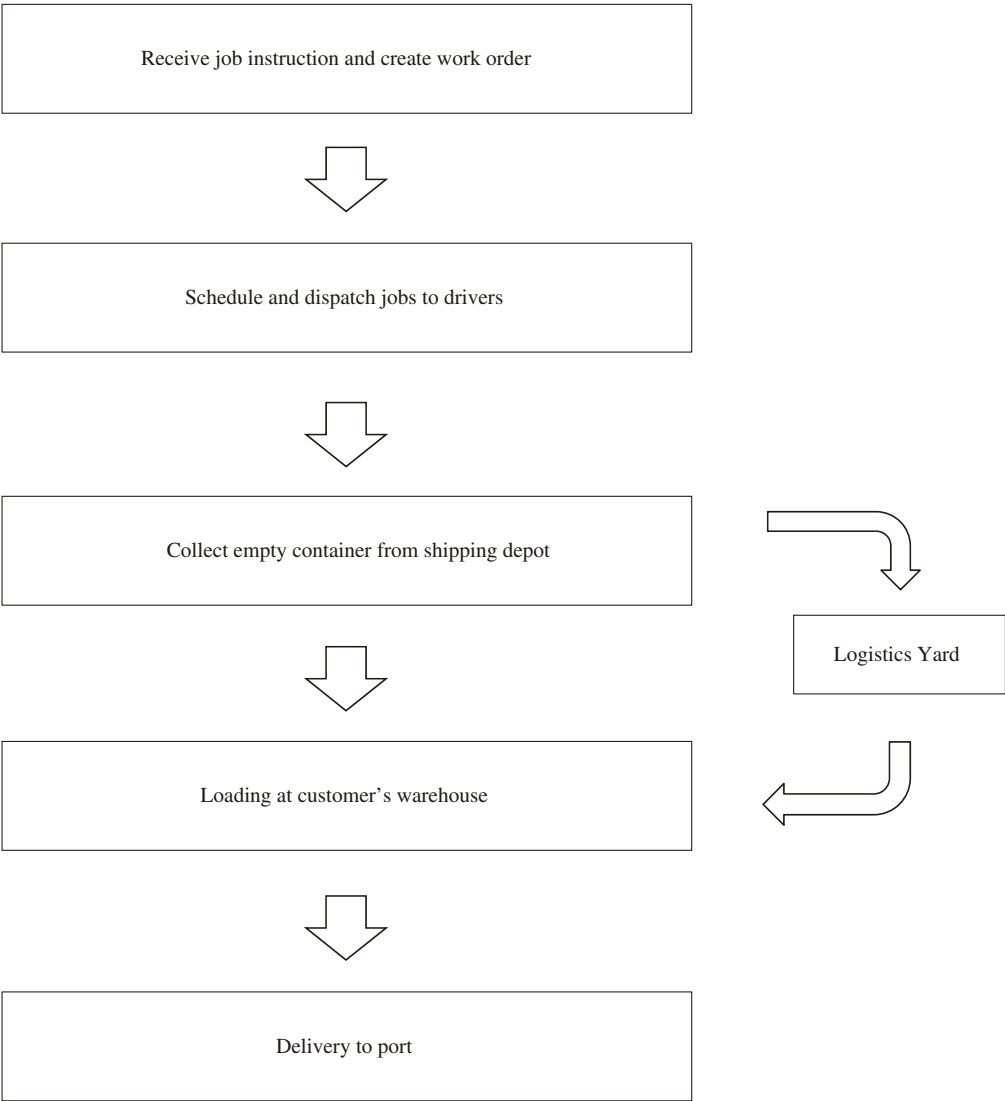
In order to increase the flexibility and cost effectiveness in the provision of our trucking services, we also occasionally engage independent subcontractors for the provision of certain trucking services. For further details, please refer to the paragraph headed “Suppliers” under this section.

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The total revenue contributed by our trucking services amounted to approximately S\$22.4 million and S\$22.1 million for the years ended 31 December 2015 and 2016 respectively, which accounted for approximately 80.8% and 81.7% of our total revenue for the corresponding period, respectively.

The diagram below shows the import and export work flow for our trucking services from the customers' designated pick up points to the customers' designated delivery location:

Chart 1: Export process workflow



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(a) Receive job instruction and create work order

When a customer issues a job instructions, it is assessed by our customer service department. The job instruction will state the type and quantity of cargo that needs to be delivered, the schedule for the delivery and the designated delivery point. The customer service department will check the estimated date of arrival of the vessel and generate a work order based on the customer's requirements.

(b) Schedule and dispatch jobs to drivers

When the operations department receives the work order, traffic controllers will consolidate all available work orders received and initiate planning on the delivery routes and assigning drivers to their specific jobs. When the traffic controllers dispatch jobs to the drivers, the drivers will be briefed on the planned routes, the customers' requirements and the delivery destinations.

(c) Collect empty container to customer's warehouse

After receiving a job from the traffic controllers, the driver will proceed to collect the empty container from the shipping depot. The driver will then deliver the empty container to the customer's warehouse.

(d) Loading at customer's warehouse

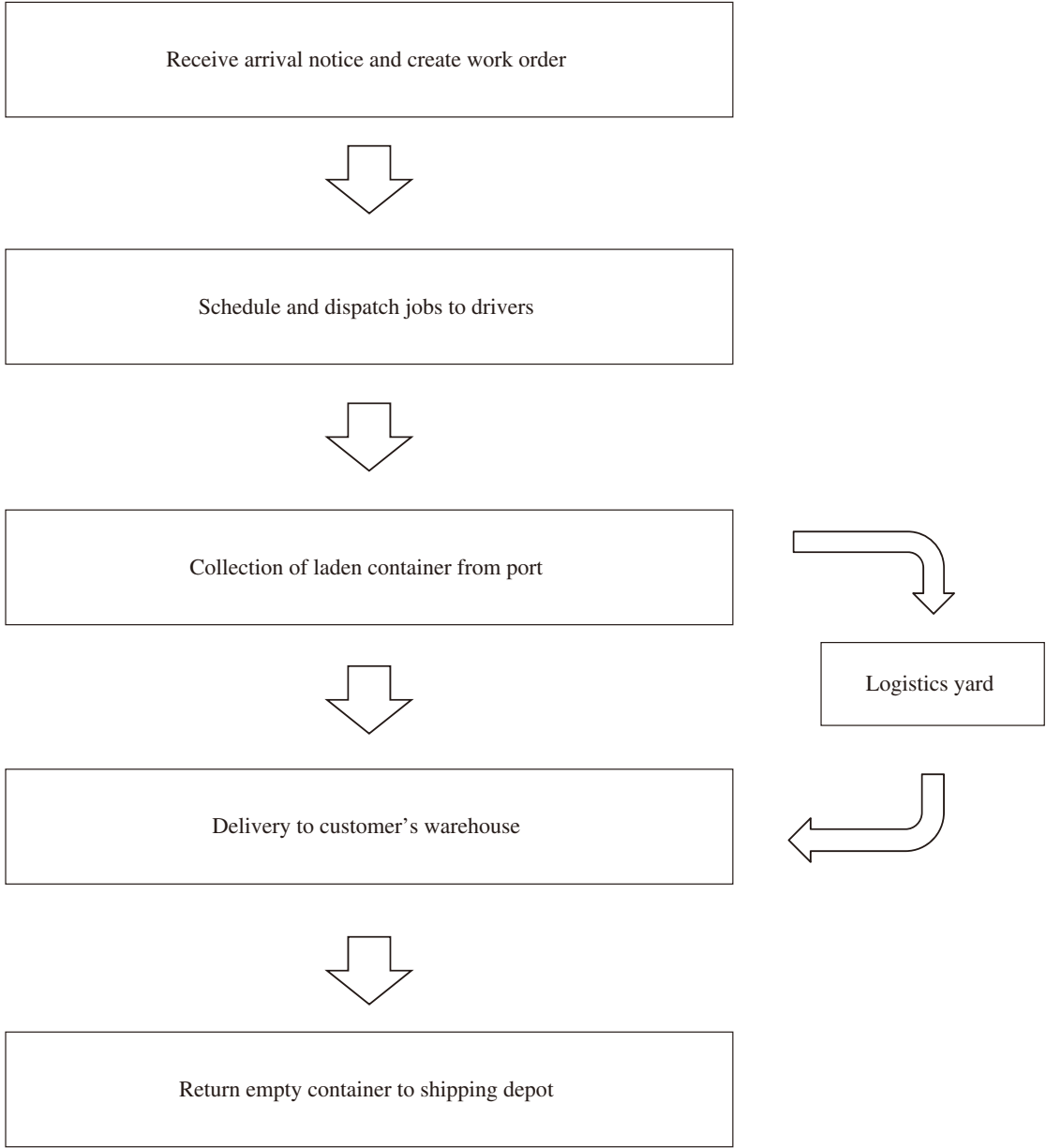
The customer will then proceed to load their cargo into the container and then place a seal on the container. After the customer has loaded the cargo, the driver will check for the seal on the container. If the seal is not intact, the driver will report back to the operations department for further instructions. Following which, the driver will proceed to the next delivery destination based on the customer's job instruction.

(e) Delivery to port

If the assigned vessel is in port and no storage space is required, the driver will proceed directly to the port for delivery. However, if storage space is required by the customer, the driver would deliver the laden container to our logistics yard for storage until the container is ready to be transferred to the vessel. The delivery is considered to be completed when the container is safely delivered to the assigned destinations.

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Chart 2: Import process workflow



(a) Receive arrival notice and create work order

When a customer places an arrival notice with us, the order is assessed by our customer service department. The arrival notice will state the type and quantity of cargo that needs to be delivered, the schedule for the delivery and the designated delivery point. The customer service department will check the estimated date of arrival for the vessel and generate a work order based on the customer’s requirements.

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(b) Schedule and dispatch jobs to drivers

When the transportation department receives the work order, traffic controllers will consolidate all available work orders received and initiate planning on the delivery routes and assigning drivers to their specific jobs. When the traffic controllers dispatch jobs to the drivers, the drivers will be briefed on the planned routes, the customers' requirements and the delivery destinations.

(c) Collection of laden container from port

During the collection of laden container from the port, the driver will check for a seal on the container. If the seal is not intact, the driver will report back to the operations department for further instructions. Depending on the customer's arrival notice, the driver will either deliver the laden container to our logistics yard or directly to the customer's warehouse.

(d) Delivery to customer's warehouse

When the container is delivered to the customer's warehouse, the customer will then proceed to unload all cargo from the container. The delivery is considered to be completed when the container is safely delivered to the designated location.

(e) Return empty container to shipping depot

After the customer has successfully unloaded all the cargo from the container, the driver will then deliver the empty container back to the shipping depot. Throughout this whole process, we keep track of the movement of the prime mover to ensure that a smooth delivery to all delivery points.

Trucking service within free trade zones

Apart from the typical trucking services to and from the port, our Group also transports cargo to locations within designated free trade zone. Some of the free trade zones are located in close proximity with direct links to the ports and cargo within such free trade zones are exempted from the Goods and Services Tax including (a) the Tanjong Pagar Terminal and Keppel Terminal; (b) the Brani Terminal; (c) the Keppel Distripark; (d) the Keppel Distripark Linkbridge; and (e) the Pasir Panjang Terminal.

One of our customers operate warehouses within the Keppel Distripark free trade zone enabling them to take advantage of the close proximity and direct link to the port to optimise logistics flow and facilitate effective loading and unloading operations and we provide short distance trucking services between the Keppel Distripark free trade zone and the port.

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3.2 Hubbing

Hubbing services refers to the handling and storage of laden and empty containers at our logistics yard or any other location which may be designated by our customer(s).

In land scarce Singapore, customers often have limited space within their own premises for the storage of containers. As part of our hubbing services, we offer our customers container storage facilities at our logistics yard located at Penjuru Road. Our logistics yard offers a total of approximately 90,000 square feet of storage space and is equipped with a surveillance system. We also have reach stackers located at the logistics yard to assist with the provision of container lift-on lift-off services.

Apart from the provision of hubbing services at our logistics yard, we are also able to provide hubbing services at any other location which may be designated by the customer. We will similarly perform container handling services at such location designated by our customer,



Reach Stacker

Hubbing service allows cost savings by aggregating the containers of our customers at our logistics yard before shipping them overseas in one large single shipment instead of sending the containers out over multiple shipments. As ship vessel arrive and departure dates tend to fluctuate, any delays in such ship vessel arrival or departure dates may result in a gridlock of containers at the customer’s own premises. Our logistics yard helps to minimise disruptions to our customer’s logistics workflow by providing additional container storage flexibility when face with such ship vessel delays.

Our hubbing services also allow our customers to adopt an asset-light business model whereby they do not have to purchase or maintain their own container storage facilities to cater for their own storage requirements.

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The following steps depict the general work flow for our hubbing services:

(i) *Incoming hubbing services*

- (a) Reach stacker operator will receive a work order from traffic controllers for the incoming containers
- (b) Reach stacker operator will allocate space required and await arrival of containers
- (c) When the containers arrive at the logistics yard, the reach stacker operator will lift the containers off from the trailer and stack them in the logistics yard according to the space allocated

(ii) *Outgoing hubbing services*

- (a) Reach stacker operator will receive a work order from traffic controllers with regards to the outgoing containers
- (b) Reach stacker operator will locate the lot of outgoing containers and ensure that there are no blockages
- (c) When the driver arrives at the logistics yard, the reach stacker operator will lift the containers onto the trailers

4. CUSTOMERS

Our Group's customer base mainly comprises other logistics and distribution service providers along the supply chain in Singapore. The cargo that we transport for our customers include various types of plastic resin. Other cargo that we transport include scrap steel and paper products. During the Track Record Period, none of the Directors, their close associates or any Shareholder (who or which, to the knowledge of the Directors own more than 5% of the issued share capital of the Company as at the Latest Practicable Date) has any interest in any of the top five customers, all of which are Independent Third Parties.

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4.1 General terms of agreement with customers

Our Group does not generally enter into long-term contracts with our customers. We provide customers with quotations based on their specific requirements. The quotations also contain general terms and conditions which our Group believes to be in line with standard industry practice. In accordance with the standard trading conditions of the Singapore Logistics Association, our liability in respect of claims shall generally not exceed S\$100,000 per claim.

4.2 Pricing Policy

In determining our Group's pricing policy, we consider a variety of factors. Some of the material factors include:

- | | |
|----------|---|
| Trucking | <ul style="list-style-type: none">• Distance required for delivery• Prevailing market rates offered by other transport management service providers• Fuel prices and ease of passing on fuel cost changes to the customer• Cost analysis taking into account potential increase in wages, fees or any third-party fees• Determination of a reasonable profit margin• Length of working relationship• Number of containers transported monthly |
| Hubbing | <ul style="list-style-type: none">• Volumetric weight of container• Duration of container storage• Prevailing market rates offered by other transport management service providers• Cost analysis taking into account potential increase in any third-party fees• Service fees paid in relation to our logistics yard• Determination of a reasonable profit margin• Length of working relationship |

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4.3 Credit Policy

Our Group generally grants our customers a credit period ranging from 30–60 days from the invoice date. The length of credit period granted varies on a case-by-case basis depending on:

- (i) Customer's reputation and credibility
- (ii) Customer's payment history
- (iii) Customer's business relation with our Group

Our Group reviews our customer's payment record from time to time and, if necessary, will revise the credit terms accordingly. During the Track Record Period, our Group did not experience any material difficulty in collecting payments from our customers.

4.4 Provision policy

Our policy for impairment loss on trade receivables is based on an evaluation of the financial difficulty and aged analysis of the receivables which requires the use of professional judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review our trade receivable balance and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. No impairment loss on trade receivables was recognised during the Track Record Period.

4.5 Customer Service

Our Group recognises that excellent customer service is critical in upholding our Group's reputation in the market and cultivating customer loyalty. We handle general enquiries, complaints and feedback from clients and also follows up closely with customers on their orders and level of satisfaction. Our Group also reviews the business workflow to improve our services from time to time.

As at 31 December 2016, our Group had 5 employees in our customer service team. The Directors have confirmed that our Group had not experienced any material complaints from our customers and did not have any disputes with them during the Track Record Period.

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4.6 Top 5 largest customers during the Track Record Period

For the year ended 31 December 2015

Customer	Background	Approximate length of business relationship with our Group as at Latest Practicable Date	Approximate % of our Group's total revenue
Customer A	Please refer to the section headed “Business — 4.7 Our relationship with Customer A” in this document for further details.	7 years	41.2
Customer B	A private limited company incorporated in Singapore that is involved in the provision of warehousing and logistics services.	8 years	19.4
Customer C	A private limited company incorporated in Singapore that is involved in the provision of freight forwarding, packing and crating services.	7 years	9.3
Customer D	A private limited company incorporated in Singapore that is involved in the provision of freight forwarding, packing and crating services.	16 years	4.3
Customer E	A private limited company incorporated in Singapore that is involved in the provision of transportation support activities.	2 years	2.3
Total			<u>76.5</u>

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For the year ended 31 December 2016

Customer	Background	Approximate length of business relationship with our Group as at Latest Practicable Date	Approximate % of our Group’s total revenue
Customer A	Please refer to the section headed “Business — 4.7 Our relationship with Customer A” in this document for further details.	7 years	40.9
Customer B	A private limited company incorporated in Singapore that is involved in the provision of warehousing and logistics services.	8 years	19.6
Customer C	A private limited company incorporated in Singapore that is involved in the provision of freight forwarding, packing and crating services.	7 years	11.1
Customer D	A private limited company incorporated in Singapore that is involved in the provision of freight forwarding, packing and crating services.	16 years	5.0
Customer F	A private limited company incorporated in Singapore that is involved in the provision of freight forwarding, packing and crating services in additional to general warehousing services.	15 years	2.3
Total			<hr/> <hr/> 78.9

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We have had business relationships with our top five customers for over 7 years, 8 years, 7 years, 16 years and 15 years, respectively, as at the Latest Practicable Date. Our Group's top five customers, in aggregate, accounted for approximately 76.5% and 78.9% of our Group's revenue for the years ended 31 December 2015 and 31 December 2016 respectively while the largest customer accounted for approximately 41.2% and 40.9% of our Group's revenue for the years ended 31 December 2015 and 31 December 2016 respectively. None of those customers are our suppliers. None of our Directors, their respective associates or any Shareholder (who or which, to the best knowledge of our Directors owns, more than 5% of the issued share capital of our Company) had any interest in any of the top five largest customers during the Track Record Period.

4.7 Our relationship with Customer A

As at the Latest Practicable Date, we have maintained a business relationship with our largest customer for 7 years. Our revenue attributable to Customer A amounted to approximately S\$11.4 million and S\$11.0 million for the years ended 31 December 2015 and 2016, respectively, which accounted for approximately 41.2% and 40.9% of our total revenue for the corresponding period, respectively.

Background of Customer A

Customer A is principally engaged in the provision of logistics services for the petrochemical, specialty chemical, metals trading and consumer goods industries in Singapore. Customer A's services include new technologies in packaging, product storage, blending, mixing, optical sorting and compounding, project engineering and material handling in both liquid and solid form.

Customer A is the Singapore branch of a multinational logistics and distribution company. The parent company of Customer A is present in 28 countries in five continents and employs over 10,000 people worldwide. The parent company of Customer A is principally engaged in warehousing and storage services, packing and packaging, which includes industrial, petrochemical, liquid products, and consumer packing and repacking services. The parent company of Customer A also services industries such as, petrochemicals, specialty chemicals, liquids, consumer goods and retail, industry and automotive, general cargo and commodities, port operations, projects and engineering, and process technology.

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Contractual arrangements with Customer A

Our Group's legally binding service agreement with Customer A mainly relates to the provision of trucking. The service agreement typically has a term of five years. The service agreement our Group entered into with Customer A will expire in September 2019. We typically begin to engage in negotiations with Customer A for the renewal of the contract three months before the end of the contract.

Our Directors confirm that the service agreement with Customer A has not been suspended or terminated ever since we commenced our business relationship with Customer A. In addition, there is no minimum service engagement commitment imposed on Customer A under the service agreement. Our Group receives individual job orders for services rendered under the service agreement.

The service agreement generally includes prescribed key performance indicators and safety requirements that we have to comply with. Customer A regularly conducts inspections and reviews on our performance through these key performance indicators.

Our service fees are charged according to the rate set out in the service agreement and thus, upon expiry, the rate of our service fees will be subject to review during the negotiation process with Customer A. Our service agreement with Customer A is on a non-exclusive basis and as such, Customer A is free to engage other transport management service providers for the provision of similar services.

Benefits of long term relationship between Customer A and our Group

Our Group believes that it is commercially beneficial to maintain a long-term business relationship with Customer A for the follow reasons:

(i) *Valued business partners*

Throughout the 7 years that our Group has worked with Customer A, we have consistently provided them with reliable trucking services. With the assistance of our experienced management staff, transportation team and administrative staff, our Group has ensured that our services are to the satisfaction of Customer A.

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(ii) Continual improvement

The long-term relationship between Customer A and our Group has provided the opportunity for both parties to be part of a process of continual improvement in accompanying service levels. This has been achieved through the tailor-made mobile application provided by Customer A to our drivers.

(iii) Attracting more potential customers

Our Group's long term business relationship with Customer A can also be regarded as an indication of our reliable services which in turn may be used to attract more potential customers. In addition, our Directors believe that our experience in serving Customer A will enable us to obtain a deeper understanding of the requirements and quality standard of our customers, and to improve our quality of services.

(iv) Leading position of Customer A

Customer A is part of a leading multinational logistics and distribution service company. Our Group's long term engagement with Customer A has allowed us to gain exposure in servicing a global multinational company with stringent performance indicators. This has benefited our Group by enhancing the quality of our services and assessing our performance internally. The Directors believe that by utilising similar standards in the provision of our trucking and hubbing services, our Group will be able to develop and customise our services to a high quality for our other customers.

Material terms of the Customer A agreement

Our current service agreement with Customer A has a term of 5 years and will expire in September 2019. The major salient terms are set out below:

Scope of services	The agreement specifies the trucking and hubbing services to be provided by us.
Payment term	We do not require Customer A to pay any form of deposit as we have a long-term relationship with Customer A. We will issue an invoice to Customer A on a monthly basis in respect of the services we have rendered in that month.
Credit Period	45 days from the invoice date.

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Termination Clause Customer A may terminate the service agreement at any time by providing us with no less than 9 months' prior written notice to terminate the service agreement.

The service agreement may also be terminated by Customer A immediately due to breach of contractual obligations which are not remedied in a timely manner, insolvency, poor safety performance, changes in ownership, sale and acquisition of CA Transportation, and the loss of Customer A's customers.

Non-competition Our Group agrees not to carry out any other trucking services direct or indirect for any chemical company that is a customer of the Customer A group of companies unless agreed in writing between Customer A and our Group for the duration of the agreement and a period of three years after the termination of the agreement. Our Group agrees to also not approach Customer A's customers unless otherwise agreed in writing between Customer A and our Group. As at the Latest Practicable Date, our Group has not had any dealings with the customers of Customer A.

Key Performance Indicators Our Group is required to meet the key performance indicators set out in the service agreement, which is subject to the review of Customer A from time to time. Examples of key performance indicators include percentage of wrong product shipped, number of missed marine shipment, percentage of on-time shipment and number of trucking incidents.

Regular meetings shall be held between Customer A and us to discuss our performance based on the key performance indicators.

During the Track Record Period, the Directors confirm that there was no material breach of key performance indicators by our Group.

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4.8 Sustainability of our business

There is no absolute guarantee that our Group will be able to maintain our business relationship with Customer A in the future. Nevertheless, we believe that our business is sustainable based on the factors set out below:

(i) Industry landscape

Singapore over the years has placed high importance in structuring and developing the right infrastructure to strengthen Singapore’s connectivity. Structured and careful planning were implemented along the years covering all aspects such as water, land, industrial infrastructure and sustainable environment to ensure the country progresses and remains as one of the world’s major hubs. For the next few years, the transportation and storage sector of Singapore is expected to benefit from the country’s development in a wide range of shipping services, mostly from the maritime and bunkering segments, on-going enhancement of air and sea ports/terminal, as well as significant government funding for road and rail networks improvements.

(ii) Transferable skills

Our Group’s services model and facilities are not specifically designed to cater solely for Customer A. They are flexible and adaptable in serving different customers’ needs. In the unlikely event that our current business relationship with the Customer A deteriorates, we shall be able to avail our resources to serve other existing customers and new customers in a timely manner. Our Directors are of the view that our services can be readily transferred to serve other potential new customers and satisfy their needs. The preparation works required for serving new customers, which does not incur any significant costs, usually include fine-tuning quality procedures to suit the individual customer’s requirements, coordinating with new customers and re-designing the delivery route and logistics yard.

(iii) Ability to attract potential customers

In the unlikely event that our current business relationship with Customer A deteriorates, we believe that we will be able to respond to market challenges in a timely manner and adjust our business direction swiftly to face any new challenges, as demonstrated by the number of new customers during the Track Record Period. Meanwhile, we will continue to monitor market trends and identify potential customers.

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During the Track Record Period, we have commenced business relationship with several new customers, including Customer Y and Customer Z. As part of our plan to diversify our Group’s customer base in the long run, we will continue to maintain close business relationship with existing customers and at the same time identify potential customers, which we consider to have good market potential with reference to the industry insights of our Directors. Our Directors believe that with our experience and proven track record in the transport management service industry and our relevant network in Singapore, we will be able to replicate our success without much difficulty.

(iv) Experienced and dedicated management team

Our management team has extensive and in-depth knowledge of the transport management service industry and our Groups’ operations. Mr. K L Chua, our Executive Director and chairman of our Board, and Ms. S F Chua, our Executive Director, have over 30 years of combined experience in the transport management service industry. We consider them to be critical in driving our future business development forward.

5. SUPPLIERS

Our suppliers mainly include port operators, diesel providers, logistics yard service providers and tyre providers in Singapore. During the Track Record Period, none of the Directors, their associates or any Shareholders (who or which, to the knowledge of the Directors own more than 5% of the issued share capital of the Company as at the Latest Practicable Date) has any interest in any of the top five suppliers, all of which are Independent Third Parties. We have not experienced any shortage or delay in supply during the Track Record Period. For each of the two years ended 31 December 2015 and 2016, our Group’s top five suppliers accounted for 39.5% and 35.3%, respectively, of our total cost of sales, which includes container handling at ports, service fees for the provision of logistics yard services and operation and maintenance expenses of vehicles. None of these suppliers are our customers. Our largest supplier accounted for 17.0% and 17.1%, respectively, of our total cost of sales during the same period. With the exception of our agreements with Supplier C and Supplier F, our Group does not have other long term agreements with any of our top five suppliers. In May 2016, we ended our previous logistics yard service agreement with Supplier C and entered into a new logistics yard service agreement with Supplier F. Regarding the salient terms of the service agreement between Supplier F and our Group, please refer to the paragraph headed “13. Properties” in this section.

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The following table sets forth the details of our top five suppliers during the Track Record Period:

For the year ended 31 December 2015

Supplier	Background	Principal business with our Group	Approximate length of business relationship with our Group at Latest Practicable Date	Approximate % of our total costs of sales
Supplier A	A public company incorporated in Singapore that is involved in the operation of ports in Singapore.	Port operator	15 years	17.0
Supplier B	A private limited company incorporated in Singapore that is involved in the wholesale of fuel and provision of warehouse renting and other transport services.	Diesel supplier	10 years	9.7
Supplier C	A private limited company incorporated in Singapore that is involved in the provision of general warehousing services.	Landlord	12 years	7.1
Supplier D	A private limited company incorporated in Singapore that is involved in sale of tyres and batteries.	Tyre supplier	6 years	3.6
Supplier E	A sole proprietorship setup in Singapore that is involved in the insurance agency business.	Motor insurance	18 years	2.1
Total				<u><u>39.5</u></u>

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For the year ended 31 December 2016

Supplier	Background	Principal business with our Group	Approximate length of business relationship with our Group at Latest Practicable Date	Approximate % of our total cost of sales
Supplier A	A public company incorporated in Singapore that is involved in the operation of ports in Singapore.	Port operator	15 years	17.1
Supplier B	A private limited company incorporated in Singapore that is involved in the wholesale of fuel and provision of warehouse renting and other transport services.	Diesel supplier	10 years	7.8
Supplier D	A private limited company incorporated in Singapore that is involved in sale of tyres and batteries.	Tyre supplier	6 years	3.8
Supplier F	A private limited company incorporated in Singapore that is involved in the provision of value added logistics services, storage of cargo and port stevedoring services.	Provision of logistics yard services	[1 year]	3.6
Supplier C	A private limited company incorporated in Singapore that is involved in the provision of general warehousing services.	Landlord	12 years	3.0
Total				<u>35.3</u>

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5.1 Subcontracting arrangement

During the Track Record Period, our Group subcontracted some of our trucking services to Independent Third Party providers in the case of emergency needs for excessive transportation capacity. The Directors believe that such subcontracting arrangements would minimise the need to consistently employ and maintain a large workforce and increase flexibility and cost effectiveness in carrying out our services. The Directors confirm the subcontracting fees for the years ended 31 December 2015 and 2016 are not material to our total cost of sales.

We did not enter into any long-term subcontracting agreements with any subcontractors during the Track Record Period. If their services are required, subcontractors will provide quotations to our Group for services required by us. Our Directors are of the view that such subcontracting arrangements are common within the transport management service industry.

6. SEASONALITY

As a transport management service provider in Singapore, our Group is primarily engaged in providing services to our customers to meet their supply chain needs. Our Group's business performance is therefore, to a large extent, affected by our customers' business performance and developments.

The demand for our Group's services fluctuate in tandem with the demand for our customers' services and products. Accordingly, comparison of sales and operating results from different periods in any given financial year may not be relied upon as indicators of our performance.

7. SALES AND MARKETING

Our strength lies in the strength of our relationship with our customers who have been associated with us for a long period. Our sales and marketing team, through its experience and good rapport with clients, play an instrumental role in creating and expanding the work platform for our Group.

Our sales are primarily achieved through referrals and recommendations from existing customers as well as direct marketing. Upon receiving enquiries about our Group's services, our sales and marketing department personnel will discuss with potential customers to better understand (i) their delivery plan, including the required delivery schedule and point of delivery, and (ii) their hubbing plans as to whether storage space is required for their containers. This allows us to customise our services to meet the unique requirements of each customer and also facilitates the advanced planning of the transport management process to ensure efficient flow of services.

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Our Group adopts pro-active strategies where we initiate contact and market our services via direct communication with potential new customers. Our marketing efforts are primarily focused on corporations which tend to have large scale of operation. As there is only a limited number of local transport management service providers that have the capacity to handle large volume of orders for container transportation, our Group believes that our experience in the industry and large vehicle fleet allows us to differentiate ourselves from our competitors.

8. QUALITY CONTROL

Our Group considers that the ability to maintain the quality of our transport management services is crucial to the long-term growth and counts this ability as one of our competitive advantages.

Our Group's quality control policy mainly includes the following processes:

(i) Pre-trip commencement vehicle inspection

Before the drivers commence their first trip each day, they are required to perform a general check on their vehicle. Our Group has provided them with a vehicle checklist which they are required to complete satisfactorily before using the vehicle. The purpose of the checklist is to ensure that all vehicles in our fleet are in a roadworthy condition and that our drivers operate in a safe working environment.

(ii) Regular vehicle inspection

To ensure vehicular safety, we have implemented a regular vehicle maintenance regime for our vehicles. All vehicles in our fleet are subject to regular inspection as regulated by the LTA with the view that vehicles which are not roadworthy can be a potential hazard to other road users and that regular inspections help to minimise vehicular breakdowns and road accidents. Our Group has spent approximately S\$2.8 million and S\$2.6 million on vehicle maintenance for each of the two years ended 31 December 2015 and 2016 respectively.

(iii) Safety courses for drivers

As our drivers are responsible for operating heavy vehicles such as prime movers, reach stackers and lorries, we require all drivers to attend relevant safety courses. We conduct in-house safety courses for all our drivers. Our customers and suppliers may also conduct their own safety courses for our drivers who operate within their premises. For example, the port operator conducts regular training courses to train new drivers so they would be able to maneuverer the prime movers safely

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inside the port. Customer A also conducts an orientation program for new drivers to ensure that they understand the importance of workplace safety. Our Group also provides refresher courses to ensure that the drivers are up to date with the latest safety regulations.

(iv) Vehicle selection

The selection of the brand and model of vehicles to purchase is important as it impacts upon the ability of our Group to deliver reliable trucking services to our customers. Our Group will typically take into consideration factors such as the vehicle's capacity, reliability, diesel consumption, cost of spare parts and road worthiness. All these factors will affect the ability of our Group to provide reliable trucking services to the customers in a timely manner and concurrently provide a safe working environment for our drivers.

(v) Customer feedback and process improvement

Our sales and marketing team and customer service team works closely with our customers throughout each job engagement. We constantly seek feedback from our customers on possible areas of improvements and often make changes to our internal processes to deliver higher quality services to our customers.

9. ENVIRONMENTAL PROTECTION, HEALTH AND WORK SAFETY

Due to the nature of our business, our Group does not directly generate industrial pollutants and did not incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. During the Track Record Period and as at the Latest Practicable Date, our Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

The Euro VI emission standard will be instated within Singapore from 1 January 2018. The Euro VI is the latest vehicular emission standard set by the European Union. The Group has plans to purchase more environmentally-friendly vehicles and replace our older fleet with low emission standard.

Our Group has established procedures to ensure that all our staff are provided with a safe and healthy working environment by setting out a series of work safety rules in the staff manual for our staff to follow. In addition, our Group provides new employees with an orientation program which allows them to be familiarised with the working environment and enhance their awareness of safety issues.

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We have a traffic accident policy and procedure in-place to ensure that all drivers and relevant departments are aware of the actions required in the event the drivers in our vehicles are involved in an accident. Our risk assessment team, consisting of one team leader, an assistant team leader and five other staff, was formed to ensure these procedures are properly communicated to the drivers and relevant personnel. The following are the procedures that our drivers have been instructed to adhere to, in the event of a traffic accident:

- (i) Driver is to check if any of the parties involved in the accident are in need of medical attention and call the ambulance and police, if necessary;
- (ii) Drivers are not to move the vehicle involved in the accident as well as any injured person(s) from the accident site;
- (iii) If the parties involved in the accident are not seriously injured, the following information should be exchanged with the other party/parties:
 - (a) Name;
 - (b) NRIC;
 - (c) Contact number;
 - (d) Home address; and
 - (e) Insurer details;
- (iv) Where there are additional parties involved, such as pedestrians, passengers or witnesses, these information should also be obtained from them;
- (v) Drivers should then proceed to gather the following evidence from the accident site:
 - (a) Take pictures of the accident scene and surrounding areas;
 - (b) Take note of all vehicle numbers;
 - (c) Take pictures of the damages to own vehicle while capturing license plate;
 - (d) Take pictures of the other vehicle(s) while capturing the license plate(s); and

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- (e) Take note of the date, time and location of the accident scene as well as the weather conditions at that point;
- (vi) Driver to proceed to contact the risk assessment team leader or assistant team leader and explain the key points of the traffic accident;
- (vii) The team leader or assistant team leader will, with the summary information provided by driver, inform the insurance company and proceed to the scene of the traffic accident;
- (viii) Upon arrival at the scene of the accident, the team leader or assistant team leader will verify with the driver the information provided and proceed to access the situation at the scene;
- (ix) In the event of damages to our vehicle, goods and/or public infrastructure, the team leader or assistant team leader will have to inform the respective department in charge of the accident vehicle and/or goods shipment;
- (x) The team leader or assistant team leader will need to liaise with government agencies, if required, and assist to ensure the accident site is cleared of any debris; and
- (xi) The team leader or assistant team leader will collate the information provided by the driver involved, his/her own assessment and prepare an accident report.

During the Track Record Period, save as disclosed above, the Directors confirm that our Group did not experience any significant incidents or accidents in relation to employees' safety or any non-compliance with the applicable laws and regulations relevant to the health and work safety issues.

Accident

An accident occurred on 24 November 2016 in Singapore involving a vehicle (the "**Vehicle**") owned by Nexis Logistics. The driver (the "**Driver**") of the Vehicle was employed by Nexis Logistics at the time of the accident. The Vehicle was positioned beside another vehicle. Both vehicles were initially stationary. As both vehicles moved forward from a stationary position, a motorcyclist riding a motorcycle drove between the Vehicle and the other vehicle. The motorcyclist was knocked down from the motorcycle and subsequently pronounced dead on the spot. As at the Latest Practicable Date, no criminal charges nor civil claims have been brought against the Driver or Nexis Logistics in connection with the traffic accident. We have been advised by Bird & Bird ATMD LLP, our Singapore legal advisers that since it was the Driver driving the vehicle that caused the death of the motorcyclist concerned (i) criminal charges with respect to the traffic accident will likely only be brought against the Driver, if at all; (ii) Nexis Logistics is unlikely to be charged and if so charged unlikely to be

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convicted for any of the driving offences; and (iii) Nexis Logistics and its directors are separate legal entities under the Singapore law and it is unlikely that the directors of Nexis Logistics would be charged or successfully convicted for any criminal offence relating to the accident. However, the estate of the motorcyclist may bring a civil action against Nexis Logistics with respect to its vicarious liability as a result of the negligence of its employee, the Driver, where Nexis Logistics may be held liable to pay damages to the estate if such civil action is successful. If any civil liability is incurred by the Driver, Nexis Logistics or the Directors with respect to the accident, the Group has confirmed that it is adequately insured.

During the Track Record Period, save as disclosed above, the Directors confirm that our Group did not experience any significant incidents or accidents in relation to employees’ safety or any non-compliance with the applicable laws and regulations relevant to the health and work safety issues.

10. COMPETITION

The market for the transportation and storage sector is highly fragmented and competitive, with each market player having a fraction of the market share. Road freight or land transport has one of the lowest entry barriers in the industry as it is quite possible for any individual to enter as a self-employed owner and driver of a truck. Regulations are not as strict as those applied for the private car industry and typically rules in the industry covers general matters relating to working hours, insurance etc. Transportation and logistics companies vary in their services with larger ones having broad networks across many countries, offering complex and integrated logistics services.

According to the Ipsos Report, based upon reported revenues for 2015, the Company is ranked 5th amongst the 46 transportation and logistics companies in Singapore that had a substantial focus on land transportation activities as part of their business. Please refer to the section headed “Industry overview — Competitive landscape” for further details.

11. INFORMATION TECHNOLOGY

Our Group utilises our information technology (“IT”) system for various operation and functional needs, including delivery planning, cargo receiving, shipping documents management, tracking and work order management. Our IT system aims to integrate our customer service, operations and accounting functions and has been developed in house to facilitate an increased level of customisation.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any failure in our IT system which caused material disruptions to our operations.

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12. INTELLECTUAL PROPERTY RIGHTS

Domain name

As at the Latest Practicable Date, we are the registrant of the domain name cnlimited.com.

Trademark

As at the Latest Practicable Date, we do not have any registered trademarks. Please refer to the section headed “Risk factors — We have not registered our intellectual property rights, and any allegations that we have infringed third parties’ intellectual property rights could have an adverse effect on our business, financial condition and results of operations”

13. PROPERTIES

As at the Latest Practicable Date, we do not own the property at Penjuru Road on which we provide our hubbing services. In May 2016, We entered into a logistics yard service agreement with Customer F for the use of the logistics yard facilities at Penjuru Road.

<u>Location of property</u>	<u>Approximate area (square feet)</u>	<u>Nature</u>	<u>Service provider</u>	<u>Expiry date of service agreement</u>
Penjuru Road	90,000	Logistics yard	Customer F	30 April 2018

The service agreement for the use of logistics yard facilities at Penjuru Road expires in April 2018. We are currently in negotiation with the Independent Third Party for a one year extension to the service agreement.

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13.2 Owned properties

As at the Latest Practicable date, our Group owned the following offices:

<u>Location of property</u>	<u>Approximate area (square feet)</u>	<u>Nature</u>	<u>Tenure</u>
3 Soon Lee Street #06-03 Pioneer Junction Singapore 627606	1,184	Office	Leasehold 30 years commencing from 7 March 2011
3 Soon Lee Street #06-04 Pioneer Junction Singapore 627606	1,184	Office	Leasehold 30 years commencing from 7 March 2011
3 Soon Lee Street #06-37 Pioneer Junction Singapore 627606	1,001	Office	Leasehold 30 years commencing from 7 March 2011

14. INSURANCE

Our insurance policies as at the Latest Practicable Date are as follows:

- (i) Work injury compensation policies, as required under the WICA that is administered by the MOM, and are renewed annually, where we are required, as employers, to maintain work injury compensation insurance for all our employees;
- (ii) Foreign worker medical insurance, as stipulated by the MOM, renewed annually;
- (iii) Haulier's/Warehousemen's insurance which covers the goods and containers being transported or stored by our Company;
- (iv) Motor vehicle insurance that covers our fleet of prime movers, trailers, lorries and reach stackers including our potential liabilities arising from the potential claim in connection with the traffic accident, details of which are set out in the section headed "Business — 9. Environmental protection, health and work safety"; and
- (v) Burglary and fire insurance that covers loss or damage to our office furniture, fixtures and fittings and office equipment due to a fire or burglary.

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Our Directors believe that the insurance coverage taken out by us is in line with the normal commercial practice of the industry. For the two years ended 31 December 2016, our total insurance premiums were approximately S\$0.6 million and S\$0.5 million respectively. For further details, please refer to the section entitled “Risk factors — Our insurance coverage may be insufficient to cover all losses associated with our business operations”.

The Directors have confirmed that our Group was not subject to any material insurance claims or liabilities arising from our operations during the Track Record Period and our Group did not make any material insurance claims during the Track Record Period.

15. LITIGATION & COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the section headed “Business — 9. Environmental protection, health and work safety”, we had not been involved in any litigation, claim, administrative action or arbitration or pending or threatened litigation, claim, administrative action or arbitration which had or would have a material adverse effect on the operations or financial condition of our Group.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident the nature of which is material impact non-compliance or systemic non-compliance.

16. AWARDS, CERTIFICATIONS & MEMBERSHIP

Our Group has been a member of the Singapore Logistics Association and the Container Depot Association since 2005 and 2015, respectively. We have also been awarded the Bizsafe Level 3 award by the Workplace Safety and Health Council in 2015 for our commitment to workplace safety.

17. LICENSES, PERMITS & APPROVALS

Apart from corporate business licenses, we do not require any material licences, consents, certificates, permits and approvals for our business. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained all necessary permits, approvals and licences to operate its existing business in Singapore from relevant regulatory bodies.

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18. RISK MANAGEMENT

In the course of conducting our business, we are exposed to various types of risks, including market risks, liquidity risks, operational risks, credit risks and regulatory risks, the details of which have been disclosed under the sections entitled “Risk factors” and “Financial information — Financial risk” in this document.

Our Group has established a set of risk management policies and measures to identify, evaluate and manage risk arising from our Group’s operations. The following table sets out some of the primary risks our Group faces that may materially and adversely affect our Group’s business, financial condition and results of operation and our risk management measures:

Primary operational risks	Risk management measures
Risk of reliance on Customer A	In order to reduce reliance on Customer A, our Group has made considerable effort to diversify the customer base and attract new customers. For further details, please refer to the paragraph headed “Our relationship with Customer A” in this section.
Risk of increase in freight and transportation cost	Our Group price our services on a cost-plus basis. It is expected that the risk would be mitigated by passing on the cost to the consumers. In the case of fluctuating diesel prices, our Group will take into account current diesel prices to ensure that our revenue is not affected by the upward change in diesel prices.
Risk of shortage of drivers	To ensure that our Group is able to maintain a steady pool of drivers, we offer our drivers competitive compensation packages that are in line with industry rates. We also regularly adjust our trip incentives for our drivers to ensure we provide a competitive market rate.

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19. EMPLOYEES

Our Group has a total of 160 full-time employees as at the Latest Practicable Date. A breakdown of our full-time employees by function as at the Latest Practicable Date is set forth below.

	<u>As at Latest Practicable Date</u>
Management	5
Transportation (Drivers)	128
Operations	18
Sales and marketing	1
Finance and accounting	2
Administration	6
Total	<u>160</u>

As at the Latest Practicable Date, our Group consist of 100 local employees and 60 foreign workers.

19.1 Relationship with staff

Our Group maintains a good working relationship with our staff. Our Directors believe that our working environment and benefits offered to our employees have contributed to building good staff relations and thus maintain a healthy retention rate. During the Track Record Period, our Group has no experience of any labour dispute with our staff which had a material effect on our business or results of operations.

19.2 Recruitment

Our Group recognises that our success in the transport management service industry is highly dependent on our employees, our Group recruits our employees based on their industry experience and interpersonal skills.

When we make hiring decisions, we take into account factors such as our development strategies, expansion plans, the industry trends and the labour market environment. We usually publish hiring information in newspapers.

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In order to attract and retain valuable employees, our Group reviews the performance of our employees and such review results would be taken into account during the annual salary review and promotion appraisal period.

19.3 Remuneration and benefits

We generally pay our employees a fixed salary and a performance based bonus. The salaries of our employees are determined based on their qualifications, experience, position and seniority. Our drivers are paid a basic salary in addition to trip incentives in accordance with the number of trips made in a given month. Our Group provides medical insurance coverage for our foreign workers. We also make the necessary contributions to the Central Provident Fund of Singapore in respect of our employees. Our total staff cost, excluding directors' remuneration, amounted to S\$8.1 million and S\$8.2 million for the years ended 31 December 2015 and 31 December 2016 respectively.

20. INTERNAL CONTROL

In preparation for the [REDACTED], we have engaged an internal control consultant to conduct an evaluation of our internal control systems and to review, amongst others, our management of business operations, finance, human resource and IT risks and review and follow up the effectiveness of our enhanced internal control measures.

Based on the internal control consultant's review and recommendations, our Group has adopted measures and policies to improve its internal control systems and to ensure its compliance with the applicable laws and regulations in Singapore. After the internal control consultant conducted their follow up review, they have not identified any material deficiencies in our internal control system.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish an internal control system and procedures to enhance its control on both working and management levels.

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21. CORPORATE GOVERNANCE MEASURES

We recognise the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. In order to comply with the requirements under the GEM Listing Rules, in particular, the code provisions contained in the corporate governance code and corporate governance report as set out in Appendix 15 (the “Code”) of the GEM Listing Rules, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the audit committee, remuneration committee and nomination committee with respective written terms of reference in accordance with the code provisions contained in the Code. The section headed “Directors and senior management” in this document set out further information;
- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders’ communication policy in accordance with the code provisions of the Code;
- (iii) we have appointed three independent non-executive Directors representing more than one third of the Board and at least one of them has accounting expertise;
- (iv) our Directors will operate in accordance with the Articles which, unless otherwise provided in the Articles, require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates are materially interested;
- (v) pursuant to the Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (vi) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after [REDACTED]; and
- (vii) our Directors will attend professional development seminar including the corporate governance to ensure on-going compliance after [REDACTED].