You should read the following discussion and analysis of our results of operations and financial condition in conjunction with our combined financial information as of and for the Track Record Period, including the notes thereto, included in Appendix I to this document. Our combined financial information has been prepared in accordance with IFRS. The following discussion contains forward-looking statements concerning events that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under "Risk factors" and elsewhere in this document.

OVERVIEW

During the Track Record period, our Group recorded revenues of approximately S$27.7 million and S$27.0 million for the years ended 31 December 2015 and 31 December 2016 respectively. Our Group provides transport management services which can be broadly segregated into trucking and hubbing services. 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 either our logistics yard or any other location which may be designated by our customer(s). Trucking revenue were approximately S$22.4 million and S$22.1 million, representing 80.8% and 81.7% of total revenues for the years ended 31 December 2015 and 31 December 2016 respectively. Hubbing revenue was approximately S$5.3 million and S$5.0 million, representing 19.2% and 18.3% of total revenues for the years ended 31 December 2015 and 31 December 2016 respectively.

Our Group reported profit for the year of approximately S$3.0 million and S$3.3 million for the years ended 31 December 2015 and 31 December 2016 respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed "History, Reorganisation and corporate structure — Reorganisation" in the document, the Company became the holding company of the companies now comprising the Group subsequent to the end of the relevant periods on [•] 2017. The companies now comprising the Group were under the control of Mr. Chua Kang Lim (the "**Controlling Shareholder**"), before and after the Reorganisation. Accordingly, for the purpose of this report, the historical financial information 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 relevant periods.

The combined statements of profit or loss, combined statements of changes in equity and combined statements of cash flows of the Group for the relevant periods include the results and cash flows of all companies now comprising the Group from the earliest date presented. The combined statements of financial position of the Group as at 31 December 2015 and 2016 have been prepared to present the assets and liabilities of the subsidiaries and/or business using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**").

All IFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the historical financial information throughout the relevant periods.

The historical financial information has been prepared under the historical cost convention, except for available-for-sale financial assets which have been measured at fair value.

SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS

Our financial condition and results of operation have been and will continue to be affected by a number of factors, including those factors set out in the section headed "Risk factors" in this document. In particular:

Market Demand

As a transport management services provider in Singapore, we are primarily engaged in the provision of trucking and hubbing services to our customers to serve their needs along their respective supply chains. Our business performance will therefore, to a large extent, be affected by our customers' business performance and developments in Singapore. If our customers' sales in Singapore decline, such decline may likely lead to a corresponding decrease in demand for our transport management services. Adverse developments in our customers' business performance in Singapore could therefore materially and adversely affect our business, financial condition and results of operations.

Fluctuation in cost of sales

Our cost of sales mainly comprises of (i) staff cost, (ii) port and depot charges, (iii) vehicle cost, and (iv) fuel cost. Our staff expenses relate to the salaries, wages and CPF contributions of our drivers. Port and depot expenses charges refers to the fees that the port operator and shipping line depot operator charges for the use of port and depot facilities respectively. Vehicle expenses relate to the maintenance, depreciation, insurance, parking and road tax of our Group's vehicles and fuel cost relates to our diesel and petrol expenses. These expenses account for more than approximately 90% of our Group's cost of sales and significant increases in such expenses will have an adverse impact on the financial performance and profitability of our Group.

SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity analysis

During the Track Record Period, the four main components of our cost of sales namely, (i) staff cost, (ii) port and depot charges, (iii) vehicle cost, and (iv) fuel cost amounted to (i) S$6.8 million, S$5.8 million, S$5.6 million and S$2.1 million for the year ended 31 December 2015 respectively, representing 31.0%, 26.4%, 25.4% and 9.7% of our total cost of sales for the same financial year respectively, and (ii) S$6.7 million, S$5.7 million, S$5.2 million and S$1.7 million for the year ended 31 December 2016 respectively, representing 32.4%, 27.6%, 25.2% and 8.3% of our total cost for sales for the same financial year respectively.

The historical fluctuation in our staff cost, port and depot charges, vehicle cost and fuel cost for the two years ended 31 December 2016 are approximately 1.8%, 1.5%, 6.5% and 19.7% respectively.

For illustrative purpose only, the following table illustrates the sensitivity of the estimated increase/(decrease) in our profit before tax in relation to percentage changes in our main cost of sales components namely staff cost, port and depot charges, vehicle cost and fuel cost based on their historical fluctuations of 1.8%, 1.5%, 6.5% and 19.7% for the two years ended 31 December 2016 respectively with all other variables held constant:

	Increase/ (Decrease) in percentage	Increase/Decrease in profit before tax Year ended 31 December 2015	2016
	%	S$	S$
Staff cost	1.8%	(123,207)	(120,933)
	-1.8%	123,207	120,933
Port and depot charges	1.5%	(87,193)	(85,898)
	-1.5%	87,193	85,898
Vehicle cost	6.5%	(363,897)	(340,346)
	-6.5%	363,897	340,346
Fuel cost	19.7%	(422,071)	(338,751)
	-19.7%	422,071	338,751

Note: Our profit before taxation was S$3.6 million and S$4.0 million for each of the two years ended 31 December 2016.

Breakeven analysis

For the year ended 31 December 2015, it is estimated that we would achieve breakeven on our profit before tax if (i) staff cost increase by 48.9%, or (ii) port and depot charges increase by 61.8%, or (iii) vehicle cost increase by 64.1%, or (iv) fuel cost increase by 167.6%; holding all other variables constant.

For the year ended 31 December 2016, it is estimated that we would achieve breakeven on our profit before tax if (i) staff cost increase by 60.2%, or (ii) port and depot charges increase by 70.6%, or (iii) vehicle cost increase by 77.3%, or (iv) fuel cost increase by 235.2%; holding all other variables constant.

SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, judgements and estimates that are important for you to understand our financial condition and results of operations, are set out in detail in notes 3 and 4 of Appendix I to this document respectively. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the current circumstances. Actual results may differ under different assumptions and conditions. We have not changed our assumptions or estimates in the past. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the foreseeable future.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Rendering of services

The majority of revenue is derived from the provision of transport management services. Such as trucking and hubbing of customer products. Such revenue is recognised when the services are provided.

(b) Interest income

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Motor vehicles	—	20% to 10%
Furniture and fittings	—	20%
Office equipment	—	100%
Computer	—	100%
Buildings	—	Over the remaining lease term

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

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

Leases

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

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

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

Functional currency

The financial information is presented in Singapore Dollars (S$), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Group currently has no exposure to foreign currency liabilities.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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

RESULTS OF OPERATIONS

The following table sets forth our combined statements of profit or loss and other comprehensive income for the periods indicated, as derived from the Accountants' Report in Appendix I to this document.

COMBINED STATEMENTS OF PROFIT OR LOSS

	Year Ended 31 December	
	2015	2016
	S$	*S$*
Revenue	27,684,381	27,008,662
Cost of Sales	(22,059,670)	(20,763,078)
Gross Profit	5,624,711	6,245,584
Other income	428,741	392,968
Administrative expenses	(2,302,888)	(2,474,257)
Finance costs	(159,897)	(119,347)
Profit before tax	3,590,667	4,044,948
Income tax expense	(545,663)	(699,297)
Profit for the year	3,045,004	3,345,651

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Our Group is involved in the provision of transport management services in Singapore. Our services can be broadly categorised into trucking services and hubbing services. Our total revenue for the years ended 31 December 2015 and 2016 amounted to approximately S$27.7 million and S$27.0 million respectively. The following table sets out our segmented revenue for the Track Record Period:

	Year Ended 31 December			
	2015		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
Total	27,684,381	100.0	27,008,662	100.0

Trucking services accounted for approximately 81.7% of our total revenue for the year ended 31 December 2016 with hubbing services accounting for the remaining 18.3%.

Trucking

Our Group's trucking revenue was approximately $22.4 million and S$22.1 million for the years ended 31 December 2015 and 31 December 2016 respectively. Trucking revenue mainly consists revenue from transportation fees in relation to the transportation of full container load ("**FCL**") cargo and less than container load ("**LCL**") cargo.

	Year Ended 31 December			
	2015		2016	
	S$	*%*	*S$*	*%*
FCL fees	20,946,008	93.6	20,563,380	93.2
LCL fees	1,432,217	6.4	1,491,565	6.8
Total	22,378,225	100.0	22,054,945	100.0

FCL fees accounted for 93.6% and 93.2% of total trucking fees for the years ended 31 December 2015 and 31 December 2016 respectively. LCL fees accounted for 6.4% and 6.8% of total trucking fees for the years ended 31 December 2015 and 31 December 2016 respectively.

FCL fees

FCL fees primarily includes transportation fees, port and depot fees and other miscellaneous fees. FCL is driven by the number of trips made, the volume of goods transported, the average FCL trucking rate, among other factors. The following table sets out the total number of FCL trips undertaken by our Group and the average FCL trucking rates for the Track Record Period:

	Year Ended 31 December	
	2015	2016
FCL fees	S$20,946,008	S$20,563,380
Total number of FCL trips[1]	303,839	306,937
Average FCL trucking rate per trip[2]	S$68.9	S$67.0

Notes:

(1) The number of trips made by our drivers in relation to FCL operations.

(2) Average FCL trucking rate per trip is inclusive of port and deport fees and other miscellaneous fees.

The total number of FCL trips increased by 1.0% from 303,839 in the year ended 31 December 2015 to 306,937 in the year ended 31 December 2016. Our average FCL trucking rate per trip declined by 2.8% from S$68.9 for the year ended 31 December 2016 to S$67.0 for the year ended 31 December 2016. Please refer to "Period to period comparison of results of operations" for further details.

FCL trucking rates are driven by various factors such as trip distance, fuel cost and rates offered by our competitors. Please refer to "Period to period comparison of results of operations" for more details.

LCL fees

LCL fees primarily includes transportation fees and is driven by the volume of goods transported, the average LCL trucking rate, among other factors. LCL trucking rates are driven by trip distance, fuel cost and rates offered by our competitors. We generally charge our LCL customers based on either (i) an hourly rate basis, (ii) the volume of cargo transported or (iii) the number of trips.

Hubbing

Our Group's revenue from hubbing services was approximately $5.3 million and S$5.0 million for the years ended 31 December 2015 and 31 December 2016 respectively. Revenue from hubbing services consists of storage and handling fees for container storage at either our logistics yard or locations designated by our customers. Such revenue is primarily driven by rate of fees, container volume passing thorough the hubbing location and the number of storage days such containers are stored.

The following table sets out (i) the container volume passing through, and (ii) the number of storage days these container units are stored at either our logistics yard or other locations designated by our customers:

	Year Ended 31 December	
	2015	**2016**
Container volume (TEU)	179,953	179,724

	Year Ended 31 December	
	2015	**2016**
Storage days		
20 foot container	228,279	201,949
40 foot container	337,674	350,021
Total	565,953	551,970

Cost of Sales

Our cost of sales mainly represents the direct costs incurred for the provision of our trucking and hubbing services. These direct costs primarily consist of staff cost, port and depot charges, vehicle cost, fuel cost and logistic yard service fees. The following tables sets out the breakdown of our Group's cost of sales for the Track Record Period:

	Year Ended 31 December			
	2015		2016	
	S$	*%*	*S$*	*%*
Staff cost	6,844,835	31.0	6,718,497	32.4
Port and depot charges	5,812,880	26.4	5,726,539	27.6
Vehicle cost	5,598,417	25.4	5,236,087	25.2
Fuel cost	2,142,493	9.7	1,719,550	8.3
Logistic yard service fees	1,592,034	7.2	1,288,913	6.2
Miscellaneous cost	69,011	0.3	73,492	0.3
Total	22,059,670	100.0	20,763,078	100.0

Our Group's cost of sales was approximately S$22.1 million and S$20.8 million for the years ended 31 December 2015 and 31 December 2016 respectively, representing approximately 79.7% and 76.9% of our revenue for the corresponding year.

Staff cost

Staff cost refer mainly to salaries and wages paid to our drivers. For the years ended 31 December 2015 and 31 December 2016, staff cost amounted to approximately S$6.8 million and S$6.7 million respectively, representing approximately 31.0% and 32.4% of our cost of sales for the corresponding period respectively.

Port and depot charges

Port and depot charges refers to the fees that the port operator and depot operator charges for the use of port and depot facilities respectively. For the years ended 31 December 2015 and 31 December 2016, port and depot charges amounted to approximately S$5.8 million and S$5.7 million respectively, representing approximately 26.4% and 27.6% of our cost of sales for the corresponding period respectively.

Vehicle cost

Vehicle cost refers to the cost of repairing, maintaining our vehicles, vehicle insurance in addition to vehicle depreciation expense. For the years ended 31 December 2015 and 31 December 2016, vehicle cost amounted to approximately S$5.6 million and S$5.2 million respectively, representing approximately 25.4% and 25.2% of our cost of sales for the corresponding period respectively.

Fuel cost

Fuel cost refers to the cost of diesel and petrol which is required to run our various motor vehicles. For the years ended 31 December 2015 and 31 December 2016, fuel cost amounted to approximately S$2.1 million and S$1.7 million respectively, representing approximately 9.7% and 8.3% of our cost of sales for the corresponding period respectively.

Logistic yard service fees

Logistic yard service fees refer to the fees our Group pays for the use of logistics yard facilities. We were using the logistic yard at Jalan Papan previously and have since moved to the logistics yard at Penjuru Lane in June 2016. For the years ended 31 December 2015 and 31 December 2016, logistic yard service fees amounted to approximately S$1.6 million and S$1.3 million respectively, representing approximately 7.2% and 6.2% of our cost of sales for the corresponding period respectively.

Gross Profit and Gross Profit Margin

The following table sets out the breakdown of our gross profit and gross profit margin segment for the Track Record Period:

	Year Ended 31 December	
	2015	2016
	S$	*S$*
Gross Profit		
Trucking	2,243,619	3,147,662
Hubbing	3,381,092	3,097,922
Total	5,624,711	6,245,584

	Year Ended 31 December	
	2015	2016
	%	%
Gross Profit Margin		
Trucking	10.0	14.3
Hubbing	63.7	62.5
Overall	20.3	23.1

For the years ended 31 December 2015 and 31 December 2016, we recorded a gross profit of approximately S$5.6 million and S$6.2 million respectively. Trucking services accounted for approximately 39.9% and 50.4% of gross profit, for the years ended 31 December 2015 and 31 December 2016 respectively. Hubbing services accounted for approximately 60.1% and 49.6% of gross profit for the years ended 31 December 2015 and 31 December 2016 respectively.

Our Group's overall gross profit margin was approximately 20.3% and 23.1% for the years ended 31 December 2015 and 31 December 2016 respectively. The gross profit margin for trucking services was approximately 10.0% and 14.3% for the years ended 31 December 2015 and 31 December 2016 whilst the gross profit margin for hubbing services was approximately 63.7% and 62.5% for the years ended 31 December 2015 and 31 December 2016 respectively.

Other income

Our Group reported other income of approximately S$0.4 million and S$0.4 million for the years ended 31 December 2015 and 31 December 2016 respectively. Other income relates to gain on disposal of property, plant and equipment and one-off incentive for wage subsidy. The following table sets forth the breakdown of other income during the Track Record Period:

	Year Ended 31 December	
	2015	2016
	S$	*S$*
Gain on disposal of items of property, plant and equipment	11,000	17,283
One-off incentive for wage subsidy	417,741	375,685
Total	428,741	392,968

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

Administrative expenses

Our Group reported administrative expenses of approximately S$2.3 million and S$2.5 million for the years ended 31 December 2015 and 31 December 2016 respectively. Administrative expenses for our Group primarily consist of staff cost, office expenses, professional expenses, interest expenses, miscellaneous expenses, tax expenses and depreciation expenses. Staff cost include director remuneration, office staff salary, CPF contribution and bonuses. Office expenses include office maintenance, telecommunications and printing. Professional expenses include audit and secretarial fees. Bank charges represents the bank service charges. Depreciation expenses include office property depreciation and office equipment depreciation. Miscellaneous expenses include mainly entertainment expenses and motor vehicle fines. The following table sets forth a breakdown of our other operating expenses during the Track Record Period:

	Year Ended 31 December	
	2015	2016
	S$	*S$*
Staff cost	1,923,862	2,120,633
Office expenses	190,175	195,586
Professional expenses	31,054	27,541
Bank charges	11,246	11,840
Depreciation expenses	31,965	36,309
Miscellaneous expenses	139,692	82,348
Total	2,302,888	2,474,257

Finance costs

Our Group reported finance cost of approximately S$0.2 million and S$0.1 million for the years ended 31 December 2015 and 31 December 2016 respectively. Finance costs represent interest on borrowings and finance lease.

Income tax expenses

As our operations are based in Singapore, our Group is liable to pay corporate income tax in accordance with the tax regulations of Singapore. Income tax expenses of our Group amounted to approximately S$0.5 million and S$0.7 million for the years ended 31 December 2015 and 31 December 2016.

The statutory corporate tax rate in Singapore was 17% throughout the Track Record Period, while our corresponding effective tax rates were approximately 15.2% and 17.3% for the years ended 31 December 2015 and 31 December 2016 respectively.

Our effective tax rate was lower than the statutory tax rate for the year ended 31 December 2015 mainly due to tax relief of approximately S$0.3 million and effects of partial tax exemption and tax rebates of approximately S$0.1 million which were offset by expenses not deductible for tax of approximately S$0.3 million and adjustments to over provision in respect of previous periods of approximately S$142.

Our effective tax rate was slightly higher than the statutory tax rate for the year ended 31 December 2016 mainly due to adjustments to over provision respect of previous periods of S$8,867 and expenses not deductible for tax of approximately S$0.3 million which were offset by tax relief of approximately S$0.2 million and effects of partial tax exemption and tax rebates of approximately S$0.1 million.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue is primarily derived from the provision of trucking and hubbing services by our Group. Against the backdrop of slower growth in the Singapore economy in 2016, our revenue remained fairly stable at approximately S$27.7 million for the year ended 31 December 2015 and approximately S$27.0 million for the year ended 31 December 2016. The slight decrease in revenue for the year ended 31 December 2016 was mainly due to a 1.4% decrease in trucking revenue and a 6.6% decrease in hubbing revenue.

Trucking

Trucking revenue decreased by approximately S$0.3 million or 1.4% from approximately S$22.4 million for the year ended 31 December 2015 to approximately S$22.1 million for the year ended 31 December 2016. This was largely due to an approximately S$0.3 million or 1.8% decrease in FCL fees from S$20.9 million for the year ended 31 December 2015 to approximately S$20.6 million for the year ended 31 December 2016 which was partially offset by an approximately S$60,000 or 4.1% increase in LCL fees from approximately S$1.43 million for the year ended 31 December 2015 to approximately S$1.49 million for the year ended 31 December 2016.

The number of FCL trips increased by approximately 1.0% from 303,839 trips in the year ended 31 December 2015 to 306,937 trips in the year ended 31 December 2016. However, the average FCL trucking rate per trip decreased by approximately 2.8% from S$68.9 for the year ended 31 December 2015 to S$67.0 for the year ended 31 December 2016 mainly due to the downward adjustments to our FCL trucking pricing to reflect the decrease in diesel prices. Our FCL trucking rates are determined after taking into account various factors including diesel prices. Average diesel price per litre in Singapore decreased by approximately 11.1% from S$1.17 for the year ended 31 December 2015 to S$1.04 for the year ended 31 December 2016 and we adjusted our FCL trucking rates downwards to remain competitive. Consequently, FCL fees decreased by approximately $0.4 million or 1.8% from approximately S$20.9 million for the year ended 31 December 2015 to S$20.6 million for the year ended 31 December 2016.

LCL fees accounted for approximately 6.4% and 6.8% of total trucking fees for the two years ended 31 December 2016 respectively. LCL fees increased by approximately 4.1% or S$60,000 for the year ended 31 December 2016 due to improved LCL business.

Hubbing

Hubbing revenue decreased by approximately S$0.3 million or 6% from approximately S$5.3 million for the year ended 31 December 2015 to approximately S$5.0 million for the year ended 31 December 2016.

This was largely due to the approximately 11.5% decrease in the number of storage days for 20 foot containers from 228,279 days to 201,949 days which was partially offset by the approximately 3.7% increase in the number of storage days for 40 foot containers from 337,674 days to 350,021 days. The total number of storage days for containers decreased by approximately 2.5% from 565,953 days to 551,970 days.

The reduction in the number of 20 foot containers stored and the number of storage days for 20 foot containers can be attributed to a reduction in the hubbing requirements of Customer B.

Cost of Sales

Cost of sales decreased by approximately S$1.3 million or 5.9% from approximately S$22.1 million for the year ended 31 December 2015 to approximately S$20.8 million for the year ended 31 December 2016. The decrease in cost of sales for the year ended 31 December 2016 was mainly due to a reduction in fuel cost, port and depot charges, vehicle expenses, logistics yard service fees and staff cost.

Fuel cost decreased by approximately S$0.4 million or 19.7% from approximately S$2.1 million for the year ended 31 December 2015 to approximately S$1.7 million for the year ended 31 December 2016. The decrease in fuel cost was in line with the decrease in diesel prices. The average diesel price charged by our suppliers decreased by 16.1% for the year ended 31 December 2016.

Port and depot charges decreased by approximately S$0.1 million from approximately S$5.8 million for the year ended 31 December 2015 to approximately S$5.7 million for the year ended 31 December 2016. The reduction was in line with our decrease in trucking revenue.

Logistic yard service fees decreased by approximately S$0.3 million or 19.0% from approximately S$1.6 million for the year ended 31 December 2015 to approximately S$1.3 million for the year ended 31 December 2016. In May 2016, we ended our previous logistics yard service agreement with Supplier C and we entered into a new logistics yard service agreement with Supplier F. The decrease in logistic yard service fees is attributed to the lower fees we are paying for the usage of our current logistic yard at Penjuru Road as compared to our previous logistics yard.

Vehicle expenses decreased by approximately S$0.4 million or 6.5% from approximately S$5.6 million for the year ended 31 December 2015 to approximately S$5.2 million for the year ended 31 December 2016 on the back of lower vehicle repair cost, insurance expenses and vehicle depreciation.

Staff cost, primarily wages to our drivers, decreased by approximately S$0.1 million or 1.9% from approximately S$6.8 million for the year ended 31 December 2015 to approximately S$6.7 million for the year ended 31 December 2016. Our drivers are paid basic salaries and trip incentives in accordance to various factors, including the number of trips in a given month and distance of trip. Due to the optimisation of trip distances by one of our major customer during the year, average distance per trip decreased and we made less incentive payment to our drivers per trip.

Gross profit and gross profit margin

Gross profit increased by approximately S$0.6 million or 11.0%, from approximately S$5.6 million for the year ended 31 December 2015 to approximately S$6.2 million for the year ended 31 December 2016.

Gross profits from trucking increased by approximately S$0.9 million or 40.3% from approximately S$2.2 million for the year ended 31 December 2015 to approximately S$3.1 million for the year ended 31 December 2016. Gross profit margins for trucking improved from 10.0% for the year ended 31 December 2015 to 14.3% for the year ended 31 December 2016. This was mainly due to the decrease in our fuel expenses more than offsetting the effects of the downward adjustment to our trucking rates arising from lower diesel prices and lower vehicle expenses.

Gross profits from hubbing decreased by approximately S$0.3 million or 8.4% from approximately S$3.4 million for the year ended 31 December 2015 to approximately S$3.1 million for the year ended 31 December 2016. This was in line with the decrease in hubbing revenue which can be attributed to a reduction in the hubbing requirements of Customer B. Gross profit margins for hubbing remained relatively stable, declining slightly from 63.7% for the year ended 31 December 2015 to 62.5% for the year ended 31 December 2016.

Consequently, our gross profit margin improved from 20.3% for the year ended 31 December 2015 to 23.1% for the year ended 31 December 2016.

Other income

Other income decreased by approximately S$36,000 or 8.3%, from approximately S$0.43 million for the year ended 31 December 2015 to approximately S$0.39 million for the year ended 31 December 2016. The decrease was mainly due to lower one-off incentive for wage subsidies from the Wage Credit Scheme where under this scheme, the Singapore Government co-funded 40% of wage increases given to Singapore citizen employees between 2013 to 2015. This co-funding has decreased to 20% of wage increases given to Singapore citizen between 2016 to 2017.

Administrative expenses

Administrative expenses increased by approximately S$0.2 million or 7.4% from approximately S$2.3 million for the year ended 31 December 2015 to approximately S$2.5 million for the year ended 31 December 2016. This was largely due to an increase in staff cost by approximately S$0.2 million or 10.2% from approximately S$1.9 million for the year ended 31 December 2015 to approximately S$2.1 million for the year ended 31 December 2016. The increase in staff cost was due to wage increases for staff.

Finance costs

Finance costs decreased by approximately S$41,000 or 25.4%, from approximately S$160,000 for the year ended 31 December 2015 to approximately S$119,000 for the year ended 31 December 2016. The decrease was mainly due to the decrease in interest paid on finance lease obligations.

Profit before tax

Profit before tax increased by approximately S$0.4 million or 12.7%, from approximately S$3.6 million for the year ended 31 December 2015 to approximately S$4.0 million for the year ended 31 December 2016. The increase was mainly due to a 11.0% increase in gross profits from approximately S$5.6 million to approximately S$6.2 million in year ended 31 December 2016 which was partially offset by an increase in administrative expenses of 7.4%, from approximately S$2.3 million to approximately S$2.5 million in the year ended 31 December 2016.

Income tax expense

Income tax expenses increased by approximately S$0.2 million or 28.2% from approximately S$0.5 million for the year ended 31 December 2015 to approximately S$0.7 million for the year ended 31 December 2016. This increase was due to a larger tax relief of approximately S$0.3 million for the year ended 31 December 2016 as compared to approximately S$0.2 million for the year ended 31 December 2015.

Profit for the year

Profit for the year increased by approximately S$0.3 million or 9.9%, from approximately S$3.0 million for the year ended 31 December 2015 to approximately S$3.3 million for the year ended 31 December 2016.

Profit margin

Our profit margin improved from 11.0% for the year ended 31 December 2015 to 12.4% for the year ended 31 December 2016 mainly due to improved gross profit margins which were partially offset by higher administrative expenses and income tax expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs. Our working capital needs have been financed through a combination of funds generated from operations and bank borrowings. As at 31 December 2015 and 31 December 2016, we had cash and cash equivalent of approximately S$2.6 million and approximately S$1.5 million respectively. Going forward, we expect to fund our working capital and other capital requirements with a combination of various sources, including but not limited to cash generated from our operations and short-term or long-term indebtedness.

The following table sets forth a summary of net cash flow for the periods indicated:

	Year Ended 31 December	
	2015	**2016**
	S$	*S$*
Net cash flows generated from operating activities	4,503,816	4,596,433
Net cash flows used in investing activities	448,677	709,833
Net cash flows used in financing activities	2,632,642	4,993,968
Net increase/(decrease) in cash and cash equivalents	1,422,497	(1,107,368)
Cash and cash equivalents at beginning of the year	1,127,927	2,550,424
Cash and cash equivalents at end of the year	2,550,424	1,443,056

Cash flow generated from operating activities

Net cash generated from operating activities primarily consisted of profit before income tax adjusted for non-cash items, such as depreciation of property, plant and equipment, gains on disposals of property, plant and equipment, impairment losses on available-for-sale-assets and finance cost. We derive our cash inflow from operations principally from our revenue. Our cash outflow used in operations is principally for payment to suppliers and for our working capital needs.

For the year ended 31 December 2015, our net cash flow generated from operating activities was S$4.5 million. The net cash flow from operating activities was mainly attributable to our profit before income tax of approximately S$3.6 million, which was adjusted primarily for (i) depreciation of property, plant and equipment of approximately S$1.8 million, (ii) increase in trade receivables of approximately S$0.7 million, (iii) decrease in trade payables of approximately S$0.5 million, and (iv) increase in other payables and accruals of approximately S$0.2 million.

For the year ended 31 December 2016, our net cash flow generated from operating activities was S$4.6 million. The net cash flow from operating activities was mainly attributable to our profit before income tax of approximately S$4.0 million, which was adjusted primarily for (i) depreciation of property, plant and equipment of approximately S$1.7 million, (ii) increase in trade receivables of approximately S$0.5 million, (iii) decrease in trade payables of approximately S$0.5 million, and (iv) decrease in deposits and other receivables of approximately S$0.1 million.

Cash flow used in investing activities

Our cash flow used in investing activities is principally due to the purchase of property, plant and equipment. Our cash inflow from investing activities is primarily due to proceeds from the disposal of property, plant and equipment.

For the year ended 31 December 2015, our net cash used in investing activities was approximately S$0.4 million, primarily due to the purchase of 3 prime movers, 1 lorry and 10 trailers.

For the year ended 31 December 2016, our net cash used in investing activities was approximately S$0.7 million, primarily due to the purchase of 4 prime movers, 2 lorries, 30 trailers and 2 reach stackers.

Cash flow used in financing activities

Our cash flow used in financing activities is principally due to payment of finance leases liabilities, repayment of advances from director, repayment of bank borrowings, payment of dividends and interest paid. Our cash inflow from financing activities is primarily due to proceeds from bank borrowings.

For the year ended 31 December 2015, our net cash flow used in financing activities was approximately S$2.6 million, primarily due to: (i) payment of finance lease obligations of approximately S$2.6 million, (ii) repayment of loan and borrowings of approximately S$0.3 million, (iii) dividend payment of approximately S$0.2 million, (iv) interest paid of approximately S$0.2 million, and (v) repayment of amount to a director of approximately S$0.1 million, which was partially offset by proceeds from loans and borrowings of approximately S$0.8 million.

For the year ended 31 December 2016, our net cash used in financing activities was approximately S$5.0 million, primarily due to: (i) repayment of amount due to a Director of approximately S$2.6 million, (ii) payment of finance lease obligations of approximately S$2.7 million, (iii) repayment of loan and borrowings of approximately S$0.5 million, (iv) interest paid of approximately S$0.1 million, and (v) advance to a director of S$0.1 million which was partially offset by proceeds from loans and borrowings of approximately S$1.0 million.

As at 31 January 2017, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and cash equivalents of approximately S$1.4 million.

NET CURRENT ASSETS/(LIABILITIES)

The following table sets forth current assets and current liabilities as at the dates indicated:

	As at 31 December		As at 31 January
	2015	2016	2017
	S$	*S$*	*S$*
Current assets			
Trade receivables	4,136,359	4,639,182	4,808,594
Deposits and other receivables	99,792	286,622	383,662
Prepayment	22,583	—	—
Pledged deposits	302,455	304,575	304,575
Cash and bank balances	2,550,424	1,488,087	1,375,810
	7,111,613	6,718,466	6,872,642
Current liabilities			
Trade payables	1,214,156	686,027	1,134,851
Other payables and accruals	3,344,473	696,498	1,146,614
Loans and borrowings	2,880,942	2,793,844	2,457,507
Tax payable	314,900	298,915	297,844
	7,754,471	4,475,284	5,036,816
Net current (liability)/assets	(642,858)	2,243,182	1,835,826

Our current assets consist primarily of trade receivables, deposits and other receivables, pledged deposits and cash and bank balances. Our current liabilities consist primarily of trade payables, other payables and accruals, loans and borrowings and tax payable.

Our Group recorded net current liabilities of approximately S$0.6 million as at 31 December 2015 and net current assets of approximately S$2.2 million as at 31 December 2016.

There was an approximately S$2.9 million increase in the net current asset position as at 31 December 2016 when compared against the net current liability position as at 31 December 2015. The increase in net current assets was due mainly to a decrease in other payables and accruals from approximately S$3.3 million as at 31 December 2015 to approximately S$0.7 million as at 31 December 2016. The decrease was due mainly to an amount due to director of approximately S$2.6 million. As at 31 December 2016, this amount has since been paid. There was a slight increase in net current assets as at 31 January 2017 of S$36,139 when compared against the net current asset position as at 31 December 2016. The increase was primarily attributable to an increase in trade and payables of approximately S$0.5 million due to payments made to our creditors. This was offset by a decrease in loans and borrowings of approximately S$0.3 million and a decrease of approximately S$0.2 million in other payables and accruals.

INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the respective dates indicated.

	As at 31 December		As at 31 January
	2015	2016	2017
	S$	*S$*	*S$*
Indebtedness			
Current			
Finance lease payable	2,362,115	1,875,328	1,847,921
Bank overdrafts — secured	—	45,031	—
Bank loans — secured	518,827	873,485	609,586
Amount due to director	2,577,707	—	513,083
	5,485,649	2,793,844	2,970,590
Non-current			
Finance lease payable	1,066,731	930,321	1,036,465
Bank loans — secured	752,436	885,081	1,085,476
Total	7,277,816	4,609,246	5,092,531

Bank loans and bank overdrafts

The table below sets forth the breakdown of our bank loans and bank overdrafts as at the respective dates indicated.

	As at 31 December		As at 31 January
	2015	2016	2017
	S$	*S$*	*S$*
Bank loans — secured	1,271,263	1,803,597	1,695,062
Bank overdrafts — secured	—	45,031	—
	1,271,263	1,848,628	1,695,062

Our Group's bank borrowings comprise of secured bank loans and secured bank overdrafts. The bank loans are interest bearing and denominated in Singapore dollars. The tenure of the bank loans range from two to fifteen years with interest rates ranging from approximately 1.68% to 7.50%.

Our Group's secured bank loans are secured by (i) the underlying properties and/or (ii) joint personal guarantees from Mr. K L Chua and Ms. S F Chua. Such secured terms loans will either (i) have the joint personal guarantees released or (ii) be fully repaid, upon **[REDACTED]**.

As at the Latest Practicable Date, we have no material covenants relating to our outstanding borrowings, save for certain financial covenants the details, amongst others, of which are set out as follows: (i) Nexis Logistics cannot incur a net loss after tax for 2 consecutive years, (ii) Nexis Logistics is required to maintain a minimum shareholders' fund of at least S$1.5 million throughout the loan period, (iii) CA Transportation and Nexis Logistics must have a minimum local shareholding of 30%, its annual turnover cannot excess S$100 million or its employment size cannot exceed 200 workers and the sum of the SME Micro Loan, SME Working Capital Loan, SME Equipment Loan and SME Factory Loan cumulatively must not exceed S$15 million.

As at 31 January 2017, our total amount of banking facilities was approximately S$7.9 million and we had S$2.3 million in un-utilised banking facilities.

Unutilised banking facilities

The table below summarises the details of our banking and finance leases as at 31 January 2017:

	Facility granted	Utilisation	Unutilised
	S$	*S$*	*S$*
Bank loan	2,657,000	2,657,000	—
Bank overdraft	930,000	—	930,000
Finance lease	4,284,386	2,884,286	1,400,000
	7,871,386	5,541,386	2,330,000

The table below sets forth the maturity profile of our bank loans based on the contractual undiscounted repayment obligations.

	As at 31 December		As at 31 January
	2015	2016	2017
	S$	*S$*	*S$*
Bank loans are repayable as follows:			
Within one year or on demand	518,827	918,516	609,586
In the second year	255,672	186,294	403,165
In the third to fifth years, inclusive	109,207	397,705	384,991
Beyond five years	387,557	301,082	297,320
	1,271,263	1,803,597	1,695,062

Finance Lease Commitments

Our Group's finance leases are hire purchases related to motor vehicles such as trucks, prime movers and trailers. The tenure of the hire purchase agreements range from two to five years with interest rates ranging from approximately 1.35% to 1.55%.

The following table sets forth the maturity profile of our finance leases as at the respective dates indicated:

	As at 31 December		As at 31 January
	2015	2016	2017
	S$	S$	S$
Minimum lease payments			
Not later than one year	2,419,929	1,922,009	1,896,786
In the second year	935,916	641,989	1,057,676
In the third to fifth years, inclusive	146,315	309,449	—
	3,502,160	2,873,447	2,954,462
Less: amounts representing future finance charges	(73,314)	(67,798)	(70,075)
Present value of minimum lease payments	3,428,846	2,805,649	2,884,387

	As at 31 December		As at 31 January
	2015	2016	2017
	S$	S$	S$
Present value of minimum lease payments			
Not later than one year	2,362,115	1,875,328	1,847,921
In the second year	921,986	624,865	1,036,466
In the third to fifth years, inclusive	144,745	305,456	—
	3,428,846	2,805,649	2,884,387

Operating Lease Commitments

Our Group leases our logistics yard under operating lease arrangements. Such leases for the logistics yard are negotiated for terms ranging from one to three years. Our Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		As at 31 January
	2015	2016	2017
	S$	*S$*	*S$*
Within one year	1,504,824	1,479,000	1,479,000
After one year but within 5 years	1,440,000	759,000	635,750
	2,944,824	2,238,000	2,114,750

Capital commitments

Our Group's capital commitments are as follows:

	As at 31 December		As at 31 January
	2015	2016	2017
	S$	*S$*	*S$*
Contracted, but not provided for:			
Capital expenditure in respect of acquisition of items of property, plant and equipment	1,100,000	1,320,000	1,100,000
	1,100,000	1,320,000	1,100,000

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 such types of guarantees given by the financial institutions and insurance companies was S$610,000 as at 31 December 2015 and 31 December 2016 respectively.

As at 31 January 2017, except as disclosed in this section, our Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities. Our Directors confirm that save as disclosed in this section, up to the Latest Practicable Date, there has been no material adverse change in our indebtedness since 31 January 2017.

ANALYSIS OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Our Group's property, plant and equipment mainly consist of (i) motor vehicles including prime movers, lorries and reach stackers, (ii) leasehold property, and (iii) computers. The following table sets out the carrying amounts of each type of property, plant and equipment of our Group as at the dates indicated:

	As at 31 December	
	2015	2016
	S$	*S$*
Motor vehicles	9,034,218	10,102,097
Furniture and fitting	—	—
Office equipment	—	—
Computers	—	45,955
Buildings	742,408	712,404
	9,776,626	10,860,456

The carrying amount of motor vehicles increased from approximately S$9.0 million as at 31 December 2015 to approximately S$10.1 million as at 31 December 2016 mainly due to the acquisition of 2 additional reach stackers to cater to the increased demand from our customers for our transportation management services. During the Track Record Period, our capital expenditures have principally consisted of expenditures on motor vehicles and computer equipment. We incurred cash flows on capital expenditures for purchase of motor vehicles and computer equipment in the amounts of approximately S$0.5 million and S$0.7 million for the two years ended 31 December 2016, respectively.

Trade receivables

Trade receivables represent the balances due from customers which amounted to approximately S$4.1 million and approximately S$4.6 million as at 31 December 2015 and 31 December 2016 respectively.

The following table sets forth our Group's trade receivables as at the dates indicated.

	As at 31 December	
	2015	**2016**
	S$	*S$*
Trade receivables		
— External parties	4,136,359	4,639,182

The following table sets out the ageing analysis of trade receivables, based on the invoice date, and net of provision, as at the dates indicated:

	As at 31 December	
	2015	**2016**
Trade receivables:		
Less than 30 days	2,143,768	2,555,729
31–60 days	1,529,979	1,564,159
61–90 days	245,775	285,914
Over 90 days	216,837	233,380
	4,136,359	4,639,182

The following table sets out the aging analysis of trade receivables that are neither individually nor collectively considered to be impaired:

	As at 31 December	
	2015	**2016**
Trade receivables:		
Neither past due nor impaired	3,097,533	3,262,896
Less than 30 days past due	554,310	891,515
31–60 days past due	268,168	251,464
61–90 days past due	216,348	233,307
	4,136,359	4,639,182

Receivables that were past due but not impaired relate to a number of customers that have a good track record with our Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The following table sets out the trade receivables turnover days for the Track Record Period:

	As at 31 December	
	2015	**2016**
Trade receivables turnover days(1)	50	59

Notes:

1. Trade receivables turnover days for each of the years ended 31 December 2015 and 2016 are calculated by the average trade receivables divided by the total revenues for the year and multiplied by 365 days for each of the years ended 31 December 2015 and 2016. Average trade receivables are calculated as the average of the beginning and ending trade receivables balances for the respective period.

For the years ended 31 December 2015 and 2016, our Group recorded trade receivables turnover days of approximately 50 days and 59 days respectively. The trade receivables turnover days increased from 50 days and 59 days as we provided our customers with longer credit terms. Nonetheless, the trade receivables turnover days of 59 days for the year ended 31 December 2016 still falls within the 30-60 days credit period which we typically grant to our clients.

	Trade receivables as at 31 December 2016	Subsequent settlement up to 31 January 2017	
	S$	*S$*	*%*
Within 30 days	2,555,729	927,357	36.3
31 days to 60 days	1,564,159	1,261,656	80.7
61 days to 90 days	285,914	59,226	20.7
Over 90 days	233,380	143,748	61.6
	4,639,182	2,391,988	51.6

As shown in the table above, up to 31 January 2017, 51.6% (or S$2.4 million) of our trade receivables as at 31 December 2016 had been settled.

Cash and bank balances

Our cash and bank balances comprise cash at bank and cash on hand. Cash and bank balances amounted to approximately S$2.6 million and S$1.5 million as at 31 December 2015 and 31 December 2016 respectively.

Pledged deposits

Our pledged deposits comprise of time deposits pledged for our long-term bank loans. Pledged deposits amounted to approximately S$0.3 million and S$0.3 million as at 31 December 2015 and 31 December 2016 respectively.

Please refer to the section headed "Financial information — Liquidity and capital resources" for further details on the cash flow activities of the Group during the Track Record Period.

Deposits and other receivables

	Year Ended 31 December	
	2015	2016
	S$	*S$*
Current		
Other debtors	41,841	135,111
Other deposits	57,951	151,511
	99,792	286,622
Non-current		
Other deposits	323,039	87,948
	422,831	374,570

Deposit and other receivables (current) amounted to approximately S$0.1 million and S$0.3 million as at 31 December 2015 and 2016 respectively. Other debtors (current) represent mainly the receivables from government incentive schemes and other receivables. It increased from approximately S$42,000 as at 31 December 2015 to approximately S$135,000 as at 31 December 2016. Other deposits (current) represent mainly the deposit paid to port operators and other various deposits paid. Other deposits (increase) increased from approximately S$58,000 as at 31 December 2015 to approximately S$152,000 as at 31 December 2016 mainly due to the reclassification of deposits paid to port operators from the non-current portion of the balance sheet.

Other deposit (non-current) amounted to approximately S$0.3 million and S$0.1 million as at 31 December 2015 and 2016 respectively. Other deposit (non-current) mainly represents the logistic yard deposits, deposits paid to port operators and deposit paid for the acquisition of vehicles. The decrease in other deposits (non-current) was mainly due to the (i) capitalisation of deposits paid for acquisition of vehicles to property, plant and equipment, and (ii) reclassification of deposit paid to port operators to the current portion of the balance sheet.

Trade payables

Trade payables primarily relate to the payables to suppliers. Trade payables amounted to approximately S$1.2 million and S$0.7 million as at 31 December 2015 and 31 December 2016 respectively.

The following table sets forth our Group's trade payables as at the dates indicated.

	As at 31 December	
	2015	2016
	S$	*S$*
Trade payables		
— Third parties	1,214,156	686,027

The trade payables are non-interest-bearing and are normally settled on terms of 30 days.

The following table sets forth the ageing analysis of the trade payables based on the invoice dates as at the dates indicated.

	As at 31 December	
	2015	2016
Trade payables:		
Less than 30 days	856,114	664,226
31–60 days	177,357	18,496
61–90 days	79,263	3,144
Over 90 days	101,422	161
	1,214,156	686,027

The following table sets out the trade payables turnover days for the Track Record Period:

	As at 31 December	
	2015	2016
Trade payable turnover days[(2)]	24	17

Notes:

1. Trade payables turnover days for each of the years ended 31 December 2015 and 2016 are calculated by the average trade payables divided by the cost of sales for the year and multiplied by 365 days for each of the year ended 31 December 2015 and 2016. Average trade payables is calculated as the average of the beginning and ending trade payables balances for the respective period.

The credit term offered by our major suppliers is typically 30 days. For the years ended 31 December 2015 and 2016, our Group recorded trade payables turnover days of approximately 24 days and 17 days respectively. As such, our trade payables decreased from 24 to 17 days due to our faster payments to our major suppliers.

Up to 31 January 2017, 84.8% (or approximately S$0.6 million) of our trade payables as at 31 December 2016 has been settled.

Other payables and accruals

Other payables and accruals mainly comprise accrued liabilities, amount due to director, GST payable and dividend payable. The following table sets forth our Group's other payables and accruals as at the dates indicated:

	As at 31 December	
	2015	2016
	S$	*S$*
Accrued liabilities	620,140	656,607
Amount due to director	2,577,707	—
GST payable	146,626	39,891
	3,344,473	696,498

The amount due to director as at 31 December 2015 was approximately S$2.6 million. This amount due to director was repaid in the year ended 31 December 2016.

Available-for-sale Financial Assets

Our available-for-sales financial assets represent certain listed equity investments. These listed equity investments were valued at market price and amounted to approximately S$11,400 and S$6,750 as at 31 December 2015 and 2016, respectively. During the Track Record Period, we recognised impairment losses of approximately S$17,053 and S$4,650 for each of the two years ended 31 December 2015 and 2016, respectively. Please refer to note 17 of the Accountants' Report in Appendix I for further details.

Deferred tax liabilities/assets

Deferred tax liabilities/assets represents mainly the temporary differences in respect of the capital allowances, excess of tax values over net book values of property, plant and equipment and enhanced allowances under a tax credit scheme at the end of our reporting period. For further details, please refer to note 15 in the Accountants' Report in Appendix I to this document.

KEY FINANCIAL RATIOS

The following table sets forth certain financial ratios as at the dates indicated:

	Year Ended 31 December	
	2015	**2016**
Gross profit margin(1)	20.3%	23.1%
Net profit margin(2)	11.0%	12.4%
Return on assets(3)	17.6%	18.9%
Return on equity(4)	40.0%	30.5%
Interest coverage ratio(5)	23.5	34.9

	As at 31 December	
	2015	**2016**
Current ratio(6)	0.9	1.5
Gearing ratio(7)	0.6%	0.4%

Notes:

1. Gross profit margin is calculated by dividing the gross profit for the year/period by total revenue for the year/period and multiplied by 100%.

2. Net profit margin is calculated by dividing the net profit for the year/period by total revenue for the year/period and multiplied by 100%.

3. Return on assets equals to net profit for the year/period divided by total assets at the end of the year/period and multiplied by 100%.

4. Return on equity equals to net profit for the year/period divided by total equity at the end of the year/period and multiplied by 100%.

5. Interest coverage ratio equals to the net profit before interest and tax for the year/period divided by the net interest expenses for the year/period.

6. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year/period.

7. Gearing ratio is calculated by dividing the sum of borrowings by the total equity at the end of each year/period and multiplied by 100%.

Gross profit margin

Our gross profit margin improved from 20.3% for the year ended 31 December 2015 to 23.1% for the year ended 31 December 2016 mainly due to the 5.9% decrease in cost of sales which was offset against the 2.4% decrease in revenue for the year ended 31 December 2016.

Net profit margin

Our net profit margin improved from 11.0% for the year ended 31 December 2015 to 12.4% for the year ended 31 December 2016 mainly due to improved gross profit margins by approximately S$0.6 million which were partially offset by higher administrative expenses and income tax expenses by approximately S$0.2 million and approximately S$0.2 million respectively for the year ended 31 December 2016.

Return on assets

Our return on assets increased from 17.6% for the year ended 31 December 2015 to 18.9% for the year ended 31 December 2016 mainly due to improvements in our gross profit margins and net profit margins whilst total assets of the Group remained relatively stable. Net profits increased by 9.9% from approximately S$3.0 million for the year ended 31 December 2015 to approximately S$3.3 million for the year ended 31 December 2016 as compared as against the 1.7% increase in total assets from approximately S$17.4 million as at 31 December 2015 to approximately S$17.7 million as at 31 December 2016.

Return on equity

Our return on equity decreased from 40.0% for the year ended 31 December 2015 to 30.5% for the year ended 31 December 2016. This decrease was mainly due to the 43.9% increase in total equity from approximately S$7.6 million as at 31 December 2015 to approximately S$11.0 million as at 31 December 2016 as compared against the 9.9% increase in net profits from approximately S$3.0 million for the year ended 31 December 2015 to approximately S$3.3 million for the year ended 31 December 2016.

Interest coverage ratio

Our interest coverage ratio increased from 23.5 times for the year ended 31 December 2015 to 34.9 times for the year ended 31 December 2016 mainly due to (i) a 25.4% decrease in finance cost from approximately S$160,000 for the year ended 31 December 2015 to approximately S$119,000 for the year ended 31 December 2016, and (ii) a 11.0% increase net profit before interest and tax from approximately S$3.8 million for the year ended 31 December 2015 to approximately S$4.2 million for the year ended 31 December 2016.

Current ratio

Our current ratio increased from 0.9 times as at 31 December 2015 to 1.5 times as at 31 December 2016 mainly due to the 42.3% decrease in current liabilities from approximately S$7.8 million as at 31 December 2015 to approximately S$4.5 million as at 31 December 2016 outweighing the 5.6% decrease in current assets from approximately S$7.1 million as at 31 December 2015 to approximately S$6.7 million as at 31 December 2016. Current liabilities as 31 December 2016 were lower as compared to 31 December 2015 due to decreases in trade payables, other payables and accruals, loans and borrowings, and tax payables.

Gearing ratio

Our gearing ratio decreased from 0.6 times as at 31 December 2015 to 0.4 times as at 31 December 2016. This decrease was mainly due to (i) the 43.9% increase in total equity from approximately S$7.6 million as at 31 December 2015 to approximately S$11.0 million as at 31 December 2016, and (ii) the 2.1% decrease in total borrowings from approximately S$4.7 million as at 31 December 2015 to approximately S$4.6 million as at 31 December 2016.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any off-balance sheet arrangements.

FINANCIAL RISKS

Our Group is exposed to financial risks arising from its operations and the use of financial instruments. The main risks arising from our Group's financial instruments are credit risk and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than six months (2015: less than six months) from the end of the reporting period. Approximately 88% and 98% of the Group's borrowings are at fixed rates of interest at 31 December 2015 and 2016 respectively.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Group's policy is to keep 60% to 90% (2015: 60% to 80%) of its loans and borrowings at fixed rates of interest.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if S$ interest rates for the floating had been 75 (2015: 75) basis points higher with all other variables held constant, the Group's profit before tax would not have been significant for the years ending 2015 and 2016.

Credit risk

Our Group's main exposure to credit risk arises primarily from trade and other receivables. The credit risk on such trade and other receivables is minimal as our Group adopts the policy of dealing only with customers and counterparties of appropriate credit history.

Liquidity risk

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

RECENT DEVELOPMENTS

For the recent developments, subsequent to the Track Record Period and up to the date of this document, please refer to the section headed "Summary — Recent development".

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to the Group, including the internally generated funds, available banking facility and the estimated net proceeds of the **[REDACTED]**, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the document.

During the Track Record Period and up to the Latest Practicable Date, the Directors confirm that the Group (i) has not encountered any difficulty in obtaining external borrowings; (ii) has not been recalled or requested for early repayment of borrowings; (iii) has not had any delay or default in repayment of trade and non-trade payables and bank borrowings, and/or breaches of other covenants under its borrowings; and (iv) has not breached of any finance covenants.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in the Accountants' Report in Appendix I in this document, the Directors confirm that these transactions were conducted on normal commercial terms and/or on terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of its Shareholders as a whole.

DISTRIBUTABLE RESERVES

Subject to the Companies Law and the Articles, our Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. Our Company can also pay dividends out of the share premium with the approval of our Shareholders and subject to a statutory solvency test.

Our Company was incorporated in the Cayman Islands on 10 February 2017 and had no distributable reserves as at 31 December 2015 and 31 December 2016.

DIVIDENDS

For the year ended 31 December 2015, Nexis Logistics declared dividends totalling S$0.2 million all these dividends have been paid as at the Latest Practicable Date.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Our Group does not have any pre-determined dividend payout ratio and any dividends will be made at the discretion of the Board and will be based upon the Group's earnings, cash flow, financial condition, capital requirements and any other conditions that our Directors consider relevant.

Accordingly, the financial results of the Group for the year ending 31 December 2017 are expected to be materially affected by the estimated expenses in relation to the **[REDACTED]**. The Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised in the combined statement of comprehensive income of the Group for the year ending 31 December 2017 is subject to adjustment based on audit and the then changes in variables and assumptions.

[REDACTED]

During the Track Record Period, we had not incurred **[REDACTED]**-related expenses in the profit and loss account. The total estimated expenses in relation to the **[REDACTED]** are approximately HK$**[REDACTED]** million, all of which is directly attributable to the issue of **[REDACTED]** to be borne by our Group. Out of the estimated **[REDACTED]** of approximately HK$**[REDACTED]** million to be borne by us, approximately HK$**[REDACTED]** million is expected to be charged to the profit and loss account of our Group for the year ending 31 December 2017 and the remaining HK$**[REDACTED]** million is directly attributable to the issue of **[REDACTED]** to the public and is to be accounted for as a deduction from equity upon **[REDACTED]**.

PROPERTY INTEREST

As at the Latest Practicable Date, our Group owns three industrial property units in Singapore which we use for our own office purposes. Please refer to the section headed "Business — Properties" for further details.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this document for further details.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in its financial or trading position or prospects since 31 December 2016, being the date of the last audited financial statement as set out in Appendix I in this document, up to the date of this document.

SUBSEQUENT EVENTS

The Group had the following material events occurred after the Track Record Period:

(a) On 10 February 2017, each authorised and issued ordinary share of a par value of HK$1.00 in the capital of the Company was sub-divided into 38,000,000 ordinary shares of a par value of HK$0.01 each.

(b) On [•], the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 ordinary shares of HK$0.01 each by the creation of an additional 4,962,000,000 shares of HK$0.01 each.