

BUSINESS

BUSINESS OVERVIEW

Founded in 1992, our Group is a provider of transport and storage 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 locations 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 and storage services 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 174 staff under our employment of which 138 are drivers that support our vehicle fleet comprising 125 prime movers, 491 trailers, 6 reach stackers and 7 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 had 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, our Directors believe that our Group is well positioned to capture the growth opportunities in the transport and storage service industry and will benefit from the growing demand for our services from existing and futures clients in the logistics industry in Singapore.

BUSINESS

Singapore’s transportation and storage sector value chain

Based on our Directors’ knowledge and experiences about the logistics industry and as illustrated in the section headed “Industry overview — Value chain, the transportation and storage sector” of this document, the value chain of the transportation and storage sector in Singapore is segregated into i) outbound, which are the logistical processes required in the export of goods out of Singapore, from the end customer in Singapore to overseas; and ii) inbound, which shows the logistical processes required in the import of goods into Singapore from overseas to the end customer. The participants in the transportation and storage sector value chain are (1) end customers, who import and export goods, (2) shipping lines, (3) ports and (4) logistics service providers which include, but are not limited to, parties such as freight forwarders, logistic companies, warehouse operators, distributors and trading companies.

The process begins when an end customer, due to the size of their imports or exports, engages logistics service providers to move their goods in or out of Singapore. The end customers are from a wide range of industries, including but not limited to, manufacturing, retail, petrochemical, consumer goods and automotive amongst others. They generally require a wide range of logistics services such as freight forwarding, warehousing, transportation and others. The end customers will thus engage logistics service providers to manage the movement of their goods in and out of Singapore.

As our main customers are logistics service providers, our Group’s transport services are engaged to handle the land movement of cargo between the logistics service provider’s warehouses or, other location as instructed, and the designated port or depot. Our hubbing services are also engaged for temporary storage of our customer’s containers whilst awaiting the shipping line to confirm the shipping date and also allows our customers to aggregate their containers before shipping them out.

Value added services

Our Group’s value added to the logistics service providers comes from (i) provision of transportation services via our large vehicle fleet, (ii) ability to offer customised transport services and (iii) provision of our logistics yard for the handling and storage of laden and empty containers. We consider that the provision of our hubbing services also adds further value to our customers by means of saving costs through the consolidation of their containers before shipping them overseas in one large single shipment as compared to sending containers out over multiple shipments. For further details on our competitive strengths, please refer to the paragraph headed “1. Competitive Advantages” in this section.

BUSINESS

Provision of transport and storage services by industry participants

The main participants in the transportation and storage sector value chain in Singapore include end customers, shipping lines, ports and logistics service providers mentioned above. Of these, some of the logistics service providers, in particular, the larger ones, tend to have their own fleet of vehicles to support the transportation of their consigned containers and delivery of LCL goods. Some of the logistics service providers have their own warehouses and require the land space for stuffing, handling and inspecting the goods being imported or exported by their customers.

Our Group's top 5 customers are logistics service providers whose core businesses includes warehouse operations, freight forwarding and packing services. While some of them do have their own fleet of vehicles and storage space, the space that they have is used mainly for handling, packing, inspection and stuffing. They would still require our transport and storage services as it would be inefficient to store their laden or empty containers at their site while waiting for the ship to arrive or depart due to the volume of their inbound and outbound containers and the space required to conduct their core activities.

Our Group does not generally serve the end customers directly. Instead, our customers are mainly the logistics service providers, which engage us for our ability to cater for their transportation needs as part of the whole logistics value chain. Our customers outsource their transportation needs to us so as to better focus on their other core activities which can include freight forwarding, packaging, cargo handling and inspection and other activities.

Our Directors believe that by engaging our transport and storage services these logistics service providers are able to focus on their core business as:

- (i) it will avoid high capital expenditures relating to the purchase and maintenance of a large fleet of vehicles and purchasing or renting open land for storage of containers. The initial payment for vehicles includes (a) cost of the vehicle; (b) certificate of entitlement; and (c) taxes. The continuing maintenance cost of the vehicle would include (a) depreciation expenses; (b) maintenance costs; and (c) motor insurance, among others. The upfront funds used to purchase the vehicles and the annual cost of maintaining them may steer these participants from their core business;
- (ii) having a sizeable vehicle fleet would require a significant number of drivers. Additional resources would be required to manage the drivers and to comply with safety and regulatory requirements; and

BUSINESS

- (iii) hubbing services require land for the storage of containers and machinery such as reach stackers for container handling. It may be inefficient and expensive for our customers to set aside a piece of land for the sole purpose of storing laden or empty containers which are awaiting shipment. By outsourcing this part of the logistics process to us, our customers are thus able to better focus on their core competencies.

Supplier B, one of our top 5 suppliers which supplies diesel to us, is also involved in the provision of warehouse renting and other transport services. Supplier F, one of our top 5 suppliers who provides logistics yard services to us, is also involved in the provision of value added logistics services, storage of cargo and port stevedoring services, and was also a customer of our Group for the year ended 31 December 2016 and the five months ended 31 May 2017 as particularised in the section headed “Business — 5. Suppliers”. Supplier B and Supplier F have a wider variety of businesses and are not solely focused on the trucking and hubbing business like our Group. To the best of the Director’s knowledge, save for Supplier B and Supplier F, the rest of our top 5 suppliers during the Track Record Period are not involved in the trucking and hubbing business.

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.

1.1 Our Group has a large fleet of vehicles to carry out our transport and storage services business.

As at Latest Practicable Date, our Group has a fleet of 125 prime movers, 491 trailers, 6 reach stackers and 7 lorries to carry out our transport and storage 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 as at Latest Practicable Date, was approximately equivalent to 2.4% of all articulated vehicles in Singapore as at 31 December 2016, a testament to our large fleet size in Singapore.

Having a large fleet gives us the advantage of being able to handle our customers’ large orders and cater for sudden spikes in demand for our customers’ services. Some of our customers include but are not limited to sizeable logistics companies, freight forwarders and warehouse operators where, due to the size of their operations, cost and timing are key factors to their choice of outsourcing contractors. As such, working with a company that has a significant fleet size would ensure that their transportation and hubbing needs are met.

BUSINESS

1.2 Our Group has built up a 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 that range from approximately 10 months to 16 years 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 headed “Quality Control” in this section for further details on our quality control measures. We have received signed testimonials from some of our customers highlighting our Group’s reliability in the provision of our services. These testimonials specifically mentioned that they have had over 15 years of working relationships with us and found us to be very reliable, responsive to their needs with timely execution and well trained and professional staff.

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 headed “Our relationship with Customer A” in this section. 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 addition, Customer A presented our Group with a Partnership Award in 2015 as an appreciation for our services and outstanding five years of co-operation.

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 and storage service industry. The testimonials and award from our customers are indications of our Group’s reputation as a reliable transport and storage service provider, allowing us to maintain good relations with our customers and further contribute to our reputation in the industry.

1.3 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 and storage 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 and storage services industry. Our Executive Director, Ms. S

BUSINESS

F Chua, has been with our Group since 2003 and has over 13 years of experience in the transport and storage 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.

We believe that the extensive experience of our management team and their industry knowledge and in-depth understanding of the transport and storage service industry would enable us to assess market trends effectively as well as to operate and manage our business efficiently. Thus having an experienced and dedicated management team is important to our business and enables us to (i) be aware of our competitive and market landscape; (ii) recognise the needs of our customers more readily; (iii) manage our operations, specifically, labour and vehicle deployment, more efficiently; and (iv) build on the experiences we have had with our customers and suppliers.

1.4 Our Group has close and stable working relationships 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. As such, our Group is able to obtain more responsive services in terms of answers to our enquiries or issues that we may have, and for ease of contract negotiations.

2. BUSINESS STRATEGIES

Our Group aims to strengthen our position as a transport and storage 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. Our Directors are of the view that an expansion and upgrade in our fleet size is necessary due to:

- i. *To cater for additional business from existing customers and business from new customers.* Based on our discussions with our customers and their transportation forecast as well as our own analysis on historical trends, we expect our total trips to increase by

BUSINESS

approximately 37,508 trips from 306,937 trips for the year ended 31 December 2016 to 344,445 trips for the year ended 31 December 2017 and by an additional 61,859 trips in 2018. For the eight months ended 31 August 2017, we performed 221,897 trips and through our correspondence with our customers, who have informed us of higher volume in the months ahead, we expect our trips to increase. Our Directors consider that the expansion in our fleet size will provide us with sufficient capacity to meet demand from our customers and enable us to further grow our market share.

- ii. *Changes to emission standards for new diesel vehicles in Singapore.* The National Environment Agency of Singapore had announced that from 1 January 2018, new diesel vehicles must comply with Euro VI emission standards. Our Directors believe that having a lower carbon footprint through the purchase of the new Euro VI vehicles, will give us an edge in customer negotiations. Further details on our intended purchase of more environmentally-friendly vehicles can be found in the section headed “Business — 9. Environmental Protection, Health and Work Safety”.
- iii. *Upgrading of older vehicles.* Our current fleet of 125 prime movers, consist of 21 that are due for replacement as these vehicles have an average remaining useful life of approximately 1.9 years. It would be costly to maintain older vehicles due to (i) insurance costs (ii) maintenance and repairs tend to be higher for older vehicles and (iii) older vehicles tend to breakdown more often and possibly result in downtime.
- iv. Our Group’s utilisation rate of our prime movers, increased from approximately 81.4% for the year ended 31 December 2015 to approximately 82.0% for the year ended 31 December 2016. For the five months ended 31 May 2017 and the three months ended 31 August 2017, the utilisation rate of our prime movers was approximately 79.3% and 95.3%, respectively. 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 order to cater for our business growth, we intend to acquire 20 additional prime movers, 34 trailers and 1 lorry over the twelve months ending 31 December 2017 which is to be funded from our internal resources and finance lease for approximately S\$[REDACTED] million. As at the Latest Practicable Date, we have acquired 14 prime movers, 34 trailers and 1 lorry using internal resources and finance lease arrangements for approximately S\$2.5 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.

BUSINESS

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.

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 and storage 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\$[REDACTED] 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\$[REDACTED] 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\$[REDACTED] 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.

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

BUSINESS

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 approximately 10 months to 16 years. Similarly, our Group's top five suppliers have established business relationships with our Group for periods ranging from 1 to 15 year(s). 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

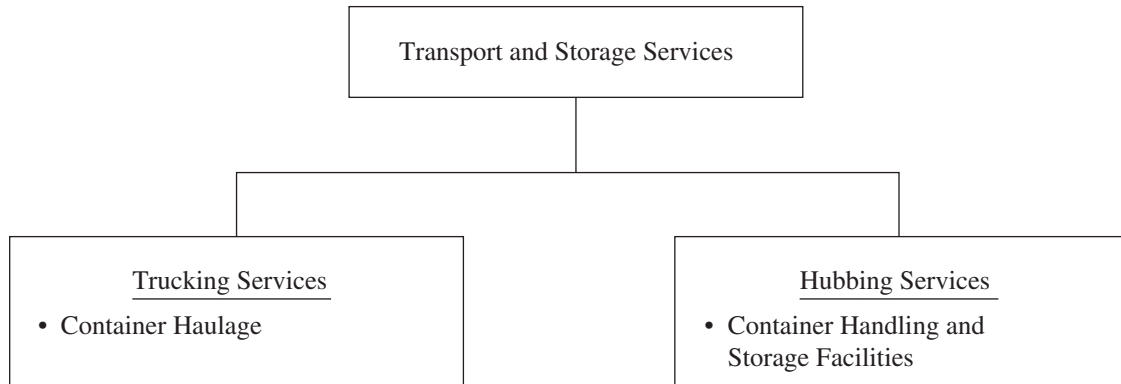
Our employees are critical to our success. We have invested, and intend to continue to invest in our employees in order to recruit, train and retain the best personnel for our business. We will continue to review and enhance our training to improve our employees' productivity and service quality and 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.

BUSINESS

3. SERVICES AND OPERATIONS

As shown in the following diagram, we offer various transport and storage 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:

	Year ended 31 December				5 months ended 31 May			
	2015		2016		2016		2017	
	S\$	%	S\$	%	S\$	%	S\$	%
	(Unaudited)							
Trucking	22,378,225	80.8	22,054,945	81.7	9,500,708	83.6	9,669,650	85.7
Hubbing	5,306,156	19.2	4,953,717	18.3	1,864,179	16.4	1,609,785	14.3
Total	27,684,381	100.0	27,008,662	100.0	11,364,887	100.0	11,279,435	100.0

BUSINESS

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 138 drivers under our employment for the provision of trucking services. Our vehicle fleet comprises 125 prime movers, 491 trailers and 7 lorries, which are all self-owned.



Prime mover



Trailer



Lorry

BUSINESS

Capacity and utilisation

Trucking revenue is our major source of revenue during the Track Record Period. It accounted for approximately 80.8%, 81.7% and 85.7% of our revenue for the two years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 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		5 months ended 31 May		3 months ended 31 August
	2015	2016	2016	2017	2017
Maximum annual trips performed ⁽¹⁾	373,492	374,119	155,744	156,527	102,594
Total actual annual trips performed	303,839	306,937	126,404	124,084	97,813
Utilisation rate ⁽²⁾	81.4%	82.0%	81.2%	79.3%	95.3%

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, 303, 124 and 123 working days for the year ended 31 December 2015 and 2016 and the five months ended 31 May 2016 and 31 May 2017 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. Our Directors are of the view that the number of trips depicts a more accurate analysis of capacity and utilisation as (i) our drivers are incentivised based on a per trip basis; and (ii) we bill our customers based on the number of trips and hence monitor this data closely so as to pay our drivers and bill our customers accurately. Time deployed data can be very varied due to traffic conditions, port waiting times and requirements of our customers. This is also the reason why our billings to our customers are based on the number of trips and not on time deployed. 11 trips is assumed to be the maximum number of trips possible per day as it was derived from the average of our drivers’ actual daily trips performed over the Track Record Period. The data of trips made by our drivers showed that the number of trips per day over the Track Record Period ranged from 7 trips to 14 trips. However, factoring in traffic jams on the public roads, port waiting times as well as the minimum and maximum trips per day being outliers, the average number of actual trips per day being 11 reflects accurately our actual capacity.
- (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.

BUSINESS

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. The average utilisation rate for the five months ended 31 May 2017 was approximately 79.3%. The lower average utilisation rate was due to (i) a decrease in the total actual trips performed for the period from 126,404 trips for the five months ended 31 May 2016 to 124,084 trips for the five months ended 31 May 2017; and (ii) for the five months ended 31 May 2017, we purchased 12 new prime movers. For the three months ended 31 August 2017, the average utilisation rate of our prime movers was 95.3%, an increase of 16.0% when compared to the average utilisation rate of 79.3% for the five months ended 31 May 2017. The higher average utilisation rate is mainly due to a 31.4% increase in average actual trips from 24,817 trips for the five months ended 31 May 2017 to 32,604 trips for the three months ended 31 August 2017. The increase in trips is due to growth in trucking volume by our existing customers and new trucking volume from new customers.

The utilisation rate of our trailers, is calculated based on (i) the average number of trailers that each driver used; and (ii) the average total number of trailers. The utilisation rate of our trailers during the Track Record Period is as follows:

	Year ended 31 December		5 months ended 31 May	
	2015	2016	2016	2017
Average number of trailers used by drivers ⁽¹⁾	353	347	353	361
Average total number of trailers ⁽²⁾	406	419	414	434
Utilisation rate ⁽³⁾	87.0%	82.8%	85.3%	83.2%

Notes:

- (1) The average number of trailers used by drivers is derived by firstly calculating the number of trailers used by each of our drivers on a daily basis. This is then summed up to arrive at the total number of trailers used by our drivers in a year and thereafter divided by the total number of working days in a year.
- (2) The average total number of trailers is derived by summing the total number of trailers our Group has at the end of each month, which might change depending on new trailer additions and/or disposals. The average total number of trailers does not take into account trailers that are sent for maintenance, special trailers that are used to transport specific goods and transfer trailers which are used solely within the hubbing yards in Jurong Island. This is divided by the total number of working days to arrive at the average total number of trailers we own for the year.
- (3) The utilisation rate of our trailers in each financial year was calculated by dividing the average number of trailers used by our drivers for the financial year by the average total number of trailers owned by our Group during the same period.

BUSINESS

The average utilisation rate of our trailers was approximately 87.0% and 82.8% for the two years ended 31 December 2016 respectively. The decline in the utilisation rate of our trailers in 2016 was mainly due to a slight decrease in the average number of trailers used by drivers from 353 trailers to 347 trailers for the years ended 31 December 2015 and 31 December 2016 respectively coupled with an increase in the average total number of trailers from 406 trailers to 419 trailers for the corresponding period. The average utilisation rate of our trailers was approximately 85.3% and 83.2% for the five months ended 31 May 2016 and 31 May 2017 respectively. The decrease in the utilisation rate of our trailers was mainly due to an increase in the average number of trailers from 414 to 434 for the corresponding period.

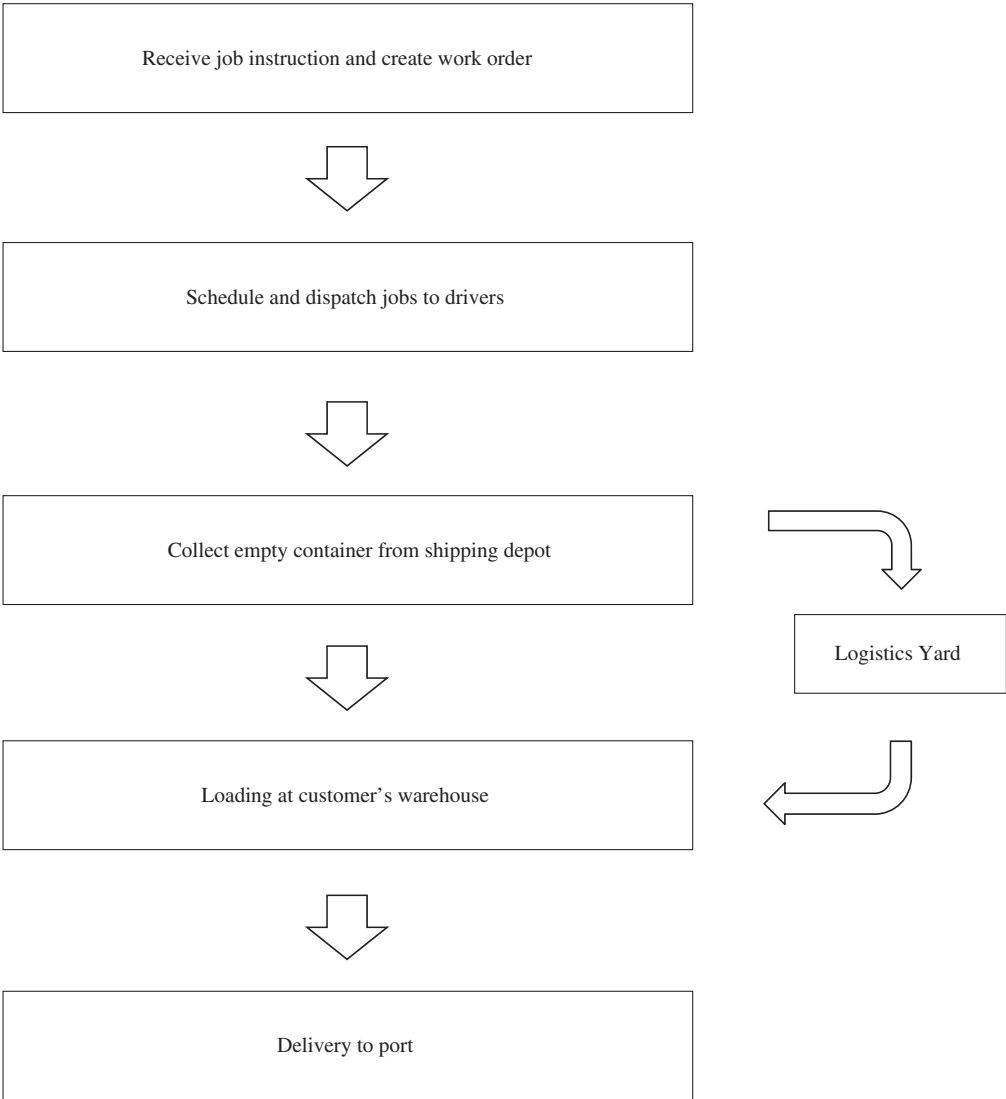
In order to increase the flexibility and cost effectiveness in the provision of our trucking services, we also occasionally engage independent subcontractors for the provision of certain trucking services. For further details, please refer to the paragraph headed “Suppliers” under this section.

The total revenue contributed by our trucking services amounted to approximately S\$22.4 million, S\$22.1 million and S\$9.7 million for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 respectively, which accounted for approximately 80.8%, 81.7% and 85.7% of our total revenue for the corresponding periods, 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:

BUSINESS

Chart 1: Export process workflow



(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.

BUSINESS

(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

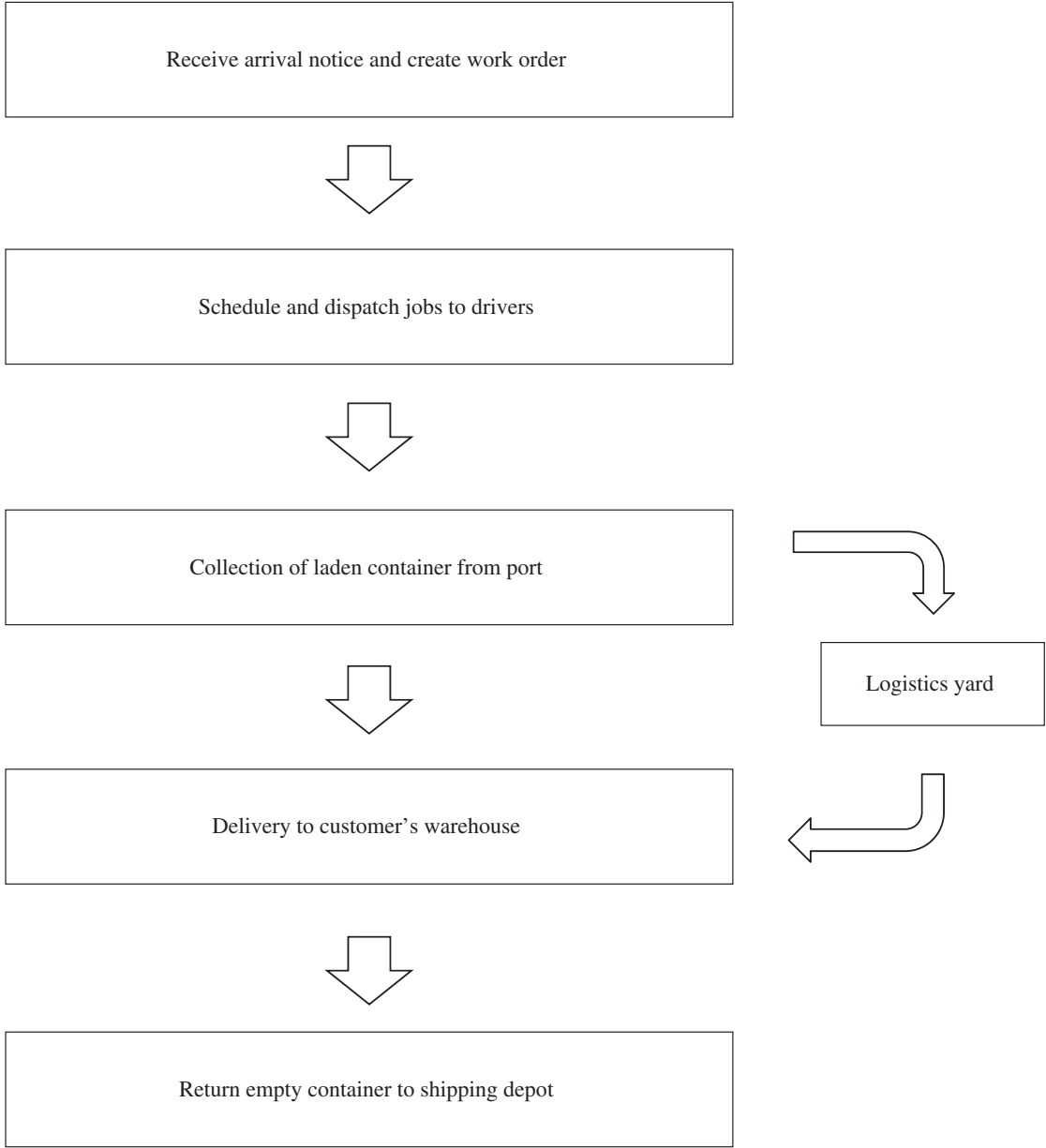
The customer will then proceed to load their cargo into the container and then place a seal on the container. After the customer has loaded the cargo, the driver will check for the seal on the container. If the seal is not intact, the driver will report back to the operations department for further instructions. 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.

BUSINESS

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.

BUSINESS

(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.

BUSINESS

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 department 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. In our Group’s hubbing business, other than the land that is leased to us, there are no other parties involved as the reach stackers, drivers and forklift operators are provided by our Group. Customers of our Group that require hubbing services are generally those involved in the import and export of goods namely freight forwarders and global logistics companies.

BUSINESS

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

3.3 Our Vehicles

As at the Latest Practicable Date, our Group’s vehicles which were still being financed under hire purchase agreements are as follows:

Vehicle Type	Units purchased via finance leases
Prime movers	22
Trailers	30
Reach stackers	2
Lorry	5

BUSINESS

We intend to apply approximately [REDACTED]% of total net proceeds from the issue of new Shares under the [REDACTED] to further increase our service capacity through the acquisition of new vehicles, namely 30 prime movers and 40 trailers pursuant to the Expansion Plan. Further details on our vehicle expansion plan can be found in the section headed “Future plans and use of proceeds — Future plans”. We do not intend to purchase new vehicles through finance leases in connection with the Expansion Plan.

The useful life and average remaining useful life of each type of our Group’s vehicles as at the Latest Practicable Date are as follows:

Vehicle Type	Useful life (years)	Average remaining useful life (years)
Prime movers	10	5.1
Trailers	10	6.6
Reach stackers	10	6.2
Lorry	10	6.2

4. CUSTOMERS

Our customers are mainly logistics service providers along the supply chain in Singapore. The cargo that we transport for our customers include various types of plastic resin. 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.

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.

BUSINESS

4.2 Pricing Policy

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

- | | |
|--------------|--|
| FCL Trucking | <ul style="list-style-type: none">• Container size (20 or 40 foot containers)• Distance required for delivery• Prevailing market rates offered by other transport and storage service providers• Fuel prices and ease of passing on fuel cost changes to the customer• Cost analysis taking into account potential increase in wages or any third-party fees• Determination of a reasonable profit margin• Length of working relationship• Number of containers transported monthly |
| LCL Trucking | <ul style="list-style-type: none">• Type of cargo• Volume of cargo• Equipment required to secure the cargo• Distance required for delivery• Prevailing market rates offered by other transport and storage service providers• Fuel prices and ease of passing on fuel cost changes to the customer• Cost analysis taking into account potential increase in wages or any third-party fees• Determination of a reasonable profit margin• Length of working relationship |
| Hubbing | <ul style="list-style-type: none">• Container Size (20 or 40 foot containers)• Volumetric weight of container• Duration of container storage• Prevailing market rates offered by other transport and storage 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 |

BUSINESS

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 the Latest Practicable Date, 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.

BUSINESS

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 (Note 1)	A private limited company incorporated in Singapore that is involved in the provision of warehousing and logistics services.	8 years	19.4
Gilmon Transportation & Warehousing Pte Ltd (Note 2)	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 C (Note 3)	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 D (Note 4)	A private limited company incorporated in Singapore that is involved in the provision of transportation support activities.	2 years	2.4
Total			<u>76.6</u>

Notes:

- (1) No publicly available financial information regarding Customer B.
- (2) For the year ended 31 October 2015, Gilmon Transportation & Warehousing Pte Ltd reported revenues of around S\$7 million.
- (3) Customer C is part of a group that is listed in Japan with net sales in excess of US\$1.8 billion for the year ended 31 March 2016 and over 9,000 employees in the group as at 31 March 2016. The Customer C group of companies are involved in logistics, warehousing, distribution processing, land, sea and air transportation, supply chain management support and port terminal businesses. For the year ended 31 December 2015, Customer C reported revenues of around S\$22 million.

BUSINESS

- (4) Customer D is part of a privately owned international logistics company, headquartered in the United States of America that have operations in over 240 cities globally. Its key operations in Singapore include air, sea and land transportation, import and export customs clearance, warehousing, distribution centre and container freight station operations, project and exhibition cargoes, chemical expertise consultancy, documentation centre and supply chain management. For the year ended 31 December 2015, Customer D reported revenues of around S\$73 million.

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
Gilmon Transportation & Warehousing Pte Ltd	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 C	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 E (Note 5)	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			78.9

Notes:

- (5) Customer E is part of a group that is listed in Japan with revenue in excess of 200 billion Japanese Yen for the year ended 31 March 2016 and over 4,400 employees in the group as at 31 March 2016. The Customer E group of companies is involved in various business including warehousing, port and harbour operations, land, sea and air transportation; customs clearance; developing, selling and operational management of logistics systems; and buying, selling and leasing of transportation and cargo handling equipment. For the year ended 31 December 2015, Customer E reported revenues of around S\$8 million.

BUSINESS

For the five months ended 31 May 2017

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	39.4
Gilmon Transportation & Warehousing Pte Ltd	A private limited company incorporated in Singapore that is involved in the provision of freight forwarding, packing and crating services	7 years	12.8
Customer B	A private limited company incorporated in Singapore that is involved in the provision of warehousing and logistics services	8 years	11.6
Customer C	A private limited company incorporated in Singapore that is involved in the provision of freight forwarding, packing and crating services	16 years	6.5
Customer Y (Note 6)	Part of a global logistics company that provides international parcel and freight delivery through road, air and ocean transport	10 months	2.5
Total			<u>72.8</u>

Notes:

- (6) Customer Y is part of a global logistics company that provides international parcel and freight delivery through road, air and ocean transport. The Customer Y group is present in over 220 countries globally with more than 350,000 employees. As at 31 December 2016, the Customer Y group reported revenue of €57.3 billion and consolidated net profit of €2.6 billion (€=Euro).

As at the Latest Practicable Date, our Group has established business relationship(s) with our top five customers for periods ranging from approximately 10 months to 16 years. Our Group’s top five customers, in aggregate, accounted for approximately 76.6%, 78.9% and 72.8% of our Group’s revenue for the years ended 31 December 2015, 31 December 2016 and the five months ended 31 May

BUSINESS

2017 respectively while the largest customer accounted for approximately 41.2%, 40.9% and 39.4% of our Group’s revenue for the years ended 31 December 2015, 31 December 2016 and the five months ended 31 May 2017 respectively. None of those customers are our suppliers.

According to the Ipsos Report, it is not uncommon for transportation service providers in Singapore to have a heavy reliance on one or a small number of major customers. Further details are set out in the section headed “Industry overview — supplier and customer landscape of the industry”. In addition to the industry expert’s view on the reliance on one or a small number of major customers by transportation service providers in Singapore, the Sole Sponsor has conducted interviews with the Group’s top five customers, the Directors and the senior management of the Group and understand that their customers’ preference and practice is to maintain the business relationships with their existing transport and storage service providers unless better alternatives are available. Notwithstanding the above, to facilitate the provision of stable logistics services, the logistics service providers tend to maintain relationships with a few transport and storage service providers in case any of the transport and storage service providers are unable to fulfil all of the customer’s order requirements due to the limited size of their vehicle fleet. Under normal circumstances, priority will be given to the existing transport and storage service providers. The Sole Sponsor notes that as the Group has over 20 years of experience in this industry, it has developed a reliable transport and storage services management team and large vehicle fleet over the years that are capable of handling large volumes of customer orders and that the Group has had long-term business relationships with most of their top five customers during the Track Record Period for over 7 years as at the Latest Practicable Date. Such long-term business relationships indicate that the Group’s customers are satisfied with their reliable transport and storage services provided and are willing to continue the business relationships with the Group. Thus, the Sole Sponsor concurs with the Directors’ and industry expert’s view that due to the scale of their operation, it is not uncommon for transportation service providers in Singapore to have a reliance on one or a small number of major customers.

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, S\$11.0 million and S\$4.4 million for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, respectively, which accounted for approximately 41.2%, 40.9% and 39.4% of our total revenue for the corresponding period, respectively.

BUSINESS

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. For the year ended 31 December 2015, Customer A reported revenues of around S\$100 million.

Customer A is the Singapore branch of a multinational logistics and distribution company. The parent company of Customer A is present in 34 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.

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 and storage service providers for the provision of similar services.

BUSINESS

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.

(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.

BUSINESS

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.

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 directly or indirectly 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.

BUSINESS

In this relation, Customer A provides a variety of services to their customers including new technologies in packaging, product storage, blending, mixing, optical sorting and compounding, project engineering and material handling in both liquid and solid form. To the best knowledge of our Directors, Customer A's end customers typically require a wider range of logistics services which extends beyond the transport and storage services our Group provides. We are not able, and have no intention, to compete with Customer A in the provision of such logistic services to Customer A's customers. Our top 5 customers are all logistics service providers and not end customers. As such, there is currently no overlap between our customers and Customer A's customers.

Despite the fact that the customer base of Customer A may be sizeable given that it is the Singapore branch of a multinational logistics and distribution company with a presence in 34 countries, our customers are primarily based in Singapore. It is unlikely that customers of Customer A which are based outside of Singapore would engage our services. A list of Customer A's customers has been set out in our service agreement with Customer A and as at the Latest Practicable Date, our Group has not had any dealings with those customers of Customer A. Based on the Ipsos Report, our estimated market share is only 0.7% of the total estimated market revenue for 2015. The non-competition clause is not expected to hinder our expansion plans going forward as there remains a large pool of potential customers in Singapore which are not 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 annual review of Customer A. 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.

Our Directors confirm that our Group has been able to satisfy the key performance indicators set by Customer A and that the Group has not failed to meet any such key performance indicators in the past.

BUSINESS

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.

Our new customers are primarily referrals from our existing customers or walk-in customers and our Directors believe that referrals from existing customers is a reflection of their satisfaction with our services.

BUSINESS

The table below sets out our Group’s approximate revenue generated from existing and new customers during the Track Record Period and the five months ended 31 May 2016 and 2017 respectively:

	Year ended 31 December			5 months ended 31 May		
	2015	2016	Approximate percentage Change	2016	2017	Approximate percentage Change
	S\$	S\$		S\$	S\$	
New customers ⁽¹⁾	25,891	667,341	2,478%	23,780	244,057	926.3%
Existing customers	27,658,490	26,341,321	(4.8)%	11,341,107	11,035,378	(2.7)%
Total	<u>27,684,381</u>	<u>27,008,662</u>	(2.4)%	<u>11,364,887</u>	<u>11,279,435</u>	(0.8)%
Approximate % of total revenue						
from new customers	0.1%	2.5%		0.2%	2.2%	

Note

- (1) New customers refer to those customers which were new to our Group in a given year or period and would be subsequently classified as existing customers in the following year or period. These include Customer V, Customer W, Customer X, Customer Y, Customer Z and others.

In May 2016, we commenced business relationship with Customer Z. Customer Z is a private limited company involved in steel trading. The revenue generated from Customer Z for the year ended 31 December 2016 amounted to approximately S\$0.18 million, which represented approximately 0.7% of our total revenue for the year ended 31 December 2016. For the five months ended 31 May 2017, revenue generated from Customer Z amounted to approximately S\$0.04 million, which represented approximately 0.4% of our total revenue for the corresponding period. The expected revenue contribution from Customer Z for the years ending 31 December 2017 and 2018 is approximately S\$0.2 million and S\$0.2 million respectively.

In November 2016, we commenced business relationship with Customer Y which is part of a global logistics company that provides international parcel and freight delivery through road, air and ocean transport. The revenue generated from Customer Y for the year ended 31 December 2016 amounted to approximately S\$0.09 million which represented approximately 0.3% of our total revenue for the year ended 31 December 2016. Revenue generated from Customer Y was a small percentage of our Group’s total revenue for the year ended 31 December 2016 as the business relationship only commenced in November 2016. For the five months ended 31 May 2017, the revenue generated from Customer Y amounted to approximately S\$0.3 million which

BUSINESS

represented approximately 2.5% of our total revenue for the five months ended 31 May 2017. The expected revenue contribution from Customer Y for the years ending 31 December 2017 and 2018 is approximately S\$0.4 million and S\$0.5 million respectively.

For the five months ended 31 May 2017, our Group secured revenue with three new customers to our Group, Customer V, Customer W and Customer X. For the three months ended 31 August 2017, we commenced business with several new customers.

Customer V is a global logistics company offering services such as international freight forwarding, warehousing and transportation. Our Group will be providing trucking services to Customer V, primarily the movement of cargo to/from Customer V's warehouse or other designated locations. We commenced trucking for Customer V in January 2017 and for the five months ended 31 May 2017, revenue generated from Customer V was approximately S\$0.1 million, which represented approximately 0.8% of our total revenue for the corresponding period. The expected revenue contribution from Customer V for the years ending 31 December 2017 and 2018 is approximately S\$0.1 million and S\$0.2 million respectively.

Customer W specialises in the storage and handling of soft and hard commodities through the provision of warehouse management services. Our Group will be providing trucking services to Customer W, primarily the movement of cargo to/from Customer W's warehouse or other designated locations. The trucking agreement commences from March 2017 for a period of one year and will be automatically renewed for another year unless terminated by either party by giving one month's written notice. For the five months ended 31 May 2017, revenue generated from Customer W was approximately S\$0.1 million, which represented approximately 0.8% of our total revenue for the corresponding period. The expected revenue contribution from Customer W for the years ending 31 December 2017 and 2018 is approximately S\$0.2 million and S\$0.3 million respectively.

Customer X is part of the same global logistics company as Customer Y. Our Group will be providing trucking services to Customer X, primarily the movement of cargo to/from Customer X's designated locations. The trucking agreement commenced from April 2017 and will remain in force unless terminated by either party via written notice. For the five months ended 31 May 2017, revenue generated from Customer X was approximately S\$0.04 million, which represented approximately 0.4% of our total revenue for the corresponding period. The expected revenue contribution from Customer X for the years ending 31 December 2017 and 2018 is approximately S\$1.2 million and S\$2.2 million respectively.

For the three months ended 31 August 2017, we commenced business with several new customers including the provision of trucking services to them. Revenue generated from these new customers was approximately S\$0.2 million, which represented approximately 2.6% of our total revenue for the corresponding period.

BUSINESS

Our Directors believe that we have been able to attract sizeable logistics service providers as new customers primarily due to:

- (a) our business focus on rendering trucking and hubbing services which is advantageous to us in securing contracts with these logistics service providers as compared to our competitors which, other than providing transport and storage services, may also have conflicting businesses with these logistics service providers in import and export, freight forwarding, covered warehouse operations and/or the provision of other logistics services; and
- (b) our experience and proven track record in the transport and storage services industry.

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 and storage services 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 and storage 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 and storage service industry. We consider them to be critical in driving our future business development forward.

4.9 Market drivers and market barriers

In accordance with the Ipsos Report, there are certain market drivers and market barriers to the transportation and logistics market in Singapore. The impact of such market drivers and market barriers on our business is as follows:

Population Growth and Urbanisation

The Ipsos Report mentions that population size and urbanisation help to spur growth and demand for goods and services which in turn provides opportunities for road haulage activities indirectly. The continued growth in the Singapore population and its urbanised nature is likely to spur growth in demand for goods and services and indirectly increase demand for trucking services provided by our Company.

BUSINESS

Global Logistics Hub

The Ipsos Report notes that Singapore is a global hub for third-party transportation and logistics providers, providing services ranging from sea and air freight, local transportation, warehousing and other value-added services for products coming into or transiting Singapore. More than 20 of the world’s top third-party logistics providers are based in Singapore and these include companies like DHL, Yusen Logistics, NYK Logistics and Nippon Express.

Our new customers during the Track Record Period included some of these top third-party logistics providers which are based in Singapore. Whilst business volumes with such new customers may have been small during the Track Record Period, business volumes are expected to increase as the business relationship deepens over time.

Stable Economy

The Ipsos Report notes that the stability of Singapore’s economy will become a platform for growth and sustainability for the transportation and storage sector. This growth and sustainability for the transportation and storage sector is beneficial to all participants in the sector including ourselves.

Competition from Experienced and Mature Industry Players

The Ipsos Report notes that experienced and mature industry players have spent many years building reliable transport and storage services and large vehicle fleet over the years, capable of handling large volumes of customer orders. Our Group has similarly developed our transport and storage services and vehicle fleet incrementally over more than 20 years to reach our present day scale. New entrants to the industry, which will have to compete against experienced and mature industry players like our Group, may find it challenging to procure contracts with potential clients due to the time required to develop the necessary networks.

Rising Cost

The Ipsos Report notes that transportation and logistics cost are on the rise, attributed by the shortage in local labour, particularly 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 closely monitor our labour cost and service pricing from time to time to ensure that our margins are not eroded by rising cost.

BUSINESS

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 and the five months ended 31 May 2017, our Group's top five suppliers accounted for approximately 39.5%, 35.3% and 48.1%, 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. Our largest supplier for each respective period accounted for approximately 17.0%, 17.1% and 17.7%, 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.

During the Track Record Period, the main costs of our Group's business, which includes staff costs, port and depot charges, vehicle cost and fuel cost, experienced a decrease. Staff cost, primarily wages to our drivers, are dependent on the number of trips made and the trip distance. Port and depot charges are incurred due to the use of port and depot facilities, and such costs are charged back to our customers as these are costs related to the transportation of their containers. Vehicle costs are not readily passed on to our customers as they include motor vehicle insurance, maintenance, repairs and depreciation. Fuel cost refers to the cost of petrol and diesel required to run our vehicles. The ability of our Group in passing this cost to our customers depends on our quotations provided to them. Our quotations generally include a clause that allows for changes in our quoted pricing based on changes in the consumer price index and new government policies that affect our industry, diesel, tyres and insurance prices subject to our customer being given a one-month notice period.

BUSINESS

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

For the year ended 31 December 2015

<u>Supplier</u>	<u>Background</u>	<u>Principal business with our Group</u>	<u>Approximate length of business relationship with our Group at Latest Practicable Date</u>	<u>Approximate % of our total costs of sales</u>
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>39.5</u>

BUSINESS

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 (Note)	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><u>35.3</u></u>

Note: For the year ended 31 December 2016 and the five months ended 31 May 2017, we provided trucking services to supplier F and our revenue attributable to Supplier F in this respect amounted to approximately S\$3,000 and S\$0.1 million, respectively. Whereas we did not provide Supplier F with any trucking services for the year ended 31 December 2015. For the year ended 31 December 2016 and the five months ended 31 May 2017, our leasing of the logistics yard from Supplier F accounted for approximately 3.6% and 5.4% of our total cost of sales, respectively.

BUSINESS

For the five months ended 31 May 2017

Supplier	Background	Approximate length of business relationship with our Group as at Latest Practicable Date	Approximate % of our total cost of sales
Supplier G	A private limited company incorporated in Singapore involved in the manufacture of heavy commercial vehicles and diesel engines	5 years	17.7
Supplier A	A public company incorporated in Singapore that is involved in the operation of ports in Singapore	15 years	13.0
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	10 years	8.8
Supplier F (Note)	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	1 year	5.4
Supplier D	A private limited company incorporated in Singapore that is involved in sale of tyres and batteries	6 years	3.2
Total			<u>48.1</u>

Note: For the year ended 31 December 2016 and the five months ended 31 May 2017, we provided trucking services to supplier F and our revenue attributable to Supplier F in this respect amounted to approximately S\$3,000 and S\$0.1 million, respectively. Whereas we did not provide Supplier F with any trucking services for the year ended 31 December 2015. For the year ended 31 December 2016 and the five months ended 31 May 2017, our leasing of the yard from Supplier F accounted for approximately 3.6% and 5.4% of our total cost of sales, respectively.

BUSINESS

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 and storage service industry.

6. SEASONALITY

Our Group's business performance is not affected by seasonal factors.

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 and storage process to ensure efficient flow of services.

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 and storage 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.

BUSINESS

8. QUALITY CONTROL

Our Group considers that the ability to maintain the quality of our transport and storage 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 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.

BUSINESS

(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 for new diesel vehicles is set to come into force in Singapore from 1 January 2018. As part of the National Environment Agency's continued effort to further improve air quality and safeguard public health in Singapore, this latest and more stringent standard will serve to further reduce the emission of air pollutants such as fine particulate matter and nitrogen oxides emission from diesel vehicles. Once the Euro VI emission standard comes into force, new diesel vehicles sold in Singapore will have to comply with this latest standard. Existing diesel vehicles will not be affected and will not be required to comply with this Euro VI emission standard.

As part of our fleet expansion plan, our Group intends to purchase more environmentally-friendly vehicles and replace our older fleet which are less environmentally-friendly. To the best of our Directors' knowledge, there are no Euro VI compliant diesel prime movers currently available for sale in Singapore. As such, we will be purchasing vehicle models which comply with the existing Euro V emission standard. We intend to purchase vehicles which comply with the Euro VI emission standards once these vehicle models are available in Singapore. As (i) the Euro VI emission standard for new diesel vehicles is set to come into force in Singapore only from 1 January 2018 and (ii) to the best of our Directors' knowledge, there are no Euro VI compliant diesel prime movers currently

BUSINESS

available for sale in Singapore, any diesel vehicle acquired prior to 1 January 2018 is unlikely to be Euro VI emission standard compliant. Further details on our vehicle expansion plan can be found in the section headed “Future plans and use of proceeds — Future plans”.

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.

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:

BUSINESS

- (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
- (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.

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

BUSINESS

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 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.

In response to the accident, we have also issued an internal memo to all drivers to remind them to stay vigilant while driving and ensure that all traffic rules are to be abided with at all times.

On initially becoming aware of the accident, the Sole Sponsor has obtained reference documents from the Company. During the course of due diligence exercise performed by the Sole Sponsor, we have reviewed, among other things,

- (i) Singapore accident statement dated 28 November 2016 made by the Company;
- (ii) statement made to the Singapore Police Force on 25 November 2016 made by the Driver;
- (iii) statement made to the Singapore Police Force on 29 November 2016 made by the Driver;
- (iv) the video of the accident from the dashboard camera of a vehicle which was behind the Vehicle and the second vehicle during the accident;
- (v) the litigation search result performed by our Company's Singapore legal adviser;
- (vi) the motor vehicle insurance purchased by our Company;
- (vii) the Directors' representations in respect of the accident; and
- (viii) the legal opinion issued by our Company's Singapore legal adviser in respect of the accident.

BUSINESS

In addition to obtaining the relevant supporting documents to support the management’s view on the accident, the Sole Sponsor has further discussed with our Directors and our Company’s Singapore legal adviser to assess the likelihood that the driver, our Company and our Directors would be adjudged to be liable for their own direct negligence with respect to the accident. After performing the relevant due diligence, given that as at the Latest Practicable Date, neither criminal charges have been brought against the driver or our Company or our Directors, nor civil claims have been filed in the Singapore Court against the driver or our Company with respect to the accident, the Sole Sponsor concurs with our Directors’ view, with reference to the legal opinion issued by our Company’s Singapore legal adviser, that the chance that the Group will incur material liabilities in connection with this accident is remote.

During the Track Record Period, save as the accident disclosed in the section headed “Business — 9. Environmental protection, health and work safety”, 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.

BUSINESS

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.

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

13.1 Properties related to logistics service agreements

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 Supplier 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	Supplier 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.

In January 2017, we have also entered into a logistics service agreement with an Independent Third Party for the use of land at Penjuru Road. We currently use this location for vehicle parking purposes. We have been purchasing more prime movers and trailers to facilitate our expansion plan, and that plot of land at Penjuru Road is intended to be used for additional designated parking space to park our prime movers and trailers and for obtaining the required VPC to demonstrate that those prime movers and trailers have sufficient designated space for parking purpose. As advised by our Singapore legal advisers, a registered owner or purchaser of a heavy vehicle or trailer is required to procure designated parking space to park such heavy vehicle or trailer in accordance with the requirements of Rule 4 of the PPR, and upon compliance of such requirements, to apply for the VPC

BUSINESS

in respect of such heavy vehicle or trailer. Please refer to the section headed “Regulatory Overview — Laws and Regulations of Singapore — Laws and regulations relating to motor vehicles — (i) Registration, licensing and certification regime” for details.

Location of property	Approximate area (square feet)	Nature	Service Provider	Expiry date of service agreement
Penjuru Road	35,000	Vehicle parking yard	Independent Third Party	31 December 2018

13.2 Owned properties

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

Location of property	Approximate area (square feet)	Nature	Tenure
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

The above properties do not form part of our Group’s property activities. As at 31 December 2015, 31 December 2016 and the five months ended 31 May 2017, the total carrying amounts of the property interest owned by the Group as listed in the above table are S\$0.7 million, S\$0.7 million and S\$1.1 million respectively, and the total assets of the Group as at 31 December 2015, 31 December 2016 and 31 May 2017 are S\$17.4 million, S\$17.7 million and S\$20.5 million respectively. No single property interest forming part of our Group’s non-property activities had a carrying amount of 15% or more of our Group’s total assets as at 31 December 2015, 31 December 2016 and the Latest Practicable Date. Thus, no valuation report for our offices has been included in this document as it is exempted under section 6 of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) from compliance with the requirements of section 342(1)(b) of the CWUMPO in relation to paragraph 34(2) of the Third Schedule to the CWUMPO, and also Rules 8.01A and 8.01B of the GEM Listing Rules are not applicable.

BUSINESS

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.

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 the five months ended 31 May 2017, our total insurance premiums was approximately S\$0.2 million. For further details, please refer to the section headed “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.

BUSINESS

Our Directors confirm that our Group was in compliance with all applicable laws and regulations which are relevant to our business during the Track Record Period and up to the Latest Practicable Date.

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.

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 headed “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 4.7 headed “Our relationship with Customer A” in this section.

BUSINESS

Primary operational risks	Risk management measures
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.

19. EMPLOYEES

Our Group has a total of 174 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.

	As at Latest Practicable Date
Management	6
Transportation (Drivers)	138
Operations	15
Sales and marketing	1
Finance and accounting	2
Administration	7
Customer service	5
Total	<u>174</u>

As at the Latest Practicable Date, our Group consist of 102 local employees and 72 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.

BUSINESS

19.2 Recruitment

Our Group recognises that our success in the transport and storage 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.

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, S\$8.2 million and S\$3.3 million for the years ended 31 December 2015 and 31 December 2016 and the five months ended 31 May 2017 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.

BUSINESS

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 an 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 is 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].