**Cetus-ChatGPT Bot Data Bank**

*This is a summary of DD Q&A. It’s a learning file created for our ChatGPT Bot to generate reply automatically.*

**Question: Please list all the types of data on your platform following the order of priority?**

Answer:

We mainly focusing on structured data right now, such as

i) Order, Client, Vendor, Route & Rates

ii) Warehouse, inventory, inbond, outbond

iii) Truck location, fuel consumption, speed, temperature etc.

**Question: What information your platform can track during transportation? At what frequency?**

Answer:

1. During transportation, we can track the information of a truck to monitor the real time location and status, so that we can estimate the arrival time and make alert for the unusual cases, information includes

i) Truck Location

ii) Driving behavior, like driving speed

iii) Fuel consumption (partial trucks)

iv) Temperature of the truck (partial trucks)

1. The frequency is every 5 mins for truck is engine on. For truck which is engine off, signal will be uploaded to platform immediately once it’s engine on. But if the signal is weak, it might take longer time

**Question: How does a smart dispatching system work? What information does the dispatching system provide? Does the platform dispatch task completely without human input? If so, what factor do you consider in your model for smart dispatching? And how it can help Cetus’s revenue and margin? Please give a detail explanation?**

**Question: (Others) As skilled drivers retire and become younger, what kind of incentives do the company think will be important, for example, allocate transportation orders according to customer's feedback about driver's skills? What do you think is the most important incentive for both Cetus and drivers besides the subsidies?**

Answer: Our smart dispatch is based on our effective vendor management, system will recommend the dispatch truck and operation team just need to confirm the actual availability to avoid actual offline issues

1. Because the majority of clients' logistics management is somewhat conventional, their demand for digitalization solutions is relatively modest. They will not utilise system or Apps as individual customers; thus, we must phone or message them to check for certain details. It’s the same for the truckers, most of which are SME trucking companies, with averagely less than 10 trucks. Therefore in practise it’s half-automated as blow:
2. Trucker profile are all recorded in the system, e.g.truck type, garage location, historical routes and performance, and which clients they have been locked-in by contracts.
3. For lock-in clients with lock-in truckers, the system can identify truckers based on matchmaking. And what the operation team need to do is just confirming the ts with the truckers by emails, phone calls or messages, although there are system dispatch notification too.
4. For on-call clients, the system can also help to recommend truckers with price by identifying the truck type, commodify, pick up with the route and others. After that our internal operations can based on the recommendation to reach out to truckers for availability and negotiate for price.

2) In the vendor management and value creation: our management process is to set trucker performance assessment measures, maximise the utilisation of good truckers (Core truckers), and forge a long-lasting, positive relationship with them. Meanwhile, we also provide the supporting such as faster payment, financial tools and more stable trips to them to increase their loyalty.

3) We train all truckers continuously, monitor and analyse their SOP and KPI performance. This helps to enhance the quality of our services provided. Also, based on the preceding analysis, we have classified our truckers into three categories: Core, Normal, and Blacklist. The booking will be given to trucker who is core first, then moving to normal truckers. We will give some trips to normal truckers to test their performance also to ensure we continuously adding core truckers in our trucking pool. Please refer to “Vendor relationship management and strategy” for more details.

For how this will impact on revenue and margin, please refer to “Unit Economics Analysis: Value Chain Positioning and the Base of Competency”.

**Question: Vendor relationship management and strategy?**

Answer: Since our business model is distinct from marketplaces, truck utilisation is not a significant KPI for Cetus to serve its clients or compete in the market, but as long as we have a large enough pool to select truckers with acceptable service quality and price.

* Cetus distributes orders to all truckers, but the high performing truckers will continuously receive more orders as a reward.
* From the chart, the longer the trucker stays an active high-performer with Cetus, the more trips they get. Consequently, with more trips rewarded, trucker will consistently perform well.
* Trucker keeps being an active performer ↔ Cetus rewards the trucker with more trips which lead to a win-win situation.

For core truckers who share values of Cetus and provide high quality services, their business continues to grow with our over all business grow.

With their outstanding service, we are intentionally reward them with high value orders and other supports such as SCF services. Their occupancy in the total revenue kept increasing.

**Question: How does each truck connect to your platform? Do the hardware and sensors are pre-requisite for a trucker or truck registered in your platform? If they have existing devices, can they still be connected?**

**Answer:** All current or truckers have access to the system for functions such as vehicles monitoring and POD submissions. For more details regarding available functions please refer to the “***System Module Introduction***”.

We use a hardware IoT solution (GPS) as opposed to a software tracking solution, which ensures that even if there is no signal (which is common in rural Southeast Asia), we can still obtain the current location and status of the specific trips, saving a significant amount of manual effort (monitoring and double-checking) during delivery. As soon as a vehicle leaves a city while using an app for tracking, it will lose signal and stop tracking.

Already around 300 truckers are equipped with GPS, and abc% of our core truckers are equipped with GPS. It’s not prerequisite for all truckers but depends on what clients they will service and goods type of clients. They still need to connect if they have existing devices if the allocated orders need tracking, but compared to the revenue they gain from the orders, the cost of device installation is limited.

**Question:** **How is the re registration process at your platform? Base on trucker or plate/truck?**

**Answer:** It’s based on trucker as a company instead of per driver or plate. The onboard process include both system registration and training on system, general service standard and also client specific KPIs and SOPs.

* For the system registration and documents required, please refer to ***“Trucker System Registration Process”***;
* For whole process please refer to the pdf ***Internal Process - Logistics Dept (Transportation Department)*** provided separately; and
* For client specific training sample please refer to the pdf ***Trucker Training - Sample - POD Printable Guideline*** provided separately.

**Question: Please explain the definition of active trucker/plate?**

**Answer:** Active trucker/plate: truckers and trucks (defined as “plate”) which have orders from Cetus for a certain month.

**Question: After placing the order, does the platform give automatic pricing to the clients? How does it work?**

Answer:

For more details can refer to the Cetus Internal Process - Logistics Dept and System Demo (both video and slides) as provided separately.

**Question: Founding year; Why/How did sk start this business at the beginning? Does it relate to sk’s family business?**

Answer: The founding year of the business is 2014. After graduating from university, sk joined his uncle's family business, which mainly operated in traditional industries such as real estate and entertainment in over a dozen countries. After a few months, sk was dispatched by his uncle to the Philippines to oversee local business management and development. Despite not knowing English and not knowing where the Philippines was, sk gradually fell in love with the country. At the same time, he realized that his uncle's industry was not his personal interest. Due to his university background in information system development, he eventually left his uncle's business and founded Cetus, which later also expanded into other countries in the region. This business was previously focused on IoT tracking and TMS systems, but in late 2018 it became a direct logistics vendor backed by its own-developed system. Cetus is not related to sk’s family business.

**Question: System Module Introduction?**

Answer: As a B2B Platform, we are leveraging our systems to automate the operation process, reducing internal manpower cost, and further improve the efficiency.

|  | **Related Business** | **System** | **Function Description** | **User** (core users highlighted in ***BOLD***) | **API Availability** |
| --- | --- | --- | --- | --- | --- |
| **I** | **Transportation and Logistics Services** | **TMS (Transportation Management System)** | Cetus TMS is mainly used by internal staff in managing delivery trips requested by customers and fulfilled by partners. Customer and partners are able to access TMS via shipper and trucker portal respectively to manage and monitor their deliveries.  Functions includes the whole client lifecycle, vendor lifecycle, trip bookings and trip delivery monitoring with POD management. | **1. Internal users**  2. Clients  3. Logistics vendors | Booking Trip Status |
| **FMS (Fleet Management System)** | A full-featured platform for IoT and telematics allows for managing fleets more efficiently. Compatible with GPS device and easily integrates with internal systems like TMS.  Cetus FMS already served clients in the Philippines and Thailand. Our IoT Fleet Management Solution clients include Logistics, Telecommunications, and Manufacturers. | **1. Internal users**  **2. Client**  3. Logistics vendors | Fleet Status |
| **II** | **Warehousing and Storage Services** | **WMS (Warehouse Management System)** | Cetus WMS is an internal management system for warehouse staff to record warehouse basic information, perform inventory management, inbound and outbound management and planning | **1. Internal users**  2. Client | Inventory Status |
| **III** | **Financial Module** | **SAP Business One (Finance)** | Cetus implemented the SAP Business One (Finance Module) as the the core finance management module, also customized the POD and billing / payment process based on our own process | **1. Internal users** | NA (internal use only) |

**Question: Trucker System Registration Process?**

Answer:

Step 1 - Creation of Trucker TMP Account (Internal Operations)

Step 2 - Creation of Trucker TMP Account (Internal Operations)

Step 3 - Uploading of Trucker’s Documents (Internal Operations & Trucker)

Step 4 - Adding Watermark in Delivery Proposal and/or other documents (Internal Operations)

**Question: Truckers: What kind of contract does Cetus sign with truckers? Is it a standardized service agreement? One-time or yearly contract?**

**Answer:** The trucker signs two contracts - the first being a service level agreement (“SLA”, which is a framework agreement with no fixed period). Please refer to ***Sample Contract*** as provided separately for SLA. For each customer, a separate proposal is signed to confirm the price and services with certain vendors, based on the validation date of the customer's price and service.

**Question: Lock in clients: What kind of framework contract Cetus will sign with clients? What information will include in the framework contract? On-call clients: Do you need to sign a contract for each order? What will be the workflow? From the customer placing an order to completion of the logistic services? Does the workflow is different for lock-in clients and on-call clients?**

**Answer:**

* Our business model is distinct from marketplace firms such as Lalala, Mumumu, and Gegege because we operate in the B2B/broker mode.Rather than dealing with individuals, **our clients are often enormous organizations with an average trip length of around 24 hours and a weight of 5 tons.** As long as we have a large enough pool to select truckers with acceptable service quality and price, this is Cetus's fundamental value as a contract logistics provider.
  + **Lock-in clients are those who have signed a service level framework contract (usually 1-3 years) with us and have already agreed on a price for specific routes.** About abc% of our orders and revenue are from lock-in clients rather than using an on-demand service. For lock-in clients price and service quality are what matter. **For lock-in clients, a dedicated trucker will be provided for daily operations.** Typically, we assign one trucker to one lock-in client and provide them additional on-call clients and backloads if they are performing well and have excess capacity, which is due to
    - Most trucking companies are small and medium-sized enterprises; their fleet sizes are insufficient to serve several clients.
    - Several devoted clients for a single driver will lead to disputes, hence affecting our service quality to clients.
  + **On-call clients: we sign simple contracts or RFQ with them for one or a few trips for a certain period of time based on their needs.** The price is based on negotiation for each demand. Normally there’s no delicate trucker assigned specifically to these clients.

Please refer to ***Sample Contracts*** that provided separately for the differences too.

**Question: Do all the transactions/orders go through the platform? Is any order made offline? If so, what’s the percentage of offline orders?**

**Answer:** All of our clients have access to our system in order to transmit orders tracking and monitor their trips. Nonetheless, it is up to the client to decide whether to use these functions. API features are available too. For more details regarding available functions please refer to “***System Module Introduction***”.

However, Cetus's primary competitive advantage is its business strategy with system and data supports, as opposed to system alone. Our important metrics for client will be the pricing and service, which can be determined by new client accreditation, redevelopment ratio (growing wallet share with a similar customer) and even service line extensions with us. And because the majority of clients' logistics management is somewhat conventional, their demand for digitalization solutions such as API connectivity is relatively modest.

As a result, the performance metrics and speed of new driver certification are what we measure most for truckers, rather than system usage rate.

In conclusion, while the data-driven platform offers customers the convenience of ordering through online forms or API, it is not the main concern for most of our clients. Rather, they prioritize price and service quality. For a better understanding of how Cetus contributes to the value chain and attracts clients, please refer to “*Unit Economics Analysis: Value Chain Positioning and the Base of Competency*”

**Question: Cetus’s competitive edge compared to big players like DHL, Nippon Express, etc.? How do you plan to beat them in each region? Regardless the business model, who are your strongest competitors in the Philippines, Thailand, Vietnam, and Malaysia? What’s your strength compared to theirs?**

Answer: Our competitors are transitional MNC 3PLs and also local medium sized to large logistics players. Please refer to “***Rivalry Analysis***”.

These mentioned competitors also require a large number of external third parties to support their FTL in Southeast Asia. When they use third parties, it can be very difficult to track and manage the shipment. In order to confirm the current location of the truck, their internal team must spend a significant amount of time calling, recalling, and examining the pictures sent by the driver. As a result, certain logistics players are also our clients for Supply Chain Tech services, particularly for IoT hardware tracking.

Please refer to“***Unit Economics Analysis***” and “***Business model analysis***”which are relevant to this topic.

**Question: The structure and use of the Cetus 4L frame?**

Answer: Cetus's profit source and competitive advantage are not solely from customers or vendors. Based on a deep understanding of the needs of multiple business participants, we have built our own Cetus 4L frame to continuously improve efficiency and meet the needs of all partners.

* Client’s goal: The client aims to reduce overall logistics costs, which includes transportation, warehousing, and management expenses. At the same time they expect to receive a consistent level of service quality and to reduce inefficiencies and increase productivity in the operation;
* Vendor’s goal: Improved overall revenue (as measured by the assets utilisation ratio), enhanced cash flow, and increased management effectiveness are the objectives of the vendor. They try to pay all fixed and variable costs of their daily operations on a monthly or annual basis and earn as much as possible, therefore they are concerned with total trip revenue rather than rate for a single trip.
* Cetus’s goal: Increase revenue based on enhanced relationship with both clients and vendors (“partners”) and improved gross margin.

In the end, we were able to achieve our goal of providing clients with a reduced rate, bringing higher revenue to vendors, while yet keeping a larger profit than other competing logistics providers.

Cetus has built a four layers framework to be able to differentiate itself and thus command a price premium, and operate at a lower cost than its rivals too, including:

| Supply Chain Financing CVT Support | We have achieved faster payment to vendors and support the clients better. This helped us to acquire more qualified vendors, enhance the vendor and client stickiness and maintaining a healthy cash flow. Moreover, both clients and vendors have been benefited from the IoT solutions to enhance their fleet management and resources planning. |
| --- | --- |
| Data-Driven optimization, management and execution | **Data analytics applied into identified key processes** to achieve cost advantages and competency in operational efficiency, such as:   * **“Big data” + “Route and Price Algorithm”** to provide the edge on pricing by quickly identifying range with multiple metrics; * By utilizing **transit warehouses** and **integrated warehouse and distribution solutions**, we have lower cost and added flexibility; * With **dynamic performance ranking**, and **dispatching optimization**, we’ve acquired lower rates and higher responding speed. |
| System and Intelligent Data Center (IDC) | Powered by Cetus own developed System and Intelligent Data Center, our operation manpower efficiency is significantly higher than industry standard. |
| People, organization process, and vast network | Supported by organization management and strong offline execution, we’ve established a vast and strong network of vendors across the country. This provide us more pricing options as the base to always run on a lower cost and rapid in reactions. |

**Question: How to improve dispatching efficiency and volume of core truckers, to lower per trip cost of revenue?**

Answer: As a light-asset logistics company, Cetus relies on its vendors for various aspects. Only the high performing vendors will continuously receiving more orders from Cetus as reward. As for these vendors, Cetus also support them through different methods and tools to achieve win-win situation.

1. Increased income and assets utilization ratio; and performance based rewarding mechanism.
2. Improved operational efficiency and save expenses due to Cetus wide customer accounts pool, function support, lean process and digital tools.
3. Improved cash flow and financial support. Due to Cetus faster payment and financial support to reduce pressure.

**Question: Business model analysis - Cetus broker model comparisons with marketplace players?**

Answer:

|  | **Broker mode (managed service)** | **Marketplace mode**  **(on-demand matchmaking, Unie or Mumumu model)** |
| --- | --- | --- |
| Target Clients | MNCs and enterprise with frequent logistics demands. Usually as contract logistics and lock-in transportation. Both service quality and costs are considered. | Ad hoc demands of enterprises (<20%), SMEs and individuals; No regular needs or small volume required with a focus on prices. |
| Business Model | 1. In our understanding, enterprise clients desire a full set of logistics solution and high quality of service. The real problem is not that companies can’t find drivers or trucks, but the fact that the supply of high-quality service is insufficient. Therefore, in the fragmented market, our business model aims to consolidate the small trucking vendors (“truckers”) and equip them with the capacity to work with larger firms instead of just individuals or SMEs. This will ultimately enable them to take more orders and reduce waste.  2. Pricing model of Answer: dynamic pricing based on rates proposed by clients or cost provided by truckers, which provide space for further optimization and profit margin improvements in the future as volume keeps increasing.  3. Cetus has developed the Data-Driven Broker Model. That is, we assign orders to truckers depends on certain key criteria: such as a trucker's industrial experiences, type of vehicle, training received from us and past performance (e.g. trucker behaviour and other data collected by Cetus IoT network) with us, and also the routes optimization and trucker location. By leveraging the data and technologies to a large extent, this selection process is to make sure that orders will be handled by most suitable drivers instead of any drivers in the pool.  4. At the same time, as a digital aggregator, Cetus helps corporates to reduce management cost by reducing the numbers of truckers/drivers to deal with. | 1. The matchmaking platform mainly solves the problem of information asymmetry. It is more suitable for processing relatively simple orders, such as orders from small and medium-sized companies and individual orders.  2. For Enterprises, In Unie/Mumumu model, the companies may still need to handle all the truckers by themselves and leads to management cost, since drivers from matching platforms cannot communicate directly.  3. In the marketplace structure, it’s usually the bidding model for pricing which are popular among Unie/Mumumu Model players, and the platform will gain a fixed percentage of total price and/or a fixed handling fee. Therefore there would be less space for margin optimization. |
| Target Markets | 1. By Country: In the region, Cetus’s target markets include two existing:  Philippines and Thailand; and two to enter soon: Vietnam and Indonesia.  2. By Industry: Cetus aims to provide services to all industries that with high contracted FTL demand. Existing customer of Cetus are from various sectors, include FMCG, manufacture, telecommunications, food and beverage, cold chain, e-commerce and others. By working with all these companies, Cetus has accumulated expertise and confidence to craft solutions for different industry enterprises. | 1. Most of VC-backed players in SEA are not shared the same geographical targets as Cetus at current stage. None of the players are originally from Philippines and most of them are still in one country market without expansions.  2. In comparison, some of Unie/ Mumumu Model players may only focus on certain industries, such as FMCG, which also different from Cetus’s operation. |
| Ranges of service | 1. Cetus focuses on first mile (from the port/terminal to the central warehouses) and middle mile (from the central warehouse to the distributions centers and stores) full truck load services (“FTL”). We mostly utilized bigger trucks like tractor heads, 4W, 6W, 10W both cold and dry van, and also long-distance trucking and distribution.  2. Beside domestics transportation and TMS, Cetus also provide cross-border shipments, warehousing management services and WMS, and other value added services such as supply chain finance and IoT SaaS (supply chain technologies). | 1. For domestics trucking business, different startups may focus on different segments on the value chain, such as some focused on ports only some are more for intra city transportation.  2. Most of the players may not in international transportation nor warehousing. Also from public resources, most of they don’t have the capacity to provide supply chain finance or IoT relevant services. |
| Choice of Transportation Partners | Cetus mainly connect to truckers (small fleets which registered as companies) and logistics companies. Major benefits to connect to trucker instead of individuals: mitigate policy and regulatory risks as in some countries it’s illegal for individual drivers to take order; and reduce management cost since most truckers are already pre-qualified and with insurance as registered institution. | Mostly with individual drivers |
| Technology and products | 1. Cetus’s process is IoT based. Although the telecommunication industry is rapidly developing in SEA, we still believe the hardware-based network is more stable and practical in the region for the time being.  2. At the bottom of our process, we collect standardized data from customer and trucker booking, dispatch, monitor, management and analyzation, as well as from our IoT network. The IoT network gathers operational data by every a few seconds, including information such as vehicle location, engine status, live temperature, live audio, live video stream, live driver behaviour and others.  3. Based on the data, Cetus has designed and developed the systems to support the full truck load supply chain process from end to end. The back-end central dispatch and analyzation system powered by our own logistics algorithm to help customer to build delivery models that serve them best, really improve efficiency, save cost and enhance the asset security. | According to website and other materials of most Unie/Mumumu Model players, their monitoring system is mobile or web based, which is difficult to track in the rural or mountain areas and collect less data for further optimization usage. |
| Team, Experience and Resource | 1. Cetus founder and core members are with global vision, hands-on function experiences and solid business connections in SEA.  2. This positions the team as a bridge between China and SEA markets in the sense of both experiences and resources. The advantage in language and background enables the team to absorb latest trends, technologies, and industrial practises beyond SEA but also what is happening in China and other leading markets.  3. It also provides Cetus higher potential to raising funds, connecting to talents and business network, and receiving other support such as strategic investment from Chinese community. | Founders of most Unie/Mumumu Model players in SEA are rooted in one country of region or a same company, such as Gegege. Always with a educational background from overseas. |

**Question: What are the location sourcing services in Warehousing & Storage Services?**

Answer:

As as asset-light player, we are using Leased Warehouses instead of Owned Warehouses. Services provided by us mainly include:

Warehousing: (1) Outsourced Warehouse: in which we manage the storage and handling of goods on behalf of the client. The client pays for the services provided by the 3PL, which may include storage, handling, transportation, and other logistics services.

(2) Co-Managed Warehouse/Manpower Services: the client rents the warehouse space, and Cetus provides staffing, system and others.

Location Sourcing: The client only rents the location from Cetus and the user is responsible for handling all aspects of warehouse operations.

In all three models above, the client will decide the region and type of warehouse. Cetus will source the available sites and make recommendations based on criteria such as rent cost, renovation demands and limits, facility status, utilities, vendor license and others.

**Question: Why does Cetus start the business in the first place given it's a low-margin business compared to Transportation and Logistics? How does it helps?**

Answer: While it is true that global forwarding is generally a lower-margin business than transportation and logistics, it can still be profitable and strategic value to the company by increasing customer satisfaction, reducing costs, expanding the customer base, and diversifying revenue streams.

1. One-Stop-Shop for Customers: Cetus's global forwarding business enables the company to offer a comprehensive range of transportation and logistics services, including customs clearance, documentation, and freight forwarding. This approach enables Cetus to become a one-stop-shop for its customers, offering greater convenience and cost-effectiveness. This strategy helps increase customer loyalty and retention.
2. Streamlining Shipping Process: The global forwarding business is not new to Cetus as there were certain clients requested us to help on it before. By establishing this segment formally, Cetus leverages its existing infrastructure and expertise in transportation network, logistics capabilities, and established network in ports, leading to the minimization of costs.
3. Expansion of Customer Base and Diversification of Revenue Streams: This diversification helps the company to expand its customer base, diversify its revenue streams and become less dependent on transportation and logistics services, reducing its vulnerability to changes in demand or pricing.

**Question: Business related - Synergy Analysis of Distribution and Current Business Lines at Cetus?**

Answer: Cetus can utilise its existing customer base of large and medium-sized businesses to enter the distribution and wholesale industry, particularly in the China-to-Southeast Asia trading network, which offers numerous opportunities. The company's existing logistics capabilities can be applied directly to this new service, and its data-driven approach together with data garnered from Logistics services, will enable more informed decisions and efficient solutions.

(1) Leverage Existing Customer Base:

Our existing customer base primarily consists of large and medium-sized enterprise customers, which will make it easier for us to enter this industry. We can leverage our relationships with current clients to break into the distribution and wholesale industry. As we have clients from various industries, entering the distribution and wholesale industry will bring us additional revenue, new customers, and also an opportunity to deepen our relationship with existing clients.

(2) Significant Opportunities of Doing Business with China:

According to the World Trade Organization, China is one of the largest trading countries in the world, accounting for approximately 13% of global trade volume. Trade between China and the Southeast Asian region is also increasing year by year. Therefore, entering the distribution and wholesale industry, particularly business related to China, will bring us tremendous business opportunities.

(3) Existing Logistics Capabilities for New Sector:

As a logistics company, we already possess basic capabilities such as transportation, warehousing, and logistics management. These capabilities can be directly applied to the distribution and wholesale industry, thereby lowering our entry costs and risks into this new industry. Additionally, since offline distribution channels have strong regional characteristics, we can help brands expand their market share in different countries of Southeast Asia through our branches and networks in the region.

(4) Utilizing Tech and Data-Driven Competency:

As a tech- and data-driven organisation, we can make more informed decisions and better position ourselves for success because we have access to a wealth of data based on our logistics operation, such as order data for market demands and preferences, customer and supplier performance in payment and collection behaviour, transportation and warehouse data, and others. These data, along with our data analytics capabilities, will allow us to provide more efficient and effective solutions to our clients, thereby maximising profit, minimising expenses, and mitigating risks in this new market segment.

**Question: Please explain Supply Chain Sourcing business with an example and how it can help your business grow? (buy goods directly and sell to traders?)**

Answer:

In 2022, we began the Supply Chain Sourcing (“Sourcing”) business. In this paradigm, the client chooses goods, pricing, and vendors early on. We will exclusively handle order confirmation, pickup, storage, and delivery. For example Timber, a telecommunications business, used our services as recorded in “"Food, Water, and Petrol - FINAL Service and Supply Agreement" (provided separately) to support its nearshore cable building.

In 2023, leveraging our Sourcing operation, we will enter the distribution industry as wholesaler in three steps: (1) collaborating with existing customers to familiarise ourselves with the business process and distribution channels, and collecting data (currently in discussion with Coco and Natalie); (2) selecting to be agent of existing brands and products based on data and demand analysis in the local market; and (3) being agent of new products and/or new brands from China for higher profit and other benefits. Please be aware that this business is still B2B.

The following page analyses the synergies resulting from the expansion of Distribution into its existing services. Please also refer to Cetus Forecast 2023-2027 March updated provided separately after we upgraded from Sourcing to Distribution to see the impact on financials and new assumptions.

**Question: Cetus Holding only holds 49% of Cetus (Thailand), what’s the rationale of the current structure? Is there a plan for Cetus Holdings to increase its shareholding to more than 50%? Can Cetus (Thailand) be consolidated in Cetus holding given its 49% shareholding? How’s the current restructuring process?**

Answer: The JV structure in Thailand is due to the foreign ownership restrictions in the country. It’s a normal market practise and there’s no plan to change the structure. Cetus (including holding companies and subsidiaries) is the ultimate decision maker for Cetus Thailand. The nominee shareholder who owns 51% of the TH business is Mr.S. However Mr.S has signed the pdf Acknowledgment and Resignation Letter (provided separately) with Cetus, allowing us to replace him at any time in the event of concerns. Mr.S has never held a position or affiliation with Cetus nor does this individual have any decision-making or real economic interest or benefits with us. There is no relation between Mr.S and Cetus nor its respective shareholders, subsidiaries, holding companies, directors, employees, controlled entities and controllers.

**Question: Why the GM in 2022 is declining?**

Answer:

1. Macro level:

In the past three years, stringent Covid-19 restrictions and subsequent economic policies, consumer demand fluctuations, supply chain bottlenecks, freight rates, food shortages and increasing energy prices are all contributing to inflation across the region.

Inflation has placed great pressure on margins and refocused attention on cutting costs across the board, including a close examination of logistical operations and expenses.

Rising energy prices are a major contributor to inflation since they have a domino effect on global economies and society. The cost of energy for individuals and companies raised in 2022. This resulted in widespread uncertainty and insecurity among consumers, causing changes in reduced spending in most sectors:

(1) For individuals, there was consumption downgrade as daily necessities eventually replaced pleasures; and

(2) Manufacturers, retailers and others have had stock challenges due to a demand drop without a supply drop, which eventually lead to higher inventory cost and shrinking income.

E-commerce, which boomed to new heights during the course of the pandemic, has experienced significant demand plummets in the last year. Traditional stores are recovering at a much slower pace compared to the collapse of e-commerce and still have been affected by the above shift in consumer spending.

2. Micro level

Structure adjustment in the Philippines: As of the second quarter of 2022, the Philippines team has initiated the restructuring of its corporate structure. More active investigation of additional business lines (global forwarding, contract logistics, etc.), which consumed people without a significant growth of the original team, resulted in lower profit margin and slower increase in trucking business. Long-term, however, this endeavor is helpful to the value of the Group, as it can enhance our business structure and levels and increase our appeal to significant clients.

The entry approach for the Thai market: In order to signal to the market that Cetus is capable of offering multi-level logistics business services, we have adopted the strategy of simultaneously launching all business lines. In order to immediately capture the market, we choose a rather low-priced method. Hence, the gross profit in 2022 is modest. But, as the company grows and its reputation on the market improves, we will gradually optimise prices and gross profit margins.

3. Actions to increase gross profit in 2023 onwards:

For the trucking business: as Cetus has become more established after operating in the PH market for a few years, in 2023 we will renegotiate the contract with all vendors based on internal analysis of all factors, such as the market demands and supplies for certain routes, the operational status of each trucker and to what level they are dependent on orders given by Cetus, whether the truckers are still bearing heavy bank loans for their trucks, and others; and

For the freight forwarding business: Previously, freight forwarding was a service offered on demand by Cetus. Therefore, we only put a small number of people into this business and relied mostly on agencies, which led to a lower margin. In Q3 of 2022, as we identified forwarding (as "Global Forwarding") as one of the sectors for future growth, we began establishing a fully functional in-house team for this business, including recruiting employees with broker licenses, increasing the vendor pool for certain processes for a competitive quotation, adding team members at various levels for both office and field roles, and studying how to add new features to the system for future growth.

**Question: How does the company record its financials? IFRS? Does the company have any consolidated AFS that can be shared to us? Please further explain how the company records its revenue, COGS, and opex. In particular, please further explain the costs associated with the COGS?**

Answer:

For group consolidation financial statements Cetus’s under IFRS.

For other countries, it’s based on local accounting policy.

There’s no AFS on group level but we can provide management account as consolidated and AFS for major markets (PH/TH)

For revenue and cost recognition please refer to the unit economics file for each category of service. Or we can have a separate meeting after the roadshow to introduce more on each of the business first.

**Question: Please explain the difference between transaction volume and revenue?**

Answer:

Transaction volume = total revenue + sales tax + principal of SCF service

**Question: What are SCF and SCT?/ 2.10 Please explain what are transportation services, warehouse services, sourcing & contract, supply chain technology services, supply chain financing services, and others.**

Answer: We have developed three business segments including I. Transportation and Logistics Services, II. Global Forwarding and III. Supply Chain Sourcing and Others.

|  | **Service Segment** | **Description** | **Pricing** | **Contract** | **Client Base** | **Vendor Base** |
| --- | --- | --- | --- | --- | --- | --- |
| **I** | **a. Transportation & Logistics Services** | Through our contracts with truckers, we have access to all types of trucks and bulk capacity. Through the use of our digital platform and other methods, we connect our customers with contracted carriers that specialize in their transportation lanes and product types, and we help contracted truckers optimize the usage of their equipment. | Dynamic pricing on transportation | 6-36 months for lock in clients, framework contract | Enterprises,  MNCs, and  logistics companies | Local SME trucking companies (mostly 1-10 trucks) |
| **b. Warehousing & Storage Services** | As part of our logistics services, we operate leased warehouse facilities. Our operations at these facilities include both warehousing and location sourcing services, which can be backed up by our in-house developed WMS system too. | Management fee based on operational requirements | 6-36 months with fixed rates | Existing transportation customers | Local landlordsand warehorse vendors |
| **II** | **Global Forwarding** | We consolidate cross-border shipments via sea and air, determine routing, select ocean or air carriers, contract for ocean or air shipments, and/or provide for local pickup and delivery of shipments. | Dynamic pricing on forwarding | 6-36 months for lock in clients, framework contract | Existing logistics customers and their vendors | Local freight forwarders, international shipping lines |
| **III** | **a. Sourcing & Contract Logistics** | This service consists primarily of the buying, selling, and/or marketing of various products, based on our logistics expertise and a vast understanding of market needs. We also arrange the logistics of the goods and provide related supply chain services, such as replenishment, category management, and managed procurement services. | Management fee based on operational requirements | Vary case by case | Existing logistics customers and their vendors | Vary case by case, incl. local existing vendors and industry client |
| **b. Supply Chain Technology** | Under this service, we offer IoT based TMS products and services. It combines the use of our technology platform, logistics process expertise, consulting services, and other managed cloud services. Customers and our trucking partners can access the platform to manage their day-to-day operations and optimize supply chain performance. | One time off installation and monthly subscription fee | Subscription model | Enterprises,  MNCs, and  logistics companies | System by Cetus and devices from a few hardware vendors |
| **c. Supply Chain Finance** | Trucker Account Receivable Loan service to allow advance payment to trucking vendors regarding transportation orders, based on monitored trucker performance data and trip data. | Interest rate | 1-4 weeks | Selected existing trucking vendors | Debt fund |

**Question: Please share with us as well the typical clients. Please walk us through the steps when orders are placed through Cetus. Does the system automatically assign through API which vendors assigned based on the client's preference (SLA, pricing, etc.) or does Cetus still require a lot of manual matchmaking system, i.e., through call centers?**

Answer:

Our business model is distinct from marketplace firms such as Lalala, Mumumu, and Gegege because we operate in the B2B/broker mode. Rather than dealing with individuals, our clients are often enormous organisations.

Client sketch: There are two categories of clients: on-call clients and lock-in clients. In our definition, lock-in clients are those who have signed a service level framework contract with us and have already agreed on a price for specific routes. About abc% of our orders and revenue are from lock-in celints rather than using an on-demand service. For lock-in clients price and service quality are what matter.

All of our clients have access to our system in order to transmit orders tracking and monitor their trips. Nonetheless, it is up to the client to decide whether to use these functions. In addition, all current truck drivers have access to the system for functions such as vehicles monitoring and POD submissions. API features are available too. For more details regarding available functions please refer to the page of “System Module Introduction”.

However, Cetus's primary competitive advantage is its business strategy with system and data supports, as opposed to system alone. Our important metrics for client will be the pricing and service, which can be determined by new client accreditation, redevelopment ratio (growing wallet share with a similar customer) and even service line extensions with us. And because the majority of clients' logistics management is somewhat conventional, their demand for digitalization solutions such as API connectivity is relatively modest.

As a result, the system and data tools are more likely to support our value proposition and to improve efficiency on various processes but instead of focusing on automatically get orders from the clients or automatically allocate to vendors.

More details please refer to the next part “Cetus’s value proposition and contribution on value chain”.

**Question: Based on the cohort analysis, it seems that the retention is only really good after the 2020.08 onboarding month, which coincidentally during the lockdown. We would like to know what change here, i.e., did Cetus change its focus or client behavior change during lockdown, etc?**

Answer:

Since approximately 90 percent of our trips and revenue come from lock-in clients, the performance of on call clients and lock-in clients differed in the cohort due to the engagement model difference.

On the basis of a majority of onboard months where the cohort performed not that good, the onboard clients are on-call clients.

Only CoBanKiat has been a lock-in client. Here are some details about this client:

Prior to officially onboarding in November 2019, there was a gradual increase in sales volume during the three-month trial run. Once the contract was signed, sales volume remained stable at 200+ orders per month until the COVID-19 outbreak in February 2020.

Due to the pandemic and subsequent lockdowns, sales volume dropped significantly in March 2020 and gradually recovered to 50-100 orders per month. This was a common trend in the B2B home hardware industry, as economic and sales recovery was slow.

Because the client's own sales have not fully recovered to pre-pandemic levels, we have not prioritized redevelopment efforts for this client. However, we are monitoring the situation and will re-evaluate as necessary.

**Question: We see that Cetus will need to keep an adequate balance between the number of demands and supply (vendors). How does Cetus plan to do this? How does Cetus balances the number of trucks available in each platform and the demand? Please share the criteria of truckers / trucking companies onboarded within the platform. Please share as well the onboarding process?**

Answer:

* Brief background of our trucking vendors (“truckers”):
  1. Our B2B/broker approach distinguishes us from marketplace startups. Since our clientele are mostly large companies, it’s important for us to have a large enough pool to select truckers with acceptable service quality and price instead of target a high penetration rate of all available vendors nor keep an adequate balance between the supply and demands. This is Cetus's fundamental value as a contract logistics provider.
  2. Trucking vendor sketch: Most of our transportation vendors are small to medium sized trucking companies, with averagely less than 10 trucks.
  3. Our trucker’s core demands include improved overall revenue (as measured by the assets utilisation ratio), enhanced cash flow, and increased management effectiveness. They try to pay all fixed and variable costs of their daily operations on a monthly or annual basis and earn as much as possible, therefore they are concerned with total trip revenue rather than rate for a single trip.
* To achieve above, (1) we select trucking truckers that with certain routes and industry experiences, and with proper business registration and insurance coverage; and (2) we train all truckers continuously, monitor and analyse their SOP and KPI performance. This helps to enhance the quality of our services. Also, based on the preceding analysis, we have classified our truckers into three categories: Core, Normal, and Blacklist.
  1. For Core truckers: we supply additional trips in order to maximise their income and asset utilisation rate. Please refer to the next slide, which illustrate the increased revenue and order volume for our top vendors, which ultimately led to an increase in their profits. While Margin rise per trip is possible, it is not required because it is not the emphasis of vendor maintenance.
  2. For the Normal truckers, the orders may increase over time as we are growing, but not as many as for Core truckers.
  3. We will blacklist drivers who break KPIs and SOPs repeatedly. Although this is uncommon in the past.

**Question: Order Distribution Analysis - Trucker Average Trips Over Time (2019 - 2022)?**

Answer:

(1) Cetus distributes orders to all truckers, but the high performing truckers will continuously receive more orders as a reward.

(2) The longer the trucker stays an active high-performer with Cetus, the more trips they get. Consequently, with more trips rewarded, trucker will consistently perform well.

(3) Trucker keeps being an active performer ↔ Cetus rewards the trucker with more trips which lead to a win-win situation.

**Question: Based on the unit economics excel file, it seems that truckers can bring their own demand to the platform. Please advise?**

Answer: We have two models as below. Both of which are provided to Core trucker group aiming to reduce cash flow pressure.

Model 1: the truckers already have those orders. They brought the orders to be under Cetus for cashflow reasons. Therefore only a certain percentage of the management fee is charged. However this provides Cetus alternative ways to approaching new clients without existing orders.

Model 2: it’s advance payment to the vendor with an interest. The loan is processed 2-3 days from the date of request after the validation and approval process. Maximum amount for approval is not over 50% of the unpaid amount to a certain trucker. The loan amount is deducted on the trucker's collection date after the loan borrowing date.

**Question: why is the net revenue dropping? Net income margin deteriorates along with revenue growth, why and what is management analysis on the path to profitability?**

**Answer:**

Our financial strategy is to make one country profitable first. When the business volume of a single market is sufficient, there is a greater likelihood of obtaining more profitable orders from clients, as well as greater negotiating leverage with suppliers, and increased internal use of the system and self-developed digital tools to enhance per-headcount efficiency. Thus, the management analysis comprises two levels:

(1) At the group level, we keep building new markets, which we do with the help of equity fund-raising, and spending money on the things above.

(2) Country Level: From 2021 to 2022, we can tell from Table 1 that while “general and administrative expenses as a percentage of revenue” for both the Philippines and Thailand have decreased, the gross margin has also decreased due to macro and micro reasons, which leads to a lower net revenue. Our analysis is as below:

1. Macro level: In the past three years, stringent Covid-19 restrictions and subsequent economic policies, consumer demand fluctuations, supply chain bottlenecks, freight rates, food shortages and increasing energy prices are all contributing to inflation across the region.
   1. Inflation has placed great pressure on margins and refocused attention on cutting costs across the board, including a close examination of logistical operations and expenses.
   2. Rising energy prices are a major contributor to inflation since they have a domino effect on global economies and society. The cost of energy for individuals and companies raised in 2022. This resulted in widespread uncertainty and insecurity among consumers, causing changes in reduced spending in most sectors:

(1) For individuals, there was consumption downgrade as daily necessities eventually replaced pleasures; and

(2) Manufacturers, retailers and others have had stock challenges due to a demand drop without a supply drop, which eventually lead to higher inventory cost and shrinking income.

* 1. E-commerce, which boomed to new heights during the course of the pandemic, has experienced significant demand plummets in the last year. Traditional stores are recovering at a much slower pace compared to the collapse of e-commerce and still have been affected by the above shift in consumer spending.

1. Micro level
   1. Structure adjustment in the Philippines: As of the second quarter of 2022, the Philippine team has initiated the restructuring of its corporate structure. More active investigation of additional business lines (global forwarding, contract logistics, etc.), which consumed people without a significant growth of the original team, resulted in lower profit margin and slower increase in trucking business. Long-term, however, this endeavor is helpful to the value of the Group, as it can enhance our business structure and levels and increase our appeal to significant clients.
   2. The entry approach for the Thai market: In order to signal to the market that Cetus is capable of offering multi-level logistics business services, we have adopted the strategy of simultaneously launching all business lines. In order to immediately capture the market, we choose a rather low-priced method. Hence, the gross profit in 2022 is modest. But, as the company grows and its reputation on the market improves, we will gradually optimise prices and gross profit margins.
2. Actions to increase gross profit in 2023 onwards:
   1. For the trucking business: as Cetus has become more established after operating in the PH market for a few years, in 2023 we will renegotiate the contract with all vendors based on internal analysis of all factors, such as the market demands and supplies for certain routes, the operational status of each trucker and to what level they are dependent on orders given by Cetus, whether the truckers are still bearing heavy bank loans for their trucks, and others; and
   2. For the freight forwarding business: Previously, freight forwarding was a service offered on demand by Cetus. Therefore, we only put a small number of people into this business and relied mostly on agencies, which led to a lower margin. In Q3 of 2022, as we identified forwarding (as "Global Forwarding") as one of the sectors for future growth, we began establishing a fully functional in-house team for this business, including recruiting employees with broker licenses, increasing the vendor pool for certain processes for a competitive quotation, adding team members at various levels for both office and field roles, and studying how to add new features to the system for future growth.

These efforts will help reduce costs and increase profit.

1. “General and administrative expenses as percentage of Revenue” declined in both country markets in which we entered into operations. Among them, Thailand has dropped very significantly because it is in the first three years; while the Philippines is in a stage of continuous slight decline because it has been in operation for a period of time. The management expects that with the further increase in revenue in the Philippines, the benefits of economies of scale will be more significant and push down the ratio. In addition, since we are also installing SAP systems in 2023 and continuing to improve the internal systems, back-office efficiency will be further improved.

In conclusion, for the group as a whole to be profitable, we shall attain profitability in each market. For a particular country's market to achieve breakeven, it will require (1) increased gross profit and (2) reduced operating expenses.

**Question: share the list of top paying customers (name and amount)?**

**Answer:**

Twelve (60%) of our top 20 customers in 2022 were from the Philippines market, while eight (40%) were from the Thailand market.

The majority of our customers are multinational corporations, regional e-commerce and express delivery enterprises, publicly traded companies, and national businesses with robust balance sheets and excellent credit; in addition, each subsidiary or function of these organisations may make the decision to purchase various services.

Consequently, we view the revenue concentration risk as being smaller than the numbers in Table 2 indicate when aggregating the outcomes of all subsidiaries and functions.

In addition, it is common practise for B2B companies to focus on a small number of top customers and continue to expand their wallet share with them. For instance, BigWealth, a leading Chinese player in the trucking industry, saw its top three customers account for 73.0% and 55.8% of its total revenue in 2019 and 2020 before its IPO in the United States.

**Question: Could you share the current development of Vietnam?**

**Answer:** Vietnam's business registration has been finalised, and we are currently recruiting the core personnel. In March of 2023, we will also participate in a trip to Vietnam that will be organised by one of our investors in order to meet their network there for the development of local resources.

**Question: For Thailand business, is it totally independent or related to PH business (any synergy effect among regions)?**

**Answer:** Synergies between the two markets, including the following:

(1) Inhouse operating efficiency: We have implemented a shared business model, process, technology, and in-house system based on similarities in the demand-supply relationship, vendor pain points, and customer needs. The mature expertise, teamwork methods, process KPI settings and others gathered over the past a few years in the Philippine market are directly adapted to the new market, saving us a great deal of time and money and allowing the new market team to skip research and enter rapid expansion.

(2) Cross selling between countries: Current clients whose satisfaction with Cetus's services and quality has given us the opportunity to collaborate with them in new countries, such as Jungle and Light.

(3) Extended service line : Since we have operations in both countries, we can provide end-to-end transportation, storage, and shipping solutions between the two nations, which is advantageous to our global forwarding business.

**Question: Please explain the fluctuating full-year cost margins in the Philippines for:**

1. **- Warehouse and storage services**
2. **- Supply chain technologies services**
3. **- Supply chain financing services**
4. **- Others?**

Answer:

1. **Warehouse and storages**

In May 2022 there was an expiration of warehouse contracts. These expired contracts had a lower gross margin compared to the remaining ones; therefore, the gross profit increased in 2022.

1. **Supply chain technologies (“SCT”)**

New requests in 2022 for SCT service are mainly from the e-commerce sector, which usually requests products for enhanced monitoring but less on basic products, which resulted in increased margins compared to 2020 and 2021.

1. **Supply chain financing (“SCF”)**

As outlined in Unit Economics, we have two business models under SCF:

1. Trucker advance payment which we charge x% for 1-3 weeks; and
2. Truckers that bring their own orders to Cetus whereas we just gain a nominal management cost.

SCF gross profit margin is the combined result of (1) volume of both services in a year; and (2) gross profit margin (“GPM”) of both services in a certain year.

In 2020, the SCF GPM was as a result of Model (b) but generating cc% of SCF revenue.

The volume structure of the service remained consistent from 2021 to 2022, as Model (a) brought in aa% and bb% of SCF, respectively. The GPM drop in 2022 was due to:

1. Higher blended financial cost in 2022 compared to 2021 for which part of it has been allocated to be the cost of SCF - Trucker advance payment service.
2. The fuel price surge (higher cost) and sugar shortage (lower delivery demands from clients which eventually pushed down price) resulted in lower ratio of management fee charged.
3. **Others**

For “Others” in the revenue, the gross margin may vary case by case since each year the nature of the project may not be the same, resulting in a different margin. In 2021, it was an ad-hoc project to support submarine reel fabrication and delivery, while in 2022, the main revenue was related to management fees from a major vendor of contract logistics projects catered.

**Question: Why is the full-year cost for global forwarding so high and similarly for Other Services? Is this business line not feasible in TH?**

**Answer:**

There are mainly two reasons behind the low margin of global forwarding business in Thailand in 2020, as below:

1. Internal restructuring of forwarding business from Q3 2022: Previously, global forwarding was a service offered on demand by Cetus. Therefore, we only put a small number of people into this business and relied mostly on agencies, which led to a lower margin. In Q3 of 2022, as we identified forwarding (as "Global Forwarding") as one of the sectors for future growth, we began establishing a fully functional in-house team for this business, including recruiting employees with broker licenses, increasing the vendor pool for certain processes for a competitive quotation, adding team members at various levels for both office and field roles, and studying how to add new features to the system for future growth.
2. The entry approach for the Thai market: In order to signal to the market that Cetus is capable of offering multi-level logistics business services, we have adopted the strategy of simultaneously launching all business lines. In order to immediately capture the market, we choose a lower-priced method. Hence, the gross profit in 2022 is modest. But, as the company grows and its reputation on the market improves, we will gradually optimise prices and gross profit margins.

In conclusion, the low margin on the Thailand market in 2022 is not related to the business line's viability, but rather to our operational emphasis and plan. It is anticipated to improve beginning in 2023 as a result of the aforesaid efforts.

**Question: Why did marketing and advertising expenses decrease in 2022?**

**Answer:**

For customers, we are using both top-to-bottom (high level referral) and bottom-to-top (traditional channels) to acquire new customers:

1. Top-to-bottom (high level referral) method definition: Referral of new clients from (1) the founders’ and company inventors’ network in SEA, usually from top families in each country's market; (2) from existing customers, especially the MNCs. For example Light Thailand has introduced Light Philippines to Cetus.
2. Bottom-to-top (traditional channels) method definition: (1) Telemarketing; (2) Offline meetings and events; (3) Trucker (vendor) referral; and (4) Local marketing agency or individuals.

Once the travel prohibition was repealed in the majority of nations in the region in 2022, more top-to-bottom operations were conducted during the founder's journeys to various markets. Nonetheless, this portion of the expenses is documented under "travel and lodging" in the operation and administrative expenses, thus, the marketing expenses fall as it has been more frequently used to record bottom-to-top spending.

**Question: Are the payroll of key executives and management under the PH or TH accounts? If so, please confirm under which country FS and cost line item?**

**Answer:**

Not all under the PH/TH accounts but partially under SG/CN records. Please refer to the management package shared in the other documents.

**Question: Why is the Payroll & Allowances Expenses as a % of total revenue vary significantly?**

**Answer:**

During the initial stages of setting up our business in Thailand, we needed to have a fully functional local team to provide the services, and we also made a strategic decision to invest in recruiting top talent to build a strong foundation for our operations. This led to a higher payroll to revenue ratio, but we believed it was a necessary expense to ensure our success in the long term.

As our business has grown and become more established, we have been able to optimize our processes and increase our revenue. This has allowed us to maintain our high standards of talent while also bringing down our payroll to revenue ratio significantly.

Overall, we see this as a positive sign of our business's growth and stability. It demonstrates our commitment to building a strong team and investing in the future of our company.

**Question: What is the nature of the following:**

**- Operations & Admin Expenses under GAE**

**- Other Expenses under GAE?**

**Answer:**

Operations and admin under GAE for both countries were pertaining to:

1. Office dues (e.g electricity, internet, office repairs, securities, janitorial supplies and others)

2. Professional fees

3. Training and seminars

4. Meals and transportation

Other expenses for both countries were related to: primarily office and company events (such as the Christmas party and solicitations), processing fees to the Bureau of Internal Revenue, and other representations made for business-related transactions.

**Question: What is the nature of Other Income & Expenses?**

**Answer:** The nature of the account for both TH and PH is mainly the foreign exchange gain or loss, bank charges, interest, expenses of ad-hoc damages, and others.

**Question: Why does the Company have inventory? What goods does the Company sell?**

**Answer:** These were the actual GPS units, sensors, and other devices purchased for the SCT service.

**Question: What is the nature of the following balance sheet items:**

1. **Advances and prepaid**
2. **Other receivables**
3. **Security deposits**
4. **Other payables**
5. **Debt fund?**

**Answer:**

1. **Advances and prepaid** are advance payments made to vendors and lessors in the operation. It also includes prepaid taxes.
2. **Other receivables** are non-client receivables such as advances to employees for operation subject to liquidation after use, and intercompany balance.
3. **Security deposits** are deposits for lease and construction, and also includes bid security for new projects.
4. **Other payables** are mainly general and admin expenses related payable such as payable for rental, salaries, utilities, and professional fees. Intercompany and interest payable are also included in Other payables.
5. **Debt fund** are credit line and loan agreements entered by the Company which are payable for one year or short-term loans.

**Question: Why is there a significant cash outflow under Prepaid Expenses and Other Current Assets in 2022?**

**Answer:** The year end balance of “Advances and Prepaid” by 2022 mainly included below:

1) Cash advances to Truckers - due to the increased number of trips, cash advances are granted to Truckers to support their operations/expenses for booked trips.

2) Cash advances for shipments under global forwarding business of around USD $465k, as funds for brokerage, customs clearance and documentation, and container deposit for imports.

3) Prepaid taxes to the government.

The higher cash outflow was mostly attributable to the expansion of Global Forwarding. This business line's revenue climbed in 2022 compared to 2021, and has continued to rise in 2023.

**Question: Is it possible to provide us with the monthly total liabilities for each country broken down into current vs non-current?**

**Answer:**Please refer to the updated version of the management account.

**Question: Please reconcile the ending cash balance in 2020?**

**Answer:** Per recomputation based on PH mgmt and audited FS:

* 2020 beginning cash balance
* Add: Jan-Dec 2020 net increase
* 2020 end cash balance

**Question: With regards to gross profit margins for each segment. Please share the reasons for the following:**

**(1) Trucking & Transportation services GPM in 2021 & 2022 and what are the assumptions made for this to rebound back in 2023**

**(2) Warehousing & Storage Services - does the company see any potential risk for the margins to be compressed moving forward?**

Answer:

For (1), 2022 gross margin Trucking & Transportation services was low it’s due to reasons as below:

1. Macro level: In the past three years, stringent Covid-19 restrictions and subsequent economic policies, consumer demand fluctuations, supply chain bottlenecks, freight rates, food shortages and increasing energy prices are all contributing to inflation across the region.
   1. Inflation has placed great pressure on margins and refocused attention on cutting costs across the board, including a close examination of logistical operations and expenses.
   2. Rising energy prices are a major contributor to inflation since they have a domino effect on global economies and society. The cost of energy for individuals and companies raised in 2022. This resulted in widespread uncertainty and insecurity among consumers, causing changes in reduced spending in most sector
2. Micro level: the entry approach for the Thai market: In order to signal to the market that Cetus is capable of offering multi-level logistics business services, we have adopted the strategy of simultaneously launching all business lines. In order to immediately capture the market, we choose a rather low-priced method. Hence, the gross profit in 2022 is modest. But, as the company grows and its reputation on the market improves, we will gradually optimise prices and gross profit margins.

The higher GPM in 2023 are based on assumptions include below:

1. Short-term, international crude oil prices will stop rising, the possibility of a halt in economic growth will diminish, and the market will become more positive,restoring consumer and company confidence;
2. In Philippines, as Cetus has become more established after operating in local market for a few years, in 2023 we will renegotiate the contract with all vendors based on internal analysis of all factors, such as the market demands and supplies for certain routes, the operational status of each trucker and to what level they are dependent on orders given by Cetus, whether the truckers are still bearing heavy bank loans for their trucks, and others; and
3. In Thailand, as mentioned above we will continue to optimise our prices to customers.

For (2), in the near future, the danger of a decline in Warehousing & Storage Services' gross margin is predicted to be minimal. The sector's GPM can be affected by a number of variables, including competition, supply chain problems, and demand fluctuations:

In all of our current markets, governments have implemented economic growth and stability-promoting policies, including infrastructure development. These activities may drive demand for warehousing and storage services, thereby mitigating the danger of gross margin decline.

In addition, the expanding e-commerce sector in these markets is fueling demand for warehousing and storage services. This tendency is anticipated to continue in 2023, which could bolster the gross margin of the sector.

Moreover, over the previous two years of operation, we have gained additional information, expertise, and local supplier resources pertaining to warehousing and storage, which has increased our confidence in maintaining or even increasing the gross profit margin for this business. In addition, we are consistently enhancing our in-house systems in order to increase the efficacy of related procedures and decrease expenses.

We have not observed any significant changes regarding competitiveness and supply chain interruptions, but we will continue to monitor the situation attentively. Although the danger of a decrease in gross margin in 2023 and 2024 may be limited, we must remain watchful and adjust to any market developments.

**Question: How does the company differentiate "On Call" and "Lock-in" clients? Is there a contractual agreement for "lock-in" customers? If so, what are examples of key contractual terms between customers and Cetus for lock-in customers?**

Answer:

* Lock-in means a client has signed a service agreement with us for one to three years.
* While on-call clients may not sign a service agreement with us but just with a simple REP or Quotation kind of document before they use our services. For some of these clients, transportation demands may be low due to the nature of their business, or they may have their own transportation force but occasionally require third-party support.
* ~abc% of our revenue or trips are with “Lock-in” clients while account for a small percentage.

**Question: How Cetus choose trucker for every booking?**

Answer:

1. How Cetus choose trucker for every booking?
   1. Background of our business module and what’s the key in dispatch
      1. Our business model is distinct from marketplace firms such as Lalala, Mumumu, and Gegege because we operate in the B2B/broker mode. Rather than dealing with individuals, our clients are often enormous organisations. As long as we have a large enough pool to select truckers with acceptable service quality and price, this is Cetus's fundamental value as a contract logistics provider.
         1. Client sketch: There are two categories of clients in our client segments: on-call clients and lock-in clients. In our definition, lock-in clients are those who have signed a service level framework contract with us and have already agreed on a price for specific routes. About abc% of our orders and revenue are from lock-in clients rather than using an on-demand service. For lock-in clients price and service quality are what matter.
         2. Trucking vendor sketch: Most of our transportation vendors are small to medium sized trucking companies, with averagely less than 10 trucks. Instead of maximising the use of these trucking companies (“truckers”), our plan is to set trucker performance assessment measures, maximise the utilisation of good truckers, and forge a long-lasting, positive relationship with them. Meanwhile, we also provide the supporting such as faster payment, financial tools and more stable trips to them to enhance their loyalty.
   2. Our smart dispatch is based on our effective vendor management, system will recommend the dispatch truck and operation team just need to confirm the actual availability to avoid actual offline issues
      1. In the vendor management and value creation: our management process is to set trucker performance assessment measures, maximise the utilisation of good truckers (Core truckers), and forge a long-lasting, positive relationship with them. Meanwhile, we also provide the supporting such as faster payment, financial tools and more stable trips to them to increase their loyalty.
      2. We train all truckers continuously, monitor and analyse their SOP and KPI performance. This helps to enhance the quality of our services provided. Also, based on the preceding analysis, we have classified our truckers into three categories: Core, Normal, and Blacklist. The booking will be given to trucker who is core first, then moving to normal truckers (we will give some trips to normal truckers to test their performance also to ensure we continuously adding core truckers in our trucking pool).
2. System penetration rate in customers / vendors
   1. 100% for active customers and vendors are valid to use the systems. All of our clients have access to our system in order to transmit orders tracking and monitor their trips. Nonetheless, it is up to the client to decide whether to use these functions. In addition, all current truck drivers have access to the system for functions such as vehicles monitoring and POD submissions. API features are available too. For more details regarding available functions please refer to the page of “System Module Introduction”.
   2. However, Cetus's primary competitive advantage is its business strategy with system and data supports, as opposed to system alone. Our important metrics for client will be the pricing and service, which can be determined by new client accreditation, redevelopment ratio (growing wallet share with a similar customer) and even service line extensions with us. And because the majority of clients' logistics management is somewhat conventional, their demand for digitalization solutions such as API connectivity is relatively modest.
   3. As a result, the performance metrics and speed of new driver certification are what we measure most for truckers, rather than system penetration rate.

**Question: How about the process of booking and assigning ocean/air carrier for Global Forwarding?**

**Answer:** The overall process is same as trucking, only the vendors change to sea / air carriers instead of domestic truckers

**Question: We want to confirm if we got the data correct. Based on our last meeting, 80-85% of trips/bookings are scheduled. Is that correct? If yes, what’s the normal lead time when shippers book? (ie. Do they book days or months before actual shipment?) How often do they book (ie. Monthly, quarterly, annual)?**

**Answer:** Approximately abc% of Cetus's orders and revenue are derived from lock-in clients rather than on-demand services. The majority of lock-in customers confirm their demand for a specific date 1-2 days prior to a certain trip. A few clients, such as Aldi for a weekly schedule and Dole for a monthly schedule, are able to provide longer schedules due to stronger supply chain management capabilities or business character. Depending on the industry, lock-in customers are typically booked daily or weekly.

**Question: Why did number of trips per month in PH declined twice in 2021? What actions were taken why it improved from Aug’22 onwards?**

**Answer:**

1. The decline in July and Aug 2021, major reason is,
   1. In 2021, since most the industries are not recovered from pandemic, only e-commerce and Telecom industry are fast growing, so Jungle (which is express company for Fish in Philippines) and Timber (who catered the contraction, installation and providing equipment to Telecom companies in Philippines) are 2 major clients for us in whole 2021 year, occupied around 65% trip numbers in 2021
   2. Due to the client concentration in 2021 (especially in 2021 Q1 and Q2), our 2021 client trip numbers are highly impacted by Jungle and Timber
   3. Timber trip numbers declined significantly, the reason is because of the Timber business itself (construction of Telecom infrastructure) has slowed down
2. The decline in Jan and Feb 2022, 2 major reasons are,
   1. First of all, every year’s Q1 (Jan, Feb and Mar) is the lean seasons for logistics industry, because of most of the customers already spent the savings in year end, and no big festival for them to do purchasing / shopping in Q1, so naturally the Q1 volume will drop comparing to Q4 every year
   2. To be more specific on our case, compared to Dec 2021
      1. Jungle: one of our major client Jungle dropped, the reason is because Jungle delivery is mostly for Fish, Fish had 12.12 every year but the sales in Jan and Feb cannot compare to 12.12
      2. Timber: In Q4 2021, Timber volume increased back to around 2,000 trips per month, but when lean season come, their volume decreased again to around 1,000 trips per month in Q1 2022
3. The increase after Aug 2022, 2 major reasons are
   1. Every year Q4 is the peak season for most industries, e.g. E-commerce has big sales, FMCG will have to prepare for the holidays
   2. In 2022 Q2, we found that the new clients growth rate in trucking and transportation is not higher than we expected, so internally we did an organization change to optimize the team structure and incentive plans for Business Solution Development Department, to further unlock our teams’ potential to develop new clients, which result to a significant increase on new client trip numbers starting Aug 2022

**Question: According to average utilization rate of truckers in 2022, what are the common reasons why truckers with transactions are not always active on Cetus? What is your target utilization rate for truckers?**

Answer: Since our business model is distinct from marketplaces, truck utilisation is not a significant KPI for Cetus to serve its clients or compete in the market, but as long as we have a large enough pool to select truckers with acceptable service quality and price.

For core truckers who share values of Cetus and provide high quality services, their business continues to grow with our over all business grow. With their outstanding service, we are intentionally reward them with high value orders and other supports such as SCF services. Their occupancy in the total revenue kept increasing.

**Question: May we ask to fill up the table to get number of enterprise customers for PH and TH. If possible, please also indicate if there are customers that are availing multiple services (ex. If Coco is using Transport and Warehousing) So, we can take note the number of unique customers and identify who are using the end-to-end first-mid mile service. What is your definition of churn (eg. Client with no transaction in 3 months) and how many clients churned in 2021 and in 2022?**

**Answer:**

* Refer to the following table for client numbers. All our clients are enterprises. On the following slide are the segment revenues from the top 10 clients. **The multiples services used are mostly transportation clients also used other services such as warehousing, forwarding and others.** VP+ (2022, Thailand, #9 in the following slide's table), who utilised our Sourcing services, is the only top client who did not use transportation service.
* Our definition of "churn" is when **a client no longer uses any 3rd party logistics services which is rare**. For instance, a client acquired by a monopoly group is required to use only the logistics services provided by a group company. For on call customers, due to their own business needs and internal planning, they may only use 3PL services once or a few times in a year. We do not consider such customers to be lost customers.

**Question: Why did GP margin decrease in 2022?**

Answer:

1. **Macro level:**

In the past three years, stringent Covid-19 restrictions and subsequent economic policies, consumer demand fluctuations, supply chain bottlenecks, freight rates, food shortages and increasing energy prices are all contributing to inflation across the region.

* 1. Inflation has placed great pressure on margins and refocused attention on cutting costs across the board, including a close examination of logistical operations and expenses.
  2. Rising energy prices are a major contributor to inflation since they have a domino effect on global economies and society. The cost of energy for individuals and companies raised in 2022. This resulted in widespread uncertainty and insecurity among consumers, causing changes in reduced spending in most sectors:

(1) For individuals, there was consumption downgrade as daily necessities eventually replaced pleasures; and

(2) Manufacturers, retailers and others have had stock challenges due to a demand drop without a supply drop, which eventually lead to higher inventory cost and shrinking income.

* 1. E-commerce, which boomed to new heights during the course of the pandemic, has experienced significant demand plummets in the last year. Traditional stores are recovering at a much slower pace compared to the collapse of e-commerce and still have been affected by the above shift in consumer spending.

**2. Micro level**

* 1. Structure adjustment in the Philippines: As of the second quarter of 2022, the Philippines team has initiated the restructuring of its corporate structure. More active investigation of additional business lines (global forwarding, contract logistics, etc.), which consumed people without a significant growth of the original team, resulted in lower profit margin and slower increase in trucking business. Long-term, however, this endeavor is helpful to the value of the Group, as it can enhance our business structure and levels and increase our appeal to significant clients.
  2. The entry approach for the Thai market: In order to signal to the market that Cetus is capable of offering multi-level logistics business services, we have adopted the strategy of simultaneously launching all business lines. In order to immediately capture the market, we choose a rather low-priced method. Hence, the gross profit in 2022 is modest. But, as the company grows and its reputation on the market improves, we will gradually optimise prices and gross profit margins.

**3. Actions to increase gross profit in 2023 onwards:**

1. For the trucking business: as Cetus has become more established after operating in the PH market for a few years, in 2023 we will renegotiate the contract with all vendors based on internal analysis of all factors, such as the market demands and supplies for certain routes, the operational status of each trucker and to what level they are dependent on orders given by Cetus, whether the truckers are still bearing heavy bank loans for their trucks, and others; and
2. For the freight forwarding business: Previously, freight forwarding was a service offered on demand by Cetus. Therefore, we only put a small number of people into this business and relied mostly on agencies, which led to a lower margin. In Q3 of 2022, as we identified forwarding (as "Global Forwarding") as one of the sectors for future growth, we began establishing a fully functional in-house team for this business, including recruiting employees with broker licenses, increasing the vendor pool for certain processes for a competitive quotation, adding team members at various levels for both office and field roles, and studying how to add new features to the system for future growth.

**Question: Globally, companies in the same space seemed to be challenged. Similar companies sold or are trying to sell their business after layoffs and poor performance. For ex. Unie Freight sold its business in Europe and Unie US is being spun off looking for possible sale or IPO. Everoad was burning a lot cash then eventually merged with Sennder. Ritase has stopped its marketplace business and looking for a buyer as well. Do you face similar challenges with these players – what specific challenges are these? And why do you think Cetus will be more successful than these players?**

Answer:

1. For the failures in the market, it’s more likely due to misaligned business models and customer needs: some of the players have pursued marketplace models that are better suited to meeting temporary demand for trucking services, rather than the ongoing and significant transportation needs of companies that require dozens or even hundreds of trucks per day across multiple routes and product types. Such companies typically engage in regular bidding processes to select suppliers and set pricing strategies that effectively manage costs, rather than haggling over rates on an ad hoc basis. Please refer to *Cetus - Business Model Analysis* for detailed analysis (slide 15-19).
2. For the challenges of the industry, we believe that innovation as a key driver of success: the trucking industry is an established and mature market, where technological innovation is a key driver of efficiency gains and competitive advantage. Cetus's strength lies in our ability to leverage technology to improve our operations, deliver value to customers and vendors, and stand out from our competitors and continue to drive growth and success. For more information, please refer to *Unit Economics Analysis: Value Chain Positioning and the Base of Competency* (slide 20-27).

**Question: Cetus Corp (PH) was incorporated in 2013. Did the transport & logistics service (trucking) only start in 2018? Based on our meeting, previously Cetus was providing tech to logistics companies was this from 2013-2018?**

**Answer:** Yes during 2014 to 2018, the company focused on TMS, IoT tracking and other technology services in the logistics industry, which is the SCF segment in the current financial statements.

**Question: Market Challenges- How did the the surge in oil prices (2021-2022) affect Cetus, its clients and vendors? Can you expound on the effects and how the company handled such challenges?**

**Answer:**

During 2021-2022, rising energy prices are a major contributor to inflation in the region. Other causes of inflation included stringent Covid-19 restrictions and subsequent economic policies, consumer demand fluctuations, supply chain bottlenecks, freight rates, and food shortages too. Inflation has placed great pressure on margins and refocused attention on cutting costs across the board, including a close examination of logistical operations and expenses. And together with the increased oil price, it has a domino effect in the market. This resulted in widespread uncertainty and insecurity among consumers, causing changes in reduced spending in most sectors:

* + 1. For individuals, there was consumption downgrade as daily necessities eventually replaced pleasures; and
    2. Manufacturers, retailers and others have had stock challenges due to a demand drop without a supply drop, which eventually lead to higher inventory cost and shrinking income.

Impacts in Cetus’s operation and what have we done include below:

1. Trucking & Transportation services:
   1. Philippines: Although we have renegotiated some of the contracts rate to maintain the gross margin, the total revenue growth was lower than expected in 2022 due to reduced demands from the clients.
   2. Thailand: Affected by the economic downturn, some major customers lowered their prices several times; because our scale in Thailand is still small and our negotiating power is insufficient, this eventually led to a decline in gross profit.
2. Global Forwarding and Sourcing & Contract Logistics services:
   1. During the pinnacle of the oil price, we also actively examined new options, settling on the above two areas for future expansion. Due to the fact that the demand in these two domains differs from that of the truck freight industry, it can, on the one hand, lessen the risks associated with a single focus business during such macro market shifts and, on the other, boost our attractiveness to certain large clients.

**Question: Ownership - Surrender / Repurchase and Stock Split - What was the purpose of surrending the shares and doing a stock split for the remaining shares post-Series A?**

**Answer:**

* In 2020 January, we noted that Cetus Cayman had an insufficient number of authorised shares to complete Series Pre-B transaction. We had been recommended that Cetus Cayman either: A) increase its number of authorised shares or B) complete a restructuring to ensure Cetus Cayman does not need to increase its number of authorised shares in future equity fundraises. Therefore Cetus Cayman undertook this restructuring prior to the completion of Series Pre-B transaction. Based on this, we have been benefited as below:
  + Existing shareholders still own their current percentage ownership of Cetus Cayman by holding fewer shares. Their economic interests would not change at all as ownership percentages can be maintained.
  + A Cayman company typically starts with an authorised share capital of US$50,000 because the annual fees are the lowest in the range. For some reason, Cetus Cayman had an authorised share capital of US$85,000 representing 85,000 of US$1.00 each. We noted that Cetus Cayman was already paying more in annual fees than is necessary. Therefore, Cetus Cayman reduced its authorised share capital back down to US$50,000 instead of US$85,000.
  + After Cetus Cayman reduced its authorised share capital to US$50,000, we conducted a share split of 1:100. This increased its authorised shares to 5,000,000 shares at the par value of US$0.01 per share. Doing so, Cetus Cayman would pay the minimal amount of annual fees and have more than enough authorised shares for Series A, A1, A2, A3 and Pre-B as well as future equity fundraises.

**Question: Corporate Entities - Thailand - Who is the nominee shareholder under the Thailand entity, who owns 51%? Does the individual have real economic interest or benefits? Or is there a trust structure in place? What is his background? Does he bring any strategic value to the company?**

**Answer:**

* The JV structure in Thailand is due to the foreign ownership restrictions in the country and it’s a normal market practise. Cetus (including holding companies and subsidiaries) is the ultimate decision maker for Cetus Thailand.
* The nominee shareholder who owns 51% of the TH business is SS (“Mr. S”). However Mr. S has signed a ["*Acknowledgment and Resignation Letter*"](https://drive.google.com/file/d/1h6brO9BPnRdtNyPl1j-S50ZpXMHOP34E/view?usp=share_link) (provided separately) with Cetus, allowing us to replace him at any time in the event of concerns.
* Mr. S has never held a position or affiliation with Cetus (including holding companies and subsidiaries), nor does this individual have any decision-making or real economic interest or benefits with us. There is no relation between Mr. S and Cetus nor its respective shareholders, subsidiaries, holding companies, directors, employees, controlled entities and controllers.

**Question: Business Model -Is the business considered as a tech company or a brokerage business based on regulations in each market? (i.e., tech business in the PH, but broker business in Thailand?)**

**Answer:** Yes, the classifications of business engagement of a company is defined by its purposes manifested in the articles of incorporation approved by the authority in each country.

* **Philippine:** approved primary purpose is to engage in tech business while its approved secondary purpose allows broker business engagement.
* **Thailand:**approved general objective as broker, agent and commission agent in connection with all kinds pf trade and business including hardware.

*(For more details of Philippines and Thailand, please refer to the SEC and Company Certificate pdf files accordingly.)*

* **Vietnam:** approved business scope include: Freight transport agency services (CPC748); Storage and warehouse services (CPC 742); Management consulting services (CPC 865); Computer programming services; Systems and software consulting services; (CPC 841-845); Maintenance and repair services of office machinery and equipment including computers.
* **Singapore:** approved primary purpose - SHIPPING AGENCIES (FREIGHT) (52222); 2nd purpose - FREIGHT TRANSPORT BY ROAD (49231)
* **China**: approved general business scope include logistics agency business, international and domestic cargo transportation agency services, supply chain management services, car rental, logistics agency information consultation, customs declaration, cargo handling, etc., as well as computer software, website and data-related development, processing, consulting, sales and other services. Approved licensed operations include general cargo transportation, warehousing services and call center operations.
* **Cayman**: “Holding Company Business” as a company that only holds equity participations in other entities and only earns dividends and capital gains.

**Question: Contracts - Trucker - Based on the sample trucker contracts provided, Cetus is considered as the trucker's limited payment collection agent (Clause 5.2 under De Leon Amador Trading contract and FastJets Trucking Services contract). Why is this the case when the contracts with shippers / clients are signed with Cetus and in this contract between Cetus and shipper / client, Cetus is entitled to the fare paid by the client?**

**Answer:** we have two (2) different contracts. First, Cetus as Platform Provider and second, Cetus as Transport Provider or Transporter. In the first one, Cetus is a mere platform provider, as such, our representation is limited. While we sign with the clients/shippers, our stipulation is to have a limited representation to avoid or minimize possible exposure to different kinds of risks that might be brought by either truckers or shippers/clients. In the second contract, this is the case where Cetus have direct contract with clients/shippers with and directly a contracting party with the clients/shippers.

**Question: Does the company have any insurance policies in place, as required by clients? If so, where is this booked under the P&L?**

**Answer:**

* As a trucking brokerage company, we do not own any trucks or employ any drivers, but instead, we contract with independent trucking companies, also known as vendors or truckers, who provide transportation services for Cetus’s clients.
* Thus, we do not need to purchase insurance policies for transportation-related risks, as it is the responsibility of the vendors to maintain proper insurance coverage. Therefore, the vendors themselves carry insurance policies, including liability, cargo, and physical damage coverage, to protect against any potential losses or damages. This is part of Cetus’s onboarding process with the vendors to check whether they are qualified and with required insurance coverage.

**Question: What is the difference between Transaction Volume and Total Revenue?**

Answer: Transaction volume = total revenue + sales tax + principal of SCF service

**Question: Please provide more details on the Supply Chain Sourcing business?**

Answer:

1. Supply chain sourcing is the process of identifying and selecting suppliers of goods and services that are required to support a company's operations. It is an essential component of supply chain management, which encompasses all activities involved in the production and delivery of goods and services from raw materials to the end customer.
2. For example, in the project with Timber, the telecommunications company, one sourcing project with them includes supplying water, fuel, and other items for their nearshore cable construction project. In such a contract, the number of trips is limited but the total amount is high.

**Question: What would be the cross-selling strategies from Logistics to Global Forwarding, Supply Chain Sourcing, and Warehousing businesses? What is the basis of the “cross-selling conversion rate” assumption in the model?**

Answer:

1. We mainly consider strategies as below for cross-selling to existing customers that already with a type of service:
   1. Promote complementary or bundling services, which reduce clients’ efforts in vendor sourcing, communication and processing.
   2. Upsell for ad-hoc needs: while if a customer has its own forces for certain logistics function, we still promote as add-on service that they can consider during peak seasons or other occasions if needed.
2. The assumption is based on a comprehensive analysis of (a) customer’s potential needs for type of service and size based on our BD team’s communication and understanding (b) bidding cycle of the clients (c) vendor management policies and (d) our historical data and analysis.

**Question: What are the acquisition strategies for both customers/demand and truckers/supply? What is the basis of the “SME & Giant penetration rates” assumption in the model? Is that based on historical trends/cohorts?**

Answer:

1. For customers, we are using both top-to-bottom (high level referral) and bottom-to-top (traditional channels) to acquire new customers:
   1. Top-to-bottom (high level referral) method definition: Referral of new clients from (1) the founders’ and company inventors’ network in SEA, usually from top families in each country market; (2) from existing customers, especially the MNCs. For example Light Thailand has introduced Light Philippines to Cetus.
   2. Bottom-to-top (traditional channels) method definition: (1)Telemarketing; (2) Offline meetings and events; (3) Trucker (vendor) referral; and (4) local marketing agency or individuals.
2. The penetration assumption is based historical data of typical clients and Cetus analysis.

**Question: What is the difference between on-call clients and lock-in clients? What are the current and expected splits between the two?**

Answer: There are two categories of clients in our client segments: on-call clients and lock-in clients. In our definition,

1. Lock-in means a client has signed a service agreement with us for one to three years.
2. While on-call clients may not sign a service agreement with us but just with a simple REP or Quotation kind of document before they use our services. For some of these clients, transportation demands may be low due to the nature of their business, or they may have their own transportation force but occasionally require third-party support.
3. ~abc% revenue contributes by Lock-in clients while On-call clients contribute to small percentage of revenue. This is expected to be continue.

**Question: Since Cetus is running a broker model when assigning orders to truckers, how does the company ensure the stable supply and stickiness of “high-quality truckers”? Does Cetus have plan to put some of these truckers onto the payroll (i.e., starts owning some trucks)?**

Answer: Acquisition strategies for truckers

* 1. Our business model is distinct from marketplace firms such as Lalala, Mumumu, and Gegege because we operate in the B2B/broker model. Rather than dealing with individuals, our clients are often enormous organisations. Therefore it’s important for us to have a large enough pool to select truckers with acceptable service quality and price instead of target a high utilization rate. This is Cetus's fundamental value as a contract logistics provider.
  2. Most of our transportation vendors are small to medium sized trucking companies, with averagely less than 10 trucks.
  3. Main channels for trucker acquisition include: both online and offline vendor community; vendor and business partners referral.
  4. In the vendor management and value creation: our plan is to set trucker performance assessment measures, maximise the utilisation of good truckers, and forge a long-lasting, positive relationship with them. Meanwhile, we also provide the supporting such as faster payment, financial tools and more stable trips to them to enhance their loyalty.
  5. Trucker pool is analogous to a swimming pool; we are continually recruiting new truckers (instead of based on new clients to source). Once a trucker has been accredited, we will use him or her in on-call client or lock-in client on-call trips to evaluate performance and compile trucker performance records. So that, when a new lock-in client arrives, we already have a trucking pool with which to discuss cooperation.
  6. In addition, we have developed internal training courses based on each client's SOP and KPI. When a trucker wishes to give service to a certain customer, we will perform process-specific training to assure the quality of the service. Moreover, we conduct continuous training and analyse the performance of all vendors on a regular basis to ensure that even if their workforce changes, it will not have a detrimental effect on the quality of our operations.

**Question: What drives the drop in customer booking for the 2022 customer cohort?**

Answer: For drop in customer booking for 2022 is mainly for the onboarded clients in March and July, since all clients are on call clients with unstable demands for 3PL services, that’s why they're dropped demands with them in 2022.

**Question: In what ways do the economies of scale kick in once the transaction volume increases?**

Answer:

1. Lower unit costs: As the transaction volume increases, the fixed costs of running the business, such as rent, salaries, and equipment costs, can be spread over a larger number of transactions, resulting in lower unit costs. This means that the cost per transaction decreases as the volume of transactions increases.
2. Increase negotiating power: As the transaction volume increases, Cetus gains more negotiating power with suppliers, as we can purchase services in larger quantities. This can lead to lower costs for using the 3rd party transportation services. For example, in 2023 we have started the project to negotiate with all the truckers to push down the price based on our understanding of their financial and operational status, as well as the market demand and client needs.
3. Capacity utilization: As the transaction volume increases, our warehouse management systems, transportation management systems, and data analytics tools can help more on improving efficiency and reduce costs. For example, when the volume is limited in a certain market, it’s difficult to plan for solutions such backload, multimodal, transit warehouse and others.
4. Competitive advantage: As we achieve economies of scale and reduces the costs, we can offer more competitive pricing to customers, which can help it win more business and gain market share.

**Question: What kind of strategic values has Lalala been providing? How likely is a strategic acquisition in the future?**

Answer:

* Complementary services: since Lalala and Cetus focus in different segment of logistics, for customers that needs various types of logistics services, it’s an opportunity for cross-selling.
* Information sharing: by leveraging each other’s existing relationships, expertise and information in the local market, both parties are benefited to grow the business.
* Financial stability: As financially strong business partner, LALALA has provided us additional access to capital to support growth initiatives.
* LALALA’s also interested in logistics real estate in the region, there’s ongoing discussion if Cetus can partner with them as to offering a wider range of logistics services and mitigate risks compared to enter into the sector alone.

**Question: Do you see supply chain financing as a revenue stream or just a value-added business to increase the stickiness of truckers?**

Answer: As a valued -added business line to enhance the relationship with vendors.

**Question: How is the money flow being done (from credit underwriting to loan originations to collection/bad debt collections)? What is the NPL / default ratio so far?**

Answer:

* The loan is processed 2-3 days from the date of request after the validation and approval process.
* Maximum amount for approval is not over 50% of the unpaid amount to a certain trucker. The loan amount is deducted on the trucker's collection date after the loan borrowing date.

**Question: What are the criteria of picking the locations for these warehouses?**

Answer:

* As as asset-light player, we are using Leased Warehouses instead of Owned Warehouses. Services provided by us mainly include:
  1. Outsourced Warehouse: in which we manage the storage and handling of goods on behalf of the client. The client pays for the services provided by the 3PL, which may include storage, handling, transportation, and other logistics services.
  2. Co-Managed Warehouse/Manpower Services: the client rents the warehouse space, and Cetus provides staffing, system and others.
  3. Warehouse Rent: the client only rents the location from Cetus and the user is responsible for handling all aspects of warehouse operations.
* In all three models above, the client will decide the region and type of warehouse. Cetus will source the available sites and make recommendations based on criteria such as rent cost, renovation demands and limits, facility status, utilities, vendor license and others.

**Question: Other than shipping, does Cetus provide air freight/rail services too?**

Answer:

1. Yes, we do provide air freight services. Although we are rare in rail services due to the facility in the region and also client industry too.
2. For example in Thailand, around 50% of the Global Forwarding is air freight while in the Philippines it’s mainly via sea freight.

**Question: What is the current market share of Cetus in Philippines?**

Answer: In 2022, the market share of Cetus in Philippines market is less than 1% in our estimation.

**Question: How are the Thailand and Vietnam expansions going? What has been and will be driving such a high growth rate in Thailand?**

Answer:

* Thailand: At present, our Thailand branch continues to be in the stage of rapid development. The team is relatively stable, already has all the departments and teams needed for operations, and continues to increase manpower to positions at all levels.
* Vietnam: core team set up stage.

**Question: The average trip rate in Thailand is lower than in Philippines, what would be the reason?**

Answer:

* This is due client structure in 2022 in both markets. In Thailand ~25% of trucking and transportation revenue was from Light in 2022 with ~US$90/trip. While in Philippines, top 3 clients’ average price was $200 to more than $600, thus resulting in the difference .

**Question:What are Cetus’s go-to-market strategies in new markets? What is the thinking behind this order of country expansion – Philippines, Thailand, Vietnam/Malaysia, then Indonesia? As the revenue contribution of Indonesia is actually expected to be larger than Vietnam and Malaysia?**

Answer: Cetus long-term expansion strategy (2018-2025)

Significantly increase revenue and profit in the existing markets; Higher coverage on the value chain with a focus; and Established in four to five counties in the SEA region.

(i) Existing customer redevelopment in current and new countries:

Strengthen client relationship to get higher penetration in current markets will see chances to coordinate in new countries for these clients.

(ii) New customers, new markets:

We started in Q4 2020 in Thailand market. In 2022, we planned to expand into Vietnam while eyeing Indonesia and Malaysia in the next a few years too. New customers will be bring in these countries.

(iii) Increasing portfolio of data-driven tools and products:

Optimization opportunities emerge as volume scales. we will continue to invest in technology and data science as to increase efficiency and cutting cost.

(iv) Expansion on the value chain:  
We have continuously launched new services for higher flexibility and stickiness for both vendors and clients. More expansions on the value chain with business innovation as above are expected in the future.

Cetus will leverage its accumulated market knowledge from Philippines/Thailand and apply into new markets based on the similarities.

Market similarity: The demand and supply relationship in ASEAN country are quite identical: there are always oversupply of vendors while rarely with high quality of services and lack of efficiency.

Trucker pain points similarity: The truckers in SEA market hold similar model due to the demographic and geographic homogeneity. The shared pain points include: low utilization of assets, cash flow pressure, and difficult to engage with enterprise clients.

Customer similarity: We specifically targeting the MNCs in the each country so that we can experience the same demands in better service in both online and offline.

Timing to start new market: Criteria: One existing market has already achieved profitable; Latest new market has established mature team and hit high revenue growth

Enter Strategy: How to Start: Transportation and Logistics Service as the Anchor in a new market; Using our Business Development strategy to open the new market; Trail and Improve to meet local clients needs

Develop Strategy: Continuously Improvement: Use our established process, system and intelligence data center to continuously increase the operational efficiency and developing this market

**Question: Cetus - Business Development Strategy?**

Answer: We are using both top-to-bottom (high level referral) and bottom-to-top (traditional channels) to acquire new customers, thus sales spending is relatively low.

* Top-to-bottom (high level referral): Referral of new clients from (1) the founders’ and company inventors’ network in SEA, usually from top families in each country market; (2) from existing customers, especially the MNCs. For example Light Thailand has introduced Light Philippines to Ineluck.
* Bottom-to-top (traditional channels) method include telemarketing, offline meetings and events, referrals by vendor, local marketing agency or individuals

**Question: Is the Thailand entity a JV?**

Answer: Yeah, however the nominal person shareholder who owns 51% of the TH business has signed a "Acknowledgment and Resignation Letter" with Cetus, allowing us to replace him at any time in the event of concerns. In addition, this individual has never held a position or affiliation with Cetus (including holding companies and subsidiaries), nor does this individual have any decision-making or beneficial rights with us.

**Question: What are the current splits among the different teams? Would you consider hiring Country Heads in the future?**

Answer:

1. For the current splits please refer to the later slides on by department organization chart with headcount.
2. Having a Country Head in an operation can have both pros and cons. We don’t think it’s a must but nice to have. We will only consider to appoint a country head if there’s an ideal candidate who meet all the criteria as below. Otherwise we can go with current set up.
   1. Local Expertise: with valuable insight into the local market and culture, which can support in decisions making and strategy development
   2. Better Communication: who can understand Cetus’s core value and be the a bridge between the headquarters and the local team
   3. High loyalty and a high level of professional ethics to reduce the danger of damage if the individual leaves the post.
   4. Possess a high risk awareness and have sufficient sensitivity to regulatory issues, political instability, or cultural differences.

**Question: What was our FX assumption for these historical figures? What is the FX rate assumed for the trip rates? Or does the Company bill the client in USD?**

Answer:

* For PH, it's fixed at 48 PHP = 1 USD, and for TH, it's fixed at 33 THB = 1 USD.
* We use local currency for most of the billing and payment so not in USD. There are rare cases that clients may want to have transactions in USD for forwarding business.

**Question: How will the Company improve its gross margin for warehouse & storage services?**

Answer:

The sector's GPM can be affected by a number of variables, including competition, supply chain problems, and demand fluctuations:

In all of our current markets, governments have implemented economic growth and stability-promoting policies, including infrastructure development. These activities may drive demand for warehousing and storage services, thereby provide us the potential to increase the price.

In addition, the expanding e-commerce sector in these markets is fueling demand for warehousing and storage services. This tendency is anticipated to continue in 2023, which could bolster the gross margin of the sector.

Moreover, over the previous two years of operation, we have gained additional information, expertise, and local supplier resources pertaining to warehousing and storage, which has increased our confidence in maintaining or even increasing the gross profit margin for this business. In addition, we are consistently enhancing our in-house systems in order to increase the efficacy of related procedures and decrease expenses.

We have not observed any significant changes regarding competitiveness and supply chain interruptions, but we will continue to monitor the situation attentively. We will remain watchful and adjust to any market developments.

**Question: The Company already generated warehouse & storage revenues in 2020 to 2022, but there are no existing clients that are already onboarded under the status column. Or are these clients marked as "In discussion"?**

Answer: There were two warehouse clients including Timber and Cola. The onboard dates are correct. Already changed the status to “existing”.

**Question: How do you determine the onboarding dates?**

Answer: For client with existing business in certain service line, we use the actual onboard time. For the clients in pipeline, we consider the level of interests and estimated based on our BD experience, how long Cetus will take to get them onboard. However it’s difficult to make the judgement on which potential clients may be faster and which may be slower, therefore the forecasted dates are just distributed equally among the clients in a similar BD status.

**Question: What does "Chance to engage" mean? Does this mean Cetus's probability of winning a warehouse contract with the client? While forecasted penetration rate means Cetus's share in a client's warehousing requirement after winning a contract?**

Answer: Correct. We considered both in the model to avoid over-optimized in estimation.

**Question:. How do we interpret "number of clients - warehouse"? In Q1 2023, Coco has 0.09 clients for warehouse, what does this mean?**

Answer: This part is probability based, thus we may suggest you to look at the total number of clients instead.

**Question: How do you determine the trip rates? Some clients have higher unit requirements than others, but they also get a higher rate. How come?**

Answer: In the model it’s historical data based for existing clients, mainly due to industry difference (truck type, distance, etc).

**Question: What is the definition of "Lock-in" and "On call"?**

Answer:

* Lock-in means a client has signed a service agreement with us for one to three years.
* While on-call clients may not sign a service agreement with us but just with a simple REP or Quotation kind of document before they use our services. For some of these clients, transportation demands may be low due to the nature of their business, or they may have their own transportation force but occasionally require third-party support.
* ~abc% revenue contributes by Lock-in clients while On-call clients contribute to small percentage of revenue.

(Please refer to the sample contracts for the details)

**Question: How do we interpret "Max % to a 3PL"? Is this what we term as a penetration rate?**

Answer: Correct, maximized penetration rate due to internal policies of most MNCs or public companies.

**Question: What is the definition of "OND"?**

Answer: “OND” stands for October-November-December as the holiday season in Philippines. It's the ratio to quantify the seasonality.

**Question: On the Number of Units per client, this pertains to the estimated demand of trucks/units? Does this fluctuate overtime depending on clients/ needs?**

Answer:

Yes, it would vary based on the nature of the clientele during a given year. However in the forecast we used annual average based on previous understanding of our existing clients. And it may vary over time as the client's business evolves. Thus, we revise our historical estimation annually to reflect our most current knowledge.

**Question: How do we interpret "Cetus as a % of total units/day" ? Does this imply that out of the total trucks needed by a client, a certain percent of this will be sourced/provided by Cetus?**

Answer:

Yes it’s the penetration curve based on our past experiences. Usually we may start the service provision into a certain client with limited number of trucks or route per day, but we will continuously deepen the wallet share with proven performance and price.

**Question: How is it possible to have 0.10 units/day when 1 unit is equivalent to 1 truck?**

Answer: 1 unit = 1 truck = 1 trip. Same as for warehouse, this part is probability based thus it’s not to say there’s a 0.1 unit per day from any customer.

**Question:. Please kindly describe in more detail the "Closing" BD status. Does this imply that the clients have agreed to onboard with Cetus and just waiting to sign?**

Answer:

It means we are in the negotiation progress with the client on the contract terms or expect to get into this stage soon, with large chance to onboard the clients within around half year.

For 2023 Q1, the actual operation start date depends on the client operation status, normally Jan - Mar is the low volume season, so the actual start date will be later than the contract signing. Meanwhile, as we are still deep diving Jollibee and Robinson both of which are newly onboarded with large demand potential. Currently both of which are in stable on-call status with 1-2 trucks asked daily. We planned to: (1) convert to contract (2) expand the routes from around Manila to other sites, such as Cebu, Davao and others.

**Question: Please explain the 0.5% adjustment against the trucker rate?**

Answer:

The adjustment is for 2023. In Philippines, as Cetus has become more established after operating in local market for a few years, in 2023 we have started renegotiating the contract with all vendors based on internal analysis of all factors, such as the market demands and supplies for certain routes, the operational status of each trucker and to what level they are dependent on orders given by Cetus, whether the truckers are still bearing heavy bank loans for their trucks, and others. Therefore we added 0.5% more decrease in trucker rates for this year.

**Question: How do we interpret "number of clients - shipping"? In Q1 2023, Aldi has 12% number of clients for shipping, what does this mean?**

Answer: It’s probability based and means in this quarter we have 12% of chance to start the shipping business with this client in the mentioned period.

**Question: Please explain the formula for sourcing volume. Why do we multiply the number of units with trip rate and 25 days and divide it by 2%? What is 2%?**

Answer: 2% is the estimated logistic cost as total revenue. Sourcing is a business based on a client’s transaction volume which is usually represented by the revenue. Therefore we used the estimation of trip cost with us for a certain client as the starting point to get the revenue assumption. The 2% is based on median cost % as of our analysis on Thailand companies in various industries since all company financial data is publicly accessible. And we assumed the logistics cost to revenue ratio is similar for Philippines companies.

**Question: How do we interpret "number of clients - sourcing"? In Q2 2023, CP has 0.05% number of clients for sourcing, what does this mean?**

Answer: It’s probability based and means in this quarter we have 0.05% of chance to start the sourcing business with this client in the mentioned period.

**Question: Why is the SCT revenues for the Philippines only growing at 0.5% every quarter? Why is this not tied to the number of trucks required to service your Trucking & Transporation revenue (i.e., number of units)?**

Answer:

* SCT is not a core business line of Cetus since 2019, therefore we don’t have proactive marketing for this business and only natural growth is expected.
* Our business model is distinct from marketplace firms such as Lalala, Mumumu, and Gegege because we operate in the B2B/broker model. Rather than dealing with individuals, our clients are often enormous organisations. Hence, truck utilisation is not a significant KPI for Cetus to serve its clients or compete in the market, but as long as we have a large enough pool to select truckers with acceptable service quality and price, this is Cetus's fundamental value as a contract logistics provider. (More details in the *Vendor relationship* part as in next 3 slides)
* We have categories our truckers into three groups as “core”, “normal” and “black list” truckers. It’s our strategy to continuously identify and add truckers into the “core” group. Already ~300 truckers are equipped with GPS, and abc% of our core truckers are equipped with GPS.

**Question: What does the % labeled IoT Coverage mean? Please explain the (1-0.25%) \* IoT Coverage in calculating installation and maintenance revenues?**

Answer: It’s still under checking for the initial to add. If we are still unable to identify it, we may eliminate it because its impact on the model is minimal.

**Question: Can you explain what is "saving interest rate"?**

Answer: It’s the deposit interest rate of our bank balance.

**Question: What is supply chain finance business development? Can you expound on this revenue stream?**

Answer: We have two business model under SCF service line. One is for trucker advance payment with their orders under Cetus. Another is for truckers with cash flow pressure and bring their own orders to join Cetus platform, which is what we recorded in this sheet. In practice, if a certain trucker is with clients which Cetus may be interested in, we may take the chance to offer SCF as a faster ice breaker to those potential customers, while the trucker will be benefited by faster and stable payment from Cetus. As an example we **managed to got Coco orders in the first place via offering SCF to their existing truckers.**

**Question: What is the source of your data on 3PL market size?**

Answer: It’s based on Cetus analysis. Methodology as below, for details please refer to the “Market sizing” excel file

* We estimated the Transportation & Storage Market Size based on GDP by sector. According to the income approach, GDP = The sum of the total national income (the sum of all wages, rent, interest, and profits) (I) + sales taxes (T) + Depreciation (D)+ and net foreign factor income (F). As most the key elements in (I), (T), (D), and (F) can be considered as a portion of revenue in P/L, we use GDP of Transportation & Storage sector to calculate the sector revenue, which is generally considered as market size.
* Among all the elements in (I), (T), (D) and (F), we’ve selected Wages (W) and Profit (P) in (I) to simplify the calculation, as these three indicators are most important to transportation industry and also easy to get from public resources. To get the [(W)+(P)+(D)] to Revenue Ratio, ideally it should come from sector statistics. However only Singapore government provides such data on yearly basis. Therefore instead we have checked 8 public companies in the region and used the average of them, which is 21%. We also checked the sector statistics in Singapore: the 2019-2021 average of this ratio in Singapore is 28.1%, which is similar to what we get from the public companies. For sales tax (T), we used the ratio of each country.

**Question: What is the reasoning behind including the loan amounts to truckers as part of your PH market share for 2023 onwards?**

Answer: We used transaction volume to make the estimation because based on the above market sizing methodology we have included in the impact of sales taxes. While for the transaction volume we have for Philippines market, the major difference between it and the revenue is the taxation (VAT) while less as the principal of the SCF especially before 2021. Therefore we used the amount in the model. However we will eliminate the impact of the SCF principal as the amount will grow larger in the future forecast.

**Question: What is the basis of the gross margin assumptions? How do you get comfort on this?**

Answer: For all new markets, we will begin with the trucking industry, particularly in the first one to two years. For 2020-2022, the gross margin of this business line in the Philippines was A%, B%, and C%, while in Thailand it was D% and E%, notwithstanding the global oil price fluctuations of 2022. We therefore feel the estimate of 8-10% to be reasonable.

**Question: Core Service Provided?**

Answer:

|  | **Service Segment** | **Target gross margin** | **Action to achieve the targets** |
| --- | --- | --- | --- |
| **I** | **a. Transportation & Logistics Services** | Philippines: 12-15%  Thailand: lower than Philippines due to the market is more mature and competition level is higher  Other markets: around the range of Philippines in Vietnam while for Indonesia and Malaysia might be closer to Thailand | **For I//II//III.a:**  The target gross margins for each of the services listed can vary depending on various factors, such as the level of competition in the market, the cost structure of the business, and the overall strategy of the company.  To move towards such targets, the company will adopt various strategies including:   1. Leverage the economics of scale in more established markets to push down the vendor price to reduce the cost; 2. The entry approach for new markets is a rather a low-priced method. But, as the company grows and its reputation on the market improves, we will gradually optimise prices and gross profit margins. 3. Continuously improve of the inhouse system to increase the process efficiency. 4. Continuously using data analytics tools to optimize the business from various areas.   **For III.b. supply chain technology services**  Since it’s a cost based model for the pricing, we will continue the current strategy and maintain the gross margin.  **For III.c. supply chain finance services**  As we are growing larger in scale, we have continuously seeking for capital resources with lower cost such as Invoicing Finance with banks to lower the cost. |
| **b. Warehousing & Storage Services** | Philippines: 25-30%  Thailand: same nature as for transportation  Other markets: same nature as for transportation |
| **II** | **Global Forwarding** | Philippines: 5-8%  Thailand: same nature as for transportation  Other markets: same nature as for transportation |
| **III** | **a. Sourcing & Contract Logistics** | This is various significantly case by case. Generally we target not below forwarding business gross profit margin in each transaction. |
| **b. Supply Chain Technology** | Philippines: 25%-30%  Thailand: same nature as for transportation  Other markets: same nature as for transportation |
| **c. Supply Chain Finance** | Philippines: 25-40% for trucker CA, 1-2% for mgmt. fee  Thailand: same nature as for transportation  Other markets: same nature as for transportation |

**Question: The average order price is the price per trip? Per day?**

Answer:

* Please kindly be aware that Unit Economics is for your understanding of the structure of revenue and cost.
* The average order price is the price per trip.
  + Averagely our one trip takes around 24 hours and with above 5 tonnes of goods loaded.

**Question: Are these costs based on 2018 data? Or current data? Based on Appendix 1, is it correct to assume that Cetus pays for manpower, fuel, maintenance costs and registration of the vehicles? Meaning, Cetus pays for these costs rather than paying the truckers for incuring such costs? If so, why is this the case? Is total distance of 165 km (or 110 km \*150%) the average length/distance of a single trip? For vehicle cost, can you explain how you derive the PHP 3,500 / day of vehicle acquisition and depreciation cost per day? (70,000/20?)**

Answer:

* We don’t pay separately but as a whole package to pay the vendor for incurring such costs. The Appendix 1 is provided for the audience who are not familiar with the cost structures of the vendors only. Our cost has been demonstrated in sheet “Trucking SCT SCF”.
* It is 2018 data since it’s only for demonstrate use here.
* Yes in this case 165 km is a single trip distance.
* Per working day cost = (total vehicle cost with bank interest/5yr.)/312 working days. We assumed it’s a 10W vehicle instalment cost 70K per month. And we also assumed that in each month this truck will work for 20 days. Therefore it’s 70k/20 days =3,500 php.

**Question: Please provide more explanation on the 'Trucker Account Receivable Loan" model for each model?**

**Model 1** - Why is majority of the transaction revenue paid to the truckers?

Answer: there are two models regarding how we work with a trucker

* Model 1: the truckers already have those orders. They brought the orders to be under Cetus for cashflow reasons. Therefore only a certain percentage of the management fee is change.
* Model 2: it’s advance payment to the vendor with a interest. Already amended from “Transaction revenue from shipper” to “Transaction cost to vendor”. Yes the x% is the interest cost to the truckers. Although in practice it may vary from x% for 1-3 weeks based on negotiation.

**Both Models**

- Why does Cetus have a lending cost? Does the Company essentially borrow funds to pay vendors in advance (SCF)? And if so, do we borrow from a third-party to lend to the truckers?

- Why are there different interest rates applied?

Answer:

* We don’t need to borrow in advance for the payment. But we do consider part of our financial expenses as the allocated cost to this service.
* For example, during a certain month, Cetus’s with 10 million loan while in the same month, our trucker loan principal was 1 mill. Then in the bookkeeping we consider 1/10=10% of the total financial cost to be allocated as the cost of trucker loan at the period.
* Here we assumed that our lending will be from various of sources thus with different interest rates such as 7.5%, 10% and 12%.

**Question: What is Cetus's view on truckers defaulting their payments to Cetus? How do we manage the credit risk? Would you be able to provide historical data on late/default payments from the truckers? How do you credit score the truckers?**

Answer:

* For the SCF - trucker loan we directly deduct the payment to truckers and we don’t provide any loan higher than 50% of unpaid amount to a certain trucker. Therefore this is no defaulting risk to delayed payments. Also we try to provide this service to our truckers with high performance as a assistant to reduce their cash flow but not to all truckers. This also helps to reduce risks in providing this service.

**Question: Are the revenues and costs on a per sqm basis? If no, what unit is this based on?**

Answer:

* In the bidding it could be present as the unit price per sqm. However in our computation it’s still site by site. Therefore the illustrative example provided is for a certain site.

**Question: Could you provide absolute figures for the monthly SCT Service fee?**

Answer:

* In this example it’s US$4 dollars per months as in the Illustrative Example in sheet “Trucking SCT SCF”.
* Actually cost may still vary depending on usage of data for a certain truck during the period and also vendor price to us such as Alibaba Cloud, Google Maps and others.

**Question: What is the difference between trucker and plate? Is it correct to assume trucker means a trucker company while plate meaning vehicles?**

Answer:

Correct. Most of our transportation vendors are small to medium sized trucking companies, with averagely less than 10 trucks. For the trucking companies we also use the term “truckers” while a “plate” usually refers to a certain vehicle owned by the trucker.

**Question: How do you define "active" truckers during a period? What is the difference of an active trucker vs a trucker with transaction?**

Answer:

* If a trucker has trips with Cetus in that month, then it’s a active trucker in the monthly statistics.
* If a trucker has a trip in the past with us, we recorded them as truckers with transactions. But they may not have trip each month with Cetus, since we are trying to provide more and more trips for good performances. For core truckers it’s more likely a lock-in model but for the normal ones their trips may fluctuate.

**Question: Please confirm that the number of registered trucks represents all of registered trucks from truckers with transactions only (i.e., does not include trucks from truckers with no transactions but registered in the platform)?**

Answer: Yes it’s confirmed as above. Because there are still vendors in our offline database.

**Question: Are there instances when registered trucks are removed from the fleet?**

Answer: Yes there were truckers been removed and can’t continue to work with us if there are significant misbehavior or they fail to achieve the SOPs ot KPIs continuously by our monitoring. But the number is very limited. For all the truckers we continuously provide training on all processes to make sure they understand the standards and requirements.

**Question: Core Service Provided - Plans to increase gross margins?**

Answer:

* For more details regarding how Cetus will “leverage the economics of scale”:
  + Lower unit costs: As the transaction volume increases, the fixed costs of running the business, such as rent, salaries, and equipment costs, can be spread over a larger number of transactions, resulting in lower unit costs. This means that the cost per transaction decreases as the volume of transactions increases.
  + Increase negotiating power: As the transaction volume increases, Cetus gains more negotiating power with suppliers, as we can purchase services in larger quantities. This can lead to lower costs for using the 3rd party transportation services. For example, in 2023 we have started the project to negotiate with truckers to push down the price based on their status from all aspects, please refer to *2023 Action Example*.
  + Capacity utilization: As the transaction volume increases, our warehouse management systems, transportation management systems, and data analytics tools can help more on improving efficiency and reduce costs. For example, when the volume is limited in a certain market, it’s difficult to plan for solutions such backload, multimodal, transit warehouse and others.
  + Competitive advantage: As we achieve economies of scale and reduces the costs, we can offer more competitive pricing to customers, which can help it win more business and gain market share.
* 2023 Actions as an example - As every first quarter is a lean period, beginning at the end of December 2022 we planned to negotiate further cost reductions with our supplier. We have utilised two significant advantages and one element to further reduce costs:
  + The element: Current fuel price and projected fuel price decrease; and
  + The benefits: (1) The consistent volume even during the busiest season, and (2) the shorter payment terms.

By March, we have employed combinations of the aforementioned three elements to negotiate with truckers who transport different clients:

* + In January, we began focusing on critical accounts, which was reflected in February's financial statements: In the case of Natalie, we utilised fuel rate adjustments and steady volume to boost margin by 3% to 4%, but in the case of Jungle, we utilised stable volume and shorter payment terms to increase margin by 2%.
  + In February, we continued and pushed to other significant accounts, adjusting margins with truckers catering to P&G, Timber, Coke, ABI, Aldi, and others, which will be reflected in our financial statements results.

**Question: Logistic Operation?**

**Answer:**

1. The Operations & Coordination team is responsible for overseeing and managing the overall logistics operations. They coordinate the movement of goods, communicate with client , internal team and trucker and ensure the smooth execution of delivery overseeing the day-to-day operations of the logistics process.
2. The Dispatch team focuses on the timely and efficient dispatch trucks to completed client bookings and coordinating the pickup and delivery of goods location , assigning nearby truckers and managing any changes or incident that arise during intransit
3. The Warehouse & Storage team manages the physical storage, handling, and inventory management of goods within warehouses or distribution centers. They receive, unload, and store incoming shipments, organize inventory, pick and pack orders, and prepare goods for outbound shipments. We need to ensures the efficient utilization of warehouse space, accurate inventory tracking, and smooth operations within the storage facilities.
4. The Importation & Exportation team focuses on managing the import and export processes and ensuring compliance with customs regulations. They handle documentation, customs clearance, trade compliance, and coordination with customs authorities and shipping lines and ensures that all necessary paperwork is in order, duties and taxes are paid, and shipments pass through customs checkpoints smoothly.

**Question: Warehouse & Storage services offered to customers?**

Answer: We have 3 types of Warehouse services offered to customers:

1. Service Management Warehouse - this is an all-in services consist of warehouse facility rental and operations management.

2. Warehouse Rental - this is a rental of warehouse facility only wherein customer will provide the manpower for the management.

3. Warehouse Management - this service consist of warehouse operations management only. Customer will provide their facility and

Cetus will manage the operations. Most of our customers particularly Timber and Coco require the #1 which is the Service Management Warehouse. But we participate on the ongoing bidding for Natalie warehouse management only (#3).

To determine the right and appropriate warehouse location and facility, we get the following significant requirements:

A. Geographical location requirement - strategic location for the type of business and environmental condition.

B. Size of warehouse needed - vertical and horizontal size requirement to complement the type of commodity to store

C. Safety Requirement - fire exit, fire extinguisher, water sprinkler

**Question: What are the teething challenges you have to overcome in the past 3-5 years?**

**Answer:**

● Data Integrity

○ Our process and business operation daily are highly replying on one basic thing, which is data

○ But last year when I joined the company, the data integrate is quite challenging for everyone, because

■ The same data elements defined slightly different in different department

■ Process not aligned cross-department to maintain the data

■ System is separated without master data management mechanism and data cross-checking mechanism

○ Current:

■ We already had the 1st data dictionary

■ Clear process with data maintenance process regarding major business process

■ Discussed and defined the system integration between different systems

○ After the foundation is built up, we will further enhance the data center data consolidation speed and apply the algorithm there

**Question: What are your top 3-5 challenges for your area(s) of responsibility?**

Answer: For us, as a B2B data driven logistics company, to ensure we can offer good customer experience, have a clear pricing strategy and business decision, the whole underline concept are about 3 things:

■ People <-> Organization, Process, System <-> Culture

● People: Build up a stronger and more solid talent team, by different tier (Every market we enter, we need time to build up this)

● Organization, Process, System <-> Culture: with good and solid people, we can maintain and enhance this

**Question: What are the potential red flags that you have to look out for and manage?**

Answer:

New clients’ RFQ acceptance ratio

Existing Clients satisfaction & retention (contract renewal rate)

Operation regular KPIs

Data integrity

System process match level with actual business

**Question: How does the Company adjust pricing?**

Answer:

(1) Rates adjustment during Contract Renewal

● P&G - currently in progress of 2nd year bidding, last year we won 1 route as primary with 10 daily trips, this year we will further adjust our rates to get more volumes in Cebu site (where we identified the opportunities)

● Timber - every year Timber will have a contract renewal bidding, we will based from our delivery trip records, actual trips, RFQs to come up with newly optimized price

(2) Rates adjustment during Regular Operation

1. Adjusted by ourselves

1. To increase revenue - Cetus proactively adjust the rates and communicated with client
2. To increase margin -When the operations are stabilized, we understand more about the process, and the core trucker is relatively stable for one specific clientsWe can use stable volume, payment terms to continuously negotiate trucker price, and lock-n some units to get a more competitive price and higher margin

2. Due to fuel price increase / decrease, based on contract with client and truckers, we will adjust the rates

1. Forecast the fuel price (as picture in last page) and simulate trucker price in advance to align with forecast client adjust price
2. Coco Sample

**Question: What are the key terms on this with customers and vendors?**

Answer:

○ Additional Charges will be added based on client contract, (if none, we will use the general terms)

○ For client who is stricted with clear KPIs, we will apply the the KPIs to trucker, e.g. Timber (account mgmt slide will further discuss some special cases)

○ For client who don’t have clear KPIs yet, but actually they have operation requirements, we use Cetus standard also to make sure our trucker performance

**Question: What is your approach to managing customer accounts, and how does it ensure that customers are satisfied and retained?**

Answer:

○ Daily operation management & timely updates, incl. every 3 hours operation update, 7\*24 hour service, Free logistics TMS & IoT system to check

○ Regular client relationship management

■ Operation KPI mgmt

■ Regular meeting with client (monthly reports, and quarterly meeting)

■ Ontime concern solving

**Question: How many account managers? How many accounts do each of them handle?**

Answer:

○ Account management team is separated from BSD starting 2023, so we are going

setting up and growing this team

○ There are 2 account managers currently, starting from the big accounts first

■ One is mainly responsible for the clients Timber, Jungle

■ Another is mainly responsible for Natalie and P&G

○ For small accounts, are assist by BD and together with Account management team first

**Question: How does the Company handle customer inquiries and complaints, and what is the approach to customer service?**

Answer:

○ Channel: 1) Discover by our own, 2) Direct Email / Message / Call, 3) Email / Call to Customer Service

■ Every key clients have our Account manager or BSD phone number

■ we also have 1 centralized customer service email and phone number that can be reached always

○ The most common concerns are 1) Usual operation concerns, 2) Big concerns / incidents, the following process is our general practice.

**Question: What is the grievance process for 3rd parties (if any) ?**

Answer:

○ There are 5 channels can collect vendor feedback, 1) Ticketing form, 2) Email csqa-vendor@Cetus.com, 3) Direct calls, 4) SMS, 5) Slack (for internal coordination)

○ The concerns are categorized into different type, and vendor mgmt will coordinate internally to solve them within given time (e.g. Level 1 is < 2 days, Level 2 is < 3 days, Level 3 is < 5 days

**Question: What is the approach to contract negotiations? How does the Company ensure contracts are fair and mutually beneficial?**

Answer:

○ On client side:

■ Our clients are mostly big companies, which is hard to negotiate on most terms at the beginning. But we still management to discuss and negotiate with clients when terms are not fair and continuously coordinate with them to manage to change the KPI in the end

■ Sample (Timber Importation)

● There are 2 kinds of situation happen when we actual operated with Timber

○ Client double count same shipment same type of concerns in different KPIs

○ Client don’t understand the process clear, can calculate the KPI wrongly

■ e.g.The KPIs should start at final assessment, but instead client count it once after they pay the duty and tax (but there are 1 - 3 days time difference, which depends on the customs speed)

● Result: After discuss with the client to explain the detailed process, we are aligned to change the relative terms

**Question: What is the approach to contract negotiations? How does the Company ensure contracts are fair and mutually beneficial?**

Answer:

○ On trucker side:

■ Price on special cases (e.g. the volume changes in Jungle caused the trucker price hard to lock-in, we will manage it by using our strong process, Case in next page)

■ Operation terms:

● Normally we will apply the similar term from client’s to those truckers

● For those clients don’t have strict operation terms, we will still put our general requirements and KPIs to them (check BI part later)

● Sample - Natalie

○ client side, they are charging us penalty by % of total revenue quarterly

○ trucker side, because small fleets the rates are calculated per trip, so we estimated the per trip cost based on client rules, and apply per trip penalty to trucker

**Question: How does the Company analyze customer data to inform pricing and account management decisions, and what metrics does it use to track customer satisfaction and retention?**

Answer:

○ Analyze customer data

■ Quantitative data:

● Overall we have different monitors for different business segments daily performance, incl but not limited to

● For different clients, we monitor the different set of details also, one sample here for Jungle

■ Qualitative information:

● During our daily operation communication, monthly updates and meetings with clients / vendors, we prepare our quantitative data to discuss with them to get more information, incl.

○ discuss the overall status and satisfaction level from clients

○ understand their pain points right now

○ discuss about the opportunities

○ Metrics to measure customer satisfaction and retention

■ Lock-in client contract renewal rate

■ On-call client RFQ frequency, and acceptance ratio

**Question: What is the pricing and account management department's approach to upselling and cross-selling?**

Answer:

○ We mainly consider strategies as below for cross-selling to existing customers that already with a type of service:

■ Promote complementary or bundling services, which reduce clients’ efforts in vendor sourcing, communication and processing.

■ Upsell for ad-hoc needs: while if a customer has its own forces for certain logistics function, we still promote as add-on service that they can consider during peak seasons or other occasions if needed.

○ The assumption is based on a comprehensive analysis of

(a) customer’s potential needs for type of service and size based on our BD team’s communication and understanding

(b) bidding cycle of the clients;

(c) vendor management policies and

(d) our historical data and analysis.

**Question: How does it ensure that customers are aware of all the products and services available to them?**

○ Regular communication: Maintain regular communication channels with your customers to keep them updated on new products, services, and enhancements. This can be done through email newsletters, industry updates, or personalized communication based on their specific needs.

○ Account management team: Ideally we assign a dedicated account management team to each customer. They can proactively engage with customers, understand their evolving requirements, and educate them about the full range of products and services your company offers

○ Personalized recommendations: Analyze customer data, purchase history, and preferences to provide personalized recommendations for additional products or services that may benefit them. This can be done through targeted marketing campaigns or direct communication from the account management team. In our customer presentation, we always keep what’s our latest offering there, maintained by BSD and Account mgmt team together. Everytime that we will go discuss with certain client, we will pick slides from there and add the client related information to make a customized slide for discussion

○ Online platforms and portals: Maintain an online platform or customer portal where customers can easily access information about your products and services. Ensure that the platform is user-friendly, up-to-date, and provides comprehensive details to help customers explore and understand the full range of offerings

**Question: How do we also go about gaining most of the wallet share per client? (For example, how do we become the number 1 trucking provider for Coco or Natalie?)**

Answer:

1. Understand client needs - BSD department

2. Build strong relationships - BSD department & Account Mgmt department

3. Provide excellent customer service - Logistic Operation department & Account Mgmt department

4. Offer competitive pricing - Pricing department

5. Seek feedback and act on it - Account Mgmt & Operation department

6. Collaborate and innovate - All departments

**Question: How is the organization different between Philippines and Thailand? Is this department existing in Thailand as well? Do they function independently? Who is heading this sub-department for Philippines and Thailand? What is his/her experience? How big is the team today? Are there certain members of this department who are assigned to cover this same department in Thailand as well? (i.e., regional manager?) How is this sub-department organized? (i.e., are certain industries/business lines delegated to certain team members?)**

Answer:

○ Overall we are a B2B platform company which doesn’t face end customers directly

○ Thus, our Customer & Public Relations team is mainly focusing on the social media posting, the vendor relations and customer relations are managed by BSD and Account Management team

■ In Philippines, there are two persons under BSD team, lead by Ynah, who is working on it, assist by account management team

■ In Thailand, some functions are shared with Philippines team (e.g. the social media post), for the local activities which are executed by BSD in Thailand now

**Question: Please expound on public relations, what exactly do they do? Similarly, what are some key initiatives of this sub-department to strengthen Cetus’s branding in its target market?**

Answer:

○ Facebook / online social posting with different type of posters

○ Organize and host different types of social activities (refer to following pages)

**Question:** What metrics does Cetus use to measure customer satisfaction? Answer: refer to previous account management pages

**Question:** What is Cetus’s process of escalating customer and vendor issues? Answer: refer to previous account management pages

**Question:** What are some common challenges faced by Cetus’s customers and vendors? How has the Company helped to resolve these issues? Answer: refer to previous account management pages

**Question:** Is there a 24/7 customer service line for customers and vendor? Answer: Yes

**Question: What type of data does the Company collect? Cetus Intelligence Data Center?**

Answer:

○ Company data was collected from 4 data sources

■ Parties - from our cooperation parties, incl.

● The client information (e.g.industry, estimated volume, region allocation)

● The vendor information

○ Trucker (e.g.truck numbers, location, industry experience, economic situation)

○ Warehouse (e.g. regional location, size, broker allocation)

■ Things

● The operational information collected from our IoT devices

● The operation information that uploaded to our system

■ Places

● Delivery address

● Client office, vendor office and network

■ Ref. Data, incl. Weather, Fuel price

**Question: How does it use this data to create for its customers?**

Answer:

○ Marketing & BD (Client Analysis)

○ Route & Price (Basis of Pricing Analysis)

○ Dispatch & Operation (Dispatch Recommandation & Operation Metrics)

○ Billing & Collection (tools to cross check)

○ Analytics & Continuous Improvement

**Question: Can you provide examples of how the Company uses data analytics to improve customer experience or create new service offerings?**

Answer:

a. Operation Updates

■ Client can check the real time locations in FMS, with the analytic results of driver behavior

■ Can check overall analytic summary for their operation status

**Question: Can you provide examples of how the Company uses data analytics to improve customer experience or create new service offerings?**

**Answer:**

a. Dispatch - We leverage our dispatch record to analysis the trucker allocation with performance to monitor the result and enhance services

b. Price offering - We used our accumulated price database to provide most suitable price to our client

**Question: How does the Company use data for optimizing route algorithms and trips?**

Answer:

a. Trucker performance monitor - to choose those good ones to dispatch from Operation Metric KPI

b. Dispatch network - to do the dispatch matching to enhance the utilization of every ongoing trucks

c. For certain truck - to improve their own efficiency by smart dispatch to have a deeper cooperation

**Question: How does the Company track (i) customer data and Cetus’s KPIs with customers, (ii) KPIs of truckers and vendors. Also discuss metrics that are commonly tracked by the Company on an ongoing basis?**

Answer:

○ General, we will use below KPIs to monitor our performance with customers, and also the KPIs of truckers (sample as below picture)

○ The data source is from the operational data lake we accumulate i. Pick up Timeliness ii. Delivery Timeliness iii. Safety, Security & Quality iv. Truck Availability & Fleet Support v. POD Submission Timeliness vi. Preparation and Requirement

○ Also, we have our own performance monitoring for every trucker’s overall performance

**Question: How does the Company report its KPIs to its customers? How often?**

Answer:

○ Normally we do at least monthly reports, and quarterly face to face discussion with clients (sample as below)

○ On a daily basis, once we monitored there is the KPI that unusual, we will adjust internally and communicate with client

**Question: How does the Company implement its KPI to the truckers/vendors?**

Answer:

○ If we penalized or backout any truckers, we will do case by case KPI communication with the truckers

○ Normally we will do monthly updates to the truckers

○ Also, we will select different batch of truckers to the Cetus Partner Day to do the focus discussion

**Question: How does the Company ensure the accuracy and integrity of the data it collects and analyzes?**

Answer:

Data Integrity is most affected by 6 things: Consistency, Timeliness, Relevance, Accuracy, Completeness and Validation

We leverage from 3 aspects to ensure the data accuracy and integrity, Process, People and Technology

o Process:

Have a streamlined data collection / input process (manual + system)Set data validation rules + reconciliations (operations and financial)

Technology:

IoT solution and other ways to sync the data automatically between different systems and data sources

Proper IT infra for backup, integrations, access control and permissions, data securityPeople: in addition to training people on best practices for handling data, we should work on that data-driven culture where people recognize importance having of accurate and reliable data

**Question: Does the Company have a data governance framework in place to ensure the data is used ethically and responsibly?**

Answer:

● We insist on the following principles, ensure the data is used ethically and responsibly

○ Insist the goal of ethical data responsibility

○ Establish Data Governance Policies

○ Identify data stewards

○ Implement Privacy Safeguards

○ Establish data access controls

○ Monitor and audit data usage

○ Provide ongoing training and awareness

○ Continuous Framework Improvement

● Our data governance framework is composed of the following main elements

○ Data Architecture

○ Data modeling and design

○ Data storage and manipulation

○ Data Security

○ Data integration and interoperability

○ Documentation and Content

○ Reference and Master Data

○ Data Warehousing and Business Intelligence (BI)

○ Metadata

○ Data Quality

**Question: How does the Company plan to evolve its data analytics capabilities to continue providing value to customers in the future?**

Answer:

○ Current situation

■ Standard offer: Part of our data solutions are offering as ads-on free solutions to client (e.g. the FMS monitor and dashboard)

■ Customized offer: We develop APIs to client, and charge client as per they request (e.g. Jungle they request us to use API to pass the data analytic result directly to them, since the fields are different, so we charge them the service fee monthly)

○ In the new future, we won’t put our focus effort on marketized our data analytics solutions, but in future we will consider to develop this business, the reasons are

■ If the analytics solutions stand alone, it’s not that big in requirements side in SEA market. But it’s benefit for our client / vendor experience as an ads-on service

■ When we have more market data and accumulate the more advanced data pool (from distribution business and external data), we will recheck the possibility of marketized the data analytics solutions

**Question: Please provide a roadmap of your future product and technology development plan and the investment required?**

Answer:

a. TMS algorithm enhancements, incl. openAI APIs in the smart dispatch, customer services. Leverage non-rule based algorithm to forecast the rates / routing

b. Cetus Data Center enhancements, incl. developing non-structured data lake to further support the algorithm implementation, connecting with more external data sources

c. Distribution Management System build up for our new business

**Question: Advantages of choosing Chengdu as R&D Center?**

Answer:

● Talent Pool:

○ 83 million people in total, and around 500,000 graduates who hold Bachelor's degree above per year

○ Chengdu is home to numerous top-tier universities and research institutions, such as Sichuan University, University of Electronic Science and Technology of China, and Southwest Jiaotong University. These institutions produce a steady stream of highly skilled graduates, providing a rich talent pool for R&D activities.

● Cost-Effectiveness: Compared to major cities like Singapore, Chengdu offers a lower cost of living and more affordable real estate prices (only 50 - 70% R&D Cost comparing to Singapore, Shenzhen)

● Government Support: The local government of Chengdu actively promotes the development of the city's R&D sector. They provide various incentives and support measures to attract companies and talent, such as tax benefits, subsidies, and infrastructure support.

● Industry Clusters: Chengdu has developed industry clusters in sectors like electronics, IT, biotechnology, and automotive. These clusters create a conducive environment for collaboration, knowledge sharing, and innovation. Being part of a well-established ecosystem can enhance R&D activities by facilitating partnerships, access to suppliers, and sharing of resources.

● Strategic Location: Chengdu's geographical location offers strategic advantages. It is well-connected to other major cities in China and has excellent transportation infrastructure, including an international airport and high-speed rail links. This connectivity makes it easier for companies to collaborate with partners, access markets, and attract international talent.

● Stable Business Environment: Chengdu is known for its stable business environment and supportive policies for foreign businesses. The local government has implemented measures to improve the ease of doing business and reduce bureaucratic hurdles, creating a favorable climate for R&D investments.

**Question: Is there a backup system in place (what is backup plan if system is down)? - Have you experienced any downtime and what is your SOP in managing this?**

Answer:

○ Alibaba Cloud (Apsara database) has automatic backup feature every day, and we use AWS as backup also

○ Alibaba cloud has features that can restore the data immediately. Even with downtime, we are able to restore the data from backup also

**Question: Where are your servers located?** Answer: Alibaba Cloud, AWS as backup server

**Question: Are there any gaps in terms of tech capabilities and how do you plan to bridge them?**

Answer:

Tech Gaps for now:

● The algorithm needed for further business (incl. the smart dispatch enhancements)

● Data center enhancements (AI enhancements in current services) incl. the non-structure data lake built up

● External information extraction and API connection regarding B2B distribution platform

How to bridge the gap:

● Optimizing the team over the next year, the tech team is one of Cetus's core competitive strengths

● Including roles such as Data Scientists and AI Researchers

○ Currently we have 1 Big data developer in the team

○ In future will further improve the importance of investment in AI, Big Data, and Machine Learning

**Question: For distribution, at least for the 2 distribution centers in Lapu Lapu and Laguna, will we only be distributing to general trade (sari sari stores) or also modern trade accounts like supermarkets?**

Answer: This depends on the different principals’ own distribution strategy. For instance,

* In Cebu Lapu Lapu city, in our contract with Cola, we start with general trades (sari sari stores, restaurant, bar, club, groceries), and if we perform well, client can delegate part of the modern trade to us (incl. local supermarket, pharmacy)
* In Laguna, we distribute for Kimberly Clark as sub-distributor first to start with general trades, if we are accredited as distributor, we have the rights to distribute to modern channels

The distribution rights will be highly related to our sales performance and negotiation with principals

**Question: If we distribute to sari sari stores, how do you foresee collecting the cash upfront from them? Would it be difficult to do so because of how small these sari sari stores are?**

Answer: For all the customers we had (incl. sari sari stores and all other stores), we will all start with cash on delivery, to make sure the collection

In future, for local supermarkets, grocery stores and stores with high sales volume, once we identified their high sales volume, and verified their ability to pay, we will use 1-3 days payment terms as our leverage to gain more sales volume from them.

**Question: How do we go about providing trucks for the distribution business? It would seem like our advantage is that we have a large trucker network (asset lite), will we use this to our advantage for the distribution business?**

Answer: There will be 2 types of delivery in the distribution business, 1) from principal to our distribution center, 2) from our distribution center to stores. **Our logistic capacity can be leveraged in 2 aspects to help us increase margin and expand faster**

1. **The efficiency** of 2nd type of delivery, (which is from our distribution center to stores) will significantly influence the service efficiency and our transportation cost. Thus, with our system and data capacity, we can have a better route planning to save our cost and time, to further increase the margin
2. **Expansion**: For a traditional distributor, one of their major barrier for expansion is to buying or finding more trucks for 2nd deliveries. But we already had a massive existing trucking partners network, which can be leveraged to efficiently get more trucks at a low cost

**Question: For distribution, what aspects will be done in-house vs outsourced truckers?**

Answer: In the trail stage, we will rent the truck from our existing outsourced truckers, and use our own helper and sales in the delivery and sales process to make sure it’s efficient. In future, we will consider to use in-house truck if the business is stabilized.