
INDUSTRY OVERVIEW

Investors should note that Ipsos has been engaged by our Company to prepare the Ipsos Report to provide an overview of the transportation and logistics market in Singapore and an analysis of market demand, which will be used in whole or in part in this document.

The information and statistics set out in this section have been extracted from the Ipsos Report and other publicly available sources. References to Ipsos should not be considered as its opinion as to the value of any security or the advisability of investing in our Group. Our Group, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] believe that the sources of the information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. While our Group, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] have exercised reasonable care in extracting and reproducing such information and statistics, our Group cannot ensure the accuracy of such information and statistics and such information and statistics may not be consistent with other information. Our Group, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] have no reason to believe that such information and statistics are false or misleading or that any material fact has been omitted that would render such information and statistics false or misleading in any material aspect. The information and statistics used in this section have not been independently verified by our Group, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] and other parties involved in the [REDACTED] or their respective directors and advisers and no representation is given as to the accuracy or completeness of such information and statistics. You should not place undue reliance on any of such information and statistics contained in this section.

So far as our Directors are aware of, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Introduction

We commissioned Ipsos, an Independent Third Party, to conduct a market analysis of and to provide a research report on the transportation and logistics market in Singapore. Except for Ipsos, we have not commissioned any other customised research report in connection with the [REDACTED] or this document. A fee of S\$58,850 (excluding any disbursements) is payable to Ipsos for preparing the Ipsos Report.

Ipsos is an independent market research company and is one of the largest research companies in the world, employing approximately 16,600 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, market size, market share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

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Research Methodology and Source of information

The information contained in the Ipsos Report was derived by means of fact-based analysis and information sourcing which include:

- Conducting both primary and secondary research obtained from numerous sources within the global and Singapore’s transportation and logistics industry.
- Primary research involved interviewing leading industry participants and secondary research involved reviewing publicly available documents, company reports, independent research reports and Ipsos’s proprietary database built up over the past decades.
- Forecast data was obtained from historical data analyses plotted against macroeconomic data as well as specific industry-related drivers, such as, amongst others, economic growth in all reviewed countries.

Assumptions

The following parameters and assumptions were considered when analysing the market in the preparation of the Ipsos Report:

- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the transportation and logistics market in Singapore over the forecast period.
- Information depicted in the Ipsos Report is to the latest based on published and available information acquired at the time and date of preparation unless otherwise specified.
- The resulting report, including all findings and conclusions are based on Ipsos’s best professional judgment upon information available, including information supplied by the principals that is being validated, to Ipsos at the time of preparation.
- General growth of the economy in accordance to published data.
- Trends in consumer expenditure and population growth in accordance to published data.

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Reliability of Information in the Ipsos Report

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Ipsos Report. Our Directors believe the Ipsos Report is reliable and not misleading as Ipsos is an independent professional research agency with extensive experience in their profession.

ENVIRONMENTAL ANALYSIS OF MAJOR MARKETS

Singapore Economic Outlook

Singapore’s economic competitiveness is strengthened by its strong judicial framework, excellent infrastructure, stable political climate and favourable tax systems. Its economy is predominantly contributed by service industries such as wholesale, retail, transportation and storage; of which accounted for approximately 69.4%¹ of the economy. Goods producing industries such as manufacturing and construction on the other hand accounted for approximately 26.2%² of the economy.

Singapore’s GDP grew at a compounded annual growth rate (“CAGR”) of approximately 3.09% from S\$342.2 billion in 2011 to S\$398.4 billion in 2016. By the end of 2017, Singapore’s GDP is expected to grow at a growth rate of approximately 2.50% year-on-year from 2016 to reach S\$408.4 billion. By 2021, GDP is forecasted to grow at a similar CAGR of approximately 2.90% to S\$457.7 billion³. Driven by a positive outlook at the global front, the growth of Singapore’s economy will continue to be largely sustained by the Singapore government’s continued support for productivity within all its major sectors. Its proactive approach in its trade liberalisation will continue to attract foreign investment into the country, boosted by the country’s transparency in its regulatory system and sustained corruption free business environment.

THE TRANSPORTATION AND STORAGE SECTOR, SINGAPORE

Industry outlook and GDP contribution

Singapore’s transportation and storage sector⁴ has been one of the key contributors to Singapore’s economy and is instrumental for the country’s global connectivity. From 2011 to 2016, the transportation and storage sector has consistently accounted for more than 7% of its overall GDP. By 2016, the transportation and storage GDP grew at a CAGR of approximately 2.70% from 2011 to reach S\$30.5 billion. The pace of growth is anticipated at a CAGR of approximately 5.14% from 2017 onwards and by 2021, the sector’s GDP is expected to reach S\$38.3 billion. This was largely

¹ Official statistics from the Ministry of Trade and Industry Singapore and Department of Statistics Singapore

² Ibid

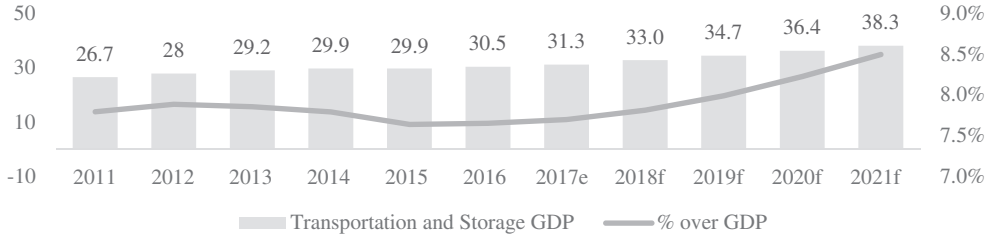
³ Ipsos analysis

⁴ The transportation and storage sector in Singapore is also termed as transportation and logistics sector in Singapore. For consistency purpose, the term transportation and storage sector will be used to represent the industry in this report.

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attributed to the continuous developments in the infrastructure sector that has undertaken large projects over the years to improve and support connectivity in the country. Championing agencies such as the Land and Transport Authority (LTA), Civil Aviation Authority of Singapore (CAAS), Maritime and Port Authority (MPA) and the Economic Development Board (EDB) have been continuously expanding Singapore’s connectivity via land, air and water routes to drive growth in this sector.

Transportation and storage GDP and % contribution, 2011–2021f



Note: Figures are in 2010 market prices (\$S)

Source: Official statistics from the Ministry of Trade and Industry Singapore; Information beyond 2016 is based on Ipsos analysis

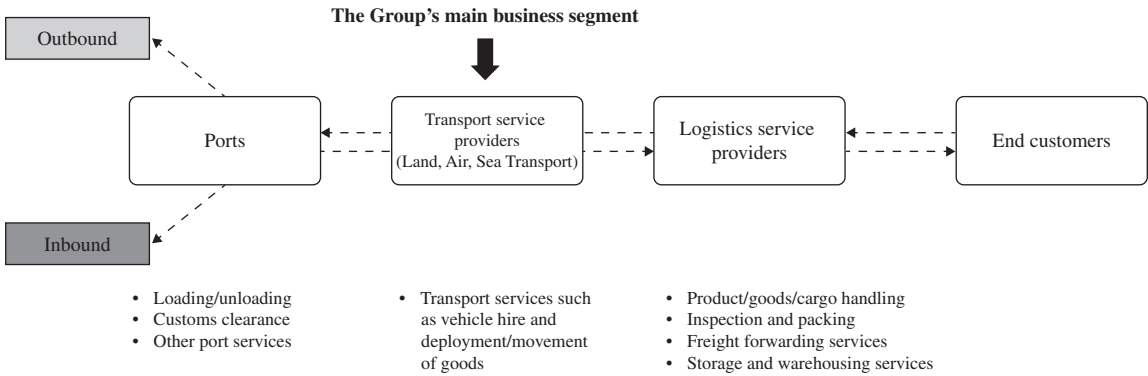
Industry structure and value chain

Transport and logistics are defined as activities focused on transportation and logistics services rendered to customers to deliver/store goods via different transport modes (i.e. land, sea and air) to a designated destination, both local (inbound logistics) and out of the country (outbound logistics). Specifically, transportation is defined as the deployment and movement of products (e.g. commodities, livestock and goods) and people from one location to another. Logistics on the other hand is defined as the process of planning, managing and implementing processes and activities to ensure effective transportation and storage of products good. These include primary and secondary activities such as (i) product management, cargo handling, inspection, packing, freight forwarding and warehousing by logistics providers; and (ii) transportation services such as vehicle hire by transportation service providers⁵. The transportation and logistics sector in Singapore also denotes transportation and storage sector in Singapore. For the purpose of this report, the term transportation and logistics sector will be used to represent the industry. The diagram below illustrates the value chain of the transportation and storage sector in Singapore.

⁵ Secondary research; Ipsos analysis

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Value chain, the transportation and storage sector



** Value and material flow from ports to end customers and vice versa encompasses both primary and secondary activities in the transportation and logistics market*

Source: Ipsos analysis

The transportation and storage sector is classified and structured based on the Singapore Standard Industrial Classification system (SSIC) of Department of Statistics Singapore. It is segmented into five broad categories which are 1) land transport and transport via pipelines; 2) water transport; 3) air transport; 4) warehousing and support activities for transportation and 5) postal and courier activities. Specifically, for land transport and transport via pipelines category, transportation services providers in the context of product delivery, deployment and movement for inbound and outbound logistics include; (i) freight transport by rail; (ii) freight transport by road; (iii) rental and leasing of lorries and trucks.

The transportation and storage sector’s participants include end customers, shipping lines, ports, transport service providers and logistics service providers. Logistics service providers, in particular firms that are larger in size, usually have their fleet of vehicles to support the transportation of the consigned containers and delivery of Less than Container Load goods (LCL).

Equipment/machinery used in the transportation and storage sector in Singapore

Equipment/machinery used for the transportation and storage sector vary depending on the type of work activities involved, and examples of such equipment include: i) prime movers; ii) trailers; and iii) lorries. Equipment utilisation rate is a measurement to assess the number of equipment being used or utilised to perform haulage/transport operations against the number of equipment that is available in the fleet. The utilisation rate of the equipment is dependent on the size of operation, the size of fleet, type and purpose of the equipment used and the frequency of transportation/storage activities of the transportation and storage providers in the industry. As such, the utilisation rates of the equipment used are typically high (ranging between 60% to 80%) due to the nature of business

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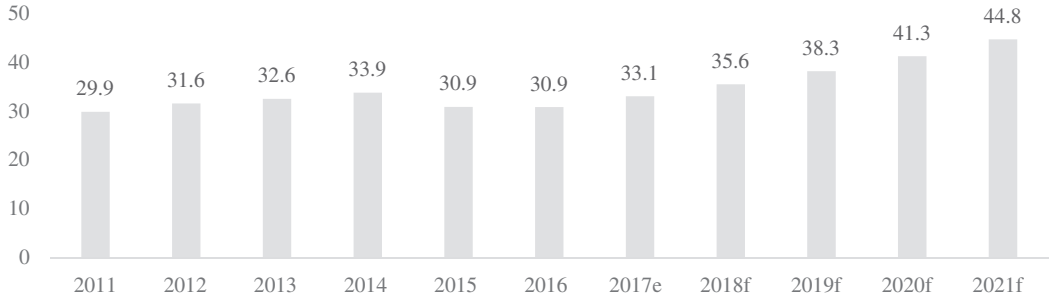
in the transportation and storage sector in Singapore. Specifically, transportation is defined as the deployment and movement of products (e.g. commodities, livestock and goods) and people from one location to another. Therefore, equipment such as prime movers are highly used as transport ‘tools’ to tow trailers to ensure products and goods are timely delivered effectively from one location to another.

Industry demand and supply, Singapore

Industry demand by container throughput⁶

Connected to at least 600 ports globally, Singapore’s ports have become a transshipment hub for transferring freight between ports of loading and release of freight. From 2011 to 2016, the volume of containers handled increased at a CAGR of approximately 0.66% to reach a volume of 30.90 million Twenty-foot Equivalent Units (TEUs). The total number of containers handled for the first half of 2017 recorded a growth of approximately 7.12% compared to the total number of containers handled for the same period in 2016. This growth is expected to continue for the rest of 2017 and as such, by the end of 2017, the volume of containers is expected to measure higher to reach approximately 33.1 million TEUs. To further boost Singapore’s position as a leading hub, Singapore continues to invest in port infrastructure to accommodate the needs of the industry. These port developments include the expansion of Pasir Panjang Terminal (PPT) through phases 3 and 4 and construction of Tuas Port. In addition, Singapore is expected to benefit from growing trade flows between China, India and other South East Asian economies and the country’s robust infrastructure developments. As such, the outlook of Singapore container throughput is positive and the total volume of containers handled is forecasted to grow at a CAGR of approximately 7.86% from 2017 to 2021 to reach about 44.8 million TEUs.

Container throughput, 2011–2021f



Source: Official statistics from the Maritime and Port Authority of Singapore and Department of Statistics Singapore; Information beyond 2016 is based on Ipsos analysis

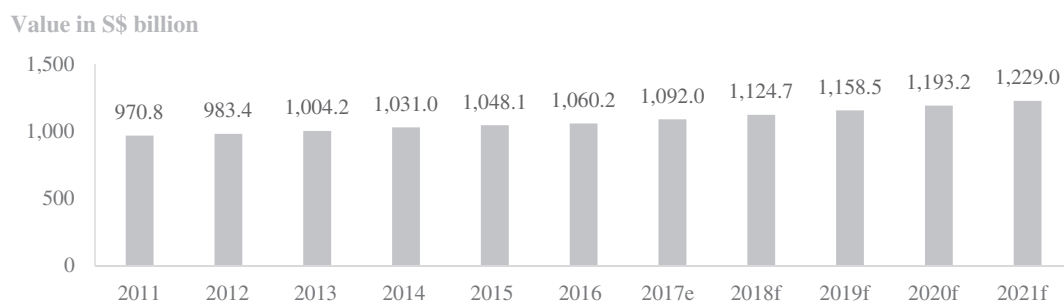
⁶ Road haulage is essential in connecting customers to both air and sea ports. As such, stable or increasing volumes of containers being handled at ports will indicate the demand of goods imported and exported, therefore representing a need to transport these cargos from containers via ports to customers’ premises and vice versa.

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Industry demand by merchandise trade⁷

Over the past five years, Singapore’s merchandise trade increased from S\$970.8 billion in 2011 to reach S\$1,060.2 billion in 2016, with a CAGR of approximately 1.78% for the same period. By the end of 2017, Singapore’s trade is expected to value at S\$1,092.0 billion, with a growth rate of approximately 3.00% year-on-year from 2016. For the same year, the value of Singapore’s merchandise trade was approximately 1.7 times higher than its GDP, thus reflecting the importance of trade to the country’s economy. Due to its relatively small domestic market, Singapore will continue to advance in its merchandise trade for the next five years, primarily driven by the economic recovery in Asia, expanding consumer expenditure and growing trade flows of emerging markets within Asia especially with China, Malaysia and Indonesia. Therefore, by 2021, Singapore’s trade is projected to value at S\$1,229.0 billion, with a CAGR of approximately 3.00% from 2017 to 2021.

Merchandise trade, 2011–2021f



Source: Official statistics from the Department of Statistics Singapore; Information beyond 2016 is based on Ipsos analysis

Industry supply by road networks

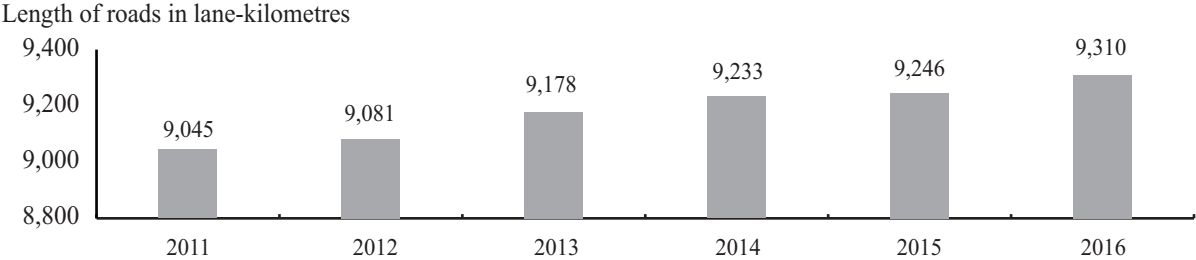
Transportation via road is generally flexible with schedules and routes easily arranged and freight can be transported as long as there are road connections. As such road haulage is essential to connect customers with the Singapore’s large sea and air ports. Thus, a well-planned road network is instrumental not only to ensure the country’s easy accessibility and connectivity to both its air and sea port, it also ensures companies based in Singapore are better situated to serve customers and manage their operating entities, locally and globally. In 2016, Singapore had approximately 9,310

⁷ The trend in merchandise trade depicts demand for goods and services in the country. As such, stable or increasing trend of merchandise trade in the will indicate the demand of goods imported and exported, therefore representing a need to transport these cargos from containers via ports to customers’ premises and vice versa.

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lane-kilometres of public roads, all of which are paved and more than 1,000 lane-km expressways. This small yet developed network of roads is easy to maintain and thus is expected to play a vital role in ensuring road haulage continues to be prominent and accessible for companies to transport their goods and products effective and efficiently.

Length of roads in Singapore 2010–2016



Source: Official statistics from the Land Transport Authority Singapore

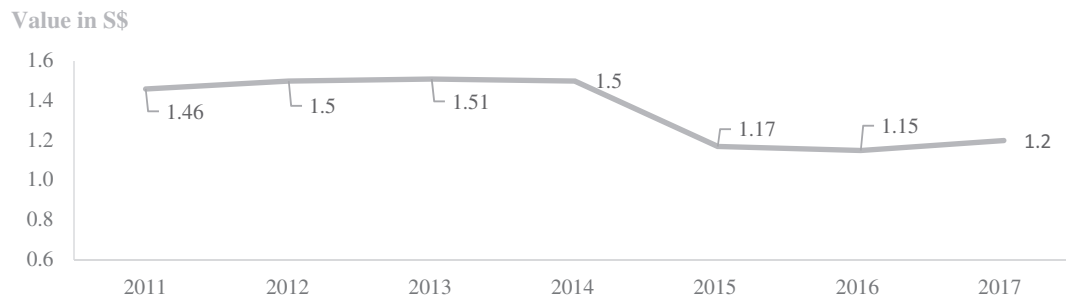
Raw materials

In general, transport and storage service providers in the land transport of the transportation and storage sector is highly dependable on diesel usage for their trucks and heavy vehicles. The price of diesel in Singapore saw a slight increasing trend from 2011 to 2014, rising from approximately S\$1.46 per litre in 2011 to approximately S\$1.5 per litre in 2014. By the end of 2016, the price of diesel dropped by approximately 23% to reach S\$1.15 per litre (from year 2014). In early 2017, diesel price increased by approximately 4.3% to S\$1.2 per litre, reflecting the recent changes implemented for diesel taxes in Singapore.

Diesel price is anticipated to further increase as a result of such implementation. Therefore, as the transport and storage service providers in the land transport of the transportation and storage sector are highly dependable on diesel usage for their trucks and heavy vehicles, such implementation of diesel tax is expected to increase fuel expenses of transporters in the industry. Further, the diesel tax imposed by the Singapore government beginning of this year is also set to encourage users to reduce diesel consumption. Thus, transporters or operators in the transport and logistics industry are now geared towards considering several factors for the selection of vehicle models used in their trucking services such as vehicle’s capacity and diesel consumption to ensure cost-effective transportation and logistics services can be provided.

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Diesel price, Singapore 2011–2017Q1

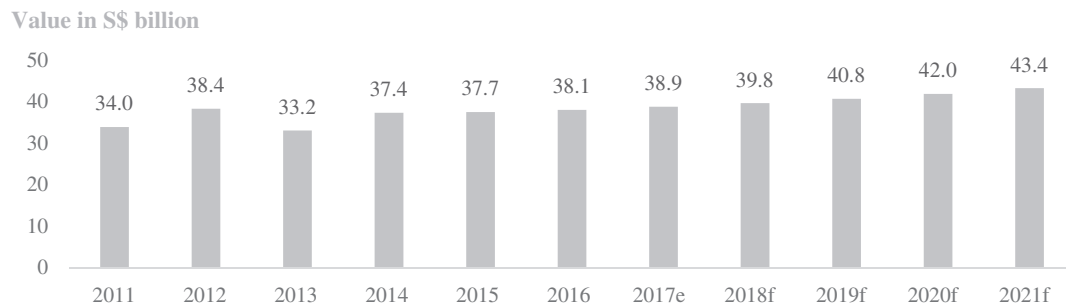


Source: Official statistics from the Department of Statistics Singapore

Investment overview of the industry⁸

Foreign direct investment (FDI) in the transportation and storage sector in Singapore grew at a CAGR of approximately 2.30% from S\$34.0 billion in 2011 to S\$38.1 billion in 2016. The pace of growth in FDI is anticipated to increase in line with the government’s continued support for productivity driven growth within all its major sectors. As such FDI is expected to grow at a CAGR of approximately 2.77% from 2017 onwards to reach S\$43.4 billion by the end of 2021.

Transportation and storage FDI, 2011–2021f



Source: Official statistics from the Department of Statistics Singapore; Information beyond year 2014 is based on Ipsos analysis

⁸ Information beyond year 2014 in this segment is based on Ipsos analysis

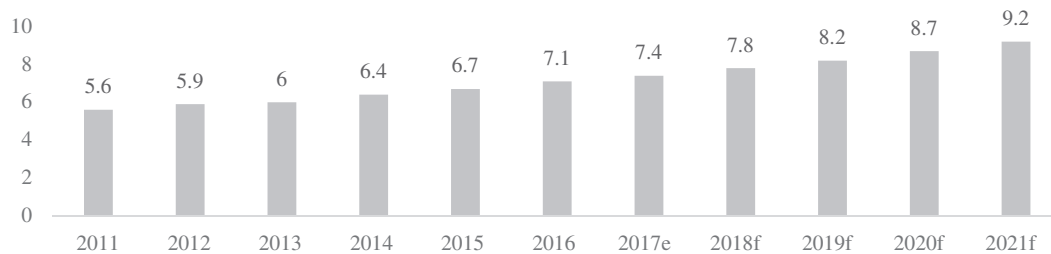
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Revenue overview by operating receipts for the land transport category of the transportation and storage sector in Singapore⁹

The total value of operating receipts for the land transport category of the transportation and logistics sector in Singapore grew at a CAGR of approximately 4.86% from S\$5.6 billion in 2011 to S\$7.1 billion in 2016. By the end of 2017, total operating receipts is expected to value at approximately S\$7.4 billion. This trend of growth is expected to continue beyond 2017 and by 2021, the value of operating receipts for the land transport category is projected to reach S\$9.2 billion, growing at a CAGR of approximately 5.59% for the same period.

Operating receipts, 2011–2021f

Value in S\$ billion



Source: Official statistics from the Department of Statistics Singapore; Information beyond 2015 is based on Ipsos analysis

Specifically, in 2015¹⁰, the total value of operating receipts for land transport segment of the transportation and logistics sector in Singapore contributed by freight transport by road, trucking services, general warehousing and cargo handling activities was approximately S\$3.8 billion. This segment is expected to grow in tandem with the overall growth of the land transport segment of the transportation and logistics sector in Singapore and by 2021, the total value of operating receipts is expected to reach S\$ 5.1 billion at a CAGR of approximately 5.11%¹¹.

Labour force and cost

The total labour force in Singapore stood at approximately 3.67 million persons in 2016, comprising approximately 2.27 million residents and slightly more than 1.4 million non-residents. Total workforce growth moderated at a CAGR of approximately 5.0% from 2006 to 2010, compared

⁹ Operating receipts is defined as ‘income earned from business operations (i.e. income from services rendered, sales of goods and etc.); Subsequent technical terms, official definition and sentence structures quoted/cited from official information i.e. Department of Statistics, Singapore in this segment are kept to maintain the actual intent and meaning of terms defined for each category.

¹⁰ Latest information available as of 26th September 2017. Official data for 2016 to be released in December 2017

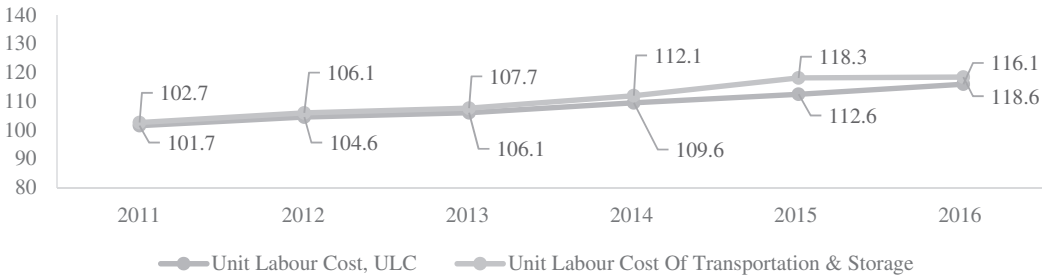
¹¹ Ipsos analysis

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to a CAGR of approximately 2.6% from 2011 to 2016. The resident workforce growth moderated at a CAGR of approximately 2.1% from 2006 to 2010, compared to a CAGR of approximately 1.7% from 2011 and 2016. Total workforce for non-residents slowed at a CAGR of approximately 11.1% to 4.1% for the same periods.

Overall unit labour cost (ULC) in Singapore has risen in recent years, particularly from 2011 to 2016 following the global financial crisis. Similarly, the transportation and storage ULC in Singapore also grew at a CAGR of approximately 2.92% for the same period.

Unit labour cost in Singapore 2011–2016



Note: Construction ULC denotes cost for both local and foreign labour force

Source: Official statistics from the Department of Statistics Singapore

Trends and future development

The trends and future developments of Singapore’s transportation and storage sector is majorly driven by the government as its role is crucial to maintain the sector’s competitiveness with other regional players. Earlier in 2012, the Singapore Economic Development Board (EDB) and SPRING Singapore launched the “Logistics and Transportation Productivity Roadmap” to help raise transportation/logistics firms’ productivity by deepening their supply chain management expertise. Later in 2016, the Ministry of Trade and Industry initiated and launched “The Logistics Industry Transformation Map” to boost productivity of the transportation and logistics sector in the country. This roadmap aims to reinforce Singapore’s position as a global logistics hub and is set to add at least S\$8.3 billion in value, at the same time creating 2,000 jobs for professionals, managers, executives and technicians by the end of the decade.

The emergence of the Internet and IT technologies over the years has brought efficiency and ease to the transportation and storage system locally and globally. Moving forward, just as connected cars are changing the way OEMs are operating in the near future, the introduction of digital trucking will soon transform how land freight operates globally. Land transport vehicles (i.e. trucks) will soon

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benefit from new technologies and eventually these trucks will be connected, depending less on labour (i.e. drivers) through remote maintenance while boosting efficiency and safety at the same time. Transport and storage service providers will soon need to improvise to adapt such technology to stay relevant.

Another trend to note for the transportation and storage sector is the rise of third party logistics (3PLs) providers globally. As logistic providers expand their comfort markets, the need for more structured, complicated services such as international trade, multi-trade management, multi-cargo management, multi-freight mode increases. As such, more and more logistic providers are transitioning into outsourcing part of their businesses (e.g. warehousing, trucks, container haulage) to 3PLs to remain relevant and afloat in the industry.

In terms of wage subsidies, although the Wage Credit Scheme will end in December 2017, the Singapore Government has further opted to provide support by extending the Additional Special Employment Credit (ASEC) that provide wage offsets of up to 3% to employers hiring older/experienced workers. This initiative is extended for two and a half years, from 1st July 2017 to 31st December 2019 to encourage employers to re-employ older workers. Currently, the transportation and logistics industry is facing a shortage in local labour particularly drivers. As the transportation and logistics services are generally labour intensive, a shortage of labour presents a weighty shift in the industry. Suitable local employee/drivers are limited and more expensive as compensation levels will be high. As such, wage subsidies would allow employers to retain their older/experienced drivers longer, reducing the challenge to employ new workers and reducing the cost of having to re-train or employ younger drivers.

Market drivers

Population growth and urbanisation

Population size and urbanisation help to spur growth and demand for goods and services, as the number citizens and residents increases over time. A country that is highly urbanised is also typically a good platform to spur demand, because urban areas are typically densely populated and demand for goods and services is crucial to achieving the expected quality of life. For example, Singapore's urban population in general drives the growth and demand for foreign food products and beverages and thus creating demand for trading activities to import these products into the country. For these products to reach consumers, transportation and logistics service providers play important roles to ensure products and goods are delivered from one location to another. As such, this provides opportunities for road haulage activities indirectly (e.g. deployment and movement of products, goods and services from one location to another). By mid-2016, Singapore's population stood at approximately 5.6 million. Compared to 2015, the resident and citizen population for 2016 grew at approximately 0.8% and 1.0% respectively.

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Global logistic hub

Over the years Singapore grew as one of the preferred logistics hubs for players across industries such as aerospace, biomedical science, electronics, telecommunications and petrochemicals. These industries are expected to grow with continuous investment by the Singapore Government and as outlined by the Committee on the Future Economy (CFE) Singapore; thus are expected to become main users of logistic services in Singapore. With the expected increase in demand for products and services related to these industries, proper connectivity and effective service delivery is important to ensure smooth delivery of related products and services to final consumers. This indirectly provides opportunities for connective role such as road haulage activities to grow.

Singapore is also a global hub for third-party transportation and logistics providers, providing services ranging from sea and air freight, local transportation, warehousing and other value-added services for products coming into or transiting Singapore. More than 20 of the world's top third-party logistics providers are based in Singapore and these include companies like DHL, Yusen Logistics, NYK Logistics and Nippon Express. In addition, leading manufacturers also find Singapore attractive as a logistics hub and examples such as Dell, Hewlett-Packard, Infineon, Novartis and Panasonic are no strangers to the Singapore transportation and storage sector. As such opportunities for the transportation and storage sector remains positive with the continuous endorsement by leading manufacturers for Singapore as a global logistic hub.

Stable economy

Singapore's economy is in general stable as the government continues to support its growth by encouraging productivity within all major sectors and maintaining its proactive approach to attract foreign investment through trade liberalisation. Singapore will also likely to continue to advance in its merchandise trade due to its relatively small domestic market. A stable economy encourages trade activities, as a result of an apparent change in the demand for goods and services and consumer spending behaviour. This thus, provides opportunities for road haulage activities (e.g. inbound and outbound deployment and movement of products, goods and services from one location to another) to grow. As such, the stability of Singapore's economy will become a platform for growth and sustainability for the transportation and storage sector.

Market barriers

Competition from experienced and mature industry players

Companies like C&N Holdings Limited has over 20 years of experience, building large and reliable vehicle fleet over the years, capable of handling large volumes of customer orders. Such networks grew over the years with heavy investments, proper infrastructure in place and effective

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management. Newer industry players will have to compete against these mature transport and storage service providers and will less likely be able to develop vast networks in a short period of time, thus finding it challenging to procure contract with potential customers.

Rising costs

Transportation and logistics cost are on the rise, attributed by the shortage in local labour particularly drivers. Transportation services are relatively labour intensive, therefore the shortage in local labour presents a weighty shift in the industry. Suitable local employees/drivers are now more expensive as compensation levels will reflect the shortage, cost of training will increase etc.

Market opportunities

Economic development and diversification

Singapore is encouraging economic diversification in areas such as medical sciences, financial services etc. to attract investments into the country. As these industries grow, demand for goods and related services will increase in tandem thus creating opportunities for ‘connective role’ in the transportation and storage sector to grow as well. Opportunities remain positive at large as the government is continuously structuring and developing plans to promote these new industrial areas.

Political stability

Singapore’s stable political environment is a solid platform for leaders to confidently lead and make sustainable decisions for the country. Therefore, boosting confidence for investors and regional countries to conduct their businesses in Singapore. Singapore is also in the lead in signing free trade agreements, thus increasing regional influence and integration amongst other countries. Till date, Singapore has about 20 regional bilateral Free Trade Agreements (FTAs) with 32 trading partners, covering majority of its merchandise trade.

Infrastructure developments

Singapore over the years has placed high importance in structuring and developing the right infrastructure to strengthen Singapore’s connectivity. Structured and careful planning were implemented along the years covering all aspects such as water, land, industrial infrastructure and sustainable environment to ensure the country progresses as one of the world’s major hubs. For the next few years, the transportation and storage sector of Singapore is expected to benefit from the

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country’s development in a wide range of shipping services, mostly from the maritime and bunkering segments, on-going enhancement of air and sea ports/terminal, as well as significant government funding for road and rail networks improvements, all set to maintain Singapore ahead of its rivals as a global logistics hub.

Optimising land use

The transportation and storage sector is all about having adequate space to store containers. As Singapore generally is a land scarce nation, companies usually have very limited space within their own premises to store containers. As such, this presents a good opportunity for transportation and logistics companies to provide innovative and integrated services and solutions to land-scarcity problems.

Market threats

Regional competition and susceptibility to global economic headwinds

Although Singapore has one of the busiest ports worldwide, its position is vulnerable to any economic changes in the region and globally. This is evidently depicted in its volume of container throughput by the end of 2016, whereby volumes decreased slightly from previous years due to the slowdown in global economy. In recent years, Singapore also faced competition by the growth of other ports particularly from China. As such, Singapore’s shipping industry and other transportation/logistics services need to constantly change to adapt and stay relevant in the industry.

Levies for foreign workers

As Singapore thrives to reduce its dependency on foreign workers, work permit quota and levy were amended over the years to reduce the influx of foreign workers into the country. As such this will negatively impact the sector’s competitiveness in the region as it is generally reliant on foreign labours due to the shortage of local labour.

COMPETITIVE LANDSCAPE

The market for the transportation and storage sector is highly fragmented and competitive, with each market player having a fraction of the market share (i.e. no major market players dominating or driving the direction of the industry). Road freight or land transport has one of the lowest entry barriers in the industry as it is quite possible for any individual to enter as a self-employed owner and driver of a truck. Regulations are not as strict as those applied to the private car industry and typically rules in the industry covers general matters relating to working hours, insurance etc. Transportation

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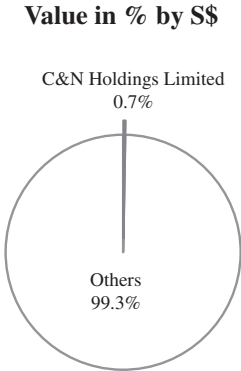
and logistics companies vary in their services with larger ones having broad networks across many countries, offering complex and integrated logistics services (e.g. transport services, dangerous good transportation, air and sea freight) on a greater scale and flexibility.

Market share and ranking

Market share¹²

In 2015, the total value of operating receipts for land transport segment of the transportation and logistics sector in Singapore contributed by freight transport by road, trucking services, general warehousing and cargo handling activities was approximately S\$3.8 billion. For the same period the Company’s revenue generated from its trucking and container hubbing divisions recorded at approximately S\$27.7 million. As such, the Company’s market share is estimated to be less than 1% in the highly fragmented industry based on the Company’s revenue from trucking and container hubbing divisions by end of 2015.

Company’s estimated market share by estimated market revenue, 2015



Source: Ipsos Analysis

¹² Official data for 2016 to be released in December 2017. As such, the disclosure in this segment remains for year 2015.

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Market ranking¹³

In 2015, there were approximately 1,600 establishments classified under 'Land Transport and Supporting Services to Land Transport' segment of the transportation and storage sector in Singapore with activities related to freight transport via road, trucking services, general warehousing and cargo handling; contributing approximately S\$3.8 billion in total value of operating receipts for the same year. To screen and select comparable for market ranking purposes, a consolidation of metrics was used to determine comparable and these are as follow: (i) establishments with similar business activities as the company; (ii) establishments with substantial focus on land transportation activities as part of their business; (iii) establishments classified under the headings of either 'freight transport via road', 'general freight trucking' or 'road haulage' companies. As such, out of these 1,600 establishments, 46 companies were identified with reported revenues (including the Company), with a total revenue of S\$606.3 million (accounting for approximately 16.0% of \$3.8 billion). Therefore, only these 46 companies were used as comparable for market ranking purposes based on reported revenue information available.

Total revenue for Company i was approximately S\$94.2 million in 2015, and its market share accounted for approximately 2.5% of the market size of the industry contributed by freight transport via road, trucking services, general warehousing and cargo handling activities. Of these 46 companies only, Company i has the highest reported revenue, thus ranking it first amongst the other 45 companies. The top 5 companies based on reported revenue accounted for approximately 7.0% of the industry contributed by freight transport via road, trucking services, general warehousing and cargo handling activities; and based on the information available through public domain and reported revenues for 2015, the Company is ranked 5th amongst the 46 transportation and logistics companies in Singapore that had a substantial focus on similar business activities as part of their business. The remaining 93.0% represents all other companies and is not limited to the 41 companies used as comparable for market ranking purposes.

¹³ Ibid; Majority of comparable companies do not have financial information reported for year 2016. As such, the disclosure in this segment remains for year 2015.

INDUSTRY OVERVIEW

Transportation and logistics companies with similar business activities, 2015

Rank	Companies	Revenue S\$ Million	% Estimated market share	Products and services
1	Company i	94.2	2.5%	Services include transportation, freight management, warehousing and cargo handling.
2	Company ii	52.5	1.4%	Specialises in off shore logistics including transportation, freight forwarding (prime movers, lorries and trailers) and supply chain management.
3	Company iii	50.8	1.3%	Services include transportation services, container depot, warehousing and property management
4	Company iv	41.8	1.1%	Services include warehousing, transportation and distribution, freight management, cargo consolidation, container management etc.
5	C&N Holdings Limited	27.7	0.7%	Specialises in trucking and container hubbing services
	Others		93.0%	

Source: Secondary research; Published reports; Trade interviews; Ipsos analysis

Note:

1) *The above list of companies is selected with reference to available published revenues for the year 2015 with Ipsos assumptions, which are then subsequently ranked for the purpose of market ranking comparison only. Thus, the above figures only provide an indication and are not considered directly comparable due to the following reasons:*

- a. Not all market players have the same financial year end;*
- b. Not all companies carry out activities that are completely similar to each other; and*
- c. Not inclusive of the company's clients or suppliers.*

INDUSTRY OVERVIEW

- 2) *Revenues for 2015, are estimated based on the following assumptions;*
- a. *Estimated revenue for selected companies above are values for domestic market only; and*
 - b. *Revenues are computed with weightage assumptions based on Ipsos analysis, whereby a certain % of revenue is selected to represent land transportation business activities from the total revenue of the company.*

Supplier and customer landscape of the industry

For the transportation and storage industry in Singapore, end customers typically appoint logistic service providers for the provision of end-to-end logistic services. These logistic providers may outsource the transportation portion of such services to transport and/or storage services providers such as our Group. These logistic service providers will appoint and categorise these service providers based on their specialities and capacities. In most cases, these logistic service providers remain with their existing service providers unless better alternatives are available (e.g. if other transport and storage service providers are perceived to have a better reputation, or can provide better service, rates and contract terms).

With the market for the transportation and storage sector being highly fragmented and competitive, not one transport and storage service provider dominates the market or is driving the direction of the industry. In view of the competition from other transport and storage service providers, logistic service providers have the upper hand when choosing and selecting their preferred service providers. Thus, with the industry being structured as such, it is not uncommon that transportation service providers in Singapore tend to have a heavy reliance on one or a small number of major customers.

Key factors of competition

As the market for the transportation and storage sector is highly fragmented, industrial players are constantly competing to differentiate from each other to increase their market share by improving efficiency, technology and services provided to meet the increasing demands of the industry. Some key differentiating factors include:

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Structure of the company

Larger transport and storage service providers often have a good system in place to support the different demands of logistics providers. The maturity of their transportation network as well as a structured internal management system could help their customers save time and cost while achieving efficiency in product/ goods delivery. With recent technology advancements over the last decade, it is only time that transport and storage service providers adopt new and sophisticated technology to keep up with the growing complexity and competition of the industry. Such competition will continue to be the driving force for companies to invest in high-tech solutions to manage, execute and implement effective transportation strategies to maintain relevant. As such, as companies grow, their structure becomes well developed, thus handing them an upper hand to negotiate on matters such as rates, contract terms and volume as compared to other smaller companies.

Cost of transportation, logistics and storage

Cost is always the primary factor in selecting or differentiating between transport and storage service providers and it is often depending on how each of these transport and storage service providers can go in terms of pricing to stay relevant. Often, this is a challenging pursuit as transport and storage service providers need not only to be competitive but to also being able to maintain its businesses and operations afloat.

Products and services

Products and services provided by transport and storage service provider play important roles in helping customers (i.e. logistics providers) to decide on which transport and storage service providers to select. For an example, if a customer’s products consist of frozen products, they cannot select a transport and storage service provider that does not have temperature handling requirements to transport their products. As such, product characteristics and services will thus limit the pool of eligible transport and storage service providers for the customer to select.

Security

Security factor places weight for customers selecting a transport and storage service provider particularly those with special requirements to ship or transport their products and goods. For an example, if a customer’s business primarily is handling hazardous materials, they need to select transport and storage service providers that can meet their safety protocols and maintain the highest level of compliance when transporting their products. As such this factor will also contribute to the key differentiating factor of competition amongst the transport and storage providers in this segment of business.

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Key strengths and competitive advantage of the company

Our Company provides flexible and reliable transport and storage services to our clients ensuring customer’s supply chain requirements are met. This is achieved by our effective planning and facilitation of all transportation processes to ensure efficient flow of services. In addition, we have a long and established track record, serving the industry since 1992. Our reliable quality service coupled with continuous client engagement has enabled us to establish strong customer bases across multiple industries. We also have established strong and close working relationships with several reputable customers over the years, maintaining their businesses for as long as 10 years. Further, equipped with an experienced and dedicated management team, our Company is able to serve the industry with our extensive experiences, combined in-depth knowledge across employees and understanding of the industry in general.