
INDUSTRY OVERVIEW

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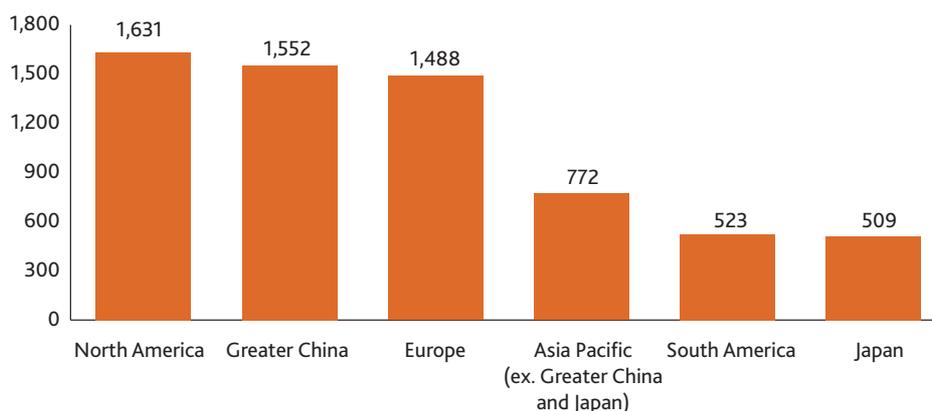
THE GLOBAL LOGISTICS MARKET

Logistics Spend by Region

Globally, Asia Pacific was the largest logistics market in 2012, accounting for 34% of total global logistics spend and 36% of third-party logistics global spend. The logistics spend in Asia (excluding Japan) was estimated at US\$2.3 trillion in 2012, the largest among all regions. The majority of this spend was in Greater China which was estimated at US\$1.6 trillion with Asia Pacific (excluding Greater China and Japan) at US\$0.8 trillion. For a single country, China's logistics spend was the highest in the world at US\$1.5 trillion in 2012, compared to US\$1.3 trillion for the United States, and was equivalent to more than half of the total Asia Pacific region.

The following charts show the total logistics spend (including both third-party and in-house spend) by major region in 2012 and the historical and projected growth of logistics spend by major region:

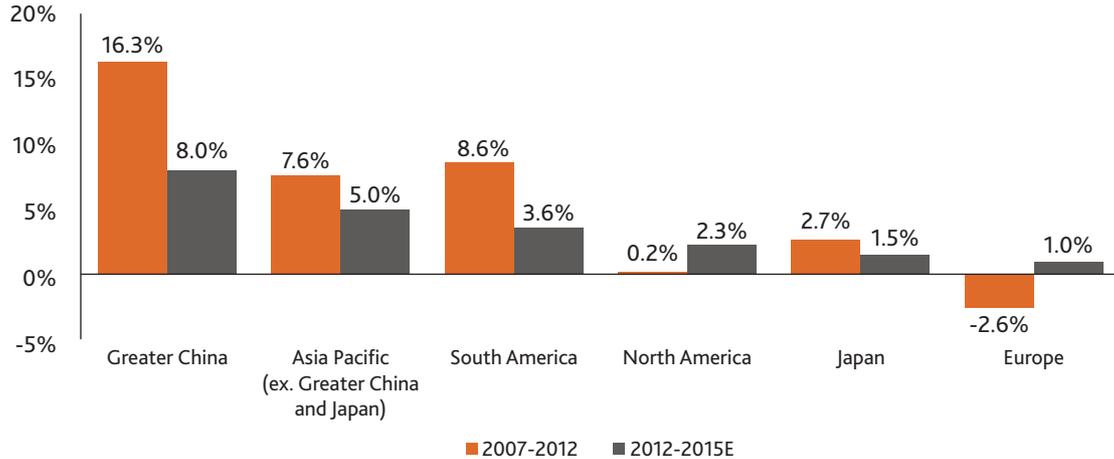
2012 Logistics Spend by Major Region (US\$ in Billions)



Source: Armstrong Report

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Logistics Spend Growth (CAGR by Major Region)



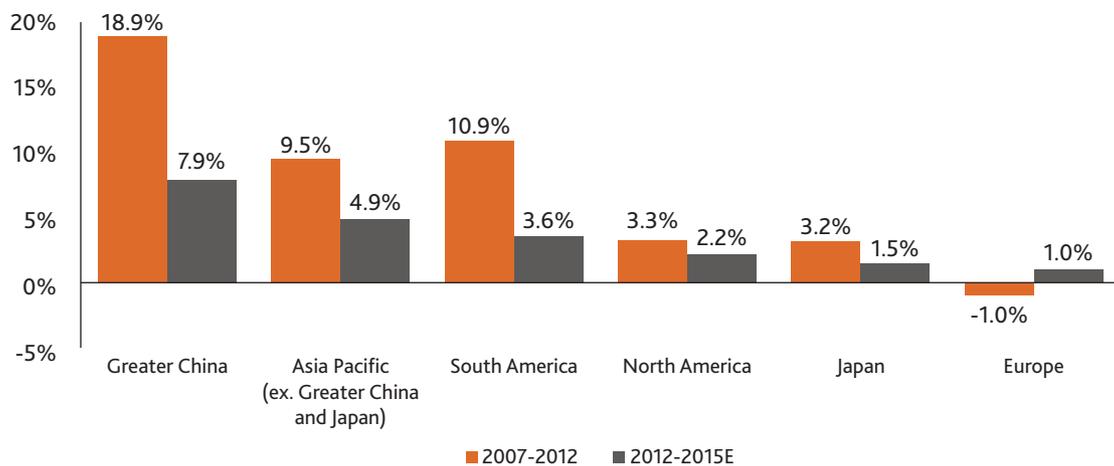
Source: Armstrong Report

Key Drivers of Greater China and Asia Pacific Growth

Greater China and Asia Pacific (excluding Greater China and Japan) are expected to be the fastest growing regions in terms of logistics spend during the period from 2012 to 2015. According to the Armstrong Report, this is expected to be primarily driven by strong growth in private domestic consumption of general merchandise, including a range of fast-moving consumer goods for daily consumption, as well as luxury items. This growth reflects a number of factors including strong economic growth, encouraging demographics, sustained urbanisation and growth of the middle-class.

The following charts show the historical and projected GDP growth by major region and Asia's population distribution:

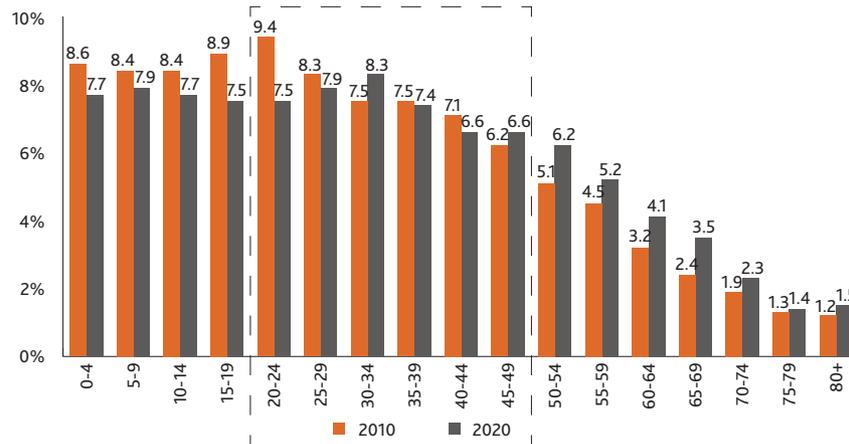
GDP Growth (CAGR by Major Region)



Source: Armstrong Report

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2010 and 2020 Asia's Population Distribution (Age Group % of Total Population)

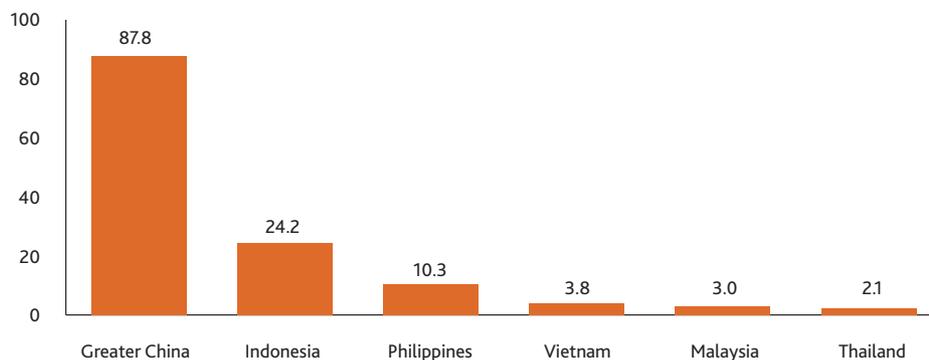


Source: United Nations, Development of Economics and Social Affairs

Growth in GDP and demand for logistics are expected to be fastest in Greater China and Asia Pacific (excluding Greater China and Japan) from 2012 to 2015 and are expected to be supported by spending momentum from Asia, which has a young population, according to the Armstrong Report. In 2010, approximately 45% of Asia's 4.2 billion people were aged 20-49, an age group that tends to have the highest disposable income and spending capacity. This percentage will remain largely unchanged between 2010 and 2020. Within Asia, China is a key market given its large population and government policies aimed at ongoing economic and infrastructure development to promote internal consumption.

The following chart shows the projected growth in urban population by selected region and country:

2012-2017 Growth in Urban Population (Number of People in Millions)

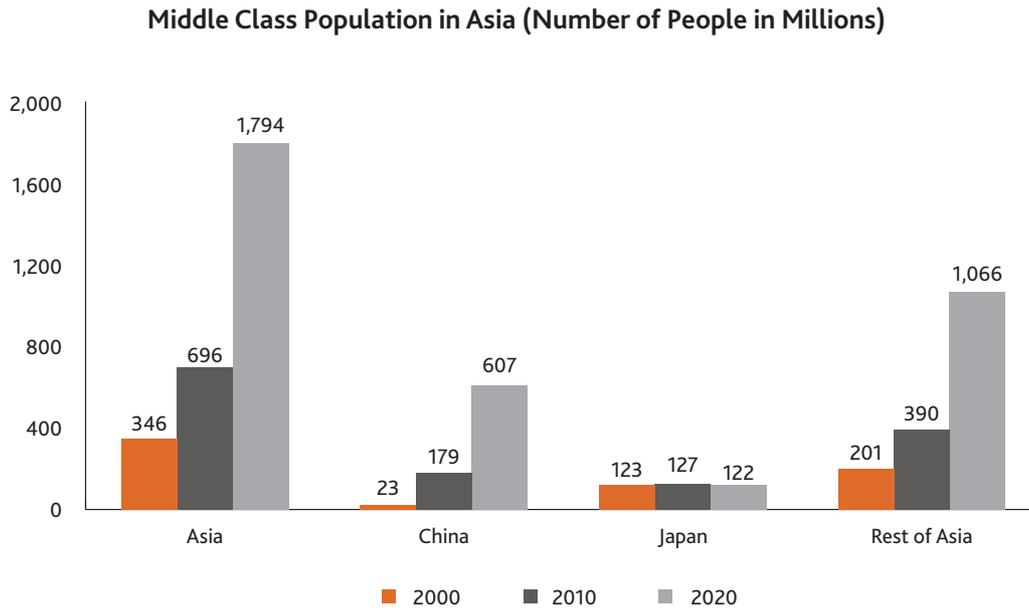


Source: EIU

Economic growth, demand for labour in cities and improvements in infrastructure are expected to drive the ongoing trend to urbanisation in Asia. According to the Armstrong Report, it is estimated that approximately 87.8 million more people will move from rural to urban centres in Greater China between 2012 and 2017. Other Asian countries are also expected to experience an ongoing migration from rural to urban locations.

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The following chart shows the historical and projected size of middle class population in Asia:



Source: *The Boao Review*

Note: Middle class is defined as those households with daily expenditure between US\$10 and US\$100 per person in constant 2005 purchasing power parity terms.

Asia and China have experienced rapid growth of the middle class. In 2000, approximately 346 million people in Asia and 23 million people in China were considered middle class. By 2010, the middle class had grown to 696 million people and 179 million people in Asia and China, respectively. An additional 1,098 million and 428 million people will be expected to enter the middle class in Asia and China, respectively, by 2020. This is expected to drive sales volumes in retail markets and increase the number of people who can afford to buy high-end luxury products.

THIRD-PARTY LOGISTICS MARKET

Overview

Logistics involves the movement and storage of goods between different locations from origin suppliers to intermediate points, and eventually to end users. In the logistics industry, logistics service providers generally focus on two primary service functions: transportation by different modes (such as ground, ocean, air and rail) and warehousing (storage, consolidation/deconsolidation and cross docking).

Traditionally, companies outsourced functions to third-party logistics service providers in order to reduce costs, gain operational efficiencies, and focus on core competencies in manufacturing. Beginning in the early 1990s, there was a significant increase in off-shoring of manufacturing operations and a shift from domestic supply chains with domestic logistics management needs to global supply chains with international logistics needs. Doing business globally is more complex and requires increased regional and local market expertise in managing transportation and warehousing and adhering to governmental regulations. These increases in supply chain complexity have driven many companies to engage the help of third-party logistics service providers as logistics and regulatory specialists. In turn, third-party logistics service providers with expertise in international transportation management and warehousing and distribution are providing economies with the operational “backbone” for global trade.

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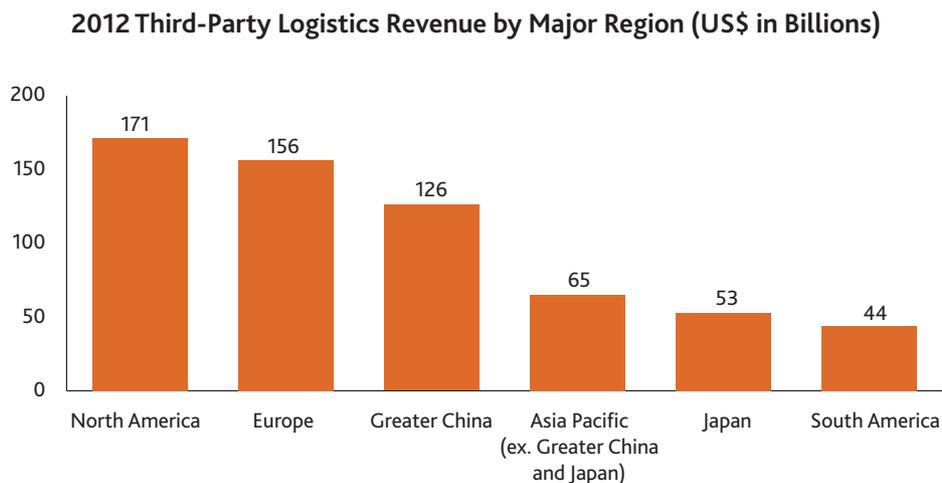
According to the Armstrong Report, the key competitive factors differentiating third-party logistics service providers include supply chain management systems capabilities, operations management skills, and logistics engineering expertise. Most tier-one third-party logistics service providers have implemented integrated systems platforms to support global transportation and warehouse management operations. These platforms offer internet visibility and exception handling capabilities combined with transportation management functionality for the daily management of orders, customer inventory, and the optimisation of thousands of shipments across large geographical areas. The same third-party logistics service providers can run value-added warehousing operations, perform supply chain network analysis and design, and manage call centre and fulfilment operations.

According to the Armstrong Report, third-party logistics service providers engaged in international transportation management (including freight forwarding and NVOCC) ("ITM") have a core competency in freight forwarding and often offer a host of additional value-added services. They traditionally act as intermediaries arranging for international and related domestic transportation between their customers and transportation providers. ITM third-party logistics service providers arrange and oversee all aspects of the transportation of products and materials, from origin to destination, by ground, ocean, air and rail. An ITM third-party logistics service provider typically arranges to pick up goods from a shipper, consolidate shipments, procure transportation, and provide ancillary value-added services including preparation and submission of documentation, customs and other clearance processes, and warehousing and auditing of shipments. In addition, they will have systems for tracking and tracing shipments and automating processes with customs officials. Typically, ITM is non-asset based.

According to the Armstrong Report, third-party logistics service providers engaged in value-added warehousing and distribution ("VAWD") manage customers' warehousing and related transportation management needs. These services are typically performed under multi-year contracts in which the third-party logistics service providers' systems and staff take over responsibility of critical logistics functions. Responsibilities often include managing and optimising warehousing operations, transport routes and providers – whether inbound, outbound or dealing with aftermarket returns – kitting and sequencing unassembled parts, providing support during manufacturing, picking and packing finished goods, and providing quality control and other value-added services.

Third-Party Logistics Spend and Growth Rates Analysis

The following chart shows the total revenue of third-party logistics service providers by major region in 2012:

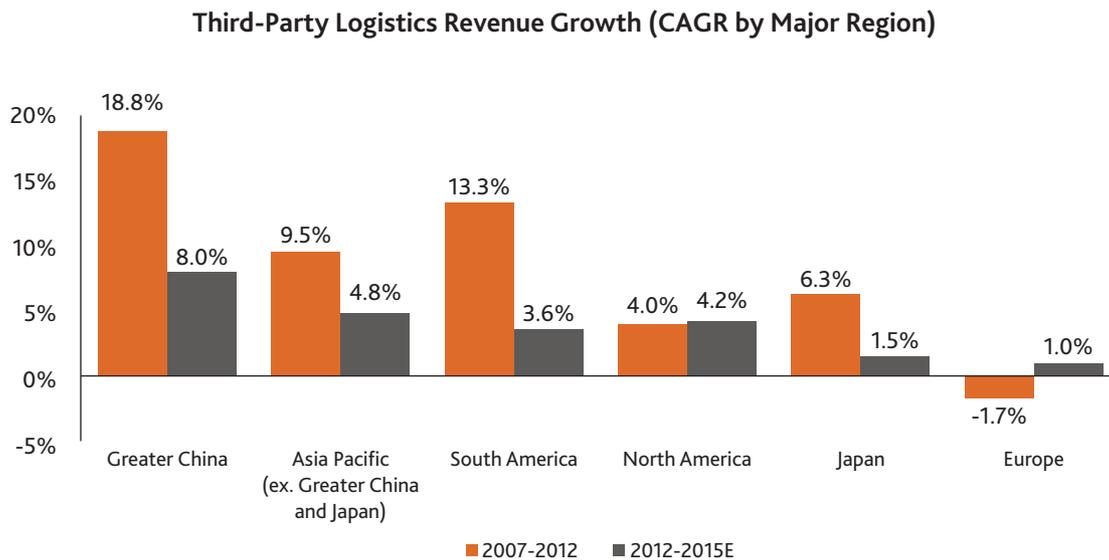


Source: Armstrong Report

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The geographic regions with the highest third-party logistics revenue spend and the highest third-party logistics growth rates are Greater China and Asia Pacific (excluding Greater China and Japan), where the growth has traditionally been driven by companies outsourcing or off-shoring manufacturing to lower cost countries. While this trend still continues in Myanmar, Malaysia, Indonesia, Vietnam and Cambodia, and to a lesser extent in China, Thailand, the Philippines and Singapore, increasing domestic consumption and demand for products are driving the need for modern distribution networks in the Asia Pacific region. According to the Armstrong Report, the emphasis is shifting away from export trade and ocean or air freight forwarding to intra-regional ground distribution, and third-party logistics service providers providing value-added warehousing and distribution services in these countries are experiencing significant growth.

The following chart shows the historical and projected growth of total revenue of third-party logistics service providers by major region:



Source: Armstrong Report

According to the Armstrong Report, third-party logistics penetration of the total potential U.S. third-party logistics market is estimated at 21%, up from 10% in 2002. This compares to current third-party logistics market penetration rates of 22% in Europe and only 16% in Asia Pacific. As a result, the underlying structural market dynamics are good and will support the trend for continued outsourcing to third-party logistics service providers in Asia. In combination with its above-average economic growth, Asia is expected to continue to realise above-average growth rates for third-party logistics, according to the Armstrong Report.

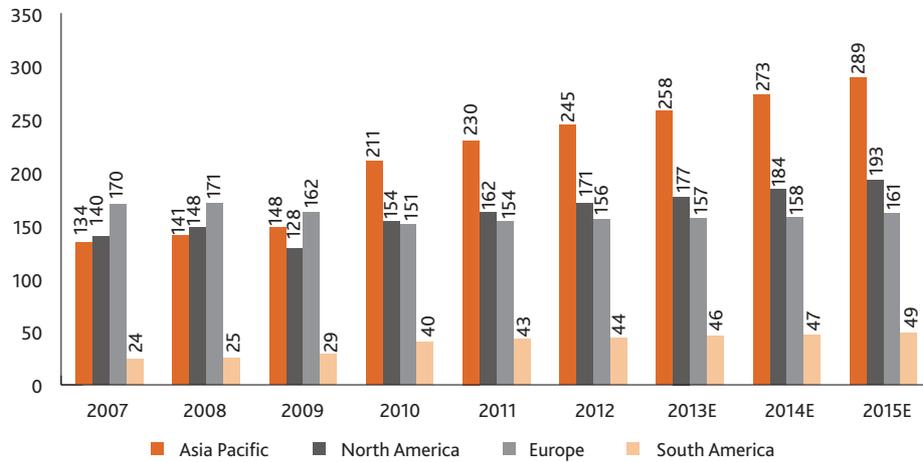
Major Region Third-Party Logistics Market Growth Trends

In Asia Pacific, third-party logistics has been growing at over 14% annually since 2006. Throughout the 1990s and early 2000s, the growth tended to be ITM focused. However, in the last five years there has been increased focus on domestic VAWD to address consumer spending growth and the resultant demand for goods in developing countries including China, Indonesia, India, Singapore, and Thailand.

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The following chart shows the historical and projected total revenue of third-party logistics service providers by major region:

Third-Party Logistics Revenue by Major Region (US\$ in Billions)

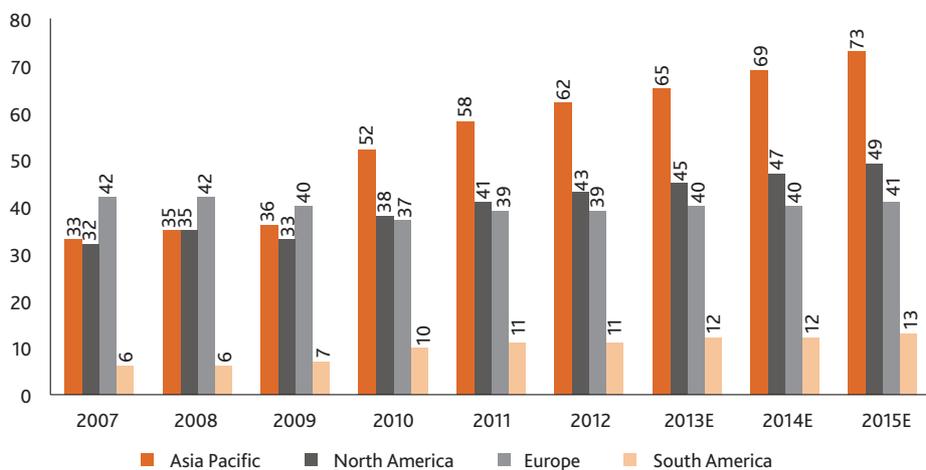


Source: Armstrong Report

In 2012, the Asia Pacific third-party logistics market, at US\$245 billion, was 40% larger than the third-party logistics market in each of North America and Europe. According to the Armstrong Report, it is anticipated to reach US\$289 billion in 2015 and achieve a projected above-average CAGR of 10.1% from 2007 through 2015. Its growth profile exceeds the growth profile of North America, South America, and Europe, at CAGRs of 4.1%, 9.4%, and -0.7%, respectively, for the same period.

The following chart shows the historical and projected VAWD revenue of third-party logistics service providers by major region:

Value-Added Warehousing and Distribution Revenues by Major Region (US\$ in Billions)



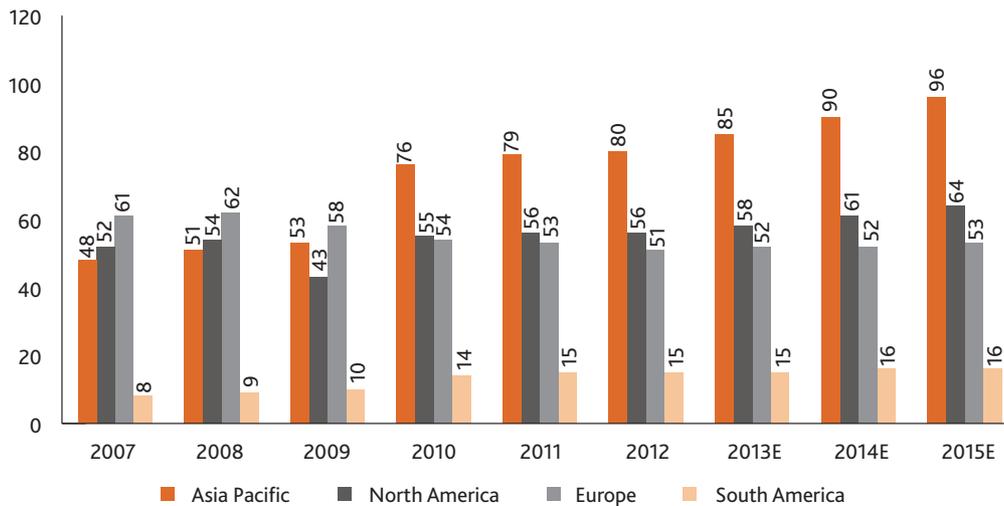
Source: Armstrong Report

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Within the specific third-party logistics market segment of VAWD, the Asia Pacific VAWD market grew to US\$61.6 billion in 2012 and is expected to surpass US\$73 billion in 2015. With increased regional and interregional consumer demand for goods, VAWD is the fastest growing third-party logistics segment within Asia Pacific. According to the Armstrong Report, segment growth in Asia Pacific is projected to grow at an above-average CAGR of 10.4% from 2007 through 2015. Furthermore, its VAWD growth exceeds the VAWD growth of North America, South America, and Europe at CAGRs of 5.4%, 10.4% and -0.3%, respectively, for the same period.

The following chart shows the historical and projected ITM revenue of third-party logistics service providers by major region:

International Transportation Management Revenue by Major Region (US\$ in Billions)



Source: Armstrong Report

In Asia Pacific, ITM grew to US\$80 billion in 2012 and is expected to surpass US\$95 billion in 2015, according to the Armstrong Report. Even with more moderate recent growth in exports from Asia to the United States and Europe, Asia Pacific has a projected above-average CAGR of 9.1% from 2007 through 2015, according to the Armstrong Report. Its ITM segment growth exceeds the ITM segment growth of North America, South America, and Europe at CAGRs of 2.6%, 8.4% and -1.8%, respectively, for the same period.

THE GREATER CHINA AND ASEAN LOGISTICS MARKET COMPETITIVE ANALYSIS

PRC Logistics and Third-Party Logistics Trends

China's Twelfth Five-Year plan approved in March 2011 includes the following objectives which support third-party logistics market growth:

- To accelerate the establishment of a social, professional, information-based modern logistics system, aggressively develop third-party logistics, prioritise the integration and use of existing logistics resources, support the construction and linking-up of the logistics infrastructure, improve logistics efficiency, and reduce logistics costs;
- To promote agricultural products, bulk mineral products, key industrial areas, and other fields important to the development of logistics;

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- To optimise the development of regional distribution systems and support the orderly development of logistics parks and other cluster areas of logistics; and
- To promote the development of modern logistics management and improve the sophistication and standardisation of logistics.

In developed countries such as the United States, Hong Kong, Japan, and Singapore, transportation infrastructure is relatively homogenous, allowing goods to be efficiently transported throughout the country. In contrast, China's vast disparity in the quality of urban versus rural transportation infrastructure makes managing logistics more complicated and costly.

Without good transportation infrastructure, transportation costs are higher. In addition, warehousing and inventory carrying costs are higher due to the need to maintain higher levels of inventory closer to demand because of longer delivery cycle times.

In the long-term with governmental support, improved road and rail infrastructure is well positioned to greatly reduce China's overall logistics costs as a percentage of GDP from its current 18% to the 8.5 to 9% range seen in developed countries. In addition, improved transportation infrastructure will increase asset and labour productivity within large third-party logistics service providers who already have significant domestic distribution networks. Less time spent navigating poor roads, or having to utilise alternative transportation modes (such as sea, inland waterway, air), will improve transportation routings, reduce operating costs, and allow for shorter origin to delivery cycle times. Being able to be quicker to market for retailers, healthcare and other companies is expected to greatly benefit consumers with improved food and grocery product quality, more efficient pharmaceutical and healthcare supply chains, and reduced product shelf times.

According to the Armstrong Report, it is estimated that there are over 10,000 third-party logistics service providers operating in China. Many are small and mid-sized providers operating in only one province. As China's third-party logistics market continues to develop, there are expected to be increased mergers and acquisition activity and further third-party logistics market consolidation. According to the Armstrong Report, large third-party logistics service providers with established networks will most likely be the acquirers where they can identify a strategic fit, as seen in the United States and Europe.

Our Greater China and ASEAN Market Distribution Service Capabilities

In Asia Pacific, the last five years have seen a shift in focus from an export economy to regional and inter-regional distribution to address increased consumer spending growth and demand for goods in developing countries including China, Indonesia, Malaysia, Thailand, and Vietnam.

In addition, within these countries, buyers of third-party logistics services tend to trust providers with their own assets versus contracted warehousing or transportation capacity. According to the Armstrong Report, this preference has limited the growth of third-party logistics service providers who have been unwilling to make capital investment in trucking, which accounts for approximately 44% of total logistics spend in Asia Pacific, and warehouses, which account for approximately 9% of total logistic spend in Asia Pacific. By comparison, companies such as us, CEVA Logistics and DHL Supply Chain & Global Forwarding have experienced significant growth via an asset-based model.

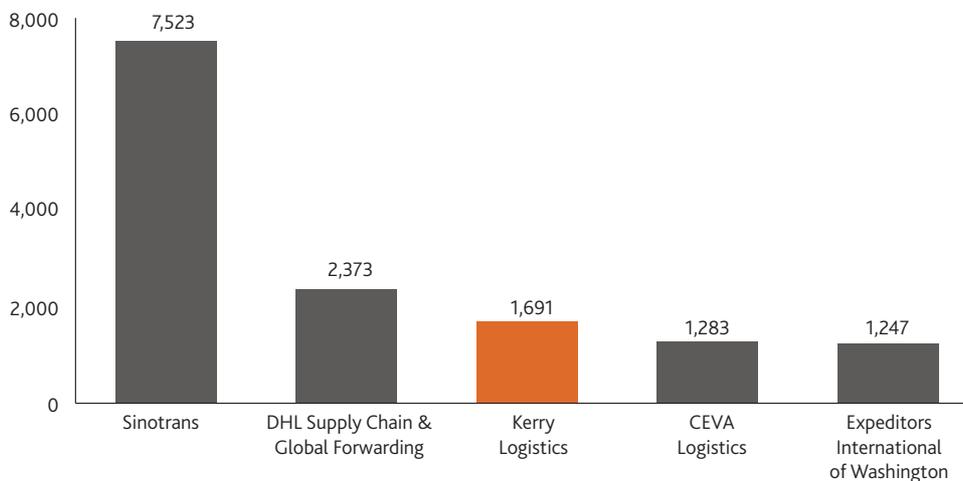
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According to the Armstrong Report, with 29.3 million sq.ft. under management as at 31 December 2012, we have the largest warehouse network in Greater China and ASEAN. The next largest is CEVA Logistics, followed by Sinotrans, with 20.0 and 18.9 million sq.ft., respectively. In addition, according to the Armstrong Report, we were among the top five largest third-party logistics service providers in terms of 2012 gross and net revenue. While we have built a significant advantage being able to effectively warehouse and distribute products within the region from China to Hong Kong, Vietnam, Thailand and Singapore, most of our major competitors have lesser regional distribution capabilities and are often limited to distributing goods within a country, or subcontracting significant volumes of trucking capacity to facilitate transportation which decreases the amount of control over end-to-end transportation performance.

Greater China

Greater China accounts for more than half of Asia Pacific third-party logistics revenue. With a projected CAGR of 14.6% from 2007 through 2015 according to the Armstrong Report, it has the fastest rate of growth among countries in the region. The following chart shows the gross revenue of major third-party logistics service providers in Greater China:

2012 Third-Party Logistics Service Providers Gross Revenue in Greater China (US\$ in Millions)



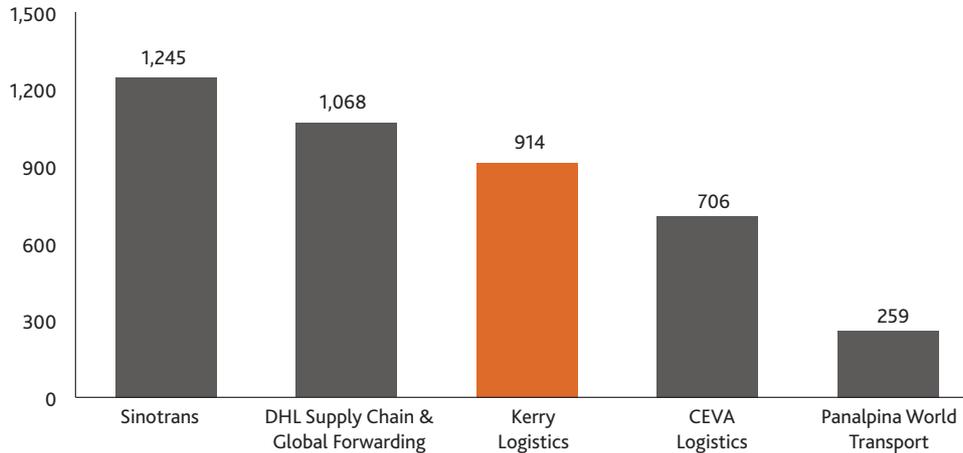
Source: Armstrong Report

Within the Greater China market, Sinotrans was the largest provider in 2012 with US\$7.5 billion in gross revenue followed by DHL Supply Chain & Global Forwarding and us. However, according to the Armstrong Report, net revenue, which refers to gross revenue less purchased transportation, is a better measure of third-party logistics size and performance because it is not inflated by pass-through transportation spend amounts.

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The following chart shows the net revenue of major third-party logistics service providers in Greater China:

2012 Third-Party Logistics Service Providers Net Revenue in Greater China (US\$ in Millions)



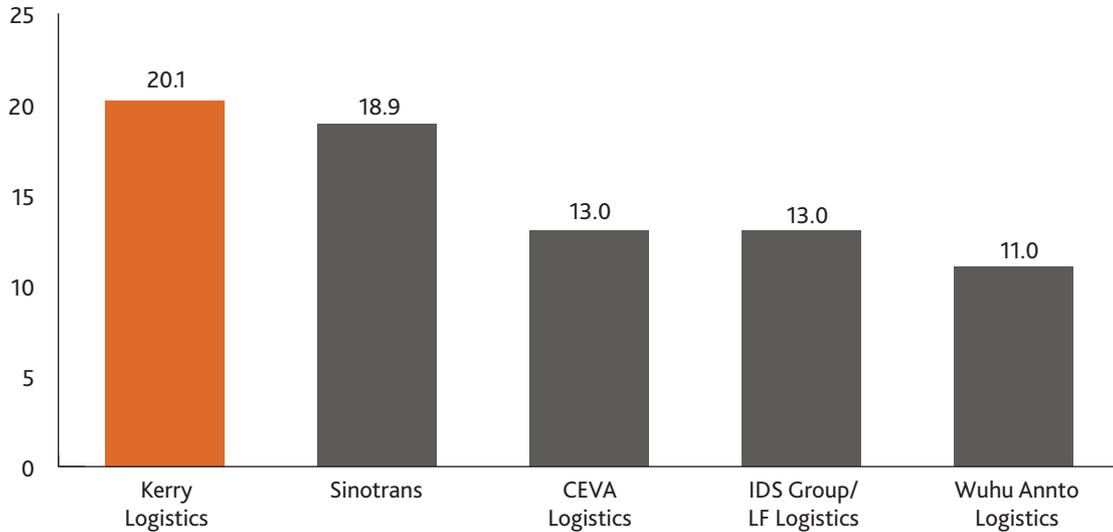
Source: Armstrong Report

In terms of net revenue, Sinotrans was the largest provider in 2012 with US\$1.2 billion followed by DHL Supply Chain & Global Forwarding and us. Our large net revenue as a percentage of gross revenue was due to a significant self-owned warehouse network and self-owned trucking fleet where every dollar of gross revenue equals a dollar of net revenue. According to the Armstrong Report, each of Sinotrans, DHL Supply Chain & Global Forwarding and us has significant international transportation and domestic distribution capabilities within China, with us also having built leading domestic distribution capabilities within Hong Kong and Taiwan. According to the Armstrong Report, we are the largest international third-party logistics service provider headquartered in Hong Kong and manage the largest portfolio of logistics facilities among third-party logistics service providers based on warehouse square footage.

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The following chart shows the warehousing space of major third-party logistics service providers in Greater China:

2012 Third-Party Logistics Service Providers Warehousing in Greater China (Sq.ft in Millions)



Source: Armstrong Report

Note: Excludes Global Logistics Properties, which is primarily engaged in the development of logistics facilities as a facilities provider and is not considered a third-party logistics service provider.

In terms of warehousing network, we were the largest third-party logistics service provider in 2012 with 20.1 million sq.ft. followed by Sinotrans and CEVA Logistics.

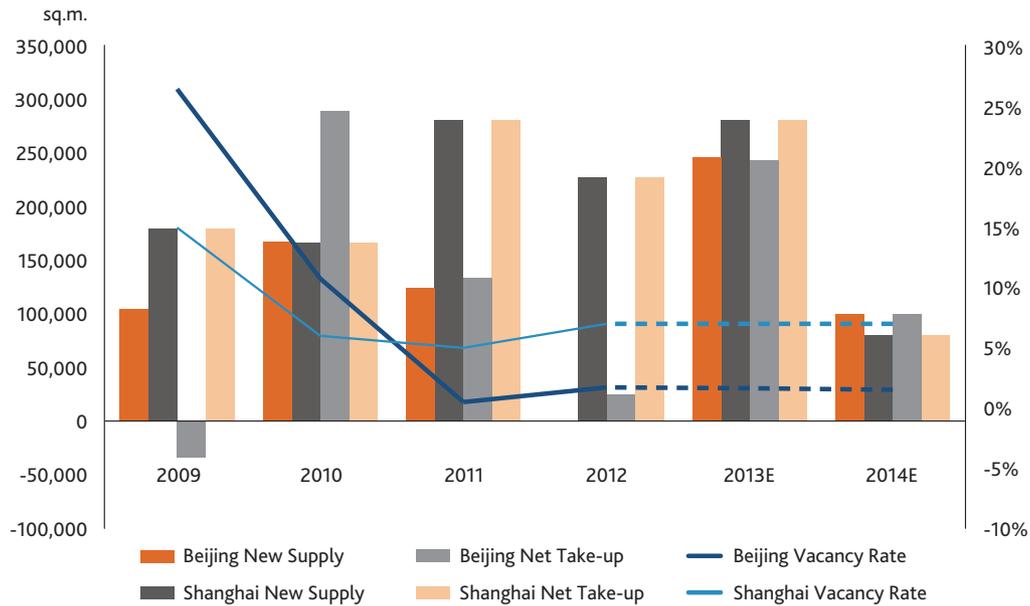
Logistics Properties in China

According to Colliers International ("Colliers"), China's logistics industry is still in relatively early development. Demand is growing, and the fundamentals of the property market are strong. Rising salaries and urbanisation have fueled the growth of consumption spending, driving an increasing need for warehousing, transportation and delivery of goods. At the same time, many manufacturers have switched their focus from exports to the domestic economy, given uncertainty in global markets in recent years. The highly fragmented nature of the current market has resulted in a relatively inefficient system, as well as a lack of supply in the property market just as demand is taking off.

The current regulatory environment in China is aimed at developing and modernising the logistics system. The government's aim to make domestic consumption the driver of the economy will help contribute to an increasing need to move and store goods. Development of properties to support this will be a key component.

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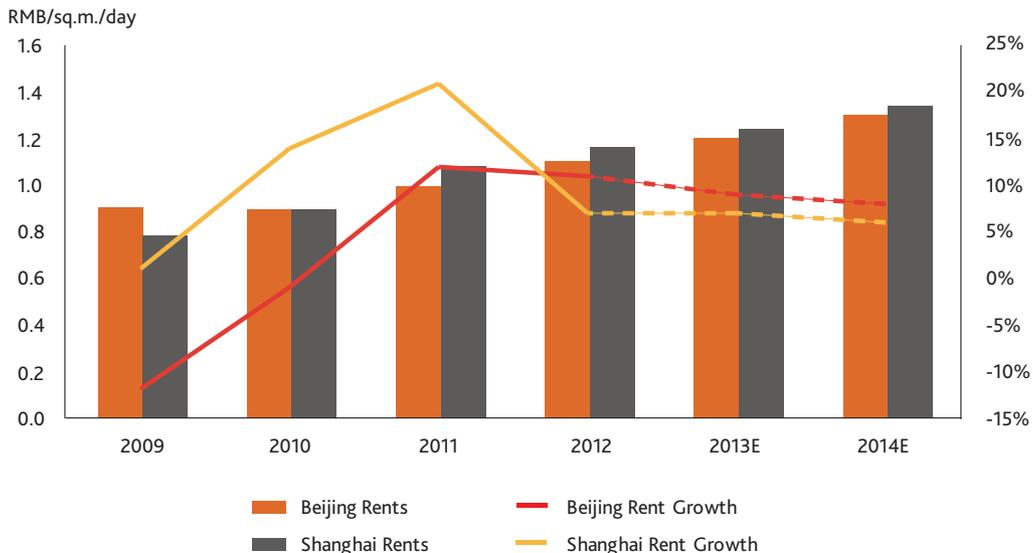
Logistics Property New Supply and Demand (2009-2014E)



Source: Colliers International Research, March 2013

According to Colliers, logistics properties offer high and stable rental yields. In the current market, where growing demand has outstripped supply, rentals have grown at a nationwide average of 5% to 10% per annum over the past few years.

Logistics Property Rents (2009-2014E)

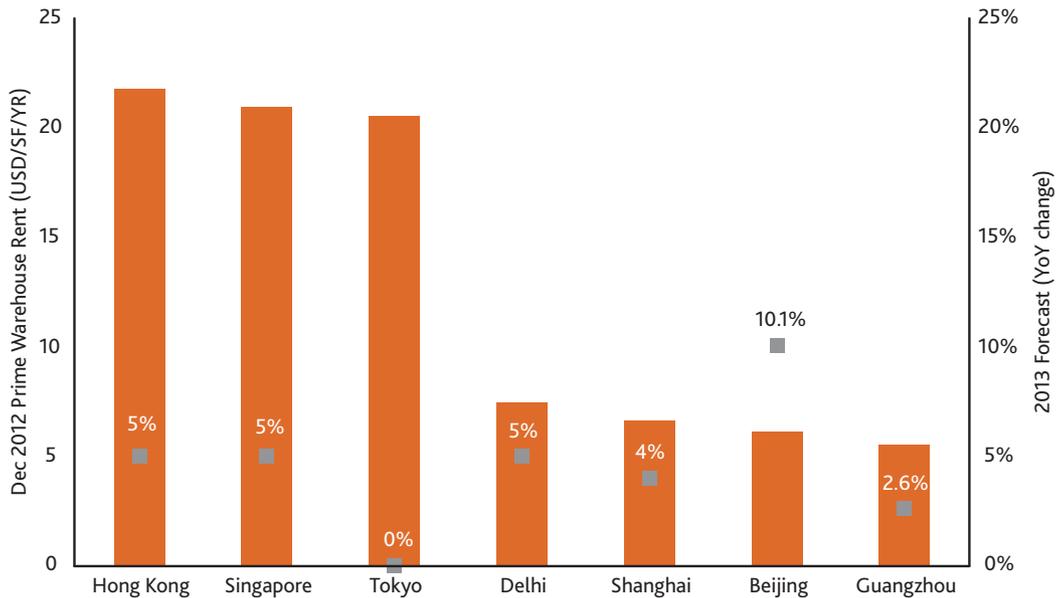


Source: Colliers International Research, March 2013

According to Colliers, based on their understanding from logistics investors, the capitalisation rate of logistics properties is normally in the range of 6% to 8%, a compelling return compared to commercial properties.

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Asia Logistics/Industrial Rentals (By Key Market)

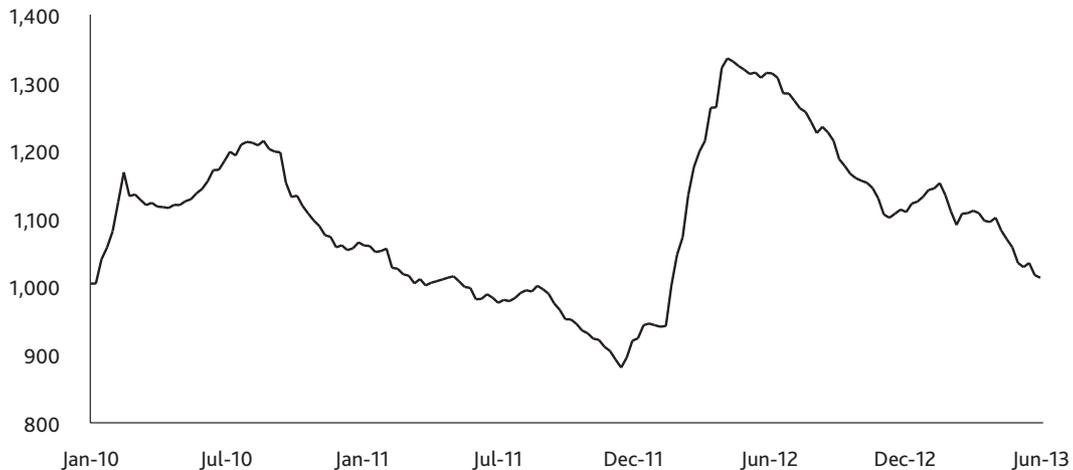


Source: Colliers International Regional Real Estate Research, June 2013

According to Colliers, the rentals of logistics or industrial properties in Singapore, Hong Kong and Tokyo (the three most popular logistics hubs in Asia) average approximately US\$22 per sq.ft. per annum. In China, the average rental level is approximately US\$6 to US\$7 per sq.ft. per annum, which is expected to increase at 3% to 5% per annum in most Chinese cities.

The following chart shows the ocean freight rate index in China.

China Export Ocean Freight Rate Index



Source: Shanghai Shipping Exchange – China Containerised Freight Composite Index

According to the Shanghai Shipping Exchange, the China export ocean freight rate has fluctuated during the Track Record Period. In 2011, the average export ocean freight rate decreased by 12.5% compared to 2010. In 2012, the average export ocean freight rate increased by 18.3% compared to 2011. During the six months ended June 2013, the average export ocean freight rate decreased by 6.6% compared to 2012.

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THE ARMSTRONG REPORT

In connection with the Global Offering, we have commissioned Armstrong to conduct market research and analysis of the global third-party logistics market and the competitive landscape in Greater China and ASEAN and prepare a report entitled *Global Third-Party Logistics Market Information Report*, dated 6 December 2013, or the Armstrong Report. Armstrong is a well-recognised supply chain market research and consulting firm and has been in business since 1980. Armstrong's *Who's Who* guides are distributed worldwide and are a significant resource for companies selecting third-party logistics service providers.

Armstrong prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry and non-governmental organisations. Armstrong also conducted primary research to gather and synthesise market information. In preparing the Armstrong Market Report, Armstrong has used certain assumptions and parameters in its market sizing and forecast model based primarily on macroeconomic data from both primary and secondary sources.

We have included the Armstrong Report in Appendix VI to this prospectus because we believe such information would facilitate investors' understanding of the third-party logistics market in which we operate. We were charged approximately US\$40,000 by Armstrong in connection with its preparation of the Armstrong Report. Our payment of such fee is not contingent upon the results of its research and analysis.