

---

## INDUSTRY OVERVIEW

---

*The information and statistics in this section, unless otherwise indicated, are derived from various private and official governmental publications, publicly available sources and the Frost & Sullivan Report, a market research report prepared by Frost & Sullivan and commissioned by our Group. We believe that the sources of the information in this section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED] (which, for the purpose of this paragraph, excludes Frost & Sullivan) and they do not give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.*

### SOURCE AND RELIABILITY OF INFORMATION

Our Group commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on, the interior fitting-out services market in Singapore for use in this document. Frost & Sullivan is an independent global consulting firm founded in 1961, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of HK\$450,000 and is disclosed with the consent of Frost & Sullivan.

The Frost & Sullivan Report was undertaken through both primary and secondary research obtained from various sources. Primary research included interviews with industry experts and participants in the Singapore interior fitting-out services market. Secondary research involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on Frost & Sullivan’s own database. Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the overall interior fitting-out services market in Singapore:

- Singapore’s economy is expected to grow at a steady rate supported by favourable government policies as well as global economic recovery, among other factors; and
- The social, economic and political environment of Singapore is likely to remain stable during the forecast period, which will ensure a sustainable and steady development of the interior fitting-out services market in Singapore.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the Frost & Sullivan Report, are reliable and not misleading as Frost & Sullivan is an independent professional market research agency with extensive experience, and there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

### OVERVIEW OF MACROECONOMIC ENVIRONMENT IN SINGAPORE

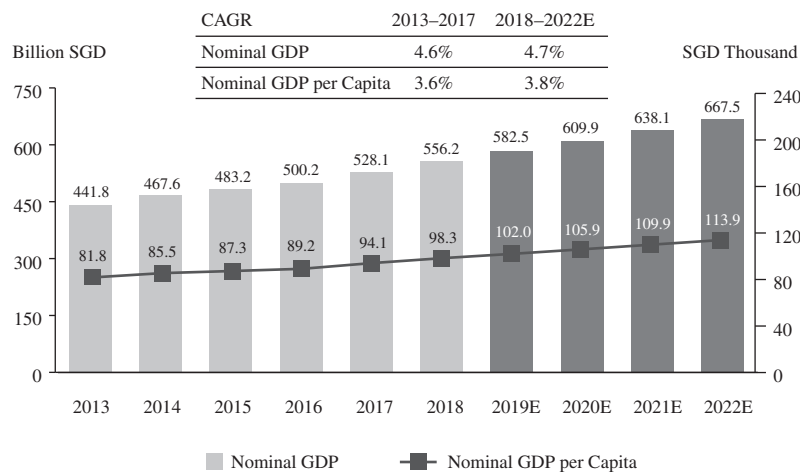
#### Nominal GDP and Nominal GDP per capita

According to International Monetary Fund (“IMF”), the nominal GDP of Singapore has recorded a steady growth from SGD441.8 billion in 2013 to SGD528.1 billion in 2017, representing a CAGR of 4.6%. The continuous trade and industrial development together with economic activities are expected to drive the growth of GDP in Singapore. The nominal GDP is expected to grow at a CAGR of 4.7% during 2018 to 2022, reaching SGD667.5 billion by 2022.

## INDUSTRY OVERVIEW

The nominal GDP per capita has registered a growth from SGD81.8 thousand in 2013 to SGD94.1 thousand in 2017, representing a CAGR of 3.6%. The nominal GDP per capita is estimated to grow at a CAGR of 3.8% during 2018 to 2022.

### Nominal GDP and Nominal GDP per Capita (Singapore), 2013–2022E

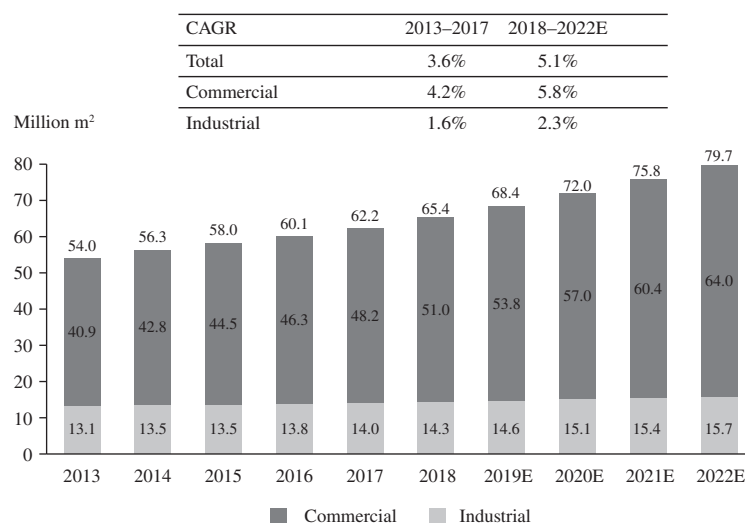


Source: International Monetary Fund, Frost & Sullivan

### Available Commercial and Industrial Spaces

According to the Department of Statistics Singapore, the available commercial spaces have registered a positive growth in recent years, representing a CAGR of 4.2% from 2013 to 2017. It is primarily attributable to the increasing demand for office space. Due to the oversupply of industrial spaces in Singapore, it has recorded a moderate growth from 2013 to 2017, with a CAGR of 1.6%. Owing to the positive future outlook of the construction sector in Singapore, the spaces in the commercial and industrial sector available is predicted to rise further in 2018 to 2022, representing a CAGR of 5.1%.

### Available Commercial and Industrial Spaces (Singapore), 2013–2022E



Source: Department of Statistics Singapore, IMF, Frost & Sullivan

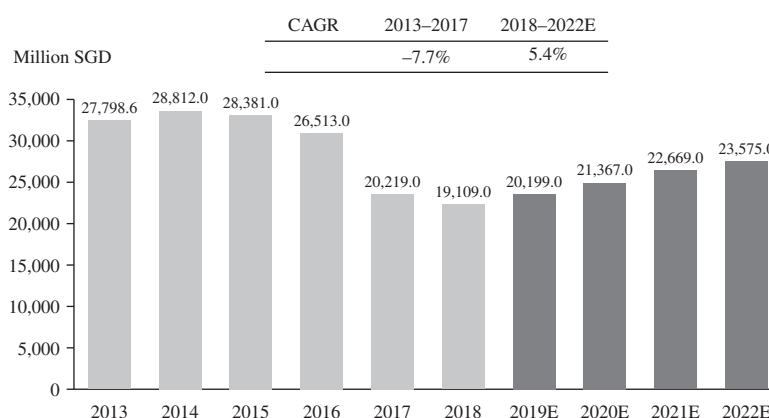
Note: Industrial spaces refer to warehouses and factories.

## INDUSTRY OVERVIEW

### Value of Progress Payment

According to the Building and Construction Authority of Singapore, the value of progress payment certified in Singapore recorded a decline from approximately SGD27,798.6 million in 2013 to approximately SGD20,219.0 million in 2017, representing a CAGR of  $-7.7\%$ . The decline was mainly attributable to the previous economic downturn in the global and domestic environment, as well as the slowdown in sales of private residential properties resulted from implementation of government’s cooling measures on property market, such as imposing additional buyer’s stamp duty and sellers’ stamp duty on property transaction. The value of progress payment is estimated to increase at a CAGR of  $5.4\%$  from 2018 to 2022, as a result of the rising housing supply and continued development in commercial segment.

### Value of Progress Payment of Building Works (Singapore), 2013–2022E



Source: Building and Construction Authority Singapore, Frost & Sullivan

## OVERVIEW OF INTERIOR FITTING-OUT SERVICES MARKET IN SINGAPORE

### Definition

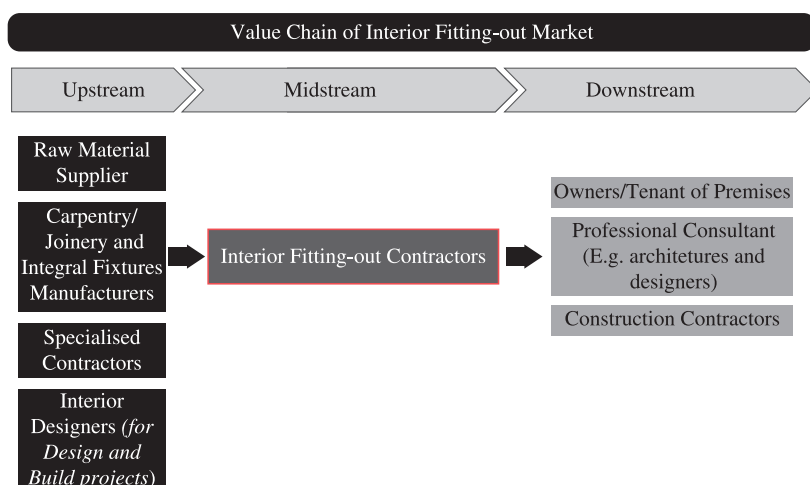
- Interior fitting-out works, as the process of making interior space suitable for occupation, generally includes site preparation work, partitioning work, steel and metal work, woodwork, marble work, stone work, plastering and painting work, certain Building Services, such as mechanical and electrical works and plumbing and drainage installation system.
- Customising, manufacturing and supply of carpentry/joinery and integral fixtures is also predominant in the interior fitting-out services.
- Interior design services from sizable market players are usually also provided before execution of the interior fitting-out works.

### Value Chain Analysis

The value chain of interior fitting-out market in Singapore consists of upstream, midstream and downstream participants. Interior fitting-out contractors source the raw materials and other ancillary building products from suppliers and manufacturers. Specialised contractors may be involved for the provision of glazing, laminating and MEP works. Interior designers may also be involved in Design and Build projects if the interior fitting-out contractor does not have the in-house interior design capability. In the midstream, main contractors are the dominating player while there are large numbers of subcontractors. Some firms could be both main contractors and subcontractors, based on the project scale and its capabilities. Interior fitting-out contractors are also responsible for the overall project management works. The interior fitting-out works are generally initiated by the downstream participants, including, owners or tenants of premises, professional consultant, such as architectures and designers, and construction contractors. It is not uncommon for the interior fitting-out contractors to establish long-term business relationship with the downstream participants. It is not uncommon for owners/tenant to engage professional

## INDUSTRY OVERVIEW

consultants to handle interior fitting-out projects for them, and thus interior fitting-out contractors usually award tenders or being invite to tender from these consultants and have stable working relationship with them and the owners/tenants of premises.



Source: Frost & Sullivan

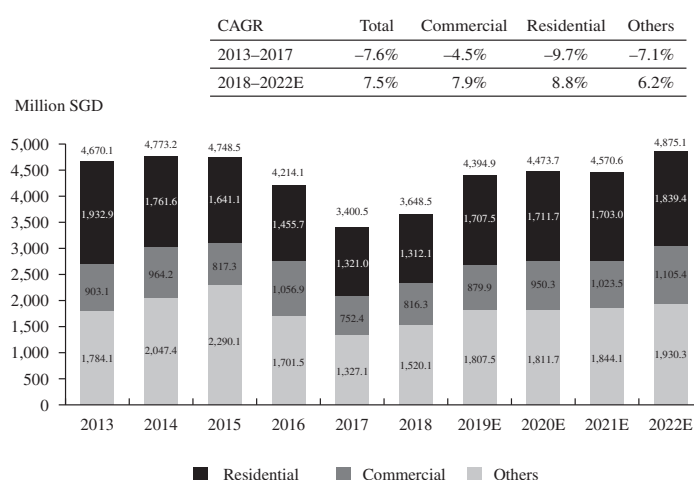
### Market size

The estimated market size of interior fitting-out in Singapore decreased from SGD4,670.1 million in 2013 to SGD3,400.5 million in 2017, representing a CAGR of negative 7.6%. The decline in 2016 and 2017 was mainly attributable to the slowdown in property development and the decrease in contracts awarded by building works. The contracts awarded by residential and commercial building works decreased from SGD7,770.1 and SGD2,183.5 million in 2015 to SGD6,249.9 million and SGD1,859.2 million in 2017.

In the commercial sector, the market size experienced the decrease from approximately SGD903.1 million in 2013 to SGD752.4 million in 2017, representing a CAGR of -4.5%

With the ongoing urban renewal, supportive government policies in promoting home improvement and shortening renovation cycle of commercial properties, the estimated market size of interior fitting-out in Singapore is expected to receive the impetus and reach SGD4,875.1 million in 2022, at a CAGR of 7.5% from 2018 to 2022.

### Market Size of Interior Fitting-out by Revenue (Singapore), 2013–2022E



Source: Frost & Sullivan

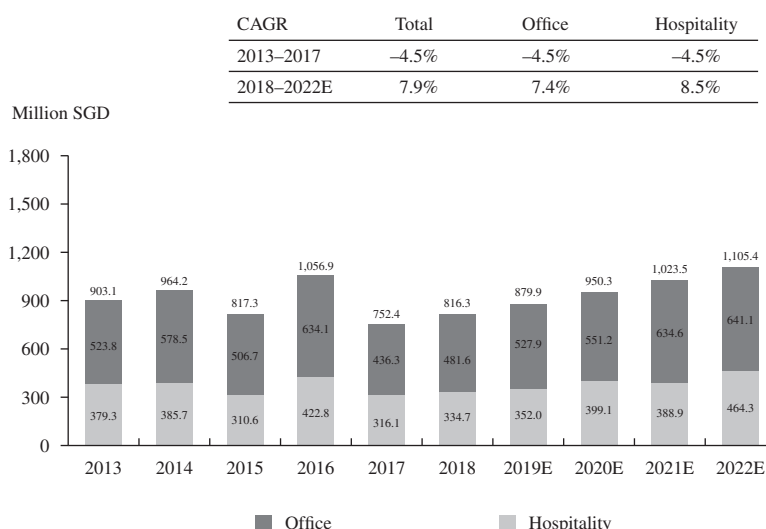
**Note:** Others comprise factories, warehouses and industrial facilities such as petrochemical and pharmaceutical plants, educational facilities such as school buildings, healthcare facilities such as hospitals and polyclinics, religious and non-profit institutions and other buildings such as airport terminals and multi-storey car parks.

## INDUSTRY OVERVIEW

The commercial sector could be further divided into office and hospitality segment. The estimated market size of interior fitting-out in office segment decreased from SGD523.8 million in 2013 to 436.3 million in 2017 at a CAGR of  $-4.5\%$  while the hospitality sector recorded the decrease at a CAGR of  $-4.5\%$  from SGD379.3 million in 2013 to SGD316.1 million in 2017.

It is expected that the estimated market size of commercial interior fitting-out would grow a CAGR of  $7.9\%$  from 2018 to 2022. The commercial interior fitting-out market in Singapore is driven by the surging demand derived from upgrading works performed in the office segment and the increase in the area of retail and office space in urban renewal, and shortening renovation cycle of commercial property. Please refer to paragraph headed “Industry Overview — Market Drivers” in this document for details.

### Market Size of Commercial Interior Fitting-out by Revenue (Singapore), 2013–2022E



Source: Frost & Sullivan

### Interior Fitting-out Services Market Outlook

Supported by a strong pipeline of new commercial development projects, such as construction of a new entertainment arena and hotel tower in Marian Bay Sands and the extension of Universal Studios Singapore in Resorts World Sentosa, more positive market sentiment arising from the improved economic climate, the commercial interior fitting-out market in Singapore is expected to benefit from the rising demand and grow in the future. The upcoming hospitality projects include the construction of Northshore Plaza, Canberra Plaza, Le Quest and the Woodleigh Mall, and the upgrade of Great World City. In addition, the Clan Hotel and the edition hotels are under construction, providing a total of over 500 rooms.

The outlook of commercial interior fitting-out services market remains positive in the near future. According to Urban Renewal Authority (“URA”), the office space would maintain a stable growth with an average of approximately 150,000 sq. metre gross floor area (“GFA”) under construction each year from 2018 to 2022. The growth of office space is due to the surging demand from the grade A offices and continued business activities. Major office projects include the ASB Tower at Robinson Road, CapitaSpring at Chulia Street and Woods Square at Woodlands Square. The hospitality sector is also expected to grow from 2018 to 2022. The retail space and office space under construction each year, is estimated to record an increase at a CAGR of  $6.8\%$  and  $7.6\%$  respectively from 2018 to 2022.

## INDUSTRY OVERVIEW

### Commercial Buildings Under Construction<sup>(1)</sup> by Types (Singapore), 2018–2022E

		2018	2019E	2020E	2021E	2022E	CAGR (2018– 2022E)
<b>Office Space</b>	GFA Thousand Sq. metre	130.0	140.7	150.8	161.1	174.5	7.6%
<b>Retail Space<sup>(2)</sup></b>	GFA Thousand Sq. metre	282.0	297.8	320.4	341.6	367.5	6.8%

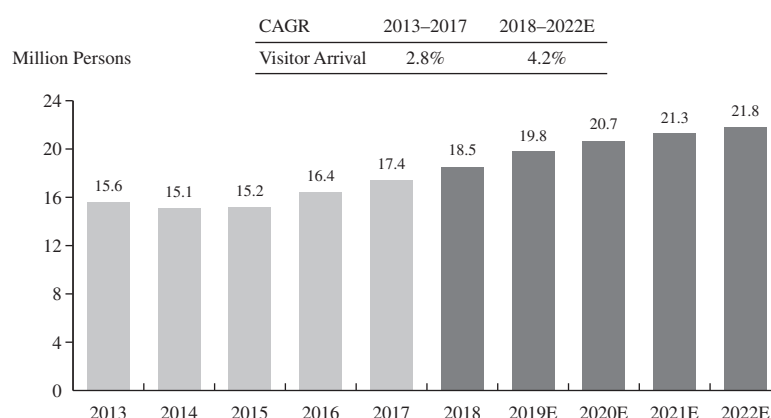
Notes:

- (1) Commercial buildings under construction refers to new development and redevelopment projects with planning approvals.
- (2) Refers to space used for shop, food & beverage (F&B), entertainment and health & fitness purposes.

Source: Urban Redevelopment Authority, Frost & Sullivan

Over the past few years, the number of total international visitors arrivals in Singapore has recorded steady growth from 15.6 million in 2013 to 17.4 million in 2017, representing a CAGR of 2.8%. The increase in number of visitors arrivals will further contribute to the rising demand in the hospitality sector including retail shops, food and beverage stores, hotels etc. Owing to the growth of visitors from Mainland China, the total number of visitor arrivals is predicted to reach 21.8 million persons by 2022, growing at a CAGR of 4.2% from 2018 to 2022.

### Total International Visitor Arrivals (Singapore), 2013–2022E



Source: Department of Statistics Singapore, Frost & Sullivan

### Market drivers

- *Increase number of construction projects in Singapore*

There will be more construction projects in both private and public sector in the near future according to the Building and Construction Authority, which accounts for more than SGD28.9 billion of construction contracts in 2017. In the private sector, there will be a high demand for residential, commercial and industrial construction. Examples of some commercial projects include construction of Yotel Changi Jewel and Village Hotel Sentosa in Outside City Centre, Park Mall redevelopment in Orchard Road and Afra-Asia building redevelopment in Shenton Way. The strong demand in construction industry offers plenty of potential projects for interior fitting-out contractors in Singapore.

- *Surging Demand from the Office Segment*

The overall outlook for the office segment of interior fitting-out market in Singapore remains positive. Due to the rising demand from co-working operators and technology firms as well as a pick-up in demand from financial institutions, more fitting-out and upgrading works are performed in the office segment. Offices relocation would create demand for interior design and fit-out services as interior layout is redesigned. The demand for interior fitting-out in Singapore is forecasted to rise accordingly.



---

## INDUSTRY OVERVIEW

---

- *Demand Underpinned by Urban Renewal*

The rising number of ageing building in Singapore acts as the driving force for interior fitting-out market. As set out in the Master Plan 2014, URA considers the West Region as the major developing area to introduce the mixed-use Jurong Lake District that can provide an estimated 500,000 m<sup>2</sup> and 250,000 m<sup>2</sup> for office and retail uses respectively. Meanwhile, as estimated there were more than 1,000 buildings aged 30 years or above in Singapore in 2018 and these aging buildings may eventually undergo redevelopment, which requires interior fitting-out works.

### Market trends

- *Shortening Renovation Cycle of Commercial Property*

In light of increased competition and ever-changing business environment, the retailers are adopting products diversification and individualisation, which require the new interior layouts and decoration. Increasing number of refurbishment projects are performed for the launching of promotional campaigns and new themes of the retail layout. In addition, interior fitting-out projects are performed by the property developers and managers to improve the existing facilities and enhance the overall valuation and rent of the shopping centers. The renovation cycle for commercial buildings has been shortening, which in turn increase the demand for interior fitting-out services in Singapore.

- *Trend in Market Consolidation*

With increasing complexity of the construction projects, the interior fitting-out contractors are extending their service cope to fulfill the rising of client’s expectations. As the market develops into a mature stage, large contractors are seeking expansion opportunities through horizontal or vertical integration and business portfolio diversification which leads to an increase in merger and acquisition activities in Singapore interior fitting-out market. Some established interior fitting-out contractors in Singapore have been consistently seeking opportunities that can further expand its business scale and diversify its revenue stream thorough merger and acquisition. The interior fitting-out market in Singapore is expected to be more consolidated in the near future.

- *Rise of Environmental-friendly and Sustainable Designs*

Incorporating environmental-friendly practices into building development is trending in Singapore. Customers in Singapore are a lot more aware of having a green and eco-friendly design. On the other hand, Singapore government has been playing an active role in driving the green building construction in both public and private sector. According to the BCA, the number of Green Mark Building Project reached 3,200 in 2018 with a total gross floor area of over 94 million meters squares. Incentive schemes for green mark certified projects have been introduced. Singapore Green Building Product (SGBP) labelling scheme-certified products are preferred for their environmental performance by the authorities, developers, specifiers, architects, thus promoting the use of green building products. Environmental-friendly and sustainable designs are forecasted to be increasingly adopted in the interior fitting-out market.

### Market opportunities

- *Rising Trend in Design and Build*

An increasing number of interior fitting-out companies are embracing the business model of Design and Build in the overall project implementation, including design planning, coordination, monitoring and supervision for the whole construction period until completion. Design and build model is becoming the mainstream whereby contract responsibility is assumed by a single party to minimise risks for the project owners and facilitate the delivery schedule by overlapping the design phase and construction phase of a project. In addition, qualities of services to clients are guaranteed and the clients’ needs are better met, giving an edge to the multiservice providers who have the capability in both design and project execution. The penetration rate of design and build projects in the Singapore construction industry increased from 5.8% in 2017 to 6.1% in 2018. In 2018, the contract sum of design and build projects in Singapore is estimated to be more than SGD6 billion. The ongoing development of design and build projects include the development at Lorong Kismis, mixed development, which comprises of apartment, shops and communal facilities, at Sims Avenue, and the construction of two blocks of apartment buildings at Silat Avenue, with the total gross floor area of over 200,000 square meters. It is increasingly common for project owner to engage single fitting-out contractor to provide integrated fitting-out services, instead of engaging various services provider. In response to the rising needs, some contractors are expanding the services offering to interior designs to receive the impetus.

## INDUSTRY OVERVIEW

### ● *Integrated Solutions Becoming in The Mainstream*

An increasing number of interior fitting-out services providers are integrating the business model as one-stop solution providers in the overall project implementation, including design planning, coordination, monitoring and supervision for the whole construction period until completion. With one-stop solution becoming the mainstream in the industry, quality of services to clients are guaranteed and the needs client are better met, giving a rise to the multiservice providers who consistently winning remarkable and sizable projects, industry awards and press attention, as well as the trust of client. The comprehensive service offered by being a one-stop solutions provider for contracting service coupled with project management service ensures the consistency and quality of work which offers convenience to the clients by saving the need to engage different parties for the execution of a project.

### **Market challenges**

#### ● *Imbalance between demand and supply of labour*

With the labour shortage problem in Singapore, companies find it difficult to hire talents. Moreover, the criteria for the Employment Pass (EP) foreign labour is raised by the Ministry of Manpower, and such amendment is expected to affect the number of successful applicants and workers. The number of work permits for foreign construction workers in Singapore has experienced a decline from 318,900 workers in 2013 to 284,900 workers in 2017, representing a CAGR of -2.8%. This may result in operational constraints in employing foreign workers for interior fitting-out companies in Singapore, thus hindering the growth and development of the overall interior fitting-out market.

#### ● *Cyclical industry nature affecting the demand for construction works*

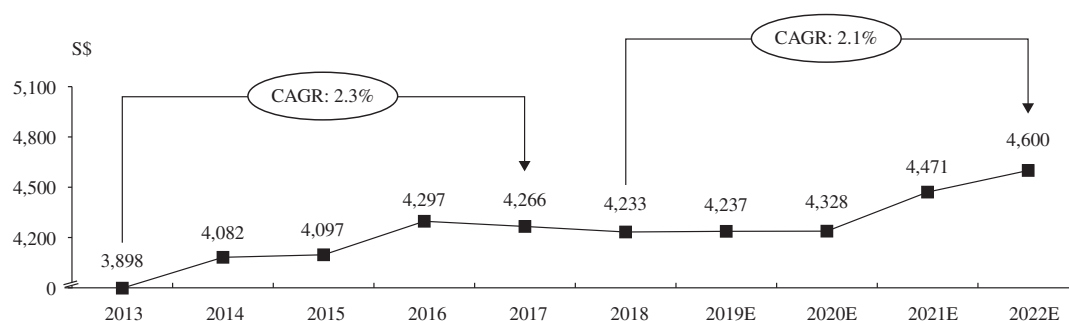
The construction industry is considered as a cyclical industry as it is affected by the business cycle and the current macroeconomic outlook, government policies and the speculation in the market. Therefore it poses uncertainties to the interior fitting-out services industry when recessions happen. Once recessions hit the market, the demand for related construction works will be lowered, and thus, it is critical for industry participants to have a contingency plan in case of economic downturn.

### **Cost structure analysis**

The average monthly wage of workers in interior fitting-out industry recorded a steady growth from approximately S\$3,898 in 2013 to approximately S\$4,266 in 2017, representing a CAGR of 2.3%. The growth was primarily attributable to substantial demand for workers due to rapid growth of interior fitting-out industry during 2013 to 2014, while the growth rate of average monthly wage of workers in interior fitting-out industry witnessed a moderate decline during 2015 to 2016 due to slowdown of the economic growth and construction industry.

With the restriction of work permit holders in construction industry in Singapore, the wage level of interior fitting-out workers in Singapore is expected to increase further at a CAGR of 2.1% from 2018 to 2022.

### **Average Monthly Wage of Workers in Interior Fitting-out Industry (Singapore), 2013–2022E**



Source: Frost & Sullivan



## INDUSTRY OVERVIEW

The price indexes of major materials for interior fitting-out, including glass, marble and ceiling materials, have all recorded an increase for the past 5 years, at a CAGR of 1.0%, 4.7%, and 0.9% respectively.

The increases in major material price implies the growth of interior fitting-out industry in Singapore. On the ride of rising demand for construction works, the price indexes of major construction materials for interior fitting-out are expected to rise accordingly in the near future.

### Price Index of Major Materials for Interior Fitting-out (Singapore), 2013–2022E

2013=100	2013	2014	2015	2016	2017	2018	2022E	CAGR 2013–2017	CAGR 2018–2022E
Glass	100	101.3	101	103.3	104.1	104.8	108.2	1.0%	0.8%
Marble	100	101.4	113.6	119.4	120	123.4	138.7	4.7%	3.0%
Ceiling Materials	100	90.3	80.8	77.6	103.7	104.7	108.9	0.9%	1.0%

Source: Building and Construction Authority

## COMPETITIVE LANDSCAPE IN SINGAPORE

### Ranking and Market Share

The interior fitting-out industry in Singapore is considered competitive with approximately 1,500 market participants and relatively fragmented with the top five market participants accounting for market share of 11.0% in 2017. The Group is the third largest player by revenue in the interior fitting-out market in Singapore, accounting for 2.2% of market share. The following table sets forth the rankings of the top 5 interior fitting-out contractors by revenue and their market share in 2017.

Ranking and Market Share of Leading Interior Fitting-out Contractors by Revenue (Singapore), 2017				
Rank	Company	Estimated Revenue in 2017 (SGD Million)	Approximately Market share in 2017	Company Description
1	Company A	98.3	2.9%	A private company that is specialised in interior fitting-out and addition and alteration works in Singapore.
2	Company B	81.1	2.4%	A private company that provides property and construction services including interior fitting-out and engineering services.
3	The Group	74.9	2.2%	Our Group is specialised in interior fitting-out works in Singapore.
4	Company D	69.1	2.0%	A listed company in Singapore that provides interior fitting-out solutions together with manufacturing business to various sectors in Singapore.
5	Company E	52.3	1.5%	A listed company in Singapore with business segments including retail and corporate interiors fitting-out, exhibitions and thematic and other marketing business.
Top Five Total		375.7	11.0%	
Total Market Size		3,400.5	100%	

Source: Frost & Sullivan

### Competition Overview

Reputation, ability to meet specific requirements and sound industry expertise, proven track record in large scale projects are the key criterion for selecting contractors in the Singapore interior fitting-out industry. The market participants who are capable of delivering interior fitting-out solutions and associated works, such as MEP works, are preferred by the customers in Singapore. The MEP works are associated with the interior fitting-out works in the later stage of building development. Therefore, engineering design capability, market know-how and skills are commonly applicable in the fields of both interior fitting-out and MEP works. More importantly, engagement in interior fitting-out and MEP works enables the contractors to be more involved in the master planning of the entire projects, which increases the possibility of awarding contracts.

---

## INDUSTRY OVERVIEW

---

The market demands for servicing and maintenance of MEP systems in Singapore are relatively stable because projects owners are inclined to maintain their spending to ensure the safety and functionality of the MEP systems installed in this premises, and hence the level of such spending is less likely to be affected the conditions in the overall construction industry and the economy as a whole.

With increasing complexity of the projects, the interior fitting-out services providers are extending their service cope to fulfill the rising the client’s expectations. As the market develops into a mature stage, leading market participants are seeking expansion opportunities through vertical integration and product portfolio diversification. Some interior fitting-out service providers acquire production or process facilities to leverage operational efficiency. With the vertically integrated business model, the interior fitting-out services providers are able to control production costs and product quality more effectively and to respond to market demand more quickly. Specifically, this strength offers the market participants unparalleled capabilities to drive revenue growth and expand market shares. The number of interior fitting-out services providers who have own production or process facilities in Singapore is limited.

### Entry Barrier

- *Initial Capital Requirements*

It is essential for interior fitting-out contractors to have a substantial initial capital for operational needs. Such capital is critical for prepayments and deposits for subcontractors, suppliers and manufacturers. Failure to make timely payments may delay project schedules and affect the contractor’s credibility. Moreover, contractors may also need a certain amount of capital for the issuance of performance bonds to customer. New entrants without sufficient cash flow may therefore encounter difficulties in sustaining in such industry.

- *Well-established Network*

Interior fitting-out contractors are usually in an established business relationship with the key clients, such as major professional consultants and construction contractors. With the long-established partnership with clients, some contractors are on preferred tender lists of these professional consultants and construction contractors and are eligible for tender submission. In addition, other contractors may secure service contracts through their own network in Singapore. Hence new entrants may need extra effort and time to acquire business from clients.

- *Industry Reputation and Expertise*

Industry expertise with extensive experience of the market is one of the major considerations when selecting interior fitting-out contractors. Well-recognised contractor with a reputable track record in various industries often stand out against other industry players, raising the chance of scoring a project. This will act as a barrier for new market entrants as it may take certain time to recruit experienced employees and train new hires.