
INDUSTRY OVERVIEW

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Information and statistics in this section are extracted from the Frost & Sullivan Report. The information extracted from the Frost & Sullivan Report reflects an estimate of market conditions based on Frost & Sullivan (S) Pte Ltd's research and analysis. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics by us, neither we, the Selling Shareholder, the Sole Sponsor, the Bookrunner, the Joint Lead Managers, the Co-Managers, the Underwriters, their respective affiliates, directors or advisers, nor any party involved in the Share Offer have independently verified such information and statistics directly or indirectly derived from official government publications, and such parties do not make any representation as to their accuracy.

We commissioned Frost & Sullivan (S) Pte Ltd (“Frost & Sullivan”), an Independent Third Party, to conduct a detailed analysis of and produce a report on, among other things, public residential electrical engineering services market in Singapore for inclusion in this prospectus. The report commissioned has been prepared by Frost & Sullivan independent from our influence. We paid Frost & Sullivan, a fee of approximately HK\$468,000 for preparing this report. Frost & Sullivan is an independent global research and consulting company which was founded in 1961 and is headquartered in the United States of America (“USA”). Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and business planning for a variety of industries.

The report has been compiled after thorough and diligent independent market research conducted by Frost & Sullivan itself.

The market research process for their study was undertaken through a top-down central research and bottom-up validation process to present a comprehensive and accurate picture of the public residential electrical engineering services market in Singapore. The Frost & Sullivan Report was prepared based on primary research involving discussions with leading industry participants and industry experts and secondary research involving the review of company reports, independent research reports, and data based on Frost & Sullivan's internal research database.

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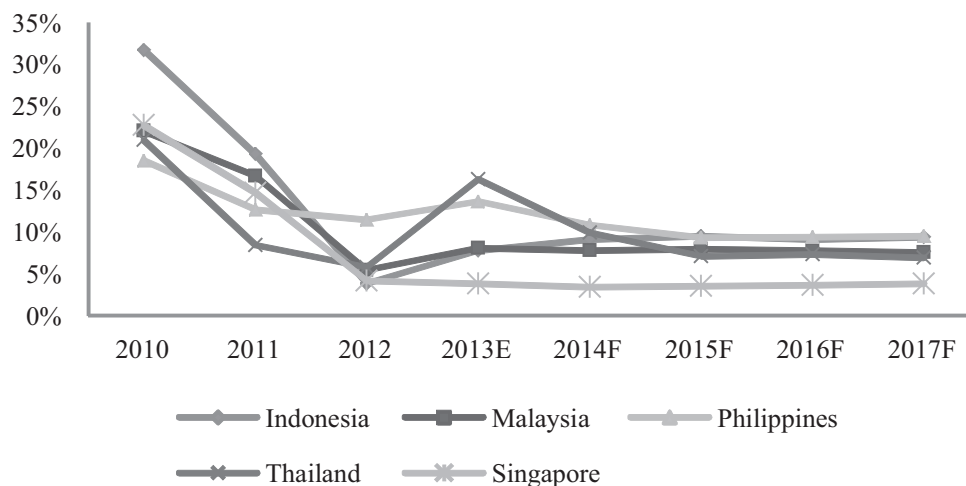
With both primary and secondary research in place, Frost & Sullivan has utilised both types of sources to validate all data and information collected, with no reliance on any single source. Furthermore, a test of each respondent's information and views against those of others was applied to ensure reliability and eliminate bias from these sources.

1. OVERVIEW OF MACROECONOMIC INDICATORS

1.1 Gross Domestic Product ("GDP")

The Association of Southeast Asian Nations ("ASEAN")¹ has demonstrated exceptional growth since its formation in 1967. As ASEAN economies have liberalized investment laws and opened doors to international business, they have been attracting high volume foreign direct investment, continuously boosting the region's economic growth. Most ASEAN economies experienced a slowdown in their economic growth as a result of the Global Financial Crisis in 2008. Singapore too experienced a slowdown and the nominal GDP dropped by 0.9% in 2009 from 2008. However, ASEAN economics experienced speedy recovery from the Global Financial Crisis. Major ASEAN economies, as shown in Figure 1, have experienced double-digit GDP growth rate in 2010 and 2011. The Singapore economy grew from USD188.8 billion in 2009 to USD276.5 billion in 2012.

Figure 1: Nominal GDP Growth in Major ASEAN Economies, 2010–2017F



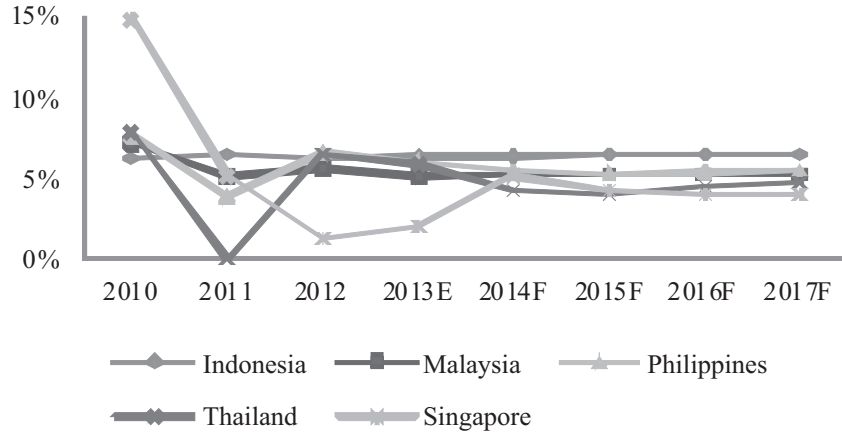
Source: International Monetary Fund (IMF)

Intra-Asia agreements are likely to play a significant role in shaping the future economic growth in the region. Continuing the momentum set by ASEAN Free Trade Area (AFTA), ASEAN Economic Community (AEC) was further planned to shoring up its economic integration for 2015. This is expected to help the region pace ahead in economic growth. As indicated by Figure 1 and Figure 2, major ASEAN economies tend to demonstrate stable future growth rates in terms of nominal and real GDP.

¹ ASEAN is a geo-political and economic organisation of ten countries located in Southeast Asia, which was formed by five major nations — Indonesia, Malaysia, Philippines, Singapore, and Thailand — and later expanded to include Brunei, Myanmar, Cambodia, Laos, and Vietnam.

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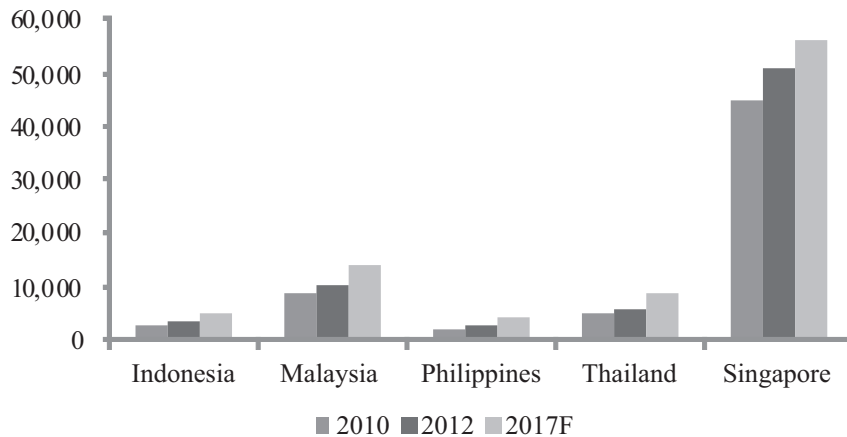
Figure 2: Real GDP Growth in Major ASEAN Economies, 2010–2017F



Source: IMF

Singapore’s economy is expected to demonstrate sustainable growth from 2013 to 2017. As estimated by IMF, Singapore’s real GDP is expected to grow at a compound annual growth rate (“CAGR”) of 4.3% during the aforementioned period, and to show a robust overall growth of 18.5% to reach USD369.0 billion in 2017. The sustained growth in GDP is expected to fuel the housing demand in the country.

Figure 3: Nominal GDP per Capita in Major ASEAN Economies, in USD, 2010, 2012, and 2017

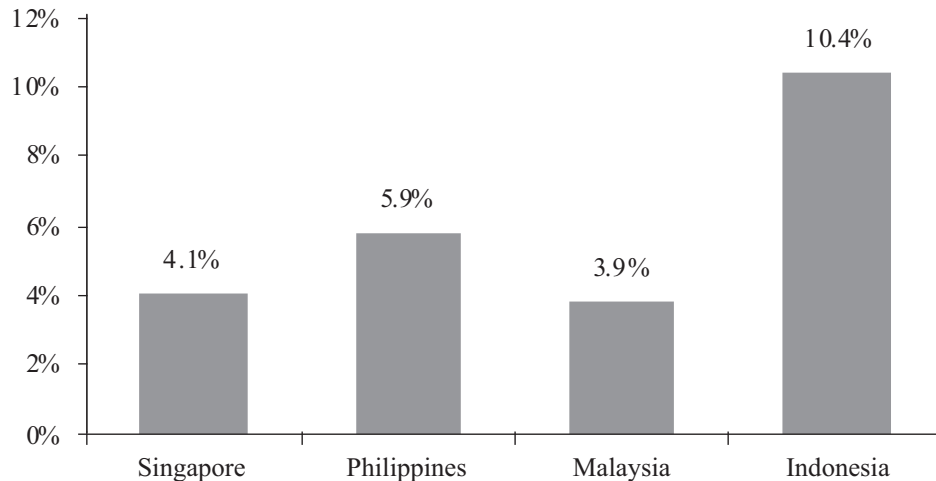


Source: IMF

Singapore has the highest GDP per capita amongst ASEAN economies. As per IMF estimate, Singapore’s GDP per capita is expected to increase by almost 9.5% from 2012 to 2017 as a result of tremendous economic growth and lower population growth. The existing gap of GDP per capita between Singapore and other ASEAN nations is expected to widen as evident in Figure 3. High GDP per capita growth in Singapore is expected to fuel the market for increased home ownership, thereby fuelling markets related to the residential segment.

1.2 Contribution to GDP by Construction Sector

Figure 4: Contribution to GDP at current prices by Construction Sector in Major ASEAN Economies, in percentage, 2012



Source: National Statistics Bureaus

Singapore's construction sector contribution to GDP stands at 4.1% in 2012, which has been remaining stable over the past 2 years. Contribution of Singapore's construction sector to GDP is comparatively lower than other major ASEAN economies like Indonesia and Philippines. In general, the construction sector's contribution to GDP is higher for developing countries than developed countries, as more building and civil engineering work is required for developing economies.

Singapore's construction sector has been remaining strong and stable during the past few years (2010–2012), constantly contributing approximately 4.0% to its overall GDP. This suggests a stable market for construction-related industries, including Electrical Engineering services industry.

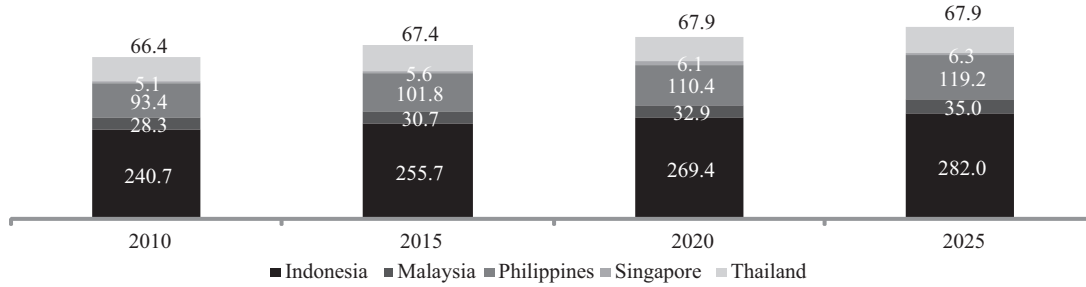
1.3 Population

As a result of falling infant mortality rates in the last three decades, the population of ASEAN economies has seen a stable growth. Indonesia has seen its infant mortality rates fall by greater than 50.0%, while rates in Singapore, Malaysia, and Thailand have fallen by 25.0% over the last three decades. Health awareness and poverty eradication measures has been key to the decreasing mortality rate and this is in turn linked to role of Government sponsored programmes towards the changing the health status of individuals.

As shown in Figure 4, the population of Singapore is expected to grow at a CAGR of 1.5% from 5.1 million in 2010 to 6.3 million in 2025. The increase in population is likely to result in increased demand for both public and private housing. Singapore is viewed as a rewarding immigrant destination in Asia and immigrants are increasingly relocating to Singapore, thereby stimulating the demand for housing in the country.

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Figure 4: Population in Major ASEAN Economies, in millions, 2010 to 2025F



Source: United Nations Department of Economic and Social Affairs

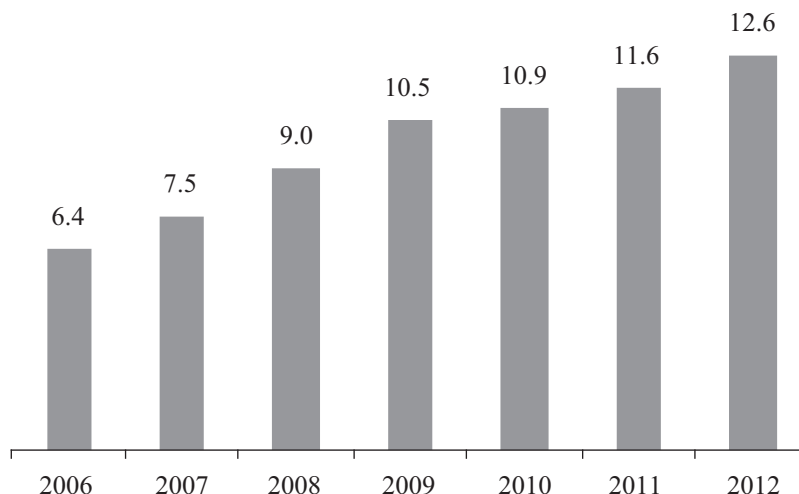
1.4 Urbanization

According to United Nations Department of Economic and Social Affairs, the urbanization rate in ASEAN is marginally lower as compared to other developing economies in Asia. Malaysia (73.4% urbanization rate 2012), Philippines (49.1%), Indonesia (51.4%) and Thailand (34.5%) have demonstrated urbanization patterns, where bulk of the development has occurred in and around a major city in the country. Singapore is unique as 100.0% of its population is urbanized, which gives the country leverage ahead of its counter parts. The demand for housing, which is linked to the percentage of urban population in a country, is the highest in Singapore.

2. OVERVIEW OF THE CONSTRUCTION INDUSTRY IN SINGAPORE

2.1 Historical Development and Recent Trends

Figure 5: Construction GDP in Singapore, in SGD billion, 2006 to 2012



Source: Singstat

Singapore's construction GDP grew at a CAGR of 11.8% from SGD6.4 billion in 2006 to SGD12.6 billion in 2012. However, the year-on-year growth has slowed down in recent years, which is attributable to the global economic uncertainty curtailing construction activities.

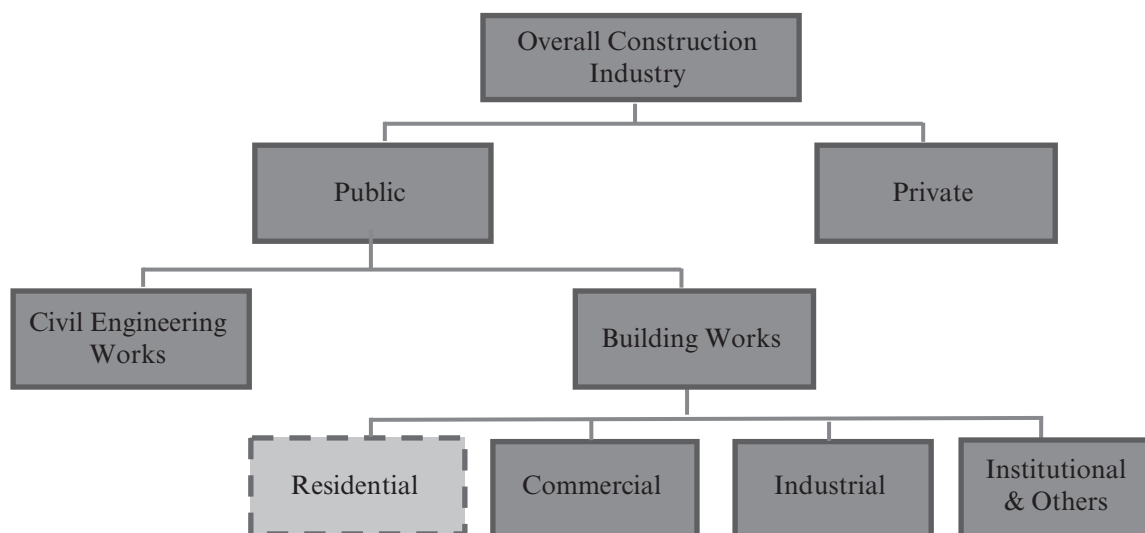
In March 2013, The Building and Construction Authority (“BCA”)² has unveiled a plan to collaborate with various stakeholders in the construction industry. It aims to increase the productivity and GDP of the construction industry by adopting technologically advanced processes such as precast fabrication and volumetric construction.

² *The Building and Construction Authority (“BCA”) is an agency under the Ministry of National Development, championing the development of a globally competent construction environment in Singapore.*

2.2 Industry Segmentation and Definition for Construction Industry in Singapore

For the purpose of this report, Frost & Sullivan defines the size of any segment of construction industry in terms of the value of contracts awarded for each segment or sub segment. The construction industry in Singapore is segmented as depicted in the figure below.

Figure 6: Segmentation of the Construction Industry in Singapore



Source: Frost & Sullivan

Note: The Company has a predominant part of its business in the industry sub-segment highlighted in dotted rectangle box in Figure 6.

Based on the Company’s primary operations, the scope of this report is limited to the market emanating from Public Residential Building Works segment only, as highlighted in Figure 6 above.

Public Sector Construction includes all construction activities related to the Government and its subsidiaries. It can be categorized into Public Sector Building Works and Public Sector Civil Engineering Works. Private Sector Construction includes all non-government construction activities.

Public Sector Civil Engineering Works include construction of roads and bridges, sewerage and drainage, MRT/LRT tracks, tunnelling, utilities, ports, and other infrastructure works.

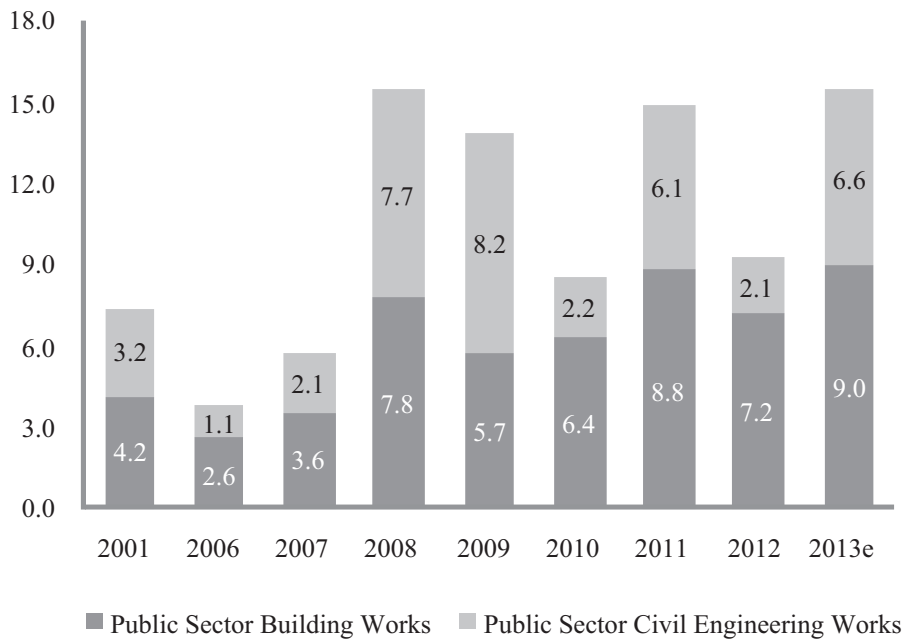
Public Sector Residential Building Works include construction of public housing. The sole provider of public housing in Singapore is Housing Development Board (“HDB”). Public Sector Commercial Building Works include construction of offices, retail outlets and other commercial developments. Public Sector Industrial Building Works include construction of factories, warehouses, and industrial facilities such as petrochemical and

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pharmaceutical plants. Public Sector Institutional & Other Building Works comprise construction of school buildings, hospitals and polyclinics, religious and non-profit institutions, and other buildings such as airport terminals and multi-storey car parks.

2.3 Industry Size of the Public Sector Construction

Figure 7: Public Sector Construction by Value of Contracts Awarded, in SGD billion, 2001–2013E



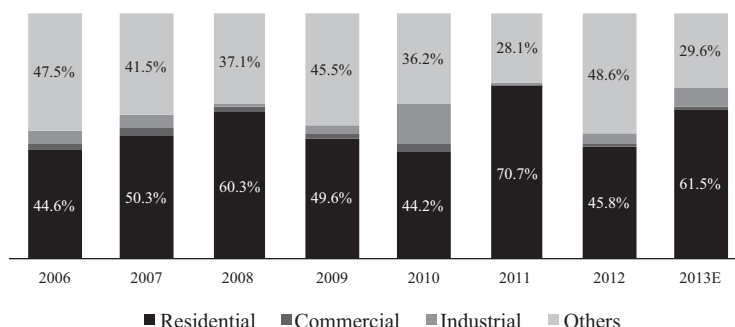
Source: Singstat, Frost & Sullivan Analysis

Public Sector Construction, contributing to more than one third of the value of the total contracts awarded in 2012, has been driving the overall construction industry in Singapore. In 2013, it is estimated that, Public Sector Construction's contribution may increase to more than half of the value of contracts awarded.

The value of public sector contracts awarded has increased from SGD7.4 billion in 2001 to SGD9.3 billion in 2012, and is estimated to reach SGD15.6 billion by end of 2013. This can be attributed to huge Government investment in public housing and utilities, and numerous contracts awarded in both Public Sector Building Works and Public Sector Civil Engineering Works segments.

2.4 Breakdown of Public Sector Building Works

Figure 8: Breakdown of Public Sector Building Works Segment by Value of Contracts Awarded, 2006–2013E



Source: Singstat, Frost & Sullivan Analysis

The value of contracts awarded for Public Sector Building Works has reached SGD7.2 billion in 2012. Public Residential segment forms a significant part of the overall Public Sector Building Works market by accounting for 45.8% market share in 2012. As highlighted in Figure 8, the share of Public Residential Building Works sector has never dropped below 40.0% in terms of value of contracts awarded between 2006 to 2012.

In 2013, “Residential” segment is expected to contribute 61.5% of the demand for Public Sector Building Works in terms of value of contracts awarded. In 2013, about 83.0% of Singapore’s resident population lives in HDB flats. The Public Residential segment has played an instrumental role in fuelling the overall demand from the Public Sector Building Works.

3. ANALYSIS OF THE PUBLIC SECTOR RESIDENTIAL ELECTRICAL ENGINEERING SERVICES (EES) MARKET IN SINGAPORE

3.1 Market Definition and Segmentation

BCA controls and regulates all activities related to the constructions industry in Singapore. As per BCA, the contractors and hence, the work heads related to construction industry, can be categorized into four broad categories on the basis of their scope of work. These include:

- Construction
- Construction related
- Maintenance
- Mechanical & Engineering (M&E)

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M&E category can be further classified into 15 work heads as listed in Figure 9. The Electrical Engineering Service (EES) work head is a part of the M&E category and is indicated by the code ME05.

Figure 9: Work Heads in the M&E Category

ME01	Air Conditioning, Refrigeration & Ventilation Works	ME09	Lift & Escalator Installation
ME02	Building Automation, Industrial & Process Control Systems	ME10	Line Plant Cabling/Wiring for Telecommunication
ME03	Solar PV System Integration	ME11	Mechanical Engineering
ME04	Communication & Security System	ME12	Plumbing and Sanitary Works
ME05	Electrical Engineering	ME13	Traffic Light Systems
ME06	Fire Prevention & Protection Systems	ME14	Underground Pipeline for Telecommunications
ME07	High & Low Tension Overhead Line Installation	ME15	Integrated Building Services
ME08	Internal Telephone Wiring For Telecommunication		

Source: BCA

For the purpose of this report, Frost & Sullivan defines the EES market as the work head ME05. As per the BCA, ME05 includes the installation, testing, commissioning, maintenance and repair of electrical based systems such as switchgears, transformers and large generators. It also includes the electrical installations in building and marine vessels. Applicants must employ a full-time employee who has a valid electrical license. Firms, which are suppliers of electrical equipment or materials, should register under the relevant supply heads. Additionally, for the purpose of this report, the EES market is limited to the Public Sector Residential segment of the construction industry as defined in section 2.2 of the report.

3.2 Market Structure

The EES market consists of main contractors and sub-contractors. The tenders are secured by main contractors and specific jobs under various work heads are sub-contracted to sub-contractors on a project-to-project basis. The relationship between main contractor and sub-contractor is non-exclusive and depends on the project specification. The main contractors select the sub-contractors on the basis of their previous work experience and financial performance, in addition to other qualifying tender requirements. The EES market is largely dominated by sub-contractors who procure sub-contracted work from the main contractor. The subcontractors may choose to further sub-contract the works or perform those using in-house staff.

3.3 Growth Drivers

Dominance of Public Housing over Private Housing

In 2013, it is estimated that 83.0% of Singapore's resident population resides in HDB flats. HDB's primary aim is to ensure that homebuyers in Singapore are able to afford quality housing, and it ensures HDB flats are available in a variety of sizes, locations, and for a wide income range. Certain measures are enforced by the Government to ensure prices stay well within the means of typical buyers from various income groups. This has made HDB the preferred choice by most Singaporeans³, and strengthened the market demand of HDB units over the past few decades. Singapore has one of the highest home ownership rate in the world, 90.0% of the population own their own homes.

Government's Policy to Encourage Home Ownership

The Government of Singapore encourages the residents towards home ownership, which has raised the demand for public housing. The Government allows the savings from Central Provident Fund ("CPF") to be used for servicing housing loans, which has facilitated the local residents to opt for public housing and has increased the number of first-time home buyers. The integration of CPF system with HDB purchases has not only promoted high levels of home ownership in Singapore, but has also been an important source of financial security for Singaporeans. In 2013, the Government has announced multiple measures aiming at making HDB flats more affordable for middle-income first-time home buyers and low-income families upgrading to larger flats. Such measures include but are not limited to: Increasing the income ceiling for the Special CPF Housing Grant (SHG) from SGD2,250 to SGD6,500, to extend the SHG benefits to first time home buyers from low-income to middle-income families; offering SGD15,000 grants to families living in subsidised 2-room flats to help them upgrade to 3-room standard flats. The Government's determination in making HDB flats more affordable for its citizens is likely to increase the demand for HDB flats from Singaporeans.

Demand for HDB flats created by the growing number of Expats and Singapore Permanent Residents⁴ (SPRs)

Singapore has been viewed as one of the most attractive immigrant destinations. According to Singapore Department of Statistics, the number of non-residents has been growing continuously from 1.0 million in 2007 to 1.5 million in 2013, registering a CAGR of 7.5%. The growth in the number of non-residents has created demand for

³ Singaporeans is defined as Singapore citizens who reside in Singapore or are away from Singapore for short periods of time.

⁴ A Singapore Permanent Resident (SPR) refers to a non-citizen who has been granted permanent residence in Singapore. A valid Re-Entry Permit (REP) is necessary whenever a SPR wishes to travel out of Singapore. It will enable the SPR to retain his/her SPR status while away from Singapore. A SPR who remains outside Singapore without a valid REP will lose his/her SPR status.

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HDB flat rental market. According to HDB, the number of approvals for subletting whole HDB flats has increased from 12,808 in 2007 to 27,129 in 2012, at a CAGR of 16.2%.

Expats can apply for permanent residency after working for six months in Singapore. According to Singapore Department of Statistics, the number of SPRs has been growing continuously from 449,200 in 2007 to an estimated 531,200 in 2013, registering a CAGR of 2.8%. According to HDB, unlike Singaporeans who are allowed to buy newly built HDB flats, SPRs are not eligible to buy new HDB flats. Therefore, the growth in the number of SPRs has contributed to an increase in demand for resale HDB flats in Singapore, which is a popular housing option among SPRs due to its affordability compared to private condominiums. This has led the Government to enforce a new initiative in August 2013 to curb the demand for HDB flats from SPRs. The new initiative requires SPRs to wait three years before buying resale HDB flats. This is likely to lead to lower demand from SPRs in the short-term, however, Frost & Sullivan believes the demand for HDB flats from SPRs will continue to exist.

3.4 Growth Restraints

Lack of Labor Force due to Government's Restrictions on Foreign Worker Supply

The residential EES market is driven by skilled, and unskilled foreign workers as the local construction labour is limited and expensive. As announced in the 2013 Budget Statement, the eligibility requirements for foreign labours (S Pass Holders) will be tightened by the Ministry of Manpower in all sectors. Relevant measures for construction sector include:

- Raising S Pass Qualifying Salary: Since 1 July 2013, the qualifying salary to obtain S Pass has been increased from SGD2,000 to SGD2,200.
- Increasing Foreign Worker Levy (FWL)⁵ rates: In 2013, the FWL rates for skilled and unskilled foreign worker in construction sector are SGD300 and SGD450 per month respectively. The rate for unskilled foreign worker will be raised up to SGD550 in 2014, then further up to SGD600 in 2015. The FWL rates are higher for MYE-waiver foreign workers⁶, namely SGD600 and SGD750 per month respectively for skilled and unskilled foreign workers. These rates will be increased up to SGD750 and SGD1,050 in 2015.

⁵ FWL is a pricing mechanism to regulate the number of Foreign Workers (including Foreign Domestic Workers) in Singapore. Employers of foreign workers are liable to pay monthly levies to hire employees who hold Work Permits or S Passes.

⁶ Companies have to apply for Man-Year Entitlements (MYE) if they wish to employ Work Permit holders from China and Non-Traditional Sources (NTS), namely India, Sri Lanka, Thailand, Bangladesh, Myanmar, and Philippines. Such Work Permit holders, who have worked with any employer in the Process Construction and Maintenance (PCM) sector for a cumulative period of two or more years, may be hired by another employer in the PCM sector without the need for MYE. A different levy rate will be imposed on these MYE waiver workers.

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- Reducing Dependency Ratio Ceilings (DRC)⁷: In 2013, the DRC ratio for construction sector is 87.5% or less, which means for every one Singaporean or SPR that a company hires, a company can only employ up to 7 foreign workers. Though this ratio is set to remain stable until 2015, this reflects the Singapore Government's intention in controlling the number of foreign workers in Singapore.

The aforementioned measures are expected to result into further shortage in the supply of foreign workers, thus significantly affecting the revenue and financial performance of EES players.

Eligibility for Buying HDB Flats

The Government doesn't allow foreigners to buy HDB flats in Singapore. The mid to high income foreigners are limited to buying private properties or renting out HDB flats from Singaporeans or SPRs. This cuts off the potential demand emerging from the foreigners. In addition to other eligibility restrictions, a recent regulation in August 2013 requires the SPRs to wait for 3 years from them attaining permanent residency, in order to become eligible for buying a HDB resale flat. This new regulation is likely to create a time lag in the demand emerging from new SPRs. At the same time the Government is giving high priority to Singaporeans, evident from the fact that only Singaporeans are allowed to buy newly built HDB flats. Given that Singaporeans are awarded grants by the Government to buy or upgrade their HDB flats, they have to fulfil certain conditions in the years after the home purchase, which in turn affects the rate of reselling HDB flats. Such measures taken by the Government to keep the domestic real estate market under control are perceived to be a restraint for the HDB market.

3.5 Challenges

Dependency on the cyclical construction industry and Government Policies for HDB projects

The construction industry is cyclical in nature and is governed by several factors such as Government policy changes, speculation in the market, state of the economy, etc. The public sector residential EES market is highly dependent on the HDB projects, which in 2012 accounted for 45.8% of the overall Public Sector Building Works in terms of value of contracts awarded in the public sector. However, the relative share of HDB projects has been fluctuating over the past few years primarily due to government decision of increasing or decreasing the value of contracts. The share of the residential contracts rose from 44.2% in 2010 to 70.7% in 2011 and dropped to 45.8% in 2012. This poses as a challenge to the consistent growth of the EES market.

⁷ DRC indicates the maximum number of foreign workers that can be hired, calculated as a percentage of the maximum total workforce allowed, depending on the sector.

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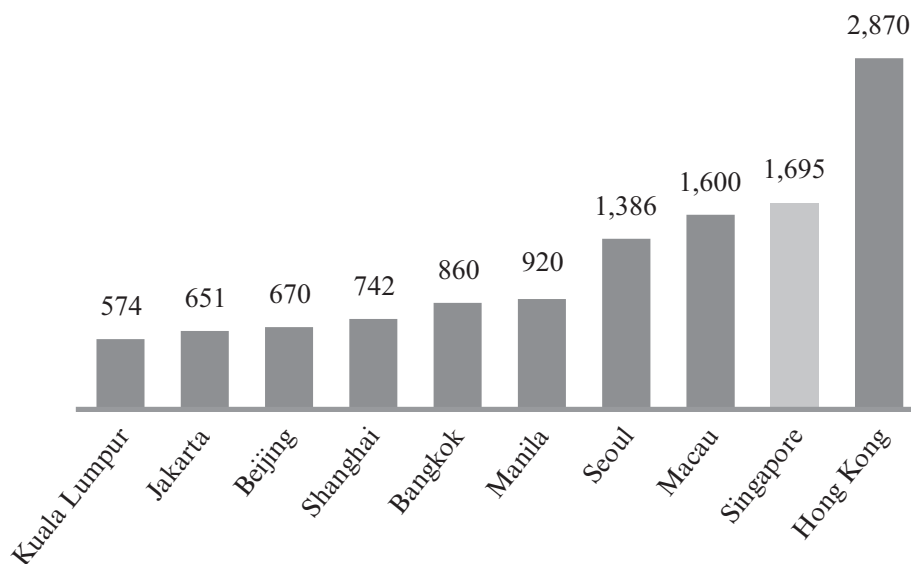
Stringent Regulatory Environment

The business and construction activities in Singapore are regulated by BCA and various other regulatory bodies. These regulatory bodies stipulate the criteria that must be satisfied before permits and licenses are granted to, and/or renewed for. Failure to abide by any of the regulatory conditions renders a company without a license and it loses its functionality in the EES market. The compliance with such a strict regulatory regime requires EES players to be equipped with proven qualifications to stay competitive in the market.

High Construction Cost and Fluctuation in Raw Material/Consumables Prices

The construction cost in Singapore stands at USD1,695 per square meter in 2013 and is the highest among its ASEAN counter parts, primarily due to the expensive and limited supply of local labour force. Other cities, such as Jakarta, Kuala Lumpur and Bangkok, have relatively lower construction cost because of the lower labour cost in that geographies. Labour cost accounts for around 30.0% to 40.0% of total construction cost.

Figure 10: Construction Costs for an Average High Rise Apartment, in USD per square meter, Q1 2013



Source: EC Harris LLP, Langdon & Seah Singapore Pte Ltd

Notes:

1. The costs for the respective categories given above are averages based on fixed price competitive tenders.
2. The actual cost of a building will depend upon the design and many other factors and may vary from the figure shown.

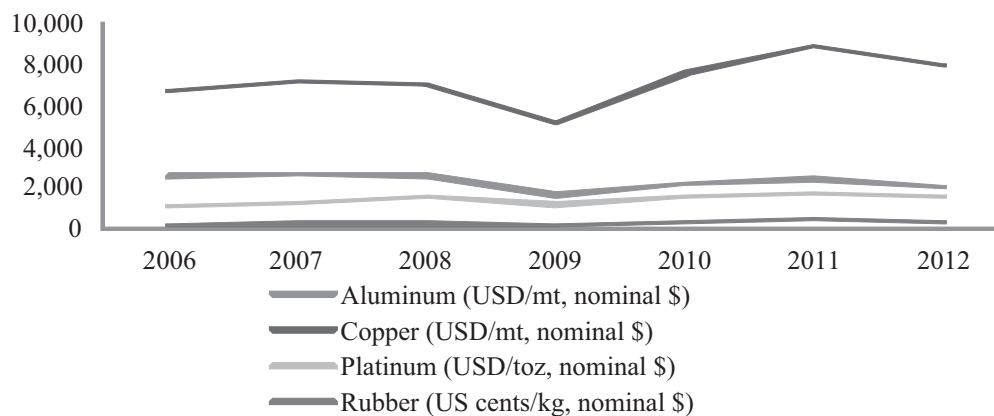
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3. The costs per square meter are based on Construction Floor Areas measured to the outside face of the external walls/external perimeter including lift shafts, stairwells, balconies, plant rooms, water tanks, and the like.
4. All buildings are assumed to have no basements (except otherwise stated) and are built on flat ground, with normal soil and site condition.
5. The cost excludes site formation works, external works, land cost, professional fees, finance, and legal expenses.
6. The standard for each category of building vary from country to country.
7. Fluctuation in exchange rate may lead to changes in construction costs expressed in USD

The Government policies restraining the entry of foreign labour has resulted in prolonged project durations and increased construction costs in Singapore. Additionally, the volatility in commodity prices and increase in crude oil price has further added fluctuation to the overall construction cost.

The historical prices of various commodities related to this market have been shown in Figure 12. It can be observed that over the past six years there has been significant fluctuation in the base metal prices. The price of copper has dropped by approximately 25.0% from USD6,722.1 per metric ton (“MT”) in 2006 to USD5,149.7 per MT in 2009. However, it recovered and increased by almost 55.0% since 2009 to reach USD7,962.3 per MT in 2012. The fluctuation in the prices of metals is closely related to prices of consumables. This significantly hinders the planning, procurement, and inventory decisions thereby adversely affecting the financial performance of EES market players.

Figure 11: Prices of Major Commodities



Source: Global Economic Monitor (GEM) Commodities on the platform of World Bank

The major consumables used in the market include wires, cables, conduits, cable trays, switch boards, and are largely dependent on the prices of base metals and alloys in the international market. The fluctuation in the price of cables is linked to the price fluctuation of copper as copper accounts for around 60.0% to 80.0% of overall cost of

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cables. The price of consumables is not controlled or regulated by the Government. Most of the consumables such as sockets and switch boards are sourced from China and Malaysia.

Led by the increase in raw material prices, the suppliers of consumables have been under pressure to increase the price of consumables. The increased competition in the consumable supply market has also led to decreasing profit margins, thereby affecting the suppliers' financial position.

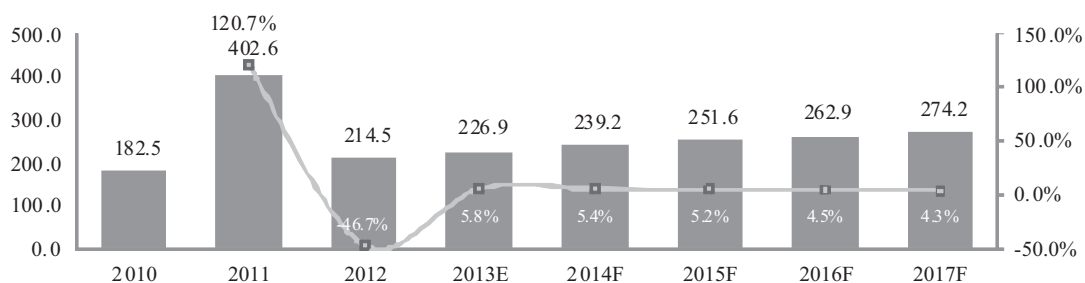
3.6 Barriers of Entry

The barriers to entry into the EES market are low. The market is not capital intensive and the technological superiority (which could stop players from entering the market) is not imperative for entry and sustenance in the market. This enables the easy entry of new players in the EES market, thereby increasing market competition.

3.7 Market Size Estimation

The public sector residential EES market is estimated to be of SGD226.9 million in 2013, growing from SGD182.5 million in 2010. Frost & Sullivan estimates the market size to reach SGD274.2 million by 2017, at a 2013–2017 CAGR of 4.9%. The market size of the public sector residential EES market is closely linked to the value of contracts awarded by HDB. Hence, the market growth rate is guided primarily by the value of the HDB contracts generated within a particular year.

Figure 14: Public Sector Residential EES Market Size, in SGD Million, 2010 to 2017F



Source: 2010 to 2013 estimation by Frost & Sullivan using valid assumptions and historical data from BCA; 2014 to 2017 forecast by Frost & Sullivan using their proprietary forecasting model.

Frost & Sullivan employs a rigorous and highly quantitative, proprietary Interactive Forecasting Model which is one of the tools of generating comprehensive forecasts. The uniqueness of this Interactive Forecasting Model lies in its ability to integrate both quantitative and qualitative variables to project the future of the subject industry/market. The impact of each driver and restraint is measured on a short-term, medium-term and long-term time frame. Such qualitative inputs regarding the impacts are then converted to quantitative data and used to calculate the future market sizes.

3.8 Competitive Landscape

Singapore's public residential EES market is relatively fragmented and is dominated by local companies. Hence it is characterized by low entry barriers, low levels of product innovation, strong competition, and absence of economies of scale. This leads to a competitive environment where players are operating at low margins and have low bargaining power with buyers or suppliers. Majority of the EES players are sub-contractors and are performing sub-contracted works delegated by main contractors, namely builders of HDB buildings.

Players in public residential ESS market are categorized with BCA grading ranging from L1 to L6 depending upon their skill, scope of services, financial capacity (paid up capital), previous experience and safety management certification. Key market players in the EES market are listed below in alphabetic order under each tier, with market share information in the public residential ESS market provided wherever available.

Key Tier 1 Players (Market players with BCA grade 6)

Cyclelect Electrical Engineering Pte Ltd: Cyclelect is one of the subsidiaries of the Cyclelect Group, founded in 1943. It provides a variety of services mainly for marine and land industries. It is a global company with establishments in 8 countries and more than 500 staff. Accolades won by them include the TEC Innovator Award (twice won), and the prestigious Singapore Enterprise 50 Award (twice won as well).

Dle M&E Pte Ltd: Previously known as Double Lion Electrical Pte Ltd, Dle is a contracting company for mechanical and electrical projects in commercial, residential, industrial, and healthcare industries. Started as a small electrical and plumbing services firm in 1975, it grew quickly, earning the prestigious SME 500 status in Singapore in 2004.

Eme Enterprise Pte Ltd: Eme has had gained years of experience undertaking mechanical and electrical projects since its establishment in 2005. Its services include completing electrical installations in residential, commercial, and industrial buildings. Current projects of Eme include proposed public housing and condominiums all over Singapore. Eme was estimated to have a market share of approximately 3.7% in 2012.

Great Resources M&E Contractor Pte Ltd: Great Resources was established in 1997 as a subsidiary of China Construction (South Pacific) Development Co Pte Ltd. With approximately 150 staff, 80.0% of whom are technically qualified and experienced, and having been awarded BCA certificates, Great Resources has successfully completed multiple M&E projects. The market share of Great Resources in 2012 was estimated to be approximately 5.8%.

Kingbo Strike Limited: Kingbo identifies itself as an integrated mechanical and electrical engineering specialist, and was originally founded in 1983 as Strike Engineering Limited. As one of the first home-grown mechanical and electrical engineering specialists in Singapore, Kingbo has strong capabilities in providing Electrical Engineering Services (ME05), and is one of the major ME05 players in public

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residential sector. Kingbo also provides other mechanical and electrical services such as Fire Prevention and Protection Systems, Communication & Security Systems, Integrated Building Services and so on. It is estimated that Kingbo commanded a market share of approximately 7.3% in 2012.

King Wan Construction Pte Ltd: It is a subsidiary of King Wan Corporation Limited, with more than 30 years' experience. It provides services ranging from plumbing and sanitary projects, electrical engineering, communications and security systems, and underground pipeline communications systems. It is registered under the BCA of Singapore and is ISO certified. However, its differentiation from other companies is seen by being one of the founding members of the Singapore Green Building Council.

Propell Integrated Pte Ltd: Propell specializes in electrical engineering and integrated building services, and is certified in air conditioning, refrigeration and ventilation works, communication and security systems, and telecommunications systems. Propell provides M&E services for both construction and facilities management sectors in residential, commercial, industrial, and institutional industries.

Key Tier 2 Players (Market players with BCA grade 5)

Leng Aik Engineering Pte Ltd (LAE): LAE started as an electrical & engineering company in 1990. It has ventured into steel engineering in 2007. In 2009, it founded a new company, LAE Design Associates Pte Ltd (LAED), which delivers residential and commercial interior design consultancy and renovation work. Currently, LAE has over 90 employees.

Primeflux Engineering Pte Ltd: Primeflux specializes in providing Design and Build, Building Integral Services for industrial, commercial, and residential buildings and facilities. Primeflux plans to expand in 4 new sectors — pharmaceutical, electronics and semi-conductor, retail outlets, and office fit out. The market share of Primeflux in 2012 was estimated to be 1.6%.

Specialist Electric Pte Ltd: Specialist Electric is an electrical specialist with experience in residential and commercial property. Other than electrical engineering services, Specialist Electric also provides services such as cable and pipe laying and road reinstatement, internal telephone wiring for telecommunications, and high and low tension overhead line installation.

United Engineering Private Limited: United Engineering was established in 2006 specializing in electrical installation, and cabling work for residential, commercial, and industrial buildings. It has a total workforce of more than 200 staff. United Engineering is experienced in electrical engineering, security and fire alarm systems, solar systems, CATV systems as well as network cabling projects.

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Key Tier 3 Players (Market players with BCA grade below 5)

Eliktrical Engineering Pte Ltd: Eliktrical is an electrical engineering contractor company, providing services for mechanical and electrical systems such as switchboards, cables and accessories, fire protection and detection systems, and even networking and telecommunication systems. Its experience is mainly based in residential and commercial properties. The market share of Eliktrical in 2012 was estimated to be 2.0%.

Khoon Engineering Contractor Pte Ltd: Khoon Engineering specializes in electrical projects; it has had experience providing its contractor services for residential and commercial properties. Khoon Engineering carries a L1 grade as a ME05 player under BCA directory.

Neela Electrical System: Neela provides Electrical Engineering work mainly for government projects. The company does electrical tasks such as replacement of switches, socket-outlets, circuit breakers, and lighting. Neela is currently a L1 ME05 player under BCA. The market share of Neela in 2012 was estimated to be 3.3%.

3.9 Competitive Advantages of the Company (Kingbo Strike Limited)

Reputation as a well-established EES player for public sector residential projects in Singapore: The Company is principally engaged in the provision of EES in Singapore under the ME05 work-head. It is one of the leading and established EES provider for the public sector residential projects in Singapore. The Company's key competitive advantage lies in its ability to provide EES solutions that is reliable and cost competitive.

Track record: The Company has operated in the public sector housing market and carved a niche for itself over a period of time. It has completed 12 projects during the three years period (1 July 2010 to 30 June 2013), 10 of which are for EES works for public sector residential projects. This has provided the Company with a track record which aids them in securing future projects.

Design and Project Management Skills: The Company is equipped with competent designing and project management skills to be able to compete and sustain in the residential EES market. Such skills provide the Company with necessary leverage during the contract evaluation stage in the tendering process.

Long-standing Relationships with EES Market Stakeholders: The Company has developed long standing relationships with various stakeholders in the EES market, which has enabled them to obtain competitive pricing at various stages of the value chain. It has also enabled the Company to offer its customers a flexible and customized pricing.

3.10 Market Outlook

Based on BCA findings the total construction demand in 2013 is estimated to be SGD 26.0 to 32.0 billion in terms of the value of contracts. Coupled with the increase in tender price index, it is expected that the construction sector will demonstrate sustainable growth in 2013. As per BCA estimates, the mid-range value for total demand shows an increase of 3.2% since the previous year. The demand from public sector is estimated to be SGD14.0 billion to 17.0 billion (approximately 53.0% of the total construction demand in 2013).

The increase in the residential demand is emanating from stronger demand in the public housing in the country. Additionally, the demand is strengthened by the rescheduling of some major public housing and civil engineering projects originally scheduled for tender in 2012 to be tendered out in 2013. Major upgrade works in the public housing are expected to further boost the demand.

The public housing construction demand is projected to increase to between SGD5.0 billion to 6.0 billion by value of contracts. Additionally, contracts from Home Improvement Programme which includes Enhancement for Active Seniors (EASE) as well as Neighbourhood Renewal Programme are expected to bolster the construction demand from public housing market segment.

The public residential demand has a direct impact on the EES market which is primarily dependent on the value of contracts awarded in this sector. Frost & Sullivan estimates that the public residential EES market will show sustainable growth during the forecasted period, with a CAGR of 4.9% from 2013 to 2017. It is expected that increasing labour costs, increasing raw material prices are likely to put pressure on the margins across the public residential EES market.

The potential size of Singapore's EES market is limiting the players from rapid expansion. The saturation status of the domestic market is expected to encourage large EES companies to look abroad for optimum growth. Singaporean participants are aiming to penetrate countries in Middle East and other destinations such as Hong Kong and India, anticipating lucrative profit due to the size of existing and potential market. The smaller participants remaining in the market will be required to be flexible and capable of grabbing opportunities in other market segments to stay competitive, such as the private residential segment as new high-rise apartments and condominiums are flooding the market.