



CHASEN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore on 2 November 1999)
(Company Registration No. 199906814G)

CORPORATE AND BUSINESS UPDATE

The Board of Directors (the “Board”) of **Chasen Holdings Limited** (“Chasen” or the “Company”, and together with its subsidiaries, the “Group”) wishes to provide shareholders with a Corporate and Business Update (“CBU”). This update outlines the Group’s forward strategies following the signing off of its audited results on 29 June 2018 for the financial year ended 31 March 2018 (“FY2018”).

Background and Overview

The Company was incorporated on 2 November 1999. It was listed on SESDAQ (now Catalist) on 8 August 2000 and was transferred to the Mainboard of the Singapore Exchange on 26 February 2013. Chasen offers logistics management solutions with a focus on machinery and equipment relocation for industries utilising sophisticated manufacturing processes, with complementary with third-party logistics (“3PL”) services. These include wafer fabrication, flat-panel display production, semiconductor, chip testing and assembly, solar panel assembly, consumer electronics and telecommunications.

In Specialist Relocation Solutions, Chasen provides specialist manpower, state-of-the-art material handling equipment and specialised transport vehicles to relocate its customers’ operations within their existing premises, from one location to another within the same country, or from one country to another. The Chasen Group acts as a strategic partner to its customers in the management of their global relocation needs through projects or maintenance contracts. This business segment, which began its humble operations in Singapore, has since expanded first into the People’s Republic of China (“PRC” or “China”) (2004), then into Malaysia (2006) and subsequently to Vietnam (2009) and in recent years, to the U.S. (2015). Chasen also relocates its customers’ sophisticated machinery and equipment to other countries where it does not have a presence. These countries include Puerto Rico, Ireland, Idaho (U.S.), Czech Republic and Israel.

As an extension and value-add service to its Original Equipment Manufacturer (“OEM”) customers, Chasen had in 2013 built and managed a Facility Refurbishment & Testing Centre (“FRTC”) in Singapore. This was a first by any logistics company in Singapore. This cleanroom facility is used by a principal customer to refurbish semi-conductor machines and/or tools. Through this cleanroom facility, the customer who is the OEM of such machines need not send used or older models of machines from its own customers back to the factory of origin for refurbishment, thus saving costs and turnaround time.



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Chasen's 3PL services include besides trucking, packing, crate manufacturing, warehousing and customs brokerage spanning Southeast Asia and China. We pack machinery and equipment to OEM specifications utilizing specialised packaging materials before they are transported to their new locations. In warehousing, there are air-conditioned and humidity controlled facilities to store customers' sensitive electronic and semi-conductor machine parts. The cross-border trucking operations are capable of delivering goods from Singapore through Peninsular Malaysia into Thailand, Myanmar and across Indo-China to the PRC. The Company has established cross-border offices in Thailand and Vietnam and soon in China, too.

Beyond specialist relocation and 3PL, the Group has extended its value proposition further up the supply chain to include Technical & Engineering ("T&E") services. Chasen's T&E business segment has three core businesses dealing in (i) construction-related work including steel fabrication, additions and alterations ("A&A") to existing building structures and interiors, site access management such as scaffolding as well as mechanical and engineering ("M&E") works; (ii) contract manufacturing including precision engineering and sub-assemblies for the wafer fab, telecommunications and ordnance industries; as well as (iii) engineering services for the electronic, semi-conductor and water treatment industries.

The Group currently has operating offices in Singapore, Malaysia, Thailand, Vietnam, China, and the U.S.

Snapshot of FY2018 Results

The key highlights of Chasen's audited results for FY2018 include:

- a) Net profit attributable to shareholders more than doubled to S\$5.5 million for FY2018 (the highest in six years) from S\$2.6 million in FY2017; and
- b) Revenue increased 20% to S\$127.9 million from S\$106.2 million, respectively, the highest in Chasen's history.

The significant improvement in financial performance was due to strong demand for its specialist relocation services in China and the U.S., and for cross-border land freight services in Southeast Asia. Chasen's U.S. operations, which commenced in September 2016, delivered its first full-year revenue in FY2018, generating S\$13.2 million compared to S\$4.5 million for three months' revenue in FY2017.



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Operating Environment and Forward Strategies

Amidst growing spending on infrastructure, roads, vehicles and nodes in Asia, land transport networks have burgeoned in the last two decades. Privatisation initiatives have facilitated viable toll road concessions and spinoffs of related infrastructure and property development. Across the region, governments are emphasising road and rail spending as a catalyst for economic growth. Against this backdrop, land transport is emerging as an attractive alternative logistics option (compared to air and sea) for moving cargo door to door. The cost and/or delivery lead time advantage (depending on the route) and certainty of one-stop delivery to the destination within a specified time are two key reasons why an increasing number of shippers now favour land transport to deliver their cargo to customers.

At the same time, new manufacturing hubs have emerged across Asia. Notably, China is no longer the factory to the world that it once was, as it moves up the value chain because of rising wages and other operating costs. Instead, product owners are seeking out more affordable manufacturing locations in Southeast Asia, with particular focus on rural Thailand and Indo-China, particularly Vietnam. Specialist relocation service providers that can facilitate relocation operations and manage every aspect of moving a large-scale factory are in demand, in particular experienced solution providers who can handle the relocation of sophisticated machinery and equipment due to their in-depth understanding and possession of state-of-the-art material handling equipment that meet each customer's specific needs. Damage or loss of such expensive equipment could slow down or halt the customers' manufacturing operations over prolonged period, with potentially heavy costs.

The economic policies of U.S. President Donald Trump have expedited the process of on-shoring of business activities to the U.S., where a lower tax and more pro-business regulatory regime led to an increase in electronics and other manufacturing or assembly activities, many of which were previously outsourced to Asia. This has opened up fresh business opportunities and a new geographical market for relocation and logistics specialists that can help move operations back into the U.S.

Strategic Initiatives

Following its FY2018 results, the Group's management undertook a significant review of the operating environment and has identified the following strategic initiatives to propel its value proposition and enhance shareholder value:

I. Scaling up relocation business in China, Malaysia and the U.S.;



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- II. Growing the 3PL cross-border land freight business; and**
- III. Streamlining Singapore operations, particularly the T&E operations, to improve internal cost efficiencies**

1. Scaling up relocation business in China, Malaysia and the U.S.

The success of a specialist relocation solutions provider lies in its ability to handle very sophisticated machinery and equipment while adhering to strict safety standards and tight timelines. Chasen has invested substantial resources over the years to develop a pool of skilled movers and project managers with the experience to successfully execute extensive facility relocation across continents. At the same time, Chasen complemented its skilled work force with the deployment of state-of-the-art material handling equipment through investment and innovation. Leveraging on its track record, the Group believes that it will be able to increase its market share in the global relocation business.

China

The Group established its China operations in 2004 in Shanghai. Today, Chasen has approximately 800 skilled employees in China armed with the expertise, knowledge and an impeccable safety record to support its operations comprising mostly of equipment move-in for newly established manufacturing facilities and relocation of existing facilities from the China coastal regions to inland provinces as well as from China to Southeast Asia. The Group has ongoing relocation jobs in Tier-2 cities such as Chengdu and Nanjing, servicing the various flat-panel display manufacturers in fitting out new fabrication plants amongst other services. The China market contributed S\$54.7 million or 43.0% of the Group's total revenue in FY2018.

To meet the higher demand and capture new market share, the Group has begun construction of an 110,000 square feet warehouse in Chuzhou in Anhui Province, which is targeted for completion in the latter half of 2018. The completion of the Chuzhou warehouse will serve as a major catalyst for Chasen to grow its presence in China – where Chasen is a major player in the sophisticated equipment relocation business.

The Group is in the midst of setting up its 3PL business in the PRC as part of the cross-border traffic emanating from Southeast Asia. In the meantime, Chasen engages local companies to meet its 3PL needs in the country.



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Malaysia

Chasen's business in Malaysia contributed S\$17.4 million in FY2018, an increase of 12.4% from FY2017. This amounted to 13.6% of the Group's revenue in FY2018. Revenue from the Malaysia business has been experiencing an upward trend since FY2016, and the three to five years intended growth rate has been achieved comfortably. Hitherto, Chasen's Malaysian relocation operations have been mainly focused on the semi-conductor industry in the northern peninsula region from Kulim IT Corridor in Kedah to Ipoh. In the last one year, it has penetrated the solar panel manufacturing segment securing relocation projects for two large MNCs.

The Group believes that this strong foundation can be further built upon to explore other areas of opportunities for growth. Chasen is looking to expand its relocation business in the Klang Valley and Nilai corridor this financial year. It will establish a foothold in the relocation industry in this area by initially offering peripheral services such as packaging and machinery storage as a market penetration strategy.

United States

Following U.S. President Donald Trump's economic policies aimed at re-invigorating manufacturing activities in the country, Chasen is poised to extend its relocation services there as on-shoring activities gain momentum to benefit from the new economic incentives. This new revenue stream is a welcomed addition to the original objective of marketing Chasen's capability directly to the head offices of American MNCs to gain market share in their global relocation activities.

In July 2015, Chasen established a global marketing office with the incorporation of Chasen (USA), Inc. ("Chasen USA"), marking its transition from a regional player into a global player by entering the previously untapped U.S. market. Chasen USA's first project was to provide move-in and logistics-related services for a large automobile product manufacturing plant in the state of Nevada, delivering its first full-year revenue of US\$9.8 (S\$13.2) million in FY2018. Having completed the first two phases of the project, the Group is expecting to generate higher revenue in the third phase in FY2019. Over 60 workers are currently employed in the U.S. to execute the day-to-day relocation operations.

Additionally, Chasen is in the midst of negotiations with a world leading MNC contract electronics manufacturer with operations in Asia as well as other Asian-based US customers that are planning to onshore some manufacturing operations back to the U.S. The Group located its U.S. office in the Silicon Valley in San Jose to market its



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services to the headquarters of MNCs that operate there, as well as other manufacturing hubs such as in the Mid-West. Home to many of the world's largest high-tech corporations, including several chip manufacturers, San Jose promises to be a bounty of untapped business and the next market in Chasen's expansion in the U.S.

2. Growing the 3PL cross-border land freight business

Malaysia continues to supply a wealth of recurring 3PL business to Chasen since it started in 2008 as a warehouse and land transport service with 30 trucks plying Singapore and Malaysia. Today the Group's 3PL operations in Malaysia has a stable pool of approximately 100 drivers operating its fleet of more than 80 trucks of different configurations for long and short haul trips.

In 2015, the Group's 3PL subsidiary in Penang had planned to expand its services beyond the Malaysian border, and in 2016 Chasen launched its cross-border business into Thailand in a joint venture with a local Thai partner. Since then, the land freight business has expanded in terms of container volume with cross-border deliveries into Cambodia, Laos, Myanmar, Vietnam and the PRC. Offering land transport that is cheaper than air and faster than sea freight, as well as more flexible door-to-door delivery, has helped Chasen remain competitive over the last two years.

With newly established operations and offices in Thailand and Vietnam, there is cohesion and high efficiency in operating cross-border trucking along this important land transport artery that connects Singapore through the peninsula into Thailand, on to Indo-china and ultimately, China. Chasen's pool of drivers and managers are experienced in securely delivering valuable cargo. This capability, together with a low accident rate and good track record of job completion, will enhance Chasen's first mover advantage in the nascent Southeast Asia cross-border land freight industry that is expected to be another revenue and profit driver for the Group in the intermediate term.

Chasen's Penang subsidiary has now become its centre of operations for the 3PL business. Following the success of the business, the Group has set up three more offices in Malaysia, one each in Singapore and Vietnam, three offices in Thailand and two associate agents in China. A transport hub at the Malaysia-Thailand border is being planned to provide truck docking services to smaller land freight companies within Thailand. Chasen is also evaluating the possibility of setting up another transport hub in Laos to coordinate cross-border traffic in the Indo-China states.



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With the potential of paperless documentation for cross-border operations in the near future, Chasen's customers can look forward to a seamless trail transporting cargo from Singapore all the way to China without the need for cumbersome documentation. Further electronic advancements in the Group's capabilities include convenient real-time tracking by GPS of consignments, tracing and remote-locking of containers, as well as an anti-hijack system.

Chasen is also seeking new business opportunities by reaching out to various types of customers with dry cargoes, lithium batteries, electronic goods, solar panels, heavy machine parts like aircraft engines, as well as consumer goods like fashion apparel and refrigerated cargo. The warehouse operations have been expanding with larger storage capacity in Penang, Shah Alam and Johor Bahru. It had also recently obtained a Customs licence to operate a bonded warehouse business in Penang that caters to an exclusive clientele.

3. Streamlining Singapore operations, particularly T&E operations, to improve internal cost efficiencies

Chasen's lease on its Singapore premises at Jalan Besut is due to expire in 2024, and the Group is in the midst of redevelopment plans to transform the existing property into a multi-storey warehouse cum office complex. To meet the primary criteria of a lease renewal by Jurong Town Council ("JTC"), Chasen plans to expand the area to approximately 254,000 square feet, more than double the current total land size of 101,617 square feet. The estimated cost of this redevelopment project shall be in the range of S\$25-30 million.

When completed, the new complex will include a four-storey air-conditioned and humidity-controlled warehouse linked to a six-storey office cum dormitory block. Chasen will then have its own dedicated warehouse facility that includes a well-equipped area for the production of customised crates/pallets and packing services. Several new technologies will further improve its operational efficiency. These include a barcoding system, heavy duty industrial elevators and an overhead crane that will allow for easier hoisting of cargo and machinery from the ground level. As part of the Group's efforts to reduce its carbon footprint, the diesel forklifts and ageing prime movers will be phased out progressively in favour of electric forklifts and the environmentally friendly Euro 6 model prime movers.

After the approvals by the various government authorities and JTC are given, redevelopment works are expected to commence in the first quarter of 2019. The office staff will be temporarily relocated to Chasen's sister company in Tuas, while the



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operations team will be moved to its current leased warehouse premises in the nearby Jurong Logistics Hub. The Group currently has over 400 personnel directly employed in Singapore.

The construction and property development industries in Singapore have been trending downwards due to a slowing market in recent years. The Group accordingly reported a drop in revenue from its T&E business segment from S\$34.8 million in FY2017 to S\$29.9 million in FY2018. Gross Profit was also similarly affected, experiencing a decrease from S\$3.5 million in FY2017 to S\$2.7 million in FY2018. The T&E division currently employs about 200 staff in Singapore and in the PRC.

In view of the poor market conditions, Chasen has streamlined its T&E processes, so as to enjoy synergy in business operations and reduce overall operational costs. By consolidating business operations of its engineering and construction related subsidiaries at a single location in the Senoko industrial area, the Group as a whole will be able to share common resources including management, marketing, operational staff, equipment and information.

Through integration, these engineering and construction related subsidiaries will also be able to venture into markets where it was previously not economical to do so as individual entities. These subsidiaries will now have the ability to offer a more comprehensive range of services as well as more competitive pricing through cost and delivery efficiencies. The higher level of time efficiency and cost savings can be transferred to clients and end users to enhance the Group's competitive advantage.

With the consolidation of market information and knowledge within the engineering and construction related industries, Chasen's T&E subsidiaries would be better equipped to respond to the quick changing market situation and environment to maintain an edge over their competitors.

Outlook

While the Group does not have a fixed dividend policy, it has been paying dividends to shareholders annually since it was listed, including the years when it reported operating loss and intends to continue doing so. Beyond distributing dividends, the directors will continue to explore opportunities for mergers and acquisitions as well as potential spinoffs and other capital market actions to enhance value to its shareholders.



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The Board is actively exploring opportunities to exit the MTP Watchlist. It has 36 months from 5 June 2017 to meet the minimum trading price requirement for mainboard companies on the Singapore Exchange.

In view of the strategies mentioned above, and barring unforeseen circumstances, the Board expects the Group to deliver higher revenue and to operate profitably in FY2019 due to:

- i) growing momentum of relocation activities across Asia and the U.S. (building on track record and recent projects in Nevada) and expansion of its Malaysian presence beyond Penang to the Klang Valley;
- ii) the completion of the Chuzhou warehouse by the latter half of 2018 will open up fresh opportunities for 3PL and relocation services throughout China, anchored in the lower operating costs of Anhui province;
- iii) further growth of the cross-border trucking activities from Southeast Asia to China; and
- iv) internal efficiencies from streamlining the Singapore operations in general, and T&E services in particular. The Singapore operations will undergo significant changes in size and scope of operations subject to approval for the renewal of its lease and increase in plot ratio; redevelopment expected to commence first quarter of 2019 and estimated to complete in 18 months.

BY ORDER OF THE BOARD

LOW WENG FATT

Managing Director and Group CEO

11 July 2018