

March 10, 2020

Customer Advisory: Novel Coronavirus – Update #5

Dear Valued Customer,

As the coronavirus situation in China begins to stabilize, the impacts of the coronavirus on public health and the economy are increasingly being felt by other countries in Asia, Europe and the Americas. As of now we offer a general overview of the supply chain in main cities and status of the transport modes. You will also find that a appendix containing an overview of the price development.

The recovery in China's manufacturing is reported to be up to around 80% of pre-new year levels, and regional transport movements are also getting back up to speed. Overall the business, in general, is back to normal besides Wuhan and Hubei Province.

The 14 days quarantine is still applied to those who have traveled across from other provinces. Without a doubt, this arrangement still impacts the supply of labor force in the market. We expect the production returning to full capacity by the end of March.

The Shanghai Containerized Freight Index (SCFI) commentary this week reported vessel utilization levels of 75%-80% for Europe and around 70% for US sailings.

According to the latest release from the Civil Aviation Administration of China, the total flight schedules at week 11 compared with week 10 is less than 143 number of schedules. The situations of high level and volatile freight rate, limited capacity in the market and lengthy waiting time for cargo uplifting remain unchanged until APR.

For rail freight the schedules remain unchanged but we foresee more customers choosing the rail solution because of limited capacity on air freight and its increasingly high rates.

We suggest the customers to consider using other transportation modes such as ocean freight, rail freight, and ocean-air freight even the road freight – ASEAN and TIR Cross Border Trucks to diversify the risks. It is anticipated surge demand for rail freight driving widespread its freight rate increases. In the meantime, more and more charter flight services to be launched in the market to soften the demand.

All information is offered to the best of our knowledge and is prone to change.

Rest assured that we keep you posted on any changes in the market situation and you are always welcome to reach out to your locale SGL representative.

Yours sincerely

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General overview of the supply chain in main cities

| | Condition as of today | Dalian | Tianjin | Beijing | Qingdao | Wuxi | Shanghai | Ningbo | Xiamen | Guangzhou | Shenzhen | Hong Kong | Taiwan |
|--|--|--------|---------|---------|---------|------|----------|--------|--------|-----------|----------|-----------|--------|
| Factories | Green - 100% resumption of work | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Yellow - 30% ~ 80% resumption of work | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Red - Less than 30% resumption of work | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| China Customs | Green - 100% work as normal | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Yellow - process delay occasionally | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Red - serious delay | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Sea Freight Terminals | Green - running as normal schedule | ● | ● | N/A | ● | N/A | ● | ● | ● | ● | ● | ● | ● |
| | Yellow - terminal congestion for reefer containers | ● | ● | N/A | ● | N/A | ● | ● | ● | ● | ● | ● | ● |
| | Red - high to full yard density for empties & terminal congestion for reefer containers | ● | ● | N/A | ● | N/A | ● | ● | ● | ● | ● | ● | ● |
| Ocean Carriers including Blank Sailings & Capacity | Green - no space issue & blank sailings | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Yellow - space issue & blank sailings occasionally | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Red - space issue & blank sailings seriously | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Airlines - Capacity (APAC more than 70% reduced, to US and EU more than 50% reduced) | Green - 70% ~ 100% Supply | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Yellow - 30% ~ 69% Supply | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Red - less than 30% supply | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Air Freight Terminal | Green - running as normal schedule | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Yellow - process delay occasionally | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Red - process delay seriously | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| CFS and Warehouse | Green - operation hours as normal | ● | ● | N/A | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Yellow - additional time required for cargo gate in and gate out due to full scale of operation not being in place | ● | ● | N/A | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Red - service not available | ● | ● | N/A | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Trucking | Green - Normal | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Yellow - apply permit & road block inspection | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Red - service not available | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Rail Service | Green - schedule as normal | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | N/A | N/A |
| | Yellow - partial schedule cancelled | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | N/A | N/A |
| | Red - service not available | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | N/A | N/A |

Ocean freight

The 14 days quarantine is still applied to those who have traveled across from other provinces. Without a doubt, this arrangement still impacts the supply of labor force in the market. We expect the production returning to full capacity by the end of March.

Under our observation, the ocean carrier's operation is getting back to normal progressively, and supply and demand fairly balance despite that blank sailings are still in place. Disruption, however, is delaying the repositioning of equipment in key regions around the world, resulting in container shortages in some counties and the cancellation of backhaul departures until mid-March.

Carriers have been obliged to withdraw almost half of the scheduled capacity on both the Asia-Europe and transpacific trade lanes since the Chinese New Year on January 25, which analyst Sea-Intelligence estimates at some 1.9m TEU.

The knock-on effect of the blanked sailings from China has caused major problems for Europe's exporters. Firstly, shippers with cargo already delivered to container terminals have to wait weeks before loading, and secondly, acute equipment shortages at depots, caused by the absence of import cargo box returns, has resulted in some carriers refusing bookings altogether.

Air freight

The cargo capacity reductions continue – the belly flight capacity decreased almost 85% and freighter capacity was 12% lower than the last two weeks. Over 40,000 tonnes of wide-body capacity in Mainland China was cancelled. Hence the airfreight rates for shipping goods in and out of China have soared, with companies facing two or three times, even more, the cost before the coronavirus outbreak forced airlines to cut routes.

Another critical challenge is the lack of raw materials for factories in South-east Asia. The reduced passenger demand in Asia has led to capacity cuts of between 50% and 70%. The air freight rate is extremely volatile because of airline capacity adjustment and surge demand in the market. The transport industry are receiving rate increase adjustments with a short notice from the airlines. The air freight rate is significantly increased 3 times in comparison with the rate in a normal situation.

Most airlines still have restrictions in place as per previous advices.

Rail freight

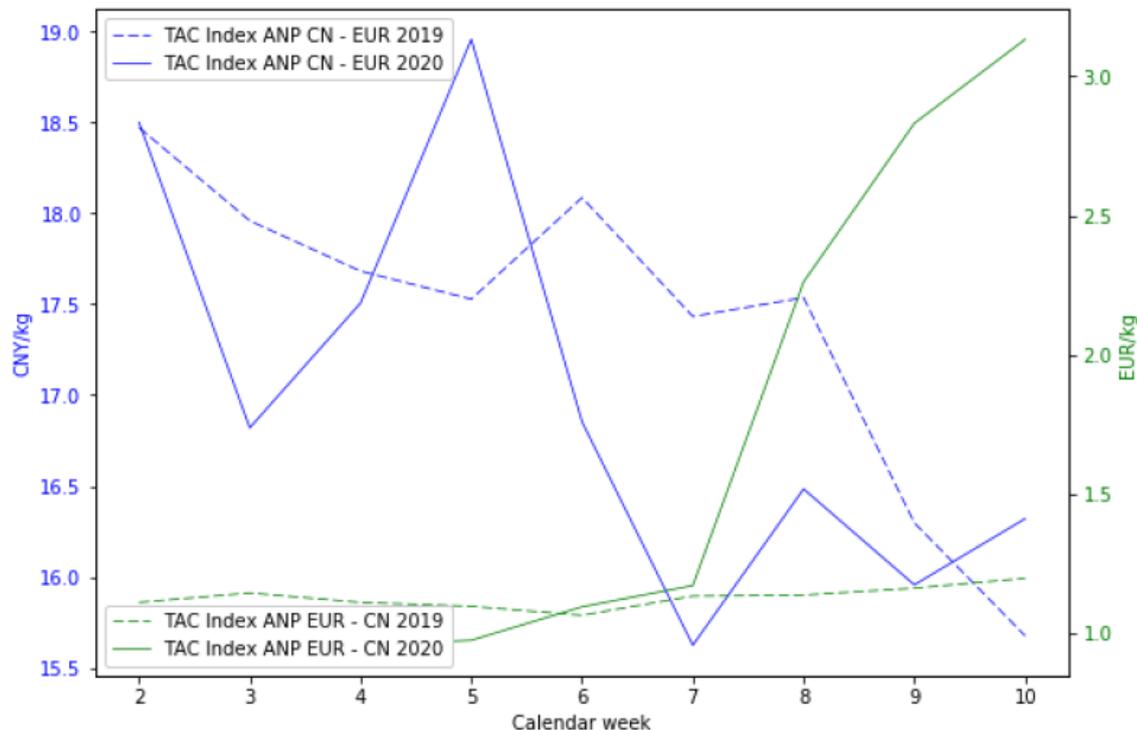
Demand for rail transportation is growing daily as we see more customers choosing the rail freight solution because of limited capacity on air freight as well as sky high rates changing daily. The rail schedules remain unchanged but the rail operators are struggling not only to release bookings, providing space etc for the departures from China, but they also face serious difficulties to update the actual transit time schedules and arrival times.

The trains are running, but since the volumes have increased drastically, the rail operators are facing challenges to keep up with their documentation in a timely manner why certain flexibility to accept delivery of containers on a short notice is a must.

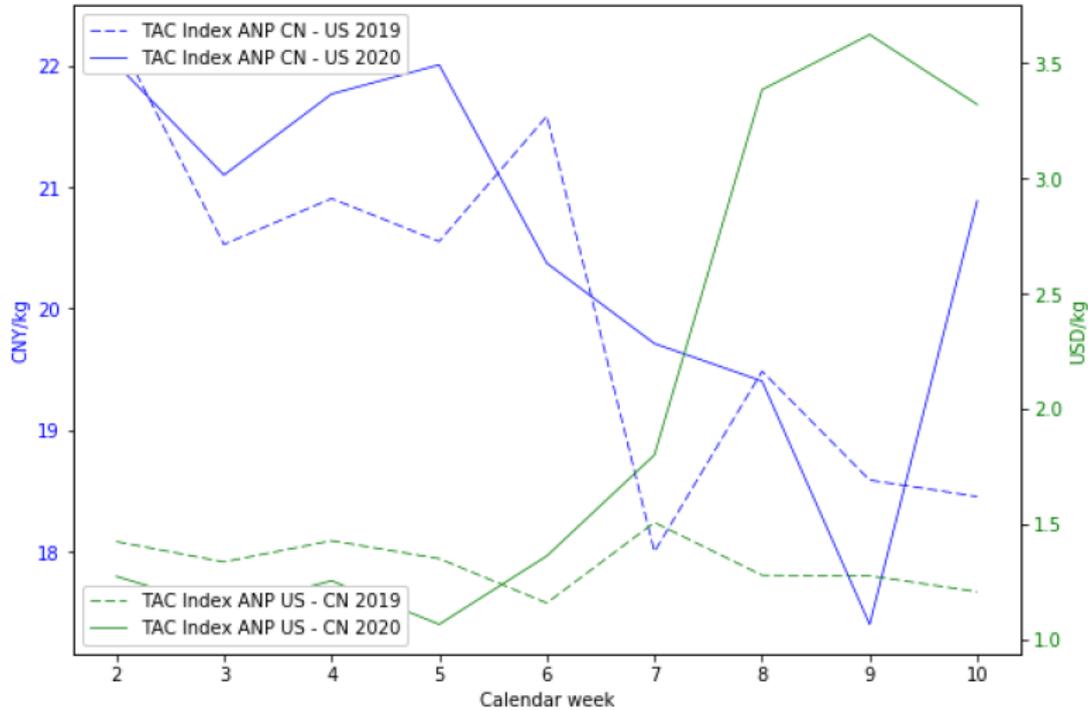
APPENDIX – PRICE DEVELOPMENT

Drawn from the information from TAC Index, this provides you the insight of the price uptrend tremendously in the last few weeks.

China to Europe - ANP (Actual Net Pricing)



China to USA - ANP (Actual Net Pricing)



China to Singapore - ANP (Actual Net Pricing)

