

THE SOUTHEAST ASIA OPPORTUNITY

In the past decade, Southeast Asia has undergone transformation from being a predominantly commodity-driven economy to one that is driven by domestic consumption today.

TODAY	2030
657 million population	710 million population ¹
US\$3 trillion GDP*	US\$6 trillion GDP
6% GDP growth	Expected annual average growth of 6% for the next decade

*2018 figure



Over the past years, Southeast Asia has been undergoing transformations due to the growth of countries such as Vietnam, Thailand, Indonesia and the Philippines, which have been developing as the manufacturing hubs of multinational corporations. Exports are expected to be a major source of economic growth over the next few years.

Foreign Direct Investment ("FDI") inflows to the manufacturing sector increased to a record level of US\$55 billion in 2018, accounting for 35% of total inflows in the region.²

Southeast Asia is also home to abundant natural resources such as key minerals and agricultural products: a majority of the world's rubber, palm oil and fruit products are produced and exported to the rest of the world.

In addition, the digital economy in Southeast Asia is growing. In 2018, the digital economy comprised 7% of Southeast Asia's Gross Domestic Product ("GDP").

By 2025, the internet economy in the six largest markets in Southeast Asia – Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam – is projected to reach US\$200 billion, a 400% increase and could uplift the region's economy further by US\$1 trillion.



OUR STRATEGY

- **We focus on Southeast Asia**, where we have proximity, management expertise, knowledge, relationships and a track record of delivering performance.
- Our investment themes are around the **urbanisation and the emerging consumer class** in Southeast Asia.
- **We invest in market-leading businesses** and work closely with them to reach their potential and elevate their communities.

INVESTMENT THEMES

URBANISATION

Urbanisation is poised to accelerate. Today, half the region's population live in cities. This is expected to increase to two-in-three people by 2025.³

This will need to be supported by further infrastructure development, which in turn will drive consumption. More people in countries with low urban populations such as Vietnam, Indonesia and the Philippines, are moving to the cities for better employment and education opportunities. To support this, infrastructure projects such as roads, railways, airports and sea ports are being built.

An investment of US\$2.8 trillion is required for infrastructure from 2016 through 2030 to meet the region's urbanisation needs.⁴

EMERGING CONSUMER CLASS

Today, Southeast Asia has the world's third largest labour force with an average age of 30 years.

The average GDP per capita is projected to grow from US\$4,500 in 2018 to over US\$6,500 by 2025 – representing a significant growth in buying power.

Southeast Asia is the world's third largest recipient of FDI⁵, helping to drive the region's continued urbanisation and economic development. The region has also succeeded in reducing poverty from 47% in 1990 to 14% in 2015.

By 2030, 163 million individuals' household income will become "consuming class", expected to demand more goods and services.⁵

With Southeast Asia's urbanisation and growing consumer class, there is an increased demand for infrastructure, housing, energy, transportation, financing and consumables. We seek to invest in businesses that participate in key sectors that provide products and services to meet these growing needs.



These businesses also contribute to the economic growth of the country and improve lives of the local people by actively engaging with their communities as well as creating employment opportunities.

At JC&C, we invest in businesses that are leaders in their respective sectors and markets. With their strong market position, competitiveness, best practice and good governance, these businesses are positioned to succeed for the future.

1. Enterprise Singapore
2. ASEAN Investment Report 2019

3. ASEAN Smart Cities Network 2018
4. ADB Special Infrastructure report 2017
5. ASEAN Investment Report 2018

AUTOMOTIVE

Southeast Asia has become a key player in the global automotive market – both in production and consumption. Indonesia and Thailand are the two largest automotive manufacturers in the region but Vietnam, Malaysia, Myanmar and the Philippines are increasingly establishing themselves as manufacturing and assembly bases that are well-equipped to serve the region and beyond.

The total Southeast Asia new car market for 2019 is estimated at 3.4 million units. With stable economic development and higher per capita income, this is projected to increase to 4 million units by 2025.

Automotive contribution to JC&C's underlying profit

37%

THE FUTURE OF MOBILITY

At JC&C, we recognise that mobility disruptions and shifts will significantly impact the automotive value chain. The sector in Southeast Asia is expected to evolve according to the following five themes.

CONNECTED

As the customers are more connected directly to Original Equipment Manufacturers ("OEMs") and other service providers through technology, dealers have to relook at their operating models and uncover new ways to deliver a more customer-centric experience.

ELECTRIC VEHICLES

A growing focus on environmental sustainability and stricter emission regulations have driven the popularity of electric vehicles. By 2030, it is estimated that Southeast Asia's annual new investment in passenger electric vehicles will reach US\$6 billion.¹ The shift towards electric vehicles may impact the aftersales segment and compel dealers to reassess how they sell both electric and conventional vehicles.

SHARED MOBILITY

The increasingly popular ride-hailing services have propelled brands such as Gojek and Grab to success. The future of mobility in Southeast Asia will be a combination of ownership and mobility.

AUTONOMOUS

Autonomous vehicles promise to deliver enhanced mobility, less traffic congestion and increased safety. This shift towards driver-less vehicles may increase the attractiveness of mobility as a service. Businesses have to position themselves as providers of integrated mobility concepts.

REGULATORY

The government in each country will play a critical role in driving the adoption of electric and autonomous vehicles. Monetary incentives, tax exemptions and subsidies are some of the ways authorities may stimulate interest in the supply and demand of these next-generation vehicles in Southeast Asia.

JARDINE INTERNATIONAL MOTORS

To address the disruptive challenges facing the automotive sector, the Jardine Matheson Group ("Jardines") established Jardine International Motors ("JIM") in May 2019. JIM provides a unified approach that combines the leadership and experience of JC&C's Cycle & Carriage business in Singapore, Malaysia and Myanmar, and Tunas Ridean in Indonesia, as well as Zung Fu Motors Group in Greater China. The shared wisdom, expertise, scale and relationships will enable JIM to position itself to respond to the disruptive themes faced by the automotive industry.

JIM's unified strategy is digitally-led, customer-centric and focused on taking full advantage of future opportunities to generate new streams of revenue in the automotive field.



STRATEGY

■ DIGITAL TRANSFORMATION

- (i) Digital Enterprise: digital transformation of JIM's core systems
- (ii) Digital Business: data transformation to map and manage customer journey
- (iii) Digital Customer: building digital connectivity to the customer

■ DOWNSTREAM GROWTH

Develop downstream capabilities from retail e.g. used cars, insurance, finance and mobility

■ EVER MORE CUSTOMERS

Use our digital and expanding customer service offerings to attract and enhance customer connectivity

■ OPERATIONAL EFFICIENCY

Streamline core capability to deliver our strategy and maximise efficiency

■ CORE VALUES

Ensure that what we believe in is at the heart of our business and operations

1. Bain & Company, "Finding a New Route to Southeast Asia's Vehicle Future", June 2019

VIETNAM

Vietnam is on the rise to becoming one of Southeast Asia's biggest economies. The country's robust manufacturing industry and foreign direct investment ("FDI") inflows have delivered

7% GDP growth in 2019

6.3%–6.9% over the next five years

Over the past decade, Vietnam has experienced significant growth from urbanisation and a transition to a more industrial and market-driven economy. Its population is burgeoning and will reach 100 million by 2023. The country also has a relatively young population, with a median age of 30.

GDP per capita



OUR PORTFOLIO

TRUONG HAI AUTO CORPORATION ("THACO")

- #1** in commercial vehicle market
- #2** in passenger car market

AUTOMOTIVE

The Vietnamese car market grew from 80,000 units in 2012 to 306,000 in 2019, recording a compound annual growth rate ("CAGR") of 21%. This strong growth is expected to continue in the passenger car market.

In Vietnam, THACO is a leading automotive manufacturer, assembler, distributor and retailer with close to 200 branches nationwide. Its automotive brands for passenger cars include Kia, Mazda, Peugeot as well as BMW and MINI, and commercial vehicles Foton, Kia, Hyundai and FUSO.

REAL ESTATE

Demand for affordable to high-end residential properties in Vietnam will continue to be driven by strong population growth, a high urbanisation rate and increased foreign participation and investments.

Vietnam is currently witnessing a high absorption rate of

70%–80% of new supply, at 30,000 to 40,000 new apartment units each year.

The office market in Ho Chi Minh City remains strong with an occupancy rate above 90% despite the major growth of office supply.

REAL ESTATE PROJECTS:

VIETNAM

An urban development project within the prime site of Thu Thiem New Urban Area, District 2 of Ho Chi Minh City, covering 1,000,000 sqm of land area.



- Residential (shophouses, apartments, condominiums, high-end villas)
- Commercial (office buildings, retail complex)

MYANMAR

Myanmar Centre is a large mixed-use development in Yangon which currently comprises a total net lettable area of 144,000 sqm. Phase 2 of the development has been progressively launched from 2020 which comprises 196,000 sqm of total lettable area.

- Residential (apartments, service apartments)
- Commercial (office buildings, retail complex)
- Melia Hotel – five-star hotel offering 429 rooms

AGRICULTURE

THACO has a sizeable footprint in Cambodia and Laos with about 20,000 hectares of plantation area growing fruit crops – primarily bananas.

LOGISTICS

THACO provides an end-to-end logistics service supply chain from warehousing including bonded warehousing as well as freight forwarding down to seaport services.

REFRIGERATION ELECTRICAL ENGINEERING CORPORATION ("REE")

POWER & UTILITIES

Vietnam's total energy demand is expected to increase nearly 2.5 times from 2015 to 2035. Demand for electricity is projected to grow 8% annually on average till 2035.

Despite a wide range of primary energy sources such as oil, gas, coal and hydro power, Vietnam has become a net energy importer since 2015. Renewable energy sources such as hydro, solar and wind represent about 45% of the installed capacity in 2015. It is projected to increase in the longer term to about 50% in 2035.

REE holds a portfolio of infrastructure assets, mainly in power (hydro and thermal) and water (treatment and distribution). REE's interests in these assets range from 19% to 66%.

Total designed capacity (gross)	3,704MW
Hydro	1,289MW
Thermal	2,340MW
Solar and wind	75MW

MECHANICAL AND ELECTRICAL ENGINEERING

REE is a mechanical and electrical engineering contractor in infrastructure, commercial and industrial engineering works.

REAL ESTATE

REE's real estate portfolio comprises the management and leasing of Grade B office space, as well as property development and trading.

Total lease office area of over **150,000 sqm** under management, primarily located in Ho Chi Minh City.

REE's flagship properties are located in e.town, an extensive campus with office buildings and ancillary facilities such as conference halls, food & beverage outlets, swimming pool, gym and 24-hour security.

VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY ("VINAMILK")

#1 in Vietnam by market share

12 farms

(With a further 4 farms under construction in Vietnam and Laos)

The dairy consumption per capita in Vietnam is about 20kg* per capita. Dairy market size was about US\$5 billion* and is expected to continue with strong growth.

A NETWORK OF OVER **250,000**

distribution points in Vietnam

A global footprint operating in USA, New Zealand, Cambodia and Laos.

15 factories

(13 in Vietnam, 1 in Cambodia, 1 in USA)

APPROXIMATELY

157,500

cowheads



* Information as at August 2019