AAA. ASEAN ATHLETIC ASSOCIATION

BUSINESS PLAN

MULTI LEVEL SPORTS AND ENTERTAINMENT COMPLEX |

Pipit Group, Principle

AAA. Asean Athletic Association

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This agreement is to acknowledge that the information provided by Pipit Group / AAA. Asean Athletic Association (also referred to as “The Company”) in this business plan is unique to this business and confidential; therefore, anyone reading this plan agrees not to disclose any of the information in this business plan without the express written permission of Pipit Group.

It is also acknowledged by the reader of this business plan that the information furnished in this business plan, other than information that is in the public domain, may cause serious harm or damage to AAA. Asean Athletic Association and will be kept in the strictest confidence.

Upon request, this document is to be immediately returned to Pipit Group.

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Signature

____

Name (typed or printed)

____

Date

This is a business plan. It does not imply an offering of securities.

AAA. Asean Athletic Association

AAA. Asean Athletic Association
Jl. Jendral Sudirman, kav. 52-53,
SCBD lot 21, Jakarta Selatan
Indonesia 12190
South-East Asia
Website: Pending

Contact
Pipit Group

Ownership
Pipit Group: 100 percent

USD
Revenue Forecast
Year 1: $48,611,111
Year 2: $97,222,222
Year 3: $145,833,333
Year 4: $170,138,889
Year 5: $194,444,444

Profitability Forecast
Year 1: $6,705,304
Year 2: $13,473,429
Year 3: $20,241,554
Year 4: $23,625,617
Year 5: $27,009,679

Funding Needed: $15 million

Executive Summary

Purpose

The purpose of this plan is to provide the information necessary to evaluate the merits of the value proposition and growth strategy of AAA. Asean Athletic Association.

The Company will demonstrate that there is a large enough market to service; AAA. Asean Athletic Association has the effective sales and marketing strategies to establish, grow and expand the Company. AAA. Asean Athletic Association will also demonstrate that the Company has eliminated or reduced as many variables of risk as possible. Investors will realize that AAA. Asean Athletic Association can gain a significant return on investment (ROI) from investing in this Company.

Introduction

AAA. Asean Athletic Association (also referred to as “The Company”) is a start-up multi level sports and entertainment complex business located in Jakarta, Indonesia (South-East Asia). The Company is owned by Pipit Group.

The Company founders have identified a number of critical approaches to strategic development and marketing start-up efforts, assessed alternatives, and developed a series of executable, and cohesive but independent, categories of action to aid the business in its core, overarching goals.

Many of these strategies will require an investment of time and human resources over several months to achieve their intended outcome. Projections are provided to create a framework for developing actual implementation, based on the business and marketing plan, and ultimately assessing the potential impact to the revenue streams in the plan. It is imperative that analytical tools be engaged to accurately and appropriately assess each component of the integrated development effort in order to evaluate expected return on the strategic investment against actual results.

As summarized in the following plan, the core strategies and specific tactical approaches address the major requirements of a comprehensive strategic development and start-up initiative to establish and grow the business. This business plan encompasses both the spirit of the Company, e.g. value proposition, branding, and content design, as well as the functionalities of the Company, e.g. business plan to map out concepts, plan to map out specific strategies and tactics for development and the marketing strategies.

Market Opportunity/Need

The Future Projections for the Fitness Industry In Indonesia Indicate Revenues to Increase to USD 290 Million By 2018.[1] The fitness centres in Indonesia provide a wide range of services. The services are not limited to stand alone gym facilities given by cardio and strength equipments, but various kinds of other activities. These activities form the unconventional methods of maintaining and inculcating fitness. The allied activities and services have majorly driven the growth of this industry during 2010-2015. Pilates, Yoga, Martial Arts, Zumba, Salsa and Swimming are some of the allied activities that fall into this category.

Jakarta has an estimated population of over 10 million people in 2016, up from 9,607,787 recorded during the 2010 Census. Jakarta is now considered a global city and one of the fastest growing economies in the world. Interestingly, Jakarta reported the highest return on investment for luxury real estate in 2014 compared to any other city on earth.[2]

Wellness is the active pursuit of activities, choices, and lifestyles that lead to a state of holistic health. Globally, wellness sectors now represent a $3.7 trillion economy.[3]

The 2017 IHRSA Global Report was published today and it shows that the global health club industry continues to grow. In 2016, the industry revenue totalled **$83.1 billion**, as 162.1 million members visited 201,000 clubs. The Asia-Pacific serves 1**7 million members at 31,000 health**

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[1] https://www.linkedin.com/pulse/future-projections-fitness-industry-indonesia-indicate-ankur-gupta/

[2] http://worldpopulationreview.com/world-cities/jakarta-population/

[3] The Global Wellness Institute (GWI)

clubs in 14 markets (excluding the Middle East). Health club industry revenue totals $**14.4 billion** in this region. [4]

Major investment is coming from Asia and many major events are heading to Asia. The continent's growing importance in global sport is clear, but within Asia there are many diverse markets – each with their own distinct sporting landscapes. Even within South East Asia, a region of, at a rough estimate, some 650 million, significant differences between countries can be identified.[5]

The Republic of Indonesia has a very rich sporting environment.

The Indonesian Chamber of Commerce and Industry (Kadin) is resolved to help develop sports industry in Indonesia through active and effective communications with national sports industry players, a Kadin official said. "We see now that Western and the United States investors are eyeing the Asian sports development, and this is a chance for Indonesia to take part in the development of national sports industry," Iman Arif, chairman of Kadin for sports development.[6]

Popular sports of Indonesia: Football (Soccer), Badminton, Basketball, boxing, surfing, and sepak takraw.[7]

Industry and Market Reports

Reports below in the plan:

- The Global Health Club Industry
- World Fitness & Recreational Sports Centers
- Global Wellness Economy Monitor
- Jakarta Property Market Report
- 2017 Indonesia Market Outlook
- Emerging Consumer Survey 2017
- Indonesian Perspectives
- Jakarta Investment Opportunity

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[5] *http://nielsensports.com/south-east-asias-sports-industry*

[6] *http://www.antaranews.com/en/news/70462/kadin-to-develop-national-sports-industry*

[7] *http://www.topendsports.com/world/countries/indonesia.htm*

Competitive Advantages

- No other competitor on the market.
- No other similar business model exists within the country.
- Guarantee of use.
- High possibility of interest from general public.

Key Members of the Company

The Company is owned by Pipit Group. The initial management team for AAA. Asean Athletic Association depends mainly on the Pipit Group. Back-up for the Pipit Group team will include staff members who will compensate for the lack of experience in each area.

The Pipit Group is confident that the Company team has the experience and skills needed to establish and to grow this AAA. Asean Athletic Association Company.

Funding

AAA. Asean Athletic Association is currently seeking funding in the amount of **$15,000,000** for use in financing its start-up, refurbish the current built structure and fit out of sport specific facilities, and general working capital requirements in the form of an investment to execute its business plan for the greatest potential to secure the most desirable (“highest and best”) return.

The Company appreciates your consideration of this request and is confident you can enjoy a fine working relationship for many years.

The Enterprise

Company Overview

Legal Structure

The legal structure of the Company is a Sole proprietorship.

Company Ownership

The Company is owned by Pipit Group.

Location

Jl. Jendral Sudirman, kav. 52-53, SCBD lot 21, Jakarta Selatan, Indonesia 12190.

Located at the heart of the Sudirman central business district and surrounded by a plethora of facilities and equipped with international standards of safety and security, take advantage of this prestigious location and visit the centre of Jakarta's thriving business district. The location sets the standard for high end lifestyle with direct access to the Ritz Carlton Hotel, Pacific Place Residence, and mall. Upscale shops and a variety of restaurants are all within close proximity.

This is an existing 5 story building in the Center of Jakarta with the highest population of business activity and people.

Founded/Launch Date

2017/Q4 2018.

Hours Of Operation

Monday to Sunday 6am to 10pm.

The Business Concept and Business Model

The Business Model

AAA. Asean Athletic Association is a start-up multi level sports and entertainment complex business located in Jakarta.

AAA. Asean Athletic Association is a new multisport complex that will provide both members and casual users an opportunity to participate in a variety of sports and leisure programs and activities.

Services

AAA. Asean Athletic Association will be a multisport complex that provides its users with various services. A first class fitness and lifestyle center, full-size courts that can also accommodate many other sports, a food and beverage/lounge area, a therapy clinic and other amenities such as offices, a conference room, a childcare center, and full-service locker rooms will all be available in the facility. Along with these amenities, AAA. Asean Athletic Association will provide its users with qualified and knowledgeable people to make sure all of their sport and fitness needs are met.

Layout

BASEMENT FLOOR: - 4.60 m (H = 4.00 m)

Parking lots: n° 93

GROUND FLOOR: + 0.00 m (H = 4.00 m)

Lobby + reception + stalls: 1291,64 sqm

Administration: 33,57 sqm

Store: 62,20 sqm

Childcare / Playground: 322,70 sqm

Center Stage / Permanent Exhibition: 162,90 sqm

Open Pavilion / Store: 62,05 sqm

1ST FLOOR: + 4.60 m (H = 4.00 m)

Gym: 1064,90 sqm

Administration: 33,57 sqm

Sport Therapy Area: 208,10 sqm

Spa: 298,67 sqm

Reception: 50,20 sqm

2ND FLOOR: + 9.20 m (H = 7.40 m)

Administration: 33,57 sqm

Bowling alley

Ping Pong Area

3RD FLOOR: + 17.20 m (H = 7.40 m)

Administration: 33,57 sqm

Badminton Area

Ping Pong Area

4TH FLOOR: + 25.20 m (H = 7.40 m)

Administration: 33,00 sqm

Basket Area

Volley Area

Ping Pong Area

Weights and Fitness

AAA. Asean Athletic Association will house a large fitness and lifestyle center that will match or exceed any other in the city. This fitness and lifestyle center will include top-of-the-line equipment in free weights, machine weights, and aerobic machines. The majority of the lifestyle center will be located on the upper level of the complex. This will allow the users the option of watching the activities going on, or to watch one of the many TVs that will be set up for their enjoyment.

Courts

Full-size basketball courts and volleyball courts along with floors that will be able to accommodate badminton, indoor soccer, indoor field hockey, touch football, gymnastics, dance, aerobics, and more. Hardwood courts will be manufactured and installed by the industry leader, Robbins Sport Surfaces, and will be the premier sports floors in all of the area. With the added attraction of world class portable basketball systems, AAA. Asean Athletic Association will quickly become known as the place to be for leagues, camps, or pick-up games.

With his education and vast experience in this area, the scheduling of events and activities on these floors will be done by an activity director or onsite manager, one of the general partners of AAA. Asean Athletic Association. The development of sports leagues, camps, and clinics, along with other various day-to-day operations of the facility will also be their responsibility.

Food Services

There will be a food and beverage area where users of the facility can replenish their bodies. Included in this area will be various big screen TVs that will show either sporting events, sports news, or appropriate programs that users wish to watch. This aspect of the facility will be crucial in providing the desired atmosphere AAA. Asean Athletic Association hopes to create.

A qualified, experienced person will be hired to run this aspect of the facility. He/she will have the responsibility to meet necessary standards and to report to, and work directly with the general partners of AAA. Asean Athletic Association to make sure the needs of the users in this area are met. If additional staff are required, this person will hire and train those people in accordance with AAA. Asean Athletic Association policies.

Massage Therapy/Spa area

An area for a massage therapy clinic will be located in the facility. This service will be available to both the general public and users of the facility at a cost reflective of the industry standard.

AAA. Asean Athletic Association

At this time, AAA. Asean Athletic Association is deciding on whether to hire their own massage therapists or to lease out the space to an already established massage therapy practice.

Other

Other features and services AAA. Asean Athletic Association will have include:

- Full-service locker rooms for both men and women that will accommodate many lockers. Large shower areas, benches, sinks, and bathroom facilities will all be included as well.
- A large childcare area that will allow users to access the facility at their convenience. This service will be offered to the facility users for a fee.
- An administrative area housing various offices and a conference room will be located in facility.
- A pro shop will be strategically placed in AAA. Asean Athletic Association to attract impulsive buyers. Users will pass through the pro shop upon entering and exiting the facility. The pro shop will sell sports shoes, and apparel and eventually our own line of products that will be available exclusively at AAA. Asean Athletic Association.
- Areas for the National Sports teams. [8]
    - A1 Team Indonesia
    - Indonesia national badminton team
    - Indonesia national baseball team
    - Indonesia men's national 3x3 team
    - Indonesia national basketball team
    - Indonesia national beach soccer team
    - Indonesia national cricket team
    - Indonesia Davis Cup team
    - Indonesia Fed Cup team

[8] *https://en.wikipedia.org/wiki/Category:National_sports_teams_of_Indonesia*

  - Indonesia national football team
  - Indonesia men's national ice hockey team
  - Indonesia at the Deaflympics
  - Indonesia men's national volleyball team
  - Indonesia national futsal team
  - Indonesia National Junior American Football Team
  - Indonesia national korfball team
  - Indonesia women's national softball team
  - Indonesia women's national volleyball team

- Area for cultural events.
- This facility can also host large tournaments that generate tourism or a practice and competition venue for local / National sports groups and community programming.

A new regional sports facility will boost the local and state economies through the attraction of visitors to our community.

As our community continues to grow as a sports destination, a new sports facility would allow the region to attract events that we have not been able to host due to facility restrictions. It will provide an exceptional experience for local athletes as well as for athletes and their fans coming from across the country and overseas.

In order to compete on a world stage, our athletes need exceptional facilities. Currently, the region's existing indoor facilities exceed scheduling parameters leaving little room for growth of local sports groups. Sports improve learning and teach accountability, dedication, and leadership, among many other traits. Sports contribute to growing a healthy, vibrant community.

The first floor will be a hub for transport and access via bus.

AAA. Asean Athletic Association

Target Market

The **target market** is broad enough that AAA. Asean Athletic Association enjoys significant market opportunity. The marketing is specifically geared towards **National sports teams, general market, white collar manager, businessmen with recreational needs.**

Images

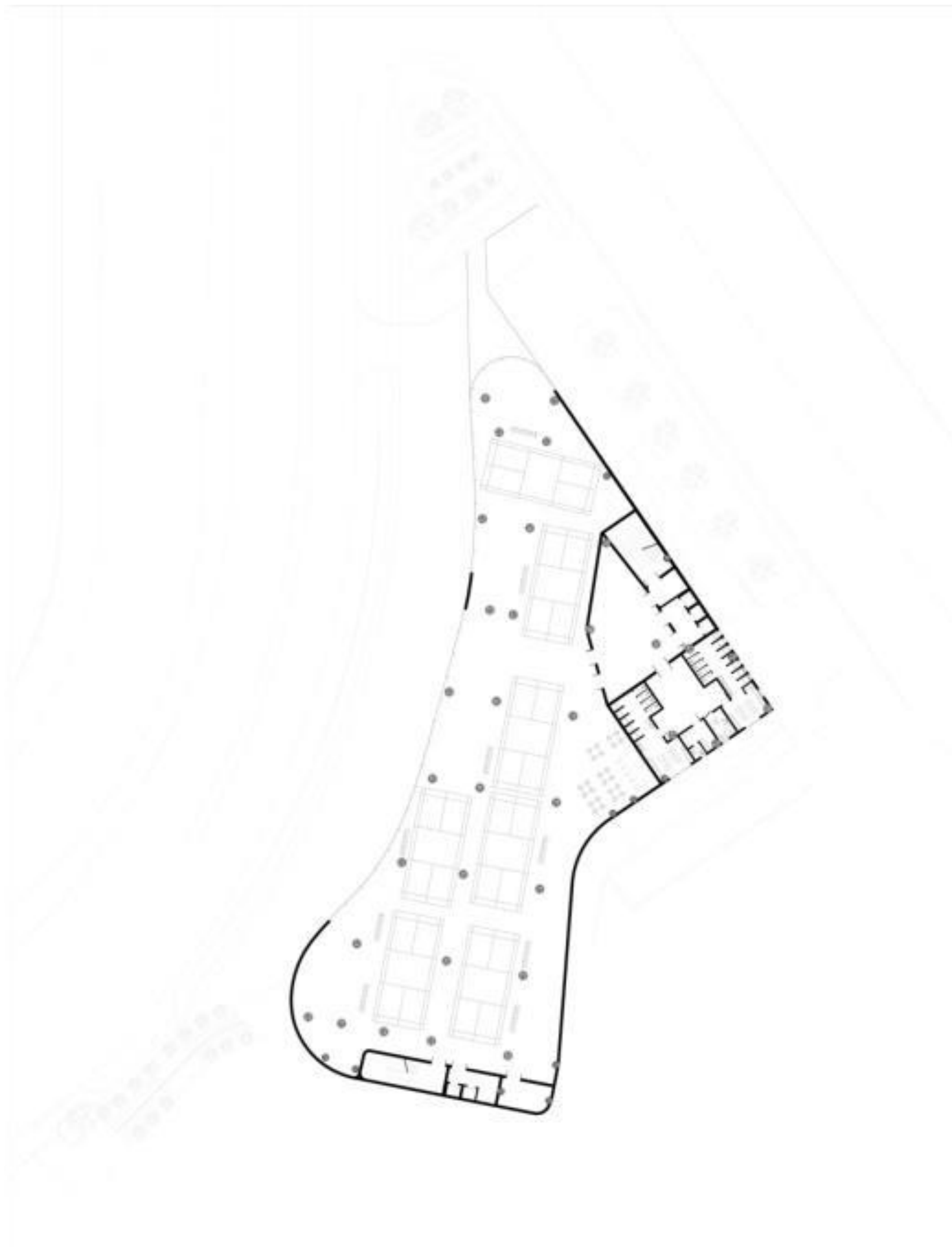
AAA. Asean Athletic Association

AAA. Asean Athletic Association

AAA. Asean Athletic Association

00 GROUND FLOOR: + 0.00 m

02 2nd FLOOR: + 9.20 m - BOWLING ALLEY + PING PONG



03 3rd FLOOR: + 13.80 m - BADMINTON/2

AAA. Asean Athletic Association

04 4th FLOOR: + 18.40 m - BASKET + VOLLEY + PING PONG

Revenue Model

The Company projects a gradual ramp up of sales and profits during the first year of transition to the business model.

Revenue Streams:

Per hourly usage, per month rental, per month participation and per event utilization.

Per hour from 3-5 usd per hour, per month resident rental from 3,000 to 5,000 for 6 hours usage, 50-200 dollars per month membership and 500-3000 per event.

Objectives

AAA. Asean Athletic Association has definite objectives in order to fulfill its desire to participate and achieve an ever-growing market share of the exciting industry that it is entering. What follows is a brief summary of the key objectives of AAA. Asean Athletic Association*:*

1. Penetrate the market in the business of a multi level sports and entertainment complex.
2. Develop management capabilities to ensure a strong foundation for participation in the Company.
3. Increase sales and revenue at the rates projected in this plan.

Competitive Advantages

AAA. Asean Athletic Association will enjoy a number of significant, competitive advantages over its competitors, including the following:

- No other competitor on the market.
- No other similar business model exists within the country.
- Guarantee of use.
- High possibility of interest from general public.

Competitive Edge

AAA. Asean Athletic Association' competitive edge is twofold. First, AAA. Asean Athletic Association is the only multisport complex that offers full-size courts that are available for the members and the community to use and/or rent. On top of this, the scope and variation of the programs that will be run from this facility are unmatched by any other club in the area. The second part of our competitive edge is the location, size, and appearance of the facility that will attract many people into the complex.

By maintaining our focus in our strategy, marketing, program development, and fulfillment, AAA. Asean Athletic Association will be known as the top sports and fitness club in the area. The Supreme will keep up with the current trends in both sport and fitness programs.

Ultimately, the value proposition will deliver tangible results impacting:

- Steadily increasing revenues for the business
- Steadily increasing market share for the business
- Strong customer retention levels for the business

Strategy and Implementation

AAA. Asean Athletic Association centers its strategy on the premise that the Company resonates with the consumer because it offers a multi level sports and entertainment complex. Always keeping that in mind; the Company maintains a focus on creating positive customer relationships, while keeping expenses very modest. AAA. Asean Athletic Association is diligent in dissecting every aspect of this business to ensure that each component remains productive and contributive to the goal of a highly profitable enterprise. The Company wants to think strategically and proactively about everything the Company does so that all business actions are geared toward providing needed services for target customers resulting in sales. Hope is not a strategy, and the Company understands that a business must think strategically about every aspect of its organization. AAA. Asean Athletic Association will not plan one strategy to play out; rather the Company will always develop strategies for all of the actions. In this way, the Company will always be implementing strategies for success in everything the Company does.

Industry Reports and Market Opportunity & Analysis

The Global Health Club Industry - *The 2017 IHRSA Global Report*

The 2017 IHRSA Global Report was published today and it shows that the global health club industry continues to grow. In 2016, the industry revenue totalled $83.1 billion, as 162.1 million members visited 201,000 clubs.

Asia-Pacific [9]

The Asia-Pacific serves 17 million members at 31,000 health clubs in 14 markets (excluding the Middle East). Health club industry revenue totals $14.4 billion in this region.

The IHRSA Asia-Pacific Health Club Report shows there is room for growth in the Asia-Pacific as the average member penetration rate for the region is just 3.8%. Australia and New Zealand lead all Asia-Pacific markets in penetration rate at 14.8% and 11.4%, respectively. Larger cities in Asia, including Beijing, Shanghai, Kuala Lumpur, and Jakarta, are home to maturing industries, while future growth is anticipated in growing cities as well as the Asia-Pacific, overall.

Namely, opportunities for the fitness industry abound in the global economic powerhouses of China and India, which have penetration rates of 0.4% and 0.12%, respectively. China is home to roughly 2,700 health clubs with a total of 3.9 million members. The health club industry in India has roughly 3,800 health club facilities and nearly one million members.

Larger cities in Asia – including Beijing, Shanghai, Kuala Lumpur and Jakarta – are home to maturing industries, while future growth is anticipated in the growing cities as well as across the Asia Pacific region overall.

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AAA. Asean Athletic Association

World Fitness & Recreational Sports Centers (NAICS 71394) - *Barnes Report*

Industry Definition

NAICS 71394: Fitness and Recreational Sports Centers . This industry comprises establishments primarily engaged in operating fitness and recreational sports facilities featuring exercise and other active physical fitness conditioning or recreational sports activities, such as swimming, skating, or racquet sports.

Industry Establishments, Sales & Employment

Country	Estab-lish-ments	Sales ($US Millions)	Sales (Currency Millions)	Employ-ment	Sales ($USM)/ Estab.	Sales ($US)/ Employ-ment	Sales (CurrM)/ Estab.	Sales (Curr 000s)/ Emps.
Algeria	5,509	255	21,923	53,620	0.046	4,747	3.980	408.9
Argentina	3,781	514	4,397	36,807	0.136	13,971	1.163	119.5
Australia	2,360	1,368	1,555	22,968	0.580	59,581	0.659	67.7
Austria	857	384	302	8,342	0.449	46,091	0.352	36.2
Bangladesh	16,617	121	9,387	161,740	0.007	751	0.565	58.0
Belgium	1,056	429	337	10,277	0.406	41,736	0.319	32.8
Brazil	20,242	2,224	5,917	197,021	0.110	11,290	0.292	30.0
Canada	3,587	1,724	1,933	34,909	0.481	49,371	0.539	55.4
Chile*	1,975	305	187	19,225	0.154	15,856	0.095	9.7
China	142,043	10,215	62,507	1,382,564	0.072	7,389	0.440	45.2
Colombia*	4,267	361	843	41,537	0.085	8,691	0.198	20.3
Czech Republic	1,019	181	4,070	9,922	0.178	18,254	3.992	410.2
Denmark	536	271	1,644	5,217	0.506	52,024	3.067	315.1
Egypt	8,849	235	1,680	86,129	0.027	2,729	0.190	19.5
Finland	531	240	188	5,165	0.452	46,412	0.355	36.5
France	5,970	2,228	1,750	58,113	0.373	38,332	0.293	30.1
Germany	7,706	3,272	2,570	75,008	0.425	43,619	0.333	34.3
Greece	1,015	167	132	9,883	0.165	16,945	0.130	13.3
Hong Kong	610	215	1,665	5,933	0.352	36,204	2.731	280.6
Hungary*	904	106	27	8,803	0.118	12,094	0.030	3.1
India	116,069	1,785	112,529	1,129,753	0.015	1,580	0.970	99.6
Indonesia*	28,889	1,064	13,356	281,189	0.037	3,784	0.462	47.5

* Local Currencies are displayed in Billions, not Millions (and Millions, not 000s for the Sales (Curr000s)/Emps.)

AAA. Asean Athletic Association

Country	Estab-lish-ments	Sales ($US Millions)	Sales (Currency Millions)	Employ-ment	Sales ($USM)/ Estab.	Sales ($US)/ Employ-ment	Sales (CurrM)/ Estab.	Sales (Curr 000s)/ Emps.
Iran*	8,056	368	9,942	78,409	0.046	4,695	1.234	126.8
Iraq*	4,104	261	300	39,943	0.064	6,534	0.073	7.5
Ireland	600	208	163	5,842	0.347	35,626	0.272	28.0
Israel	831	262	1,033	8,089	0.315	32,362	1.243	127.7
Italy	6,075	1,798	1,412	59,129	0.296	30,410	0.232	23.9
Japan*	12,696	5,230	558	123,579	0.412	42,318	0.044	4.5
Kazakhstan	2,010	240	43,797	19,560	0.120	12,295	21.794	2,239.1
Kuwait	435	190	55	4,236	0.436	44,762	0.127	13.1
Malaysia	3,913	366	1,267	38,092	0.094	9,619	0.324	33.3
Mexico	12,337	1,133	16,399	120,082	0.092	9,431	1.329	136.6
Netherlands	1,602	670	526	15,592	0.418	42,986	0.329	33.8
New Zealand	433	138	178	4,216	0.319	32,732	0.411	42.2
Nigeria	21,374	317	59,428	208,043	0.015	1,524	2.780	285.7
Norway	584	504	3,720	5,687	0.863	88,662	6.367	654.1
Pakistan	17,760	191	19,169	172,867	0.011	1,104	1.079	110.9
Peru	3,446	227	670	33,537	0.066	6,765	0.195	20.0
Phillipines	9,548	235	10,530	92,931	0.025	2,534	1.103	113.3
Poland	3,284	493	1,705	31,964	0.150	15,417	0.519	53.3
Portugal	1,049	178	140	10,213	0.170	17,415	0.133	13.7
Puerto Rico	455	106	106	4,430	0.232	23,844	0.232	23.8
Qatar	396	266	968	3,852	0.672	69,013	2.446	251.3
Romania	2,465	169	615	23,996	0.068	7,035	0.249	25.6
Russia	14,530	2,121	129,626	141,432	0.146	14,993	8.921	916.5
Saudi Arabia*	3,918	887	3	38,139	0.226	23,261	0.001	0.1
Singapore	635	309	407	6,182	0.487	50,055	0.640	65.8
South Africa	3,975	337	3,889	38,693	0.085	8,718	0.978	100.5
South Korea*	5,679	1,233	1,352	55,280	0.217	22,311	0.238	24.5
Spain	4,741	1,200	943	46,148	0.253	26,011	0.199	20.4
Sweden	965	519	3,984	9,395	0.537	55,197	4.128	424.1
Switzerland	880	616	605	8,570	0.700	71,917	0.687	70.6
Taiwan	3,470	583	18,292	33,772	0.168	17,249	5.272	541.6
Thailand	8,700	385	12,670	84,678	0.044	4,552	1.456	149.6
Turkey	6,542	807	1,873	63,681	0.123	12,675	0.286	29.4

* Local Currencies are displayed in Billions, not Millions (and Millions, not 000s for the Sales (Curr000s)/Emps.)

AAA. Asean Athletic Association

Country	Estab-lish-ments	Sales ($US Millions)	Sales (Currency Millions)	Employ-ment	Sales ($USM)/ Estab.	Sales ($US)/ Employ-ment	Sales (CurrM)/ Estab.	Sales (Curr 000s)/ Emps.
Ukraine	4,792	178	2,818	46,640	0.037	3,820	0.588	60.4
UAE	2,114	444	1,628	20,579	0.210	21,558	0.770	79.1
United Kingdom	6,123	2,082	1,290	59,601	0.340	34,927	0.211	21.6
United States	64,019	26,746	26,746	586,226	0.418	45,624	0.418	45.6
Venezuela	3,050	370	2,351	29,688	0.121	12,473	0.771	79.2
Vietnam*	10,690	164	3,516	104,046	0.015	1,580	0.329	33.8

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Indonesia

Industry Establishments, Sales & Employment Trends

	Year					Percent Change Year-to-Year			
	2012	2013	2014	2015	2016	12-13	13-14	14-15	15-16
Establishments	27,041	27,570	28,297	28,889	29,680	2.0%	2.6%	2.1%	2.7%
Sales ($Millions)	852	912	984	1,064	1,158	7.1%	7.9%	8.1%	8.9%
Employment	263,173	268,346	275,374	281,189	288,885	2.0%	2.6%	2.1%	2.7%
Sales (RupiahsB)	10,692	11,454	12,356	13,356	14,541	7.1%	7.9%	8.1%	8.9%

Industry Ratios

	Year					Percent Change Year-to-Year			
(Industry Averages)	2012	2013	2014	2015	2016	12-13	13-14	14-15	15-16
Sales ($M)/Estab.	0.03	0.03	0.03	0.04	0.04	5.1%	5.1%	5.9%	6.0%
Sales ($) per Emp.	3,236	3,400	3,574	3,784	4,010	5.1%	5.1%	5.9%	6.0%
Emps. per Estab.	9.7	9.7	9.7	9.7	9.7	0.0%	0.0%	0.0%	0.0%
Rupiahs(B)/Estab.	0.40	0.42	0.44	0.46	0.49	5.1%	5.1%	5.9%	6.0%
Rupiahs per Emp.	40,626	42,685	44,869	47,497	50,335	5.1%	5.1%	5.9%	6.0%

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SIZE OF FIRM INDUSTRY ESTIMATES

Year	Establishments by Size of Firm									
	1-4 Emps.	5-9 Emps.	10-19 Emps.	20-49 Emps.	50-99 Emps.	100-249 Emps.	250-499 Emps.	500+ Emps.	Unknown Emps.	Total
2014	6,398	2,043	1,801	1,814	898	505	60	5	14,773	28,297
2015	6,532	2,086	1,839	1,852	917	515	61	5	15,082	28,889
2016	6,711	2,143	1,889	1,903	942	529	63	5	15,495	29,680
	Sales ($Millions) by Size of Firm									Total
2014	34	29	63	169	183	278	111	17	101	984
2015	37	31	68	182	198	300	120	18	109	1,064
2016	40	34	74	198	216	327	131	20	118	1,158
	Employment by Size of Firm									Total
2014	17,000	12,593	26,031	58,037	56,702	67,617	18,560	3,135	15,700	275,374
2015	17,359	12,859	26,580	59,263	57,899	69,045	18,952	3,202	16,031	281,189
2016	17,834	13,211	27,308	60,885	59,484	70,935	19,470	3,289	16,470	288,885

Sub-Industries

	Cate-gory*	Total Establishments	Total Sales ($M)	Total Employment
Physical fitness facilities	Major1	6,164	220	52,652
Physical fitness facilities	Minor1	798	34	9,070
Athletic club and gymnasiums, membership	Minor2	1,140	71	21,290
Health club	Minor2	2,190	158	44,363
Spas	Minor2	6,106	138	40,510
Weight reducing clubs	Minor1	121	5	867
Reducing facility	Minor2	7	0	64
Slenderizing salon	Minor2	45	1	225
Exercise facilities	Minor1	441	10	2,981
Aerobic dance and exercise classes	Minor2	573	14	4,250
Exercise salon	Minor2	1,485	29	9,317
Membership sports and recreation clubs	Major1	9,535	340	92,795

Global Wellness Economy Monitor - *Global Wellness Institute*

Wellness is the active pursuit of activities, choices, and lifestyles that lead to a state of holistic health. Globally, wellness sectors now represent a $3.7 trillion economy.

The Global Wellness Institute (GWI) measured the size of the global wellness economy for the first time in the *2014 Global Spa & Wellness Economy Monitor*. We define wellness as ***the active pursuit of activities, choices, and lifestyles that lead to a state of holistic health.*** For the purpose of estimating its size, we define the wellness economy as encompassing ***industries that enable consumers to incorporate wellness activities and lifestyles into their daily lives.***

The global wellness economy, which encompasses 10 diverse sectors (see chart below), was worth an estimated $3.7 trillion in 2015.[1]

Global Wellness Economy: $3.7 trillion in 2015

Note: Numbers may not add due to overlap in segments. The thickness of the lines in the chart indicates the strength of the relationships and synergies between sectors. Source: Global Wellness Institute

AAA. Asean Athletic Association

The wellness economy now represents more than 5% of global economic output and is almost half the size of all global health expenditures, which reached $7.6 trillion in 2014.[2] From 2013-2015, the wellness economy grew by 10.6%, while the global economy shrank by -3.6% in U.S. dollar terms.[3] The Global Wellness Institute develops original estimates for five wellness sectors including: *Spa, Wellness Tourism, Thermal/Mineral Springs, Workplace Wellness,* and *Wellness Lifestyle Real Estate*. For the other five sectors, we aggregate secondary global industry data from multiple sources to arrive at the estimated market size. This report provides original data and discusses the development and prospects of the five wellness sectors that are tracked in detail by GWI.

The future of the wellness economy is strong.

As more people around the world turn to wellness-focused activities and lifestyles to mitigate their mounting stress and deteriorating health, the wellness economy is positioned to expand at a healthy pace. Using GWI's own data sources and estimation models for the five wellness sectors that we track, we project that these sectors will all grow at a rate faster than global GDP growth (projected by the IMF at 4.5% annually[7]) over the next five years.

Wellness Sector Growth Projections, 2015-2020

	Projected Market Size (US$ billions)		Projected Average Annual Growth Rate
	2015	2020	2015-2020
Spa Facilities	$77.6	$103.9	6.0%
Thermal/Mineral Springs	$51.0	$64.6	4.8%
Wellness Tourism	$563.2	$808.0	7.5%
Workplace Wellness	$43.3	$55.1	5.0%
Wellness Lifestyle Real Estate	$118.6	$152.8	5.2%

Source: Global Wellness Institute, based upon economic and industry sector projections from the IMF, ILO, Euromonitor, and GWI's data and projection model.

Global Wellness Economy Highlights (2015)

Spa Industry

Number of Spas: 121,595 (7% CAGR from 2013-2015)
Spa Revenues: $77.6 billion (2% CAGR from 2013-2015)
Spa Employment: 2,150,147 (6% CAGR from 2013-2015)

Wellness Tourism

Number of Wellness Trips: 691.0 million (9% CAGR from 2013-2015)
Wellness Tourism Expenditures: $563.2 billion (7% CAGR from 2013-2015)

Thermal/Mineral Springs

Number of Thermal/Mineral Springs Establishment: 27,507 (1% CAGR from 2013-2015)
Thermal/Mineral Springs Estab. Revenues: $50.0 billion (1% CAGR from 2013-2015)
Thermal/Mineral Springs Establishment Employment: 1,386,092

Workplace Wellness

Number of Workers with Access to Workplace Wellness Programs & Services: 305.5 million (9.5% of employed workers)
Expenditures on Workplace Wellness: $43.3 billion (3% CAGR from 2013-2015)

Wellness Real Estate

Wellness Real Estate Market: $118.6 billion (9% CAGR from 2013-2015)

Wellness Economy Sectors, 2013 and 2015

	Market Size* (US$ billions)		Average Annual Growth Rate**
	2013	2015	2013-2015
Beauty & Anti-Aging	$1,025.6	$999.0	-1.3%
Healthy Eating, Nutrition, & Weight Loss	$574.2	$647.8	6.2%
Wellness Tourism	$494.1	$563.2	6.8%
Fitness & Mind-Body	$446.4	$542.0	10.2%
Preventive & Personalized Medicine and Public Health	$432.7	$534.3	11.1%
Complementary & Alternative Medicine	$186.7	$199.0	3.3%
Wellness Lifestyle Real Estate	$100.0	$118.6	8.9%
Spa Economy *(Spa Facilities)*	$94.0 *($74.1)*	$98.6 *($77.6)*	2.5% *(2.3%)*
Thermal/Mineral Springs	$50.0	$51.0	1.0%
Workplace Wellness	$40.7	$43.3	3.1%
Wellness Economy	***$3,367.8**	***$3,724.4**	**5.2%**

Spa Facilities and Revenues by Region, 2013 and 2015

	Number of Spas		Spa Facility Revenues (US$ billions)	
	2013	**2015**	**2013**	**2015**
Europe	32,190	37,420	*$29.8	*$27.5
Asia-Pacific	32,451	38,819	$18.8	$21.4
North America	26,510	28,306	$18.3	$20.6
Latin America-Caribbean	9,007	10,269	$4.7	$4.9
Middle East-North Africa	3,889	4,465	$1.7	$2.1
Sub-Saharan Africa	1,544	2,316	$0.8	$1.1
Total	**105,591**	**121,595**	**$74.1**	**$77.6**

Spa Facilities and Revenues by Type, 2013 and 2015

	Number of Spas		Spa Facility Revenues (US$ billions)	
	2013	**2015**	**2013**	**2015**
Day/Club/Salon Spas	59,339	64,262	$30.5	$30.8
Hotel/Resort Spas	22,076	30,180	$22.2	$25.6
Destination Spas & Health Resorts	2,204	2,374	$8.4	$7.7
Medical Spas	5,009	5,502	$5.4	$5.7
Thermal/Mineral Springs Spas	6,504	7,171	$4.8	$4.7
Other Spas	10,459	12,106	$2.7	$3.1
Total	**105,591**	**121,595**	**$74.1**	**$77.6**

Note: Revenue figures may not sum to total due to rounding. See Appendix A for descriptions of the spa categories.

Source: Global Wellness Institute

Top Twenty Spa Markets, 2015

	Number of Spas	Spa Facility Employment	Spa Facility Revenues (US$ billions)	Rank In 2015
United States	24,421	378,783	$18.67	1
China	12,595	288,368	$7.09	2
Germany	6,488	143,134	$5.95	3
Japan	7,069	115,515	$5.08	4
France	4,011	77,297	$2.96	5
United Kingdom	3,185	55,342	$2.75	6
Italy	3,023	66,441	$2.46	7
Russia	3,010	105,461	$1.91	8
Canada	3,885	45,390	$1.91	9
Spain	2,672	48,756	$1.90	10
Austria	1,354	30,477	$1.60	11
Mexico	3,099	51,530	$1.48	12
South Korea	2,966	38,971	$1.48	13
India	4,734	55,862	$1.46	14
Switzerland	783	19,438	$1.15	15
Thailand	2,304	70,897	$1.01	16
Indonesia	2,070	60,682	$0.92	17
Australia	1,162	12,208	$0.79	18
United Arab Emirates	687	20,606	$0.74	19
Hong Kong	739	12,431	$0.68	20

Source: Global Wellness Institute

Spa Facility Employment by Region, 2013, 2015, and 2020 (Projected)

	Total Employees in Spa Facilities		
	2013	2015	Projected Need in 2020
Europe	678,920	745,584	946,765
Asia-Pacific	614,202	722,588	1,010,016
North America	397,381	424,174	541,059
Latin America-Caribbean	141,025	164,909	200,333
Middle East-North Africa	57,308	63,982	88,222
Sub-Saharan Africa	20,822	28,912	58,383
Total	**1,909,658**	**2,150,147**	**2,844,778**

Global Spa Economy, 2013 and 2015

	Spa Economy Sector Revenues (US$ billions)	
	2013	2015
Spa Facility Operations	$74.06	$77.57
Spa Capital Investments	$18.75	$19.82
Spa Education	$0.82	$0.85
Spa Media, Associations, & Events	$0.22	$0.25
Spa Consulting	$0.11	$0.12
Total Spa Economy	$93.95	$98.62

Economic Impacts of the Spa Economy, 2015

	Spa Economy Direct Impact	Indirect & Induced Impact	Spa Economy Economy-Wide Impact
Spa Economy Revenues	$98.6 billion	$189.2 billion	$287.8 billion
Spa Facility Employment	2.2 million jobs	3.3 million jobs	5.5 million jobs

Wellness Tourism Trips and Expenditures, 2013 and 2015

	Number of Trips (millions)		Expenditures (US$ billions)	
	2013	**2015**	**2013**	**2015**
International/Inbound Wellness Tourism	95.3	116.0	$156.3	$187.1
Domestic Wellness Tourism	491.2	575.0	$337.8	$376.1
Total Wellness Tourism Industry	**586.5**	**691.0**	**$494.1**	**$563.2**

Source: Global Wellness Institute

Top Twenty Wellness Tourism Markets, 2015

	Number of Trips (millions)	Direct Employment (millions)	Expenditures (US$ billions)	Rank in 2015
United States	161.2	1.87	$202.2	1
Germany	58.5	1.11	$60.2	2
France	30.6	0.32	$30.2	3
China	48.2	2.37	$29.5	4
Japan	37.8	0.18	$19.8	5
Austria	14.6	0.16	$15.4	6
Canada	25.3	0.25	$13.5	7
United Kingdom	20.6	0.18	$13.0	8
Italy	6.6	0.15	$12.7	9
Mexico	15.3	0.48	$12.6	10
Switzerland	9.2	0.10	$12.2	11
India	38.6	5.32	$11.8	12
Thailand	9.7	0.50	$9.4	13
Australia	8.5	0.10	$8.2	14
Spain	13.6	0.08	$7.7	15
South Korea	18.0	0.13	$6.8	16
Indonesia	5.6	0.52	$5.3	17
Turkey	9.3	0.06	$4.8	18
Russia	13.5	0.15	$3.5	19
Brazil	8.6	0.12	$3.3	20

Leading Growth Markets for Wellness Tourism Trips, 2013-2015

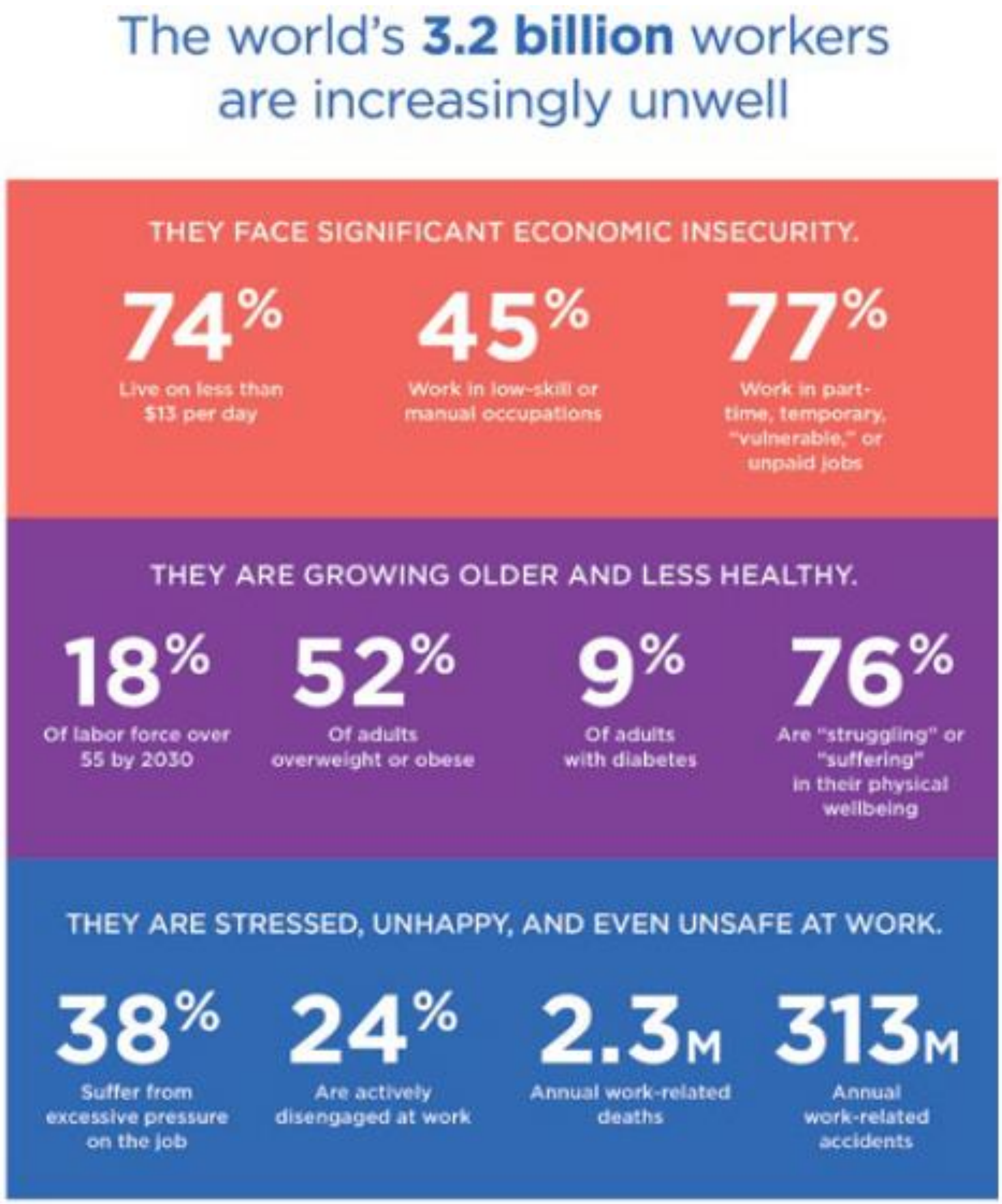
	Number of Wellness Arrivals/Trips Added from 2013-2015 (millions)	Average Annual Growth Rate from 2013-2015
China	18.1	26.6%
United States	12.6	4.1%
Germany	8.3	7.9%
India	6.0	8.8%
France	4.9	9.0%
Australia	4.0	36.7%
Mexico	3.3	13.0%
Russia	3.2	14.4%
Brazil	2.7	21.0%
Austria	2.6	10.0%
South Korea	2.4	7.3%
Spain	2.4	9.9%
Vietnam	2.3	25.3%
Canada	2.2	4.7%
Sweden	2.2	35.0%
Japan	1.8	2.5%
Chile	1.8	26.5%
United Kingdom	1.7	4.4%
Indonesia	1.6	18.7%
Argentina	1.6	29.1%
Greece	1.5	15.0%
Thailand	1.5	8.5%
Malaysia	1.4	17.0%
Romania	1.3	34.4%
Poland	1.2	11.7%

Note: These figures combine both international/inbound and domestic wellness tourism spending, and also include both primary and secondary wellness trips. Source: Global Wellness Institute

Wellness Tourism Industry, 2015

Thermal/Mineral Springs Facilities and Revenues by Region, 2015

	Number of Establishments		Revenues (US$ billions)	
	2013	**2015**	**2013**	**2015**
Asia-Pacific	20,298	20,146	$26.75	$29.23
Europe	5,035	5,613	*$21.65	*$19.74
Latin America-Caribbean	961	1,148	$0.87	$1.20
North America	203	237	$0.49	$0.57
Middle East-North Africa	315	324	$0.23	$0.24
Sub-Saharan Africa	35	39	$0.05	$0.06
Total Thermal/Mineral Springs Industry	**26,847**	**27,507**	**$50.04**	**$51.04**

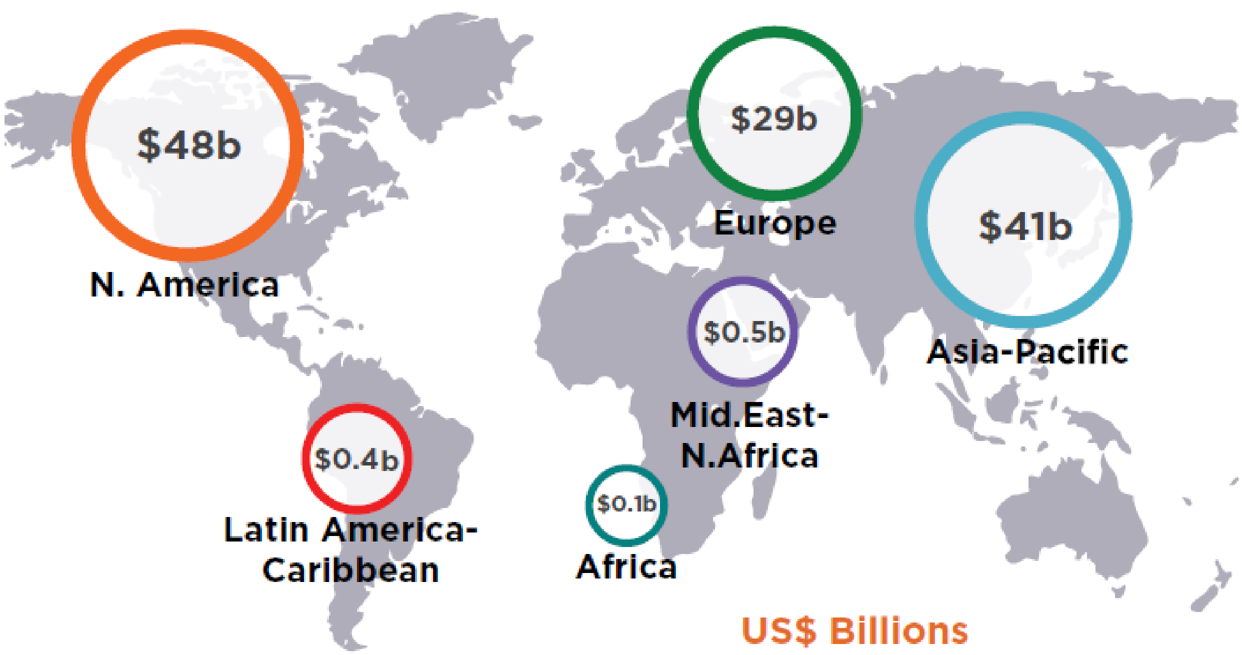

The world's 3.2 billion workers are increasingly unwell
THEY FACE SIGNIFICANT ECONOMIC INSECURITY.
74%
Live on less than $13 per day
45%
Work in low-skill or manual occupations
77%
Work in part-time, temporary, "vulnerable," or unpaid jobs
THEY ARE GROWING OLDER AND LESS HEALTHY.
18%
Of labor force over 55 by 2030
52%
Of adults overweight or obese
9%
Of adults with diabetes
76%
Are "struggling" or "suffering" in their physical wellbeing
THEY ARE STRESSED, UNHAPPY, AND EVEN UNSAFE AT WORK.
38%
Suffer from excessive pressure on the job
24%
Are actively disengaged at work
2.3M
Annual work-related deaths
313M
Annual work-related accidents

AAA. Asean Athletic Association

Workplace Wellness Market Size by Region, 2015

	Number of Workers Covered by Workplace Wellness Programs & Services (millions)	Workplace Wellness Expenditures (US$ billions)
	2015	**2015**
North America	89.8	$16.2
Europe	96.2	$16.1
Asia-Pacific	92.6	$8.4
Latin America-Caribbean	14.1	$1.2
Middle East-North Africa	9.1	$1.1
Sub-Saharan Africa	3.7	$0.3
Total Workplace Wellness Industry	**305.5**	**$43.3**

Wellness Lifestyle Real Estate Market, 2015



AAA. Asean Athletic Association

Asia-Pacific Highlights (2015)

Spa Industry

Number of Spas: 38,819 (9% CAGR from 2013-2015)
Spa Revenues: $21.4 billion (7% CAGR from 2013-2015)
Spa Employment: 722,588 (8% CAGR from 2013-2015)

Wellness Tourism

Number of Wellness Trips: 193.9 million (13% CAGR from 2013-2015)
Wellness Tourism Expenditure: $111.2 billion (15% CAGR from 2013-2015)

Thermal/Mineral Springs

Number of Thermal/Mineral Springs Estab.: 20,146 (-0.4% CAGR from 2013-2015)[20]
Thermal/Mineral Springs Estab. Revenues: $29.2 billion (5% CAGR from 2013-2015)
Thermal/Mineral Springs Establishment Employment: 901,509

Workplace Wellness

Number of Workers with Access to Workplace Wellness Programs & Services: 92.6 million (5% of employed workers)
Expenditures on Workplace Wellness: $8.4 billion

Wellness Real Estate

Wellness Real Estate Market: $40.7 billion

Top Ten Spa Industry Markets in Asia-Pacific, 2015

	Number of Spas	Spa Revenues (US$ millions)	Spa Employment
China	12,595	$7,094.3	288,368
Japan	7,069	$5,079.8	115,515
South Korea	2,966	$1,482.7	38,971
India	4,734	$1,461.8	55,862
Thailand	2,304	$1,007.0	70,897
Indonesia	2,070	$922.9	60,682
Australia	1,162	$791.5	12,208
Hong Kong	739	$677.0	12,431
Taiwan	886	$499.7	11,789
Singapore	740	$452.4	8,287

Source: Global Wellness Institute

Top Ten Wellness Tourism Markets in Asia-Pacific, 2015

	Number of Trips (millions)	Receipts/Expenditures (US$ millions)
China	48.2	$29,465.4
Japan	37.8	$19,837.4
India	38.6	$11,782.4
Thailand	9.7	$9,417.2
Australia	8.5	$8,159.2
South Korea	18.0	$6,831.9
Indonesia	5.6	$5,334.3
Malaysia	5.0	$3,118.9
Vietnam	6.4	$2,887.3
Hong Kong	1.8	$2,309.0

Note: These figures combine both international/inbound and domestic wellness tourism spending, and also include both primary and secondary wellness trips. Source: Global Wellness Institute

Top Ten Thermal/Mineral Springs Markets in Asia-Pacific, 2015

	Number of Establishments	Revenues (US$ millions)
China	2,200	$15,721.6
Japan	17,328	$12,493.4
South Korea	96	$293.2
Taiwan	125	$291.3
New Zealand	117	$261.9
Australia	23	$54.2
Philippines	58	$41.0
Thailand	47	$15.3
Vietnam	24	$12.7
Malaysia	25	$11.9

Jakarta Property Market Report - *Colliers International Report*

Highlight

Office Sector

Office demand has dwindled for the last two years, bolstering the negotiating position of tenants in the market. Newly operating office buildings added further downward pressure on rents because of the additional vacant space they have added to the supply.

Apartment Sector

During the quarter, apartment sales performance continued to languish with a moderate 0.5% growth in price compared to the previous quarter. There were 4,777 new units from the handover of a total of eight apartment towers from five projects. The cumulative supply of strata-title apartments in Jakarta grew by 2.9% QoQ or 12.4% YoY to a record 167,697 units. Prices of apartments have been relatively flat as most of the projects hold prices in order to attract buyers. The average asking price of apartments in Jakarta was recorded at IDR31 million/sq m (excluding VAT), increased modestly by 0.5% QoQ.

Expatriate Housing Sector

There were signs of recovery during H1 2016 with number of repeat corporate clients who signing new one-year lease contracts. Many companies employing expats are currently only willing to commit to a maximum one-year contract; very few of them are willing to accept two years rent in advance.

Retail Sector

Bassura City Mall was the only new shopping centre in Jakarta during H1 2016 contributing around 21,000 sq m of retail space. Thus far, occupancy performance and rental rates are relatively stable. Average asking rent was recorded at IDR566,087/sq m/month as of Q2 2016.

Industrial Estate Sector

The industrial market has yet to recover from the generally slow sales performance which has led to further downward pressure on industrial land prices. Two industrial estates reportedly introduced prices which were lower this quarter by an average of 8%.

Hotel Sector

Three new hotel projects began operation in Jakarta during the last quarter. In the 3-star category, Archipelago International (131 rooms) and Liberty hotel (60 rooms) opened. In the 4-star hotel category, Accor opened a Mercure brand hotel providing 207 rooms. Total star-rated hotels in Jakarta now total 37,695 rooms from 182 projects. The AOR increased 4.9% to 56.7% QoQ and the Jakarta ADR slightly increased by 0.15% to USD82.65 in Q2 2016Q.

Office Sector

Forecast at a glance

Supply

Three office buildings (Sinarmas MSIG, IFC 2 and Capital Place) began operation this quarter contributing 215,511 sq m bringing the cumulative office supply in the CBD to 5.46 million sq m. A total of 11 office buildings are expected to be completed in 2016 adding 670,000 sq m of office space to supply.

Demand

Infrastructure-related companies including those building roads and power plants are becoming more common tenants while insurance, bank and other finance-related companies remain active in searching for space.

Occupancy

Occupancy continued its two year declining trend and this quarter was recorded at 85.6%, the lowest since 2005. Going forward, given a moderate GDP growth projection and huge projected supply, occupancy rates might drop an additional 3% by the end of 2016.

Rent

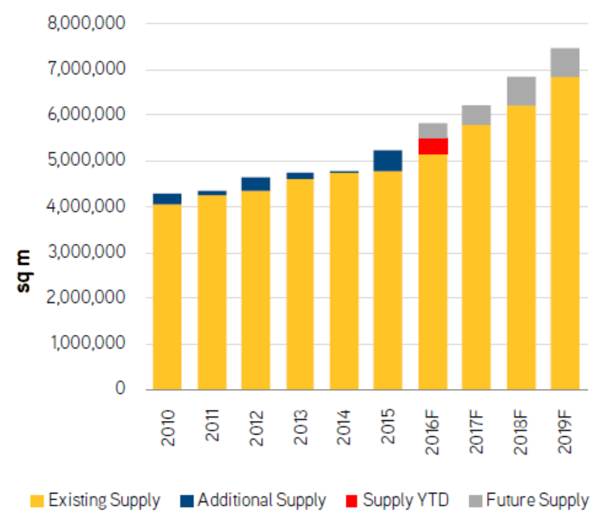
About 30 buildings considerably lowered asking base rental rates during the first semester this year. Newly operating office buildings are most often prioritizing occupancy levels; therefore, we expect to see more discounted rental rates.

Supply

Office Spaces Offered For Lease

CBD

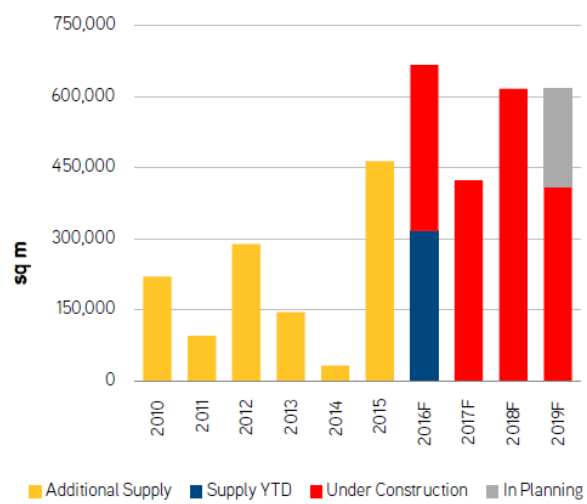
CBD Office Cumulative Supply



Source: Colliers International Indonesia - Research

Eleven office buildings are expected to be completed, providing a total of around 670,000 sq m of additional office spaces in 2016. As of Q2 2016, after Centennial Tower officially began operation last quarter, three office buildings opened afterwards, which include Sinarmas MSIG, International Financial Centre 2 and Capital Place. These three office buildings contributed 215,511 sq m of spaces, bringing about a total, cumulative office area in the CBD to 5.46 million sq m, as of Q2 2016. With several office buildings in the pipeline, we expect more new buildings to be completed in the second semester to provide about 5.81 million sq m by the end 2016, or a growth of 12.2% YoY.

CBD Annual Supply



Source: Colliers International Indonesia - Research

Quoted from Colliers' earlier report, 35 office buildings will be completed between 2016 and 2019, creating 2.38 million sq m of new office spaces. However, we revised this projection as of Q2 2016 due to the change in the completion schedule of a few buildings. The current projected number for the same period slightly decreased to 2.28 million sq m, contributed by 34 office buildings. Three office buildings decided to reschedule their completion after 2019.

Looking at how things are progressing, the construction of most of the new office buildings is already underway. Around 70% of the total number of office buildings that are scheduled for completion in 2018 – 2019 have already began construction works.

On the back of a buoyant, long-term growth projection of Indonesia's economy, some developers (international and local) plan to launch their new office projects in the CBD. Five office buildings (not yet included in the pipeline list) with leasable area around 80,000 sq m will be developed around Rasuna Said and Sudirman.

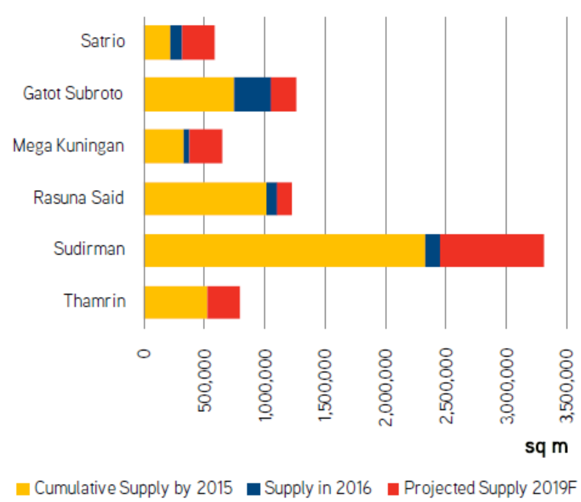
There is also a very likely option to redevelop existing projects, to allow landlords to maximise plot ratio of the land. With a primary location near future MRT stations in Sudirman, at least four developers plan to redevelop their existing office buildings and replace them with modern and taller buildings. Two office buildings within a commercial compound were already demolished in 2015. By this quarter, the developers have started redeveloping a new tower, Centennial Millennium, after demolishing two office towers – CIMB Plaza and Sequis Plaza. Scheduled for completion in 2019, Centennial Millennium would provide around 100,000 sqm of office spaces.

More office buildings in the CBD are being demolished. Two old and relatively small office buildings – Wisma Sudirman and Nugra Santana – will likely be torn down in the future. Thus far, these buildings are still in operation.

In Rasuna Said, Graha Surya Internusa was demolished last year and will be replaced by SSI Tower. Construction has already commenced. Other office buildings are on schedule to be completed in 2020. Two land plots in Sudirman will potentially become future office buildings developed by two foreign developers. Pertamina also indicated to build a new tower in Rasuna Said.

Four office buildings that will occupy more than 50,000 sq m will make the Gatot Subroto submarket the biggest office space contributor in 2016. Gatot Subroto will contribute 47% of the total additional office spaces in 2016, larger than Sudirman by 19%. However, given a huge projected supply in 2017 – 2018, Sudirman will still be the major contributor of office spaces in the future. Sudirman will see a total of 754,805 sq m of additional office spaces that will be contributed by nine office buildings.

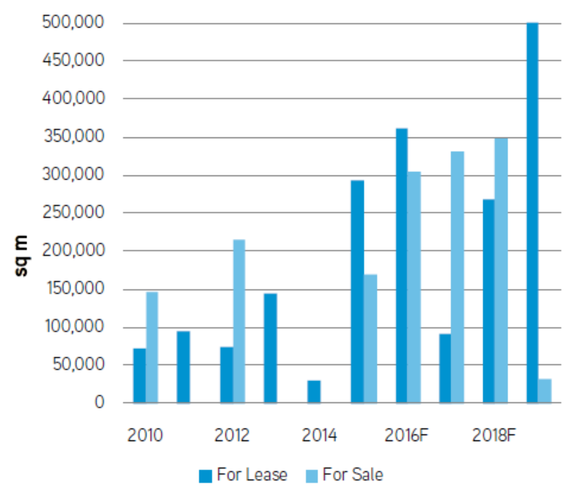
CBD Cumulative Supply Based on Area



Source: Colliers International Indonesia - Research

In the CBD, the "office for lease" type is the most common office type. After a dormant 2013 – 2014, the "office for sale" (strata-title office) type started to inflate in number. The annual supply projection of strata-title offices will be 320,000 sq m per annum, from 2016 to 2019. Except in 2019, the annual supply might go down, but the number is not fixed because anything that would be available in 2019 could only be seen in the next quarters. From 2016 to 2018, about 14 future office buildings will produce 842,820 sq m of office spaces for sale, 59% higher than office spaces for lease.

CBD Annual Supply Based on Marketing Scheme



Source: Colliers International Indonesia - Research

Outside the CBD

As of Q2 2016, five office buildings officially began operation outside the CBD. Some of these buildings are found in South Jakarta – L'Office, Office Tower at Niffaro and Nariba Office Tower. One is in West Jakarta (Soho Capital at Podomoro City) and another in North Jakarta (Altira). The total area of new office spaces this quarter is 150,000 sq m, bringing a cumulative supply to 2.89 million sq m, for a growth of 12% YoY.

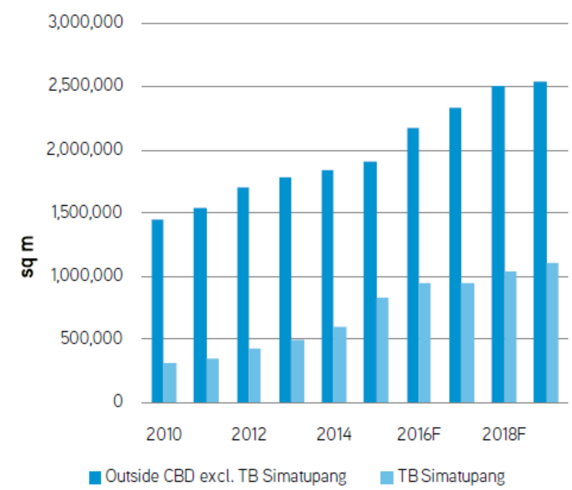
At least 10 office buildings have been in operation outside the CBD YoY. The market is anticipating another nine office buildings to be completed by the end of 2016, and this will bring a cumulative supply to over 3 million sq m. In 2016, new office buildings will still be mainly found in South Jakarta (50% of the total office spaces in 2016). In South Jakarta, Mampang and Pasar Minggu corridors arose as new potential commercial areas for office development, besides the already established TB Simatupang and Pondok Indah areas.

We expect to see additional 381,059 sq m of office spaces outside the CBD in 2016, 40% of which has already begun operation in the first semester. All future office buildings for 2016 will likely be finished as scheduled this year, based on how the current construction is progressing. Thus far, from the list of future office buildings in 2017 to 2019, almost 50% are already under construction. About three office buildings will probably start construction faster than scheduled, two of which – The Manhattan Tower 2 and Arkadia Tower G – are located in TB Simatupang.

Meanwhile, some developers have a different perspective and see such construction developments over the next few years with alarm, and therefore might reschedule their project launch time.

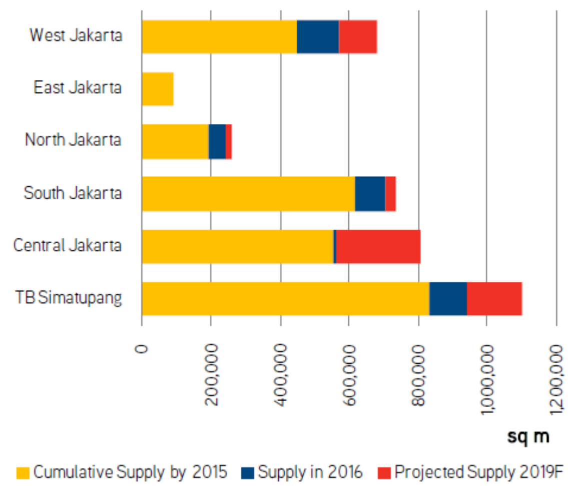
From 2016 to 2019, the projected cumulative supply in TB Simatupang will grow moderately, with an additional seven new office buildings. Cibis Tower, South Quarter Tower 3 and Zuria Tower will become available and are expected to begin operation by the end of 2016.

Outside the CBD Cumulative Supply



Source: Colliers International Indonesia - Research

Outside the CBD Cumulative Supply Based on Area



Source: Colliers International Indonesia - Research

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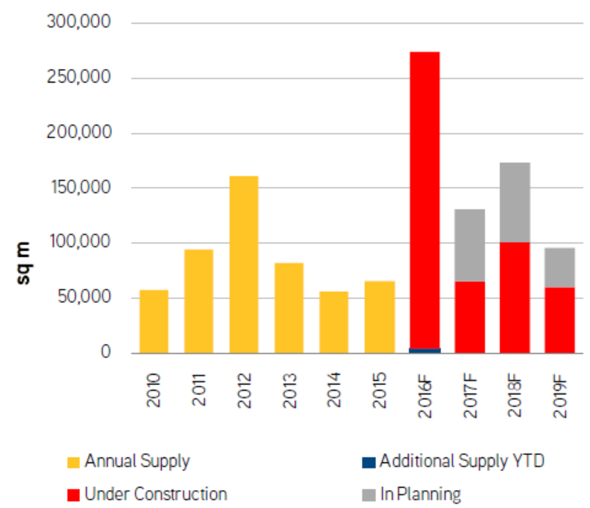
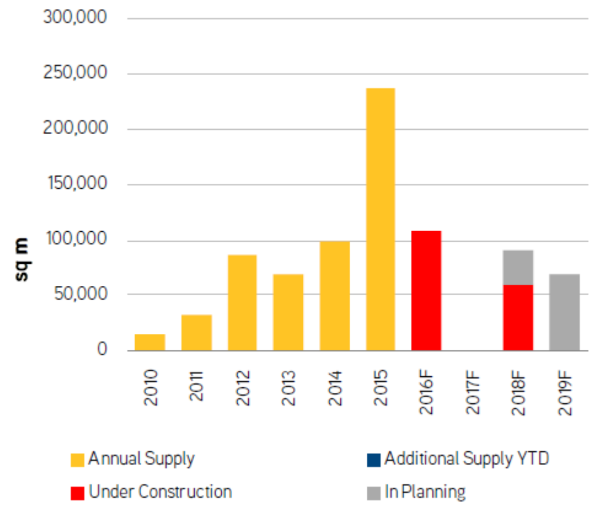
Outside the CBD excluding TB Simatupang Annual Supply



Source: Colliers International Indonesia - Research

TB Simatupang Annual Supply



Source: Colliers International Indonesia - Research

New Supply Pipeline

PROJECTED COMPLETION	OFFICE BUILDING PROJECTS NAME	LOCATION	SGA* (SQ M)	MARKETING SCHEME	STATUS DEVELOPMENT
CBD					
2016	Telkom Landmark Tower II	Gatot Subroto	65,000	For Lease	Under Construction
2016	Convergence	Rasuna Said	36,367	For Lease & Sale	Under Construction
2016	Menara Palma 2	Rasuna Said	50,000	For Lease	Under Construction
2016	Ciputra World Jakarta 2	Satrio	70,000	For Lease & Sale	Under Construction
2016	Satrio Tower	Satrio	31,604	For Lease	Under Construction
2016	The Tower	Gatot Subroto	56,492	For Sale	Under Construction
2016	Menara Pertiwi	Mega Kuningan	41,456	For Sale	Under Construction
2017	PCPD Tower	Sudirman	90,500	For Lease	Under Construction
2017	T Tower	Gatot Subroto	24,000	For Lease & Sale	Under Construction
2017	Lippo Thamrin Office Tower	Thamrin	16,500	For Sale	Under Construction
2017	Prosperity Tower (within District 8 complex)	Sudirman	71,545	For Sale	Under Construction
2017	Treasury Tower (within District 8 complex)	Sudirman	139,000	For Sale	Under Construction
2017	Sopo Del Tower B	Mega Kuningan	39,200	For Sale	Under Construction
2018	Mangkuluhur Tower	Gatot Subroto	53,000	For Lease & Sale	Under Construction
2018	Sopo Del Tower A	Mega Kuningan	64,000	For Lease	Under Construction
2018	Sequis Tower	Sudirman	78,000	For Lease	Under Construction
2018	Sudirman 7.8 (ex Nugra Santana)	Sudirman	52,000	For Sale	Under Construction
2018	Tower Two at The City Center	Sudirman	101,260	For Lease	Under Construction
2018	World Trade Center III	Sudirman	70,000	For Lease	Under Construction
2018	World Capital Tower	Mega Kuningan	72,000	For Lease & Sale	Under Construction
2018	Tower 2 @ Ciputra World Jakarta 1	Satrio	70,000	For Lease & Sale	Under Construction
2018	Astra Tower	Sudirman	80,000	For Lease	Under Construction
2019	Icon Tower	Sudirman	72,500	For Lease	Under Construction
2019	Thamrin Nine	Thamrin	97,500	For Lease	Under Construction

continued

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PROJECTED COMPLETION	OFFICE BUILDING PROJECTS NAME	LOCATION	SGA* (SQ M)	MARKETING SCHEME	STATUS DEVELOPMENT
					continuation
2019	Indonesia Satu	Thamrin	150,000	For Lease	Under Construction
2019	The Hundred	Mega Kuningan	45,000	For Lease	In Planning
2019	Chitaland	Satrio	90,000	For Lease	Under Construction
2019	Plaza Gani Djemat 2	Thamrin	8,000	For Lease	In Planning
2019	Gran Rubina Tower 2	Rasuna Said	32,000	For Sale	In Planning
2019	Centennial Millenium	Sudirman	100,000	For Lease	Under Construction
OUTSIDE CBD EXCLUDE TB SIMATUPANG					
2016	ST Moritz Office Tower	Puri Indah	19,500	For Sale	Under Construction
2016	Puri Indah Financial Tower	Puri Indah	38,500	For Sale	Under Construction
2016	Gallery West	Kebun Jeruk	29,000	For Sale	Under Construction
2016	Harton Tower	Kelapa Gading	8,000	For Lease	Under Construction
2016	Tamansari Parama	Wahid Hasyim	10,800	For Sale	Under Construction
2016	One Belpark Office	Pondok Labu	17,800	For Lease	Under Construction
2017	Soho Pancoran	Pancoran	30,000	For Sale	Under Construction
2017	BKP Office Tower	Sunter	16,000	For Lease	Under Construction
2017	Hermina Office Building	Kemayoran	20,000	For Sale	Under Construction
2017	Ciputra International Puri 1 Phase 1	Puri	15,000	For Lease	In Planning
2017	Ciputra International Puri 2 Phase 1	Puri	20,000	For Lease	In Planning
2017	Ciputra International Puri 3 Phase 1	Puri	30,000	For Lease	In Planning
2018	Lippo Tower Holland Village	Cempaka Putih	27,000	For Sale	In Planning
2018	One Tower	Kemayoran	21,400	For Sale	Under Construction
2018	Ciputra Twin Tower 1	Kemayoran	40,000	For Sale	Under Construction
2018	Ciputra Twin Tower 2	Kemayoran	40,000	For Lease	Under Construction
2018	Ciputra International Puri Phase 2	Puri	15,000	For Lease	In Planning
2018	Ciputra International Puri 1 Phase 3	Puri	15,000	For Lease	In Planning
2018	Ciputra Internatinal Puri 2 Phase 3	Puri	15,000	For Lease	In Planning
2019	MNC Tower II	Kebon Sirih	60,000	For Lease	Under Construction
2019	Jakarta Box Tower	Kebon Sirih	36,000	For Lease	In Planning
TB SIMATUPANG					
2016	South Quarter Tower 3		40,778	For Lease	Under Construction
2016	Zuria Tower		6,584	For Lease	Under Construction
2016	Cibis Tower		60,800	For Lease & Sale	Under Construction
2018	The Sima		60,000	For Lease	Under Construction
2018	Beltway Office Park Tower 4		30,839	For Lease	In Planning
2019	Arkadia Tower G		30,000	For Lease	In Planning
2019	The Manhattan Square Tower 2		39,375	For Lease & Sale	In Planning

Source: Colliers International Indonesia - Research

Demand

CBD

Occupancy Changes in the CBD

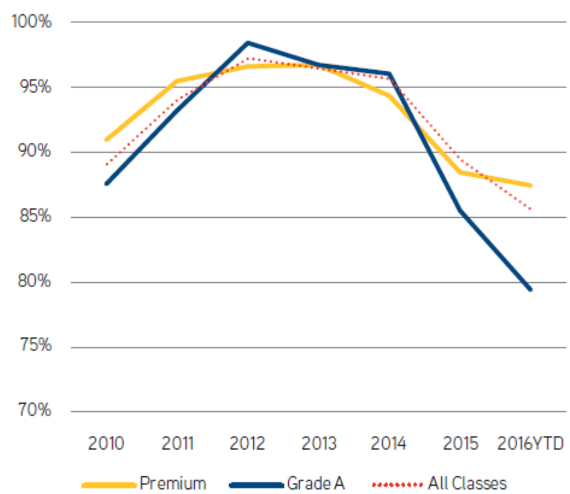
OFFICE BUILDING GRADE	Q4 2015	YTD	Q2 2016	YoY	Q2 2015
All Classes	89.4%	↓	85.6%	↓	93.7%
Grade A	85.5%	↓	79.4%	↓	95.8%
Premium Classes	88.5%	↓	87.4%	↑	81.5%

Source: Colliers International Indonesia - Research

Occupancy rate revealed a declining trend in the last two years. As of Q2 2016, occupancy was recorded at 85.6%, which is a historic low since 2005. A considerable decline in occupancy by 3% QoQ was mainly triggered by the influx of more than 200,000 sq m additional office spaces during the quarter and mainly with high vacancy. Also, occupancy performance of some old office buildings dropped since old tenants have re-located.

Occupancy generally plunged across all office grades. With the absence of new supplies during the quarter, occupancy of premium buildings was also down. Historically, occupancy of premium buildings hovered at above 90% since 2010. More vacant spaces were seen during the quarter in three premium office buildings. Overall occupancy rate of offices at this grade was down 2% to 87.4%.

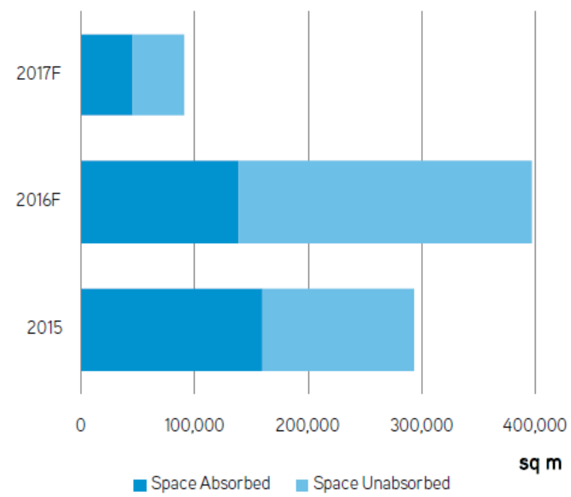
Average Occupancy Rates in the CBD



Source: Colliers International Indonesia - Research

The pre-committed occupancy of office spaces for lease in 2015 and 2017 also grew slowly. Thus far, pre-committed occupancy only reached 43.4% as of Q2 2016. The market has been through the first half of 2016, nevertheless only 35% of the total office space in 2016 has been absorbed. Further, only 54% of the total new office spaces available in 2015 were absorbed. Given a normal annual demand projection in the CBD, which used to range around 250,000 sq m, this year would be a very challenging situation for office market to catch up with the huge number vacant spaces. The good thing so far is that the amount of 2017 annual supply will be marginal, which would help stabilise the market, although the number of strata-title will be quite significant.

Pre-Committed Occupancy of Office Buildings for Lease in the CBD (2015 – 2017)



Source: Colliers International Indonesia - Research

Outside the CBD

Occupancy Changes in Outside the CBD

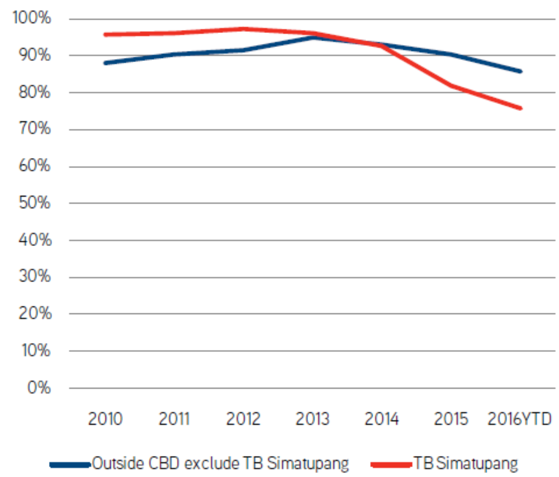
AREA	Q4 2015	YoY	Q2 2016	QoQ	Q2 2015
Outside the CBD excluding TB Simatupang	89.4%	↓	85.6%	↓	93.7%
TB Simatupang	88.5%	↓	87.4%	↓	81.5%

Source: Colliers International Indonesia - Research

As of Q2 2016, the overall occupancy rate outside the CBD continued on a downward trend and was registered at 84.7%. At least nine office buildings still have more than 10,000 sq m of vacant spaces. All of these office buildings began operation in 2015 and 2016. The openings of new office buildings in West, North and South Jakarta also negatively impacted occupancy rates.

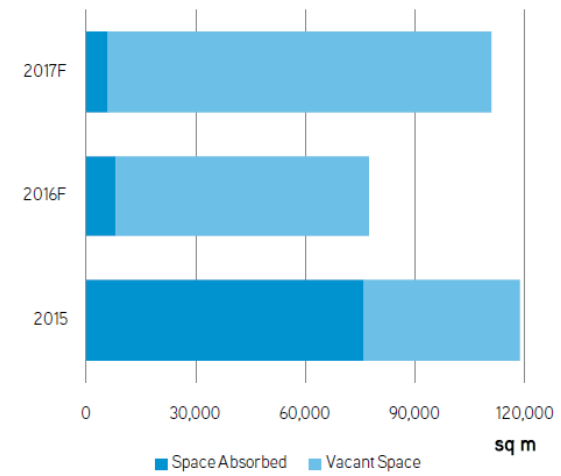
Without additional new office buildings in the market, the occupancy rate was also down in TB Simatupang. Quite a few office buildings located in TB Simatupang, including Pondok Indah, reported a drop in occupancy.

Average Occupancy Rates in Outside the CBD



Source: Colliers International Indonesia - Research

Pre-Committed Occupancy of Office Buildings For Lease in Outside the CBD (2015 – 2017)

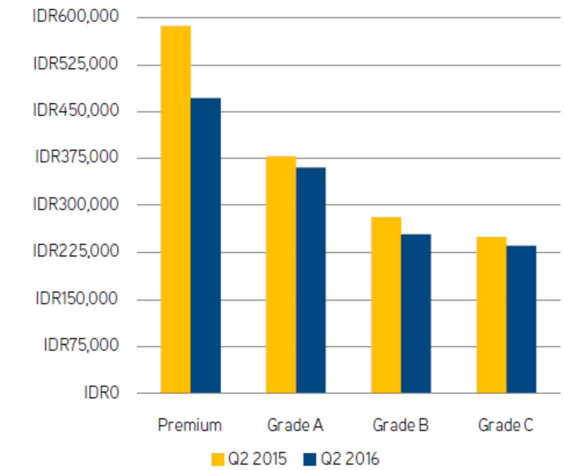


Source: Colliers International Indonesia - Research

Asking Rents

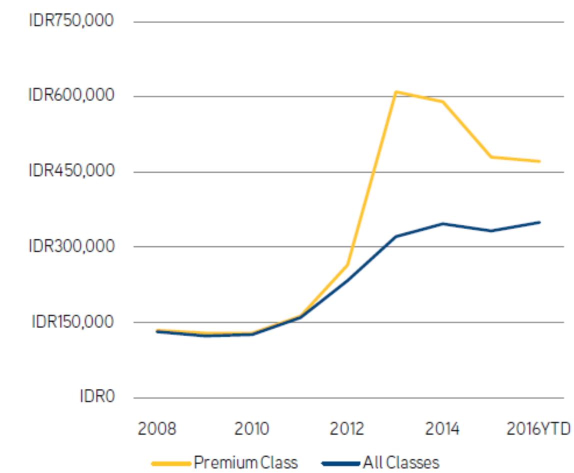
CBD

Average Asking Rents Based on Building Grade



Source: Colliers International Indonesia - Research

Average Asking Rents in the CBD



Source: Colliers International Indonesia - Research

In general, the average asking rents in the CBD for all classes of building were down during the first semester of 2016. About 30 buildings were reported to have lowered their rent quite considerably during this period. However, several Grade-A buildings are becoming new supplies, and are now offering more expensive rental rates compared with the average market. Most of these newly operating buildings started with a high vacancy rate. And because our rental calculation is based on the space available (vacant space), the overall rental rates seems to increase. YTD rental rate changed by 4.2% to record IDR346,222/sq m/month, as of Q2 2016 for all classes of building in the CBD.

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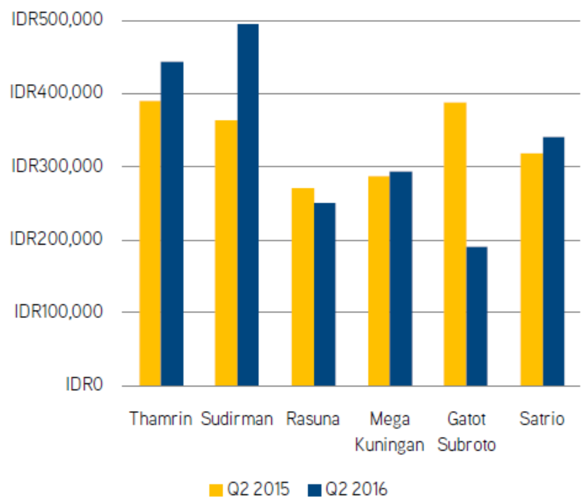
The average base rental for Premium buildings also dropped by 1.3% QoQ. Two buildings of this class lowered their asking rent by 10% during the quarter, thus bringing the average rents to IDR472,293/sq m/month.

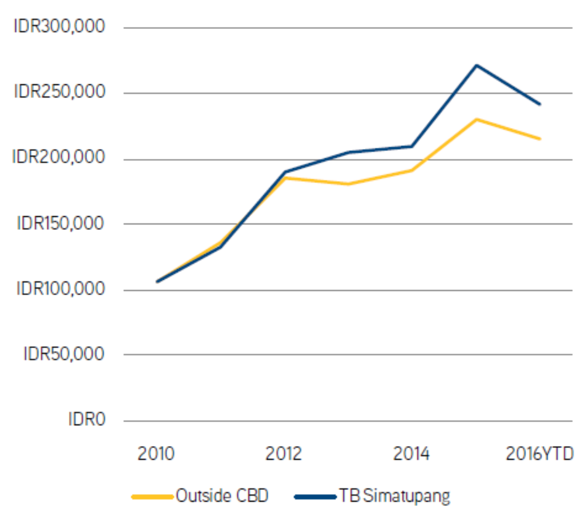
Average Asking Rents Based on Building Area



Source: Colliers International Indonesia - Research

Outside the CBD

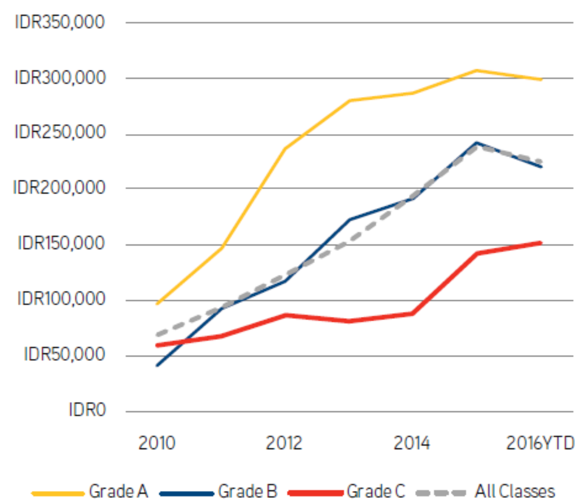
Average Asking Rents in Outside the CBD



As of Q2 2016, the overall rental rate outside the CBD and in TB Simatupang slightly decreased QoQ to a record IDR224,734/sq m/month. Four office buildings located outside TB Simatupang lowered their rents by as much as 30%. Further, the rental rates for newly operating office buildings are relatively below the market price.

In TB Simatupang, average asking rents dropped by 10% for the last six months to IDR242,033/sq m/month. Subsequent to the booming office market in 2012, TB Simatupang continued to become a favourite location, and thus pushed rents to move forward. In some cases, rents were offered at IDR250,000 to IDR350,000/sq m/month. Nevertheless after 2014 – 2015, demand for office spaces contracted, forcing landlords to adjust rents to be more favourable to the market. Nowadays, landlords are quite cautious about the current slowing down, and thus change the overall rental tariff in this area by as much as 20%.

Average Asking Rents Based on Building Grade in Outside the CBD



Source: Colliers International Indonesia - Research

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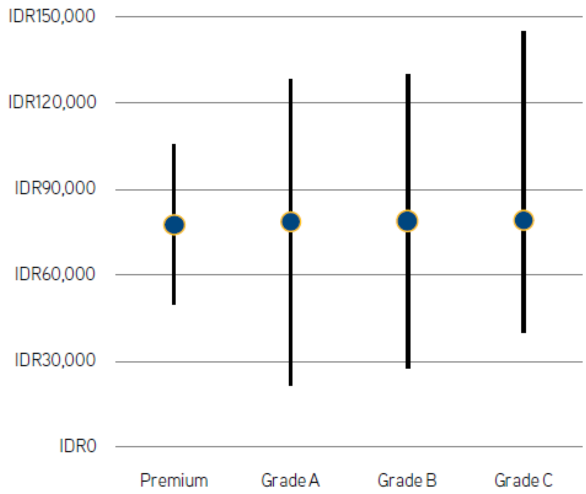
Service Charges

CBD

Service Charges in the CBD



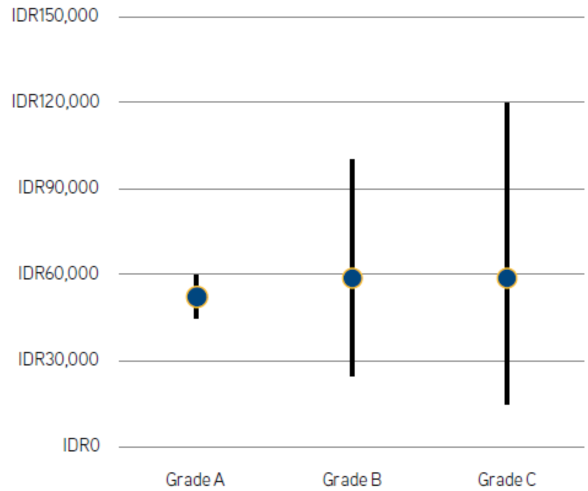
Source: Colliers International Indonesia - Research

As of Q2 2016, average service charge increased 3.9% YTD and was recorded at IDR80,2015/sqm/month. Due to the influx of newly operating office buildings, the average service charge costs for Grade-A buildings registered the highest YTD growth, compared with other grades. As of Q2 2016, service charge was recorded at IDR81,744/sq m/month for Grade-A office buildings.

Lower grade offices may charge higher maintenance tariff. Some Grade-C office buildings in Rasuna Said ask for a more expensive price. However, the overall occupancy costs (base rent and service charge) will be in line with the class and quality of the buildings.

Outside the CBD

Service Charges in Outside the CBD



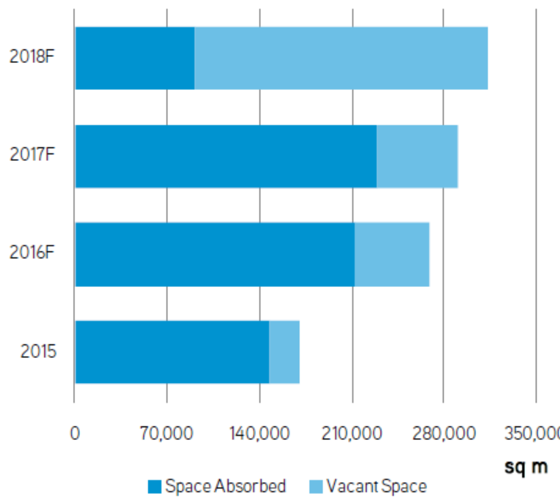
Source: Colliers International Indonesia - Research

The average service charge outside the CBD climbed 9.3% YoY to IDR58,037/sq m/month. Since there is only a few Grade-A office buildings outside the CBD, the figure presented may not well represent the market. This is why the service charge for Grade-A buildings is below IDR100,000/sq m/month only. Although lower-grade buildings reveal higher service charges, the overall occupancy cost (base rental and service charge) are still more expensive in higher-class buildings.

In TB Simatupang, service charges increased 4.6% QoQ and reached IDR62,900/sq m/month. Several office buildings have introduced a new tariff with increment starting from IDR5,000 to IDR15,000.

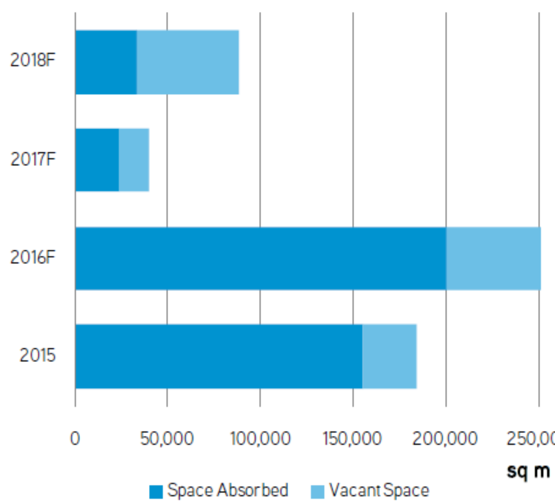
Strata-title Office

Pre-Committed Take-up Rates of Office Buildings For Sale in the CBD (2015 – 2018)



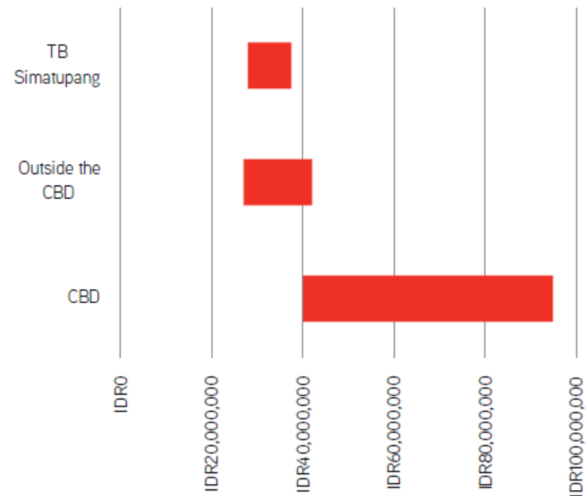
Source: Colliers International Indonesia - Research

Pre-Committed Take-up Rates of Office Buildings For Sale in Outside the CBD (2015 – 2018)



Source: Colliers International Indonesia - Research

Average Asking Prices at New and Future Office Buildings



Source: Colliers International Indonesia - Research

The sales volume of strata-title office spaces in 2016 – 2018 increased around 6% QoQ. The absorption brought the average pre-committed take-up rate to reach around 60% of the total office space for sale (strata-title office) in 2016 – 2018. Meanwhile, for a shorter period, pre-committed take-up rate of offices for sale in 2016 – 2017 achieved around 80% as of Q2 2016. Two future office buildings in Mega Kuningan sold a substantial amount of office spaces, which helped the overall sales performance.

Increasing sales triggered office prices of future office buildings in the CBD to rise to IDR61.3 million/sq m or grew 16.7% YTD. Currently, the asking prices at future strata-title office buildings are between IDR40 million and IDR70 million/sq m. We also noted that some unoccupied spaces in existing office buildings and buildings under construction are offered at the secondary market between IDR40 million and IDR95 million/sq m.

The total area of projected strata-title offices outside the CBD was recorded below 400,000 sq m by 2018, of which 65% has already been sold. However, we only recorded a small absorption of below 3,000 sq m QoQ. The slowdown in sales held asking prices to stay at IDR29 million/sq m.

Meanwhile, prices were relatively flat in TB Simatupang YoY and registered between IDR28 million and IDR38 million/sq m.

Concluding Thought

From a tenant's perspective, we have started seeing a sign of recovery highlighted by mounting office enquiries, despite being yet in relatively modest volume. Potential tenants are quite eager to execute transactions, but such transactions will typically be in considerable sizes, between 100 and 400 sqm. There are quite varied enquiries from different sectors, as we have not yet seen any specific business sector dominating office enquiries. As mentioned above, occupancy rates relatively slowed down. Therefore, even though we have begun to observe increasing leasing activities, transactions typically come from relocation activities and a few relocations with space expansion or even space reduction. This "in and out" activity did not really help fuel the overall occupancy level, because of fewer expansion activities from existing tenants or new investors.

Having said that, we should be more optimistic towards the market condition over the next semester, provided that economy will continue to grow as projected. We also hope that the government is committed to accelerating economy growth by implementing economic deregulation packages including REITs, materialising all the infrastructure plans and getting the green light from the parliament to execute tax amnesty regulation.

Going forward, oversupply condition remains the main concern. We believe, however, that the new plan to build more office buildings would only happen after 2019, considering that many landlords are already fully aware about the current situation.

Retail Sector

Forecast at a glance

Supply
The cumulative retail supply in Jakarta was recorded at 4.47 million sq m while in the BoDeTaBek area, the cumulative supply was 2.39 million sq m. Three shopping centres totaling 78,000 sq m will be added to the supply in Jakarta by the end of 2016.

Demand
Fashion and F&B retailers remained active in searching for retail space. We anticipate big retailers like department stores, supermarkets and cinemas will continue to expand.

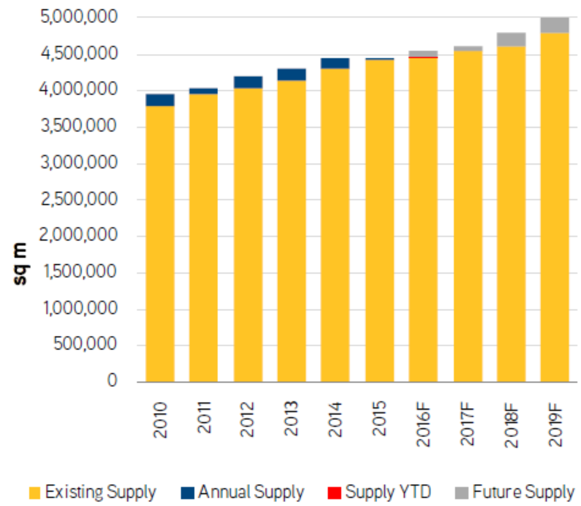
Occupancy
Occupancy in DKI Jakarta has been hovering for quite sometime at around 86%. With a limited amount of new supply, occupancy is expected to remain relatively unchanged by the end of 2016.

Rent
The overall rental tariff is likely to increase next year particularly because of continued demand for space in upper class malls.

Supply

Jakarta

Cumulative Supply



Source: Colliers International Indonesia - Research

The beginning of Bassura City Mall's operation during the quarter marked it as the only new supply of shopping centre during the first semester of 2016 in Jakarta. The mall is located within a mixed-use development called Bassura City in East Jakarta. By contributing circa 21,000 sq m of additional retail space, the retail cumulative supply in Jakarta was recorded at 4.47 million sq m as of Q2 2016, showing a growth below 1% YoY. The cumulative supply is expected to grow gradually in Jakarta. Around 63% of the future supply in 2016–2019 are still in the planning stage as of 2Q 2016. Thus far, retail moratorium in certain commercial areas in Jakarta still exists but is likely subject to be ceased in line with the improvement in transportation infrastructure. There might be some plans of new shopping centre developments in the CBD area, but this has not yet been officially announced in the market.

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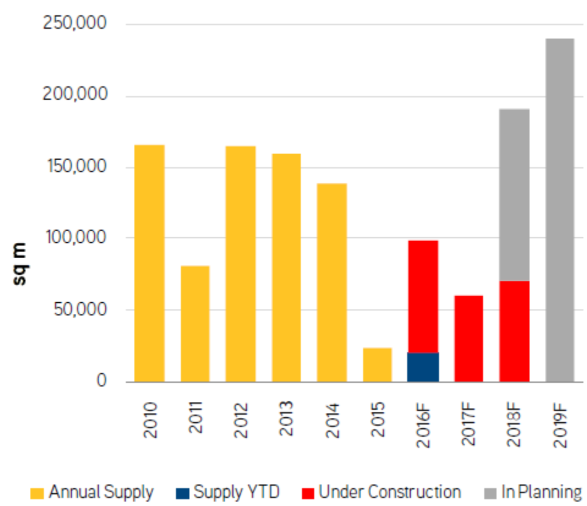
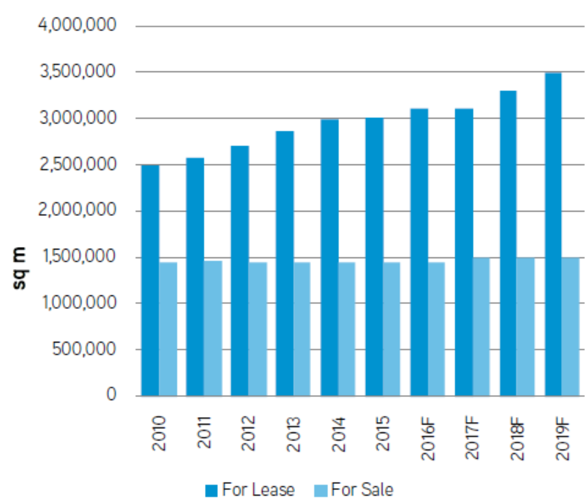
Fifteen shopping centres have gradually begun operations within the last five years in Jakarta. Nine of these shopping centres are located in integrated residential developments (apartments) to benefit from the local population. Lippo Mall Puri (opened in 2014), One Belpark Mall (2015) and Bassura City Mall (2016) are the three latest operating shopping centres taking advantage of the surrounding massive residential developments.

Annual Retail Supply



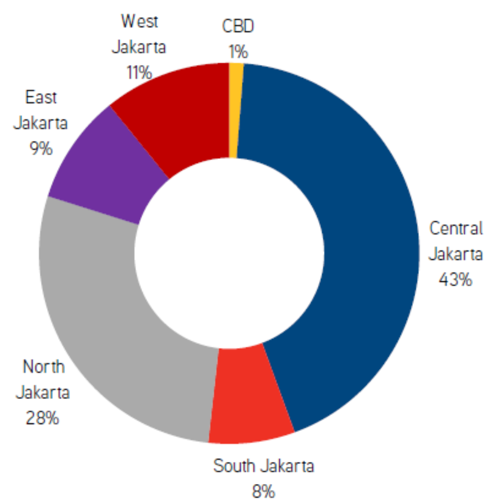
Source: Colliers International Indonesia - Research

Cumulative Supply Based on Marketing Scheme



Source: Colliers International Indonesia - Research

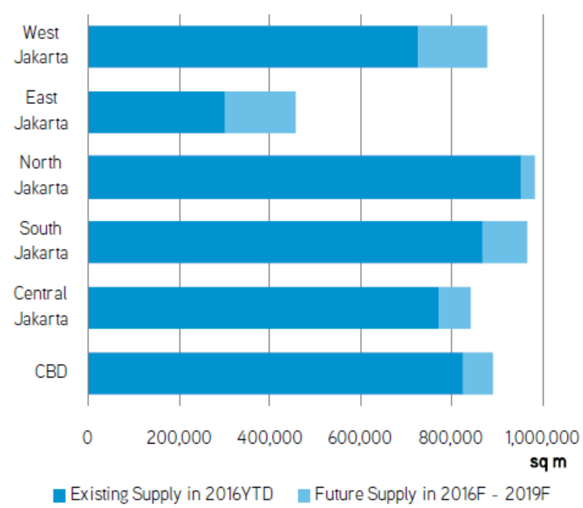
Distribution of Retail Spaces for Sale Based on Area



Source: Colliers International Indonesia - Research

The supply growth of retail spaces for sale (strata-title) has been relatively flat. Jakarta has seen no addition of retail spaces for sale since 2012. Retail spaces for sale were recorded at 1.5 million sq m, representing 32.2% of the total retail supply as of Q2 2016. Going forward, New Harco Glodok seems to be the only future supply of strata-title shopping centres in Jakarta. The 60,000 sq m of retail space from this retail centre is projected to add additional 4.2% strata-title supply by 2019.

Retail Supply Based on Area



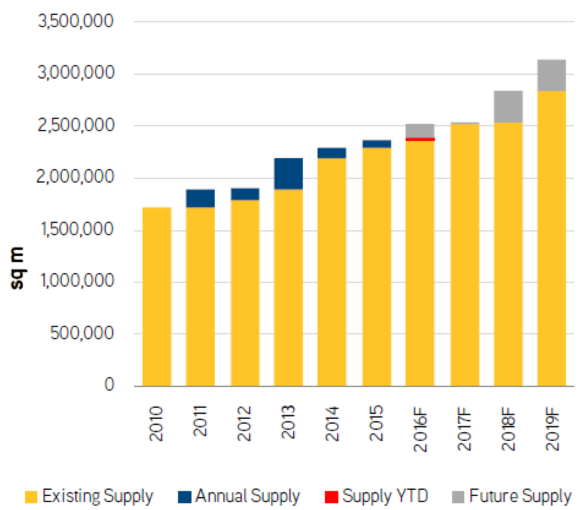
Source: Colliers International Indonesia - Research

Previously, we recorded at least 11 existing trade centres having a net lettable area (NLA) of 50,000 sq m and more in Jakarta. Most of these trade centres are located in Central and North Jakarta, which have a long history as trading areas. Therefore, these areas provide the largest strata-title retail space of around 70% of the total retail space for sale in Jakarta as of Q2 2016.

From the chart above, except for East Jakarta, the other regions contributed more than 700,000 sq m of retail space as of Q2 2016. Going forward, East Jakarta is expected to become the most active region in contributing more retail space in the future, together with West Jakarta. Thus far, based on construction progress, only AEON Mall Jakarta Garden City is in the construction stage.

Greater Jakarta

Cumulative Supply

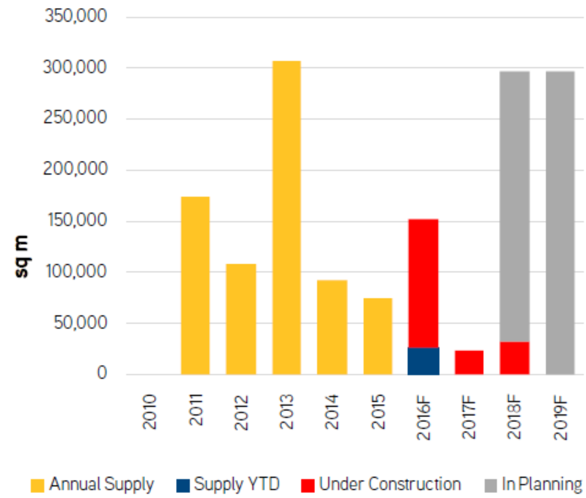


Source: Colliers International Indonesia - Research

After developing Mal Metropolitan, Grand Metropolitan and Plaza Tambun (all of these are located in Bekasi), PT Metropolitan Land, Tbk, the owner company, confirmed the beginning of the operation of Metropolitan Mall Cileungsi. This became the additional supply in BoDeTaBek (greater Jakarta) area. This shopping centre, which is geographically located in Bogor Regency, contributed 26,500 sq m of new retail space and brought the cumulative supply to 2.39 million sq m as of Q2 2016.

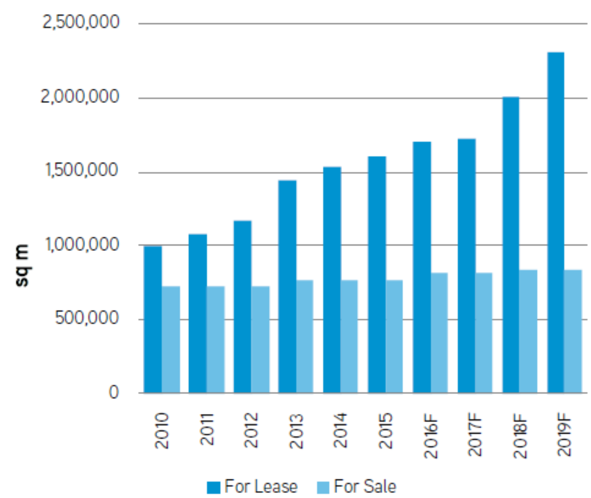
BoDeTaBek will see more future supply than Jakarta. Sixteen future shopping centres will contribute around 740,000 sq m from now up to 2019. Projected annual supply will be around 185,000 sq m in BoDeTaBek. Based on construction progress, most of these future shopping centres are in the planning stage, particularly shopping centres scheduled for completion in 2018–2019.

Annual Retail Supply



Source: Colliers International Indonesia - Research

Cumulative Supply Based on Marketing Scheme



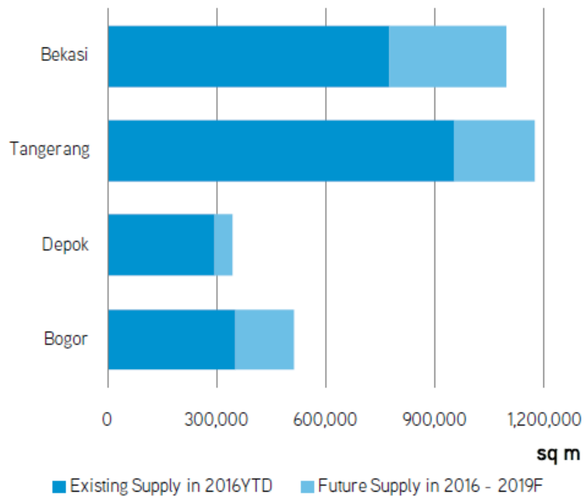
Source: Colliers International Indonesia - Research

Total retail space for sale was recorded at 763,228 sq m, representing 32% of the total supply in BoDeTaBek area. This composition is similar to that Jakarta. BoDeTaBek will still expect two other future strata-title centres for sale up to 2019, namely, Bekasi Trade Centre 2 (located in Bekasi) and Vivo Trade Mall (in Bogor).

In greater Jakarta area, Tangerang and Bekasi continue to provide the most number of retail spaces compared to other regions. The projected cumulative supply in each of these areas will exceed one million sq m by 2019. Up to 10 of the 16 future shopping centres in greater Jakarta will be located in Tangerang and Bekasi.

AAA. Asean Athletic Association

Retail Supply Based on Area



Source: Colliers International Indonesia - Research

New Supply Pipeline

SHOPPING CENTRE	DEVELOPER	LOCATION	REGION	NLA (SQ M)	DEVELOPMENT STATUS
JAKARTA					
2016					
Pantai Indah Kapuk Mall	Agung Sedayu	Pantai Indah Kapuk	North Jakarta	30,000	Under Construction
Shopping Mall @ Pancoran	Agung Podomoro	Pancoran	South Jakarta	8,000	Under Construction
Neo SOHO Mall (Podomoro City)	Agung Podomoro	Slipi	West Jakarta	40,000	Under Construction
2017					
New Harco Plaza	Agung Podomoro	Glodok	West Jakarta	60,000	Under Construction
2018					
AEON Mall Garden City	Aeon	Cakung	East Jakarta	71,000	Under Construction
Mall @ Green Pramuka City	Duta Paramindo Sejahtera	Pramuka	North Jakarta	30,000	In Planning
Mal Puri Indah 2	Antilope Madju Puri Indah	Puri Indah	West Jakarta	50,000	In Planning
Shopping Mall at Podomoro Park	Agung Podomoro	Buaran	East Jakarta	40,000	In Planning
2019					
Holland Village Mall	Lippo Karawaci	Cempaka Putih	Central Jakarta	40,000	In Planning
Mall at The City Center	Greenwood	Mas Mansyur	CBD	65,000	In Planning
Grand Metro Cipulir	Priamanaya	Cipulir	South Jakarta	30,000	In Planning
Pondok Indah Mall 3	Metropolitan Kentjana	Pondok Indah	South Jakarta	60,000	In Planning

continued

SHOPPING CENTRE	DEVELOPER	LOCATION	REGION	NLA (SQ M)	DEVELOPMENT STATUS
					continuation
BoDeTaBek					
2016					
Bekasi Trade Center 2	Gapura Prima	Bulak Kapal	Bekasi	56,000	Under Construction
Q Big	Sinarmas Land	BSD City	Tangerang	69,000	Under Construction
2017					
Grand Dhika City Mall	Adhi Persada Realty	Bekasi City	Bekasi	24,000	Under Construction
2018					
Plaza Indonesia Jababeka	Plaza Indonesia & Graha Buana Cikarang	Jababeka	Bekasi	55,685	Under Construction
AEON Mall Deltamas	Aeon	Deltamas	Bekasi	90,000	In Planning
AEON Mall Sentul	Aeon	Sentul	Bogor	15,000	In planning
Living World Jababeka	Kawan Lama	Jababeka	Bekasi	18,000	In Planning
Vivo Shopping Mall	Megapolitan	Cibinong	Bogor	20,000	Under Construction
Vivo Trademall	Megapolitan	Cibinong	Bogor	13,000	In Planning
2019					
AEON Mall Bogor	Aeon				In Planning
Embarcadero	Lippo Karawaci	Bintaro	Tangerang	30,000	In Planning
Hollywood Central	Graha Buana Cikarang	Cikarang	Bekasi	25,000	In Planning
Kota Harapan Indah	Hasana Damai Putera	Medan Satria	Bekasi	51,000	In planning
Lippo Grand Mall	Lippo Karawaci	Karawaci	Tangerang	120,000	In Planning
Mall at Pesona Square	Menara Depok Asri	Juanda	Depok	30,000	In Planning
Mall at Green Lake	Cempaka Group	Cimanggis	Depok	20,000	In Planning

Source: Colliers International Indonesia - Research

Occupancy

Jakarta

Global Retail Development Index 2016

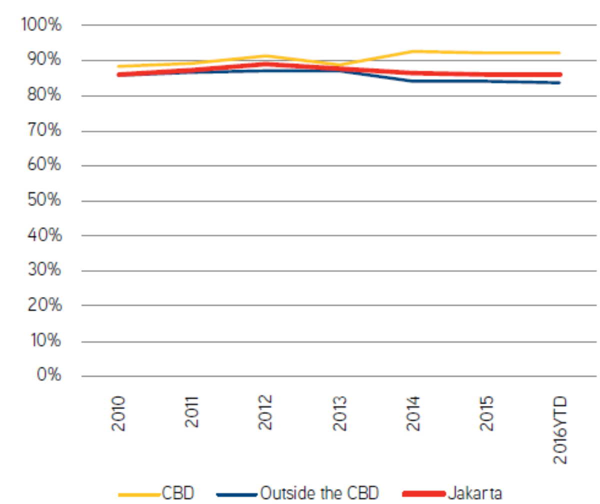
2016 RANK	COUNTRY	MARKET SIZE (25%)	COUNTRY RISK (25%)	MARKET SATURATION (25%)	TIME PRESSURE (25%)	GRDI SCORE	POPULATION	GDP PER CAPITA, PPP	NATIONAL RETAIL SALES ($ BILLION)
1	China	100.0	61.2	36.2	92.5	72.5	1,372	14,190	3,046
2	India	53.7	54.3	75.8	100.0	71.0	1,314	6,209	1,009
3	Malaysia	81.2	83.4	23.5	50.4	59.6	31	26,141	93
4	Kazakhstan	56.4	37.3	61.9	70.2	56.5	18	24,346	48
5	Indonesia	64.3	38.9	50.2	68.9	55.6	256	11,112	324
6	Turkey	85.9	46.4	31.9	53.1	54.3	78	20,277	241
7	United Arab Emirates	95.2	100.0	1.3	18.0	53.6	10	66,997	69
8	Saudi Arabia	91.2	64.9	21.3	31.5	52.2	32	53,565	109
9	Peru	47.3	52.8	50.4	57.2	51.9	31	12,077	70
10	Azerbaijan	33.9	30.8	80.9	59.3	51.2	10	18,512	17

Source: AT Kearney

AAA. Asean Athletic Association

Despite being recorded among the top five rankings in the Global Retail Development Index (GRDI) report 2016, the retail market in Jakarta has yet to show brisk performance. Occupancy has been hovering for quite some time and was recorded at 86% as of Q2 2016. Two newly operating shopping centres with under-performing occupancy for the previous year also caused overall occupancy to slightly decrease YTD. Nonetheless, Indonesia's huge population is still appealing to foreign retailers, as reflected in the burgeoning foreign retail investments in Indonesia, particularly in Jakarta. Dubai-based Lulu opened its first hypermarket in Cakung, East Jakarta. Meanwhile, Courts (Singapore), Lotte (South Korea), Jysk (Denmark), Uniqlo (Japan), IKEA and H&M (Sweden) have big plans to expand business in Indonesia, particularly in Jakarta.

Occupancy Rates



Source: Colliers International Indonesia - Research

The CBD remains an attractive location for branded local and foreign businesses for expansion. This has caused a wide gap in the occupancy rates of the CBD and areas outside the CBD since 2014. Nevertheless, amid limited retail space in the CBD, the occupancy only grew moderately during the first semester of 2016 and was registered at 92%.

Meanwhile, average occupancy outside the CBD has been recorded at below 85% since 2014. After hovering at 84% for the last two quarters, the average occupancy declined mildly to 83.8% as of Q2 2016. However, we still noted a number of leasing activities at some shopping centres QoQ, particularly in North Jakarta, as can be seen in the following table.

Occupancy Outside the CBD Based on Area

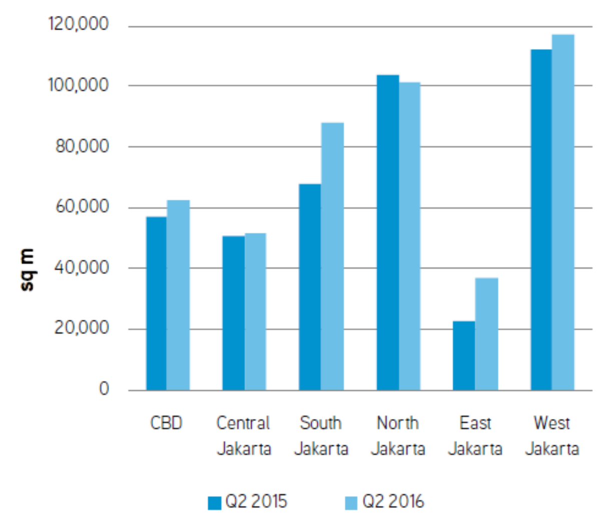
AREA	Q2 2015	Q4 2016	Q2 2016
South Jakarta*	91.10%	88.50%	88.60%
Central Jakarta*	73.10%	72.60%	72.60%
North Jakarta	84.50%	83.90%	84.90%
East Jakarta	87.40%	88.10%	82.20%
West Jakarta	81.50%	81.10%	80.70%

*excluding areas considered as the CBD

Source: Colliers International Indonesia - Research

South and East Jakarta maintained the occupancy rates at 88%. However, the overall occupancy rates in East Jakarta plunged quite significantly to 82.2% following the beginning of Bassura City Mall's operation. Areas outside the CBD will see the completion of three future shopping centres in the remainder of 2016. The start of the operation of the future Pantai Indah Kapuk Mall and Neo Soho Mall at Podomoro City in the first year may impact the projected overall occupancy.

YoY Comparison: Number of Vacant Spaces Based on Area



Source: Colliers International Indonesia - Research

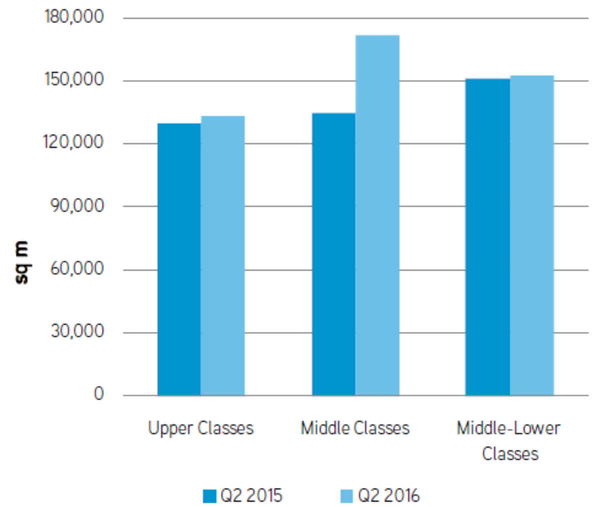
Occupancy Based on Mall Grade

MALL GRADE	Q2 2015	Q4 2016	Q2 2016
Upper Class	91.6%	90.8%	90.9%
Middle Class	88.5%	86.3%	85.7%
Middle Lower Class	77.5%	77.7%	77.3%

AAA. Asean Athletic Association

Based on mall grade, the occupancy for upper-class shopping centres was recorded at 90.9% and has been relatively stable QoQ. In the middle lower class, occupancy slightly fluctuated within the last year. At least four shopping centres of this class (located in Slipi, Blok M, Koja and Cengkareng) hold a large vacant space, which brought the average occupancy to relatively decline YoY. One of these four shopping centres is undergoing renovation and upgrading of the tenancy mix. The QoQ occupancy rate at middle-class shopping centres was somewhat corrected mainly because of the increasing vacant spaces at several shopping centres located in Cilandak, Blok M, Rasuna Said, Kelapa Gading and Mas Mansyur. More vacant spaces during this period were contributed by newly operating shopping centres in 2015–2016. Apart from that, some retailers are now doing fit-outs for their stores, which are seemingly ready to be occupied around the end of 2016.

YoY Comparison: Number of Vacant Spaces Based on Mall Grade



Source: Colliers International Indonesia - Research

New Tenants at Some Shopping Centres in Jakarta

SHOPPING CENTRE	AREA	NEW TENANT
Mall Taman Anggrek	West Jakarta	WB Jewelry
Mall Puri Indah	West Jakarta	Celebrity Fitness
Central Park Mall	West Jakarta	Fossil, Tag Heuer, Sephora, Dharma Kitchen, POLO, Kitchen Art, Chung Gi Wa Korean BBQ, Puma, Planet Sports, Jade Wong
Pluit Junction	North Jakarta	Hero Supermarket
Citywalk Sudirman	Central Jakarta	Takigawa, Shabu Tei, Gandy Steak

Source: Colliers International Indonesia - Research

Committed Tenants at New and Future Shopping Centres in Jakarta

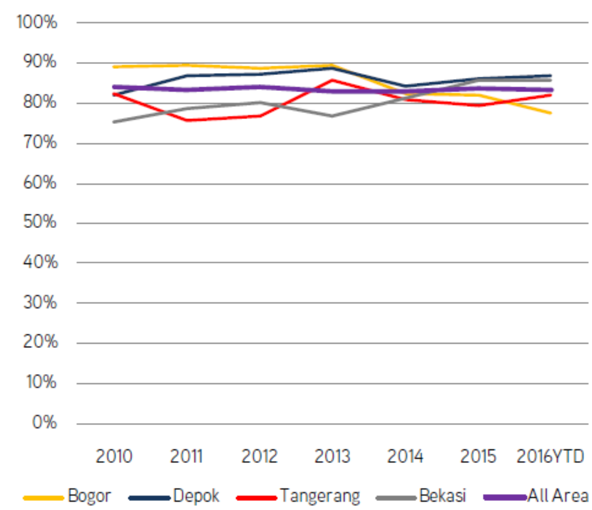
SHOPPING CENTRE	AREA	TENANT NAME
Shopping Mall Pancoran	South Jakarta	Excelso, Nanny's Pavilion, Starbucks, Coffee Bean, Baskin Robins, Chatime, Wendys, Solaria
Neo Soho Mall	West Jakarta	Central Dept Store, Kid Station, Electronic Solution, Pedro, The Body Shop, Clarks, Staccato, Polo Ralph Lauren, Samsonite, Wrangler, Wood, Cotton On, Mango, Nine West, Charles & Keith, Armani Jeans, Furla, Ta Wan, Pizza Hut, Pepper Lunch
Pantai Indah Kapuk Mall	North Jakarta	Uniqlo, The Food Hall, XXI, Ace Hardware, Gold's Gym, Informa, H&M, Optik Melawai, Sports Station, Giordano, Levi's Store, Timberland, Pizza Hut, Starbucks, Excelso
Bassura City Mall	East Jakarta	XXI, Lion Superindo, Optik Melawai, Sports Station, The Body Shop, Starbucks, Imperial Kitchen

Source: Colliers International Indonesia - Research

Greater Jakarta

Except for Bogor, other areas in greater Jakarta recorded relatively better occupancy rates albeit very moderately. Eight shopping centres including Detos (Depok), Ekalokasari (Bogor), Summarecon Mall Bekasi, Grand Metropolitan (Bekasi), Grand Galaxy (Bekasi), Bintaro Xchange, Cinere Bellevue and AEON Mall reported that they have secured additional tenants occupying above 1,000 sq m YoY. Nevertheless, overall occupancy only slightly increased to 83.2% as of Q2 2016. In spite of the fact that newly operating shopping centres have secured pre-committed tenants, the physical occupancy is yet to be recorded because the tenants are mainly in the preparation stage to open stores. BoDeTaBek area is anticipating a large new retail space over the next four years. Given this, we expect an increase in vacant space as the amount of supply will be larger than the historical number of annual demand.

Occupancy Rate Based on Area



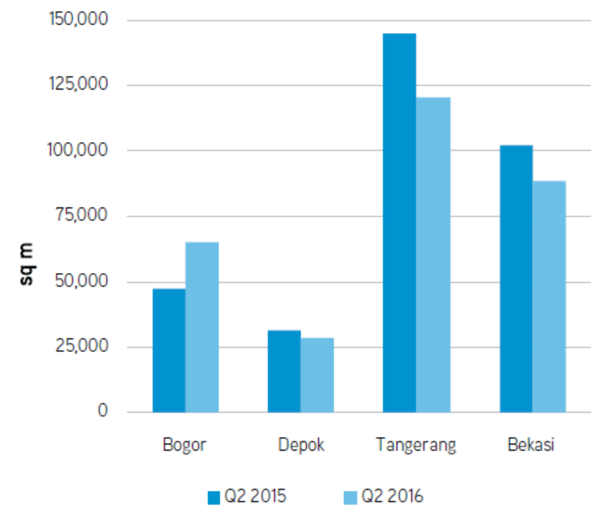
Source: Colliers International Indonesia - Research

Occupancy Based on Area

AREA	Q2 2015	Q4 2016	Q2 2016
Bogor	82.0%	82.0%	77.6%
Depok	85.6%	86.2%	86.9%
Tangerang	78.3%	81.8%	82.0%
Bekasi	83.6%	85.7%	85.8%

Source: Colliers International Indonesia - Research

YoY Comparison: Number of Vacant Spaces in Several Regions



Source: Colliers International Indonesia - Research

The limited number of vacant spaces in Jakarta, particularly in certain shopping destinations, has shifted the expansion target of both local and foreign retailers in certain areas in BoDeTaBek. Demand for retail space from branded retailers is commonly large and entail high-specification premises.

Committed Tenants at New and Future Shopping Centres in Greater Jakarta

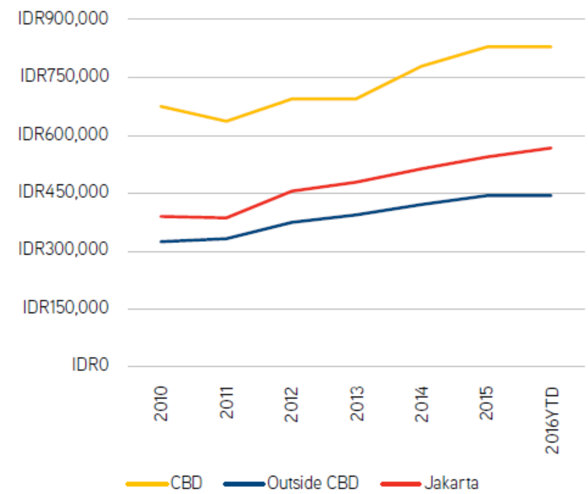
SHOPPING CENTRE NAME	AREA	NEW TENANT
Metropolitan Mall Cileungsi	Bogor	Matahari Department Store, Gramedia, Cinema XXI, Superindo, Eat and Eat, Electronic City, JYSK
Vivo Lifestyle	Bogor	Centro, Fun World
Vivo Trade Mall	Bogor	Lotte Mart, CGV
Q Big	Tangerang	Mitra 10, Lulu Hypermarket, Informa, Ace Hardware, Toys Kingdom
Bekasi Trade Centre 2	Bekasi	Hypermart

Source: Colliers International Indonesia - Research

Rental Rates

Jakarta

Average Asking Rents in Jakarta



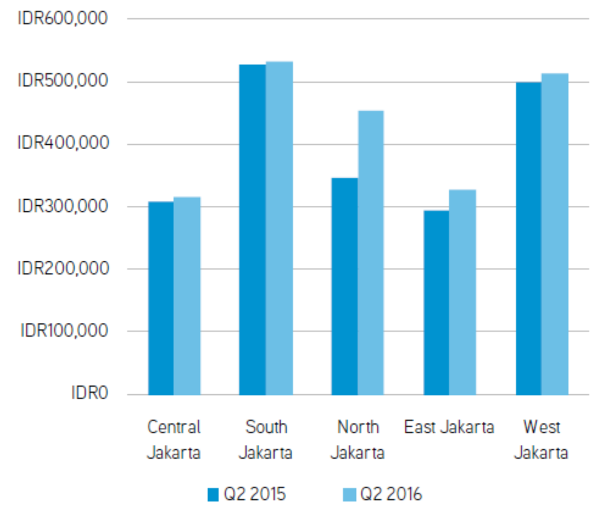
Source: Colliers International Indonesia - Research

Average asking rents for the whole area of Jakarta was recorded at IDR566,087/sq m/month as of Q2 2016. Around 20% of the total shopping centres contributed to the increase in the average asking rent that grew 6% YoY. The most significant increase occurred in North Jakarta, with at least seven shopping centres increasing the asking rents between IDR50,000 and IDR200,000/sq m/month. In some cases, limited vacant space pushed large well-known shopping centres to adjust the asking rent tariff, particularly for main areas like the ground floor. Such adjustment has brought the average asking rent to climb significantly by around 25% in North Jakarta. In East Jakarta, the rental tariff adjustment was mainly due to the newly operating shopping centre that changed the overall figure for the region.

As of Q2 2016, the average asking rent for retail occupation in the CBD was recorded at IDR855,965/sq m/month, while in areas outside the CBD, it was IDR476,009/sq m/month.

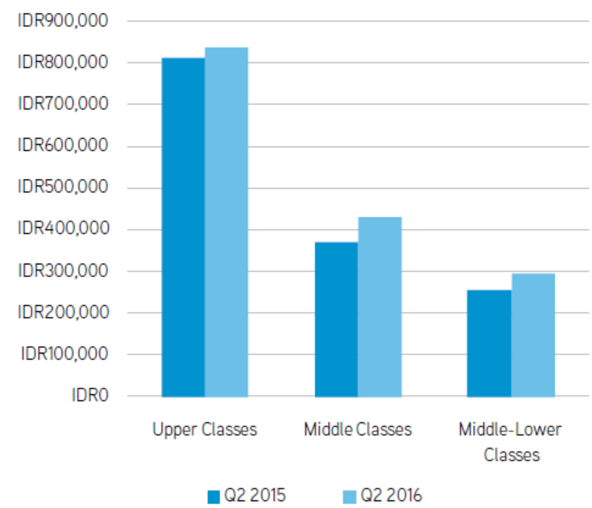
Based on mall grade, middle- and middle to lower-class shopping centres showed higher growth in rental rates than upper-class shopping centres YoY. However, in terms of occupation cost, the rate for most middle-class shopping centres is basically 45% less expensive than what is quoted by most upper-class shopping centres. Currently, the range of the average asking rents for upper-class shopping centres is recorded at IDR550,000 to IDR1,200,000/sq m/month, while the middle classes were recorded at IDR300,000 to IDR600,000/sq m/month (middle) and IDR200,000 to IDR400,000/sq m/month for middle lower.

YoY: Average Asking Rents Outside the CBD Based on Area



Source: Colliers International Indonesia - Research

YoY: Asking Rents Based on Mall Grade

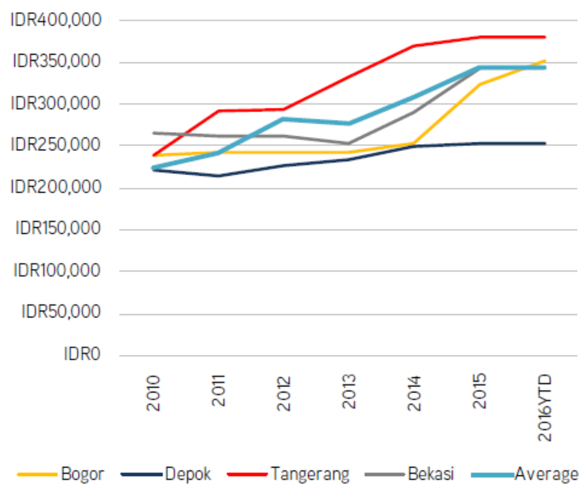


Source: Colliers International Indonesia - Research

AAA. Asean Athletic Association

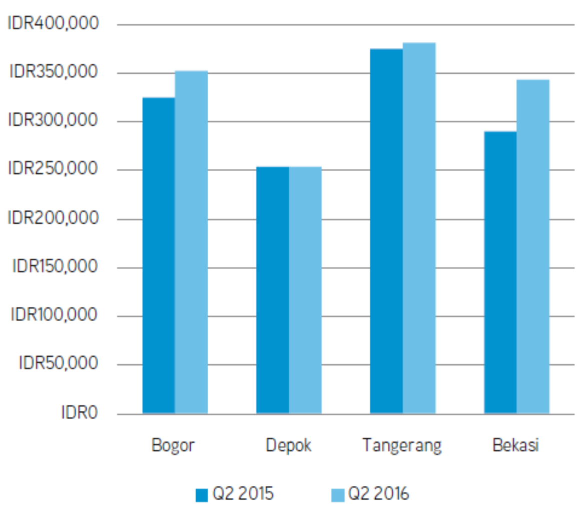
Greater Jakarta

Average Asking Rents in BoDeTaBek



Source: Colliers International Indonesia - Research

Average Asking Asking Rents YoY



Source: Colliers International Indonesia - Research

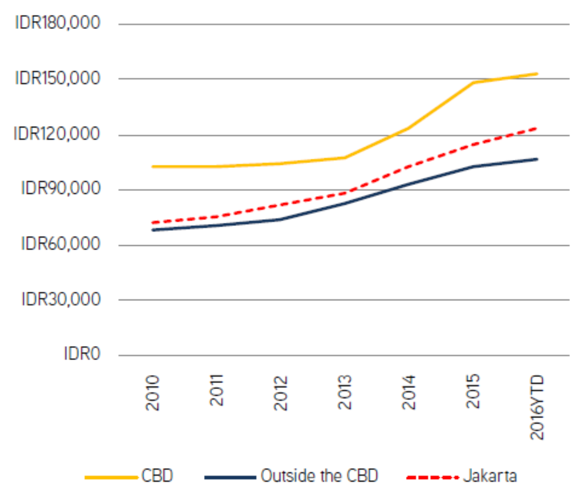
In the greater Jakarta area, average rental rates in Bekasi and Bogor showed a relatively significant increase compared to those of other regions. With the same reason, the main trigger for the increase was the inclusion of newly operating shopping centres with higher asking rent to the overall rental calculation. The asking rents increased 8.4% in Bogor YoY while in Bekasi, the increase was 18.3% YoY. Overall, with other minor changes experienced by the other regions, the average asking rent in BoDeTaBek was recorded at IDR352,119/sq m/month as of Q2 2016, growing 9.4%, YoY.

The segmentation of shopping centres in BoDeTaBek is mainly categorised as middle to middle lower class. As of Q2 2016, the asking rents were recorded in the range of IDR225,000 to IDR450,000/sq m/month (middle class) and IDR200,000 to IDR360,000/sq m/month (lower class). Only a few shopping centres are segmented as middle to upper class, with rental rates ranging from IDR300,000 to IDR550,000/sq m/month.

Service Charges

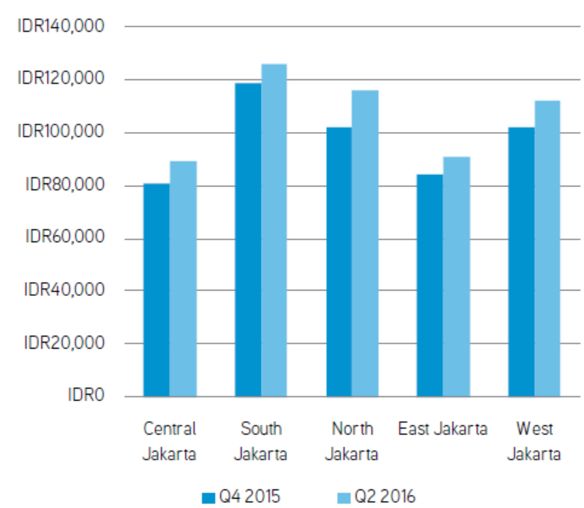
Jakarta

Average Service Charges in Jakarta



Source: Colliers International Indonesia - Research

Average Service Charges YoY Changes

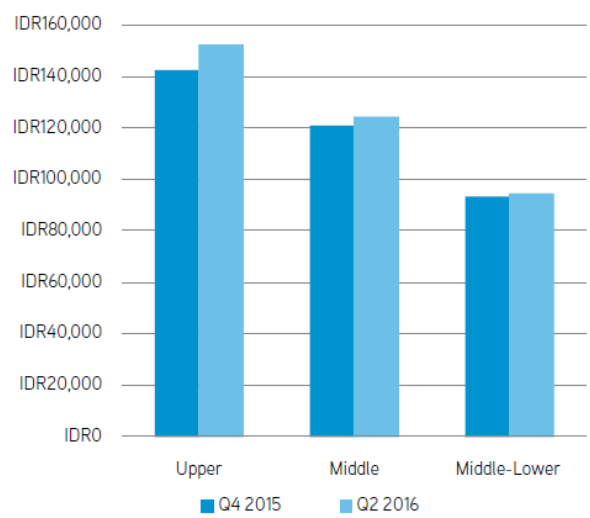


Source: Colliers International Indonesia - Research

During Q2 2016, the average service charge in Jakarta moved upwards modestly by 4.5% QoQ to record IDR123,482/sq m/month. At least 30 shopping centres made adjustments to this maintenance tariff by as much as 20% during the first semester. The CBD and South Jakarta, which are mostly populated by upper-class malls, recorded the highest increase in service charges at IDR153,902 and IDR125,794/sq m/month, respectively. However, the highest YTD growth in service charges was registered by North Jakarta, with at least seven shopping centres making adjustment for the tariff.

The overall upper-class malls charged the operating cost to the tenants at an average of IDR152,278/ sq m/month. This is an increase of 7% YTD, the highest growth compared to other lower-class malls. Some shopping centres introduced 15.3% increase on the average in one year's time.

YTD: Service Charge based on Mall Grade

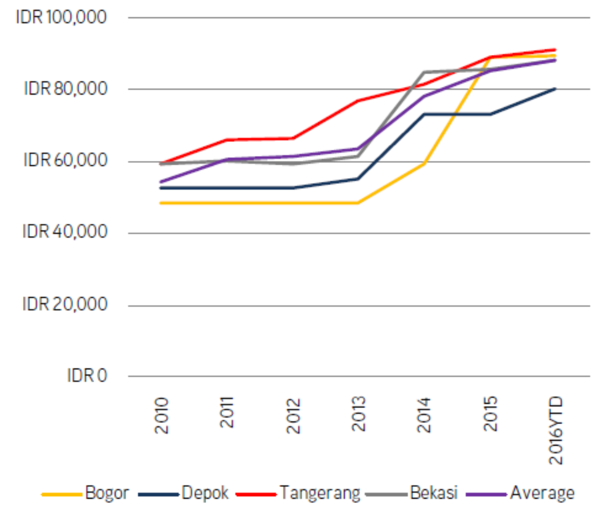


Source: Colliers International Indonesia - Research

Greater Jakarta

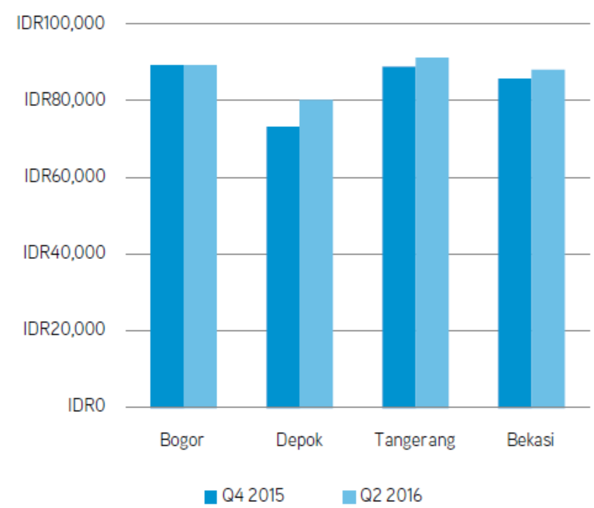
Only six shopping centres made adjustments in the average service charge, with moderate increase of 3.3% YTD to IDR88,158/sq m/month as of Q2 2016. We recorded about three shopping centres in Depok making adjustments in the service charge tariff, thus bringing the highest increase (compared to other regions) of 9.7%. Moreover, one of these malls introduced an almost double tariff since the mall began operations in 2014.

Average Service Charges



Source: Colliers International Indonesia - Research

YoY: Service Charge based on Area



Source: Colliers International Indonesia - Research

2017 Indonesia Market Outlook - *Trimegah Research*

Plenty of earnings growth ahead

2017 market outlook	
JCI Index Target:	
JCI Index (as of 28 Nov16)	**5,115**
End-2016	**5,053**
1Q-2017	**5,229**
2Q-2017	**5,598**
End-2017	**5,964**

Trimegah's model portfolio

Top picks	Price (Rp) 28-Nov	Mkt. Cap (Rptrn)	TP	Upside	Rec	EPS growth 2017	P/E (x) 2017	EV/EBITDA (x) 2017	P/BV (x) 2017	Divd yield 2017	Beta 2yr weekly
DOID	515	4.3	800	55%	Buy	99%	4.4	3.4	1.6	0%	1.3
PTBA	11,550	26.6	16,000	39%	Buy	125%	6.5	4.3	1.9	2%	1.6
PGAS	2,620	63.5	3,300	26%	Buy	12%	9.1	6.0	1.3	3%	1.2
WSKT	2,270	30.8	2,910	28%	Buy	81%	14.5	9.5	2.5	1%	0.6
MAPI	4,870	8.1	7,200	48%	Buy	109%	16.0	6.2	2.2	0%	0.9
MIKA	2,580	37.2	3,000	16%	Buy	11%	47.9	36.1	9.7	1%	0.4
GGRM	62,775	120.8	82,000	31%	Buy	19%	15.3	10.0	2.8	4%	0.8
ROTI	1,455	7.4	1,900	31%	Buy	22%	22.5	10.1	4.4	1%	0.9
Simple average				**34%**		**60%**	**17.0**	**10.7**	**3.3**	**2%**	**0.96**

Source: Trimegah Research, Bloomberg

Consumer Sector

Shop 'til you drop!

Higher confidence on consumer purchasing power next year

We believe consumer purchasing power should continue to improve gradually next year which is in line with the improvement on overall economic conditions (benign inflation, higher GDP growth, post tax amnesty, and rising commodity prices). However, we are cautious toward electricity subsidy removal and volatility in exchange rate that might disrupt overall consumer spending. Despite the mixed signals, we view some consumer companies still able to outperform their competitors through innovation and better operations.

Trimegah's proprietary survey: more aggressive spending outlook post–tax amnesty

Key highlights: 1) More aggressive spending next year (*see page 63*) particularly on the intention to purchase property/do renovation as well on travelling, 2) Majority of the respondents prefer to purchase using credit card than cash, 3) Disposable incomes will be used for the purchase of groceries, travelling, and fashion apparels, 4) Majority of the respondents still prefer shopping in specialty stores, followed by department stores and online retailers. Additional highlights: Out of our top 10 most preferred fashion brands, 5 are operated under MAPI with Zara topping the survey.

Our top picks...

We are being more constructive towards discretionary stocks vs. staples—but, advise investors to look more through bottom-up approach rather than top-bottom. We like companies that offer to do things better going forward, and thus have 1) higher sales growth, 2) margin expansion, and 3) undemanding valuation. Hence, our top 3 picks are **MAPI (Buy, TP IDR7,200)**, **RALS (Buy, TP IDR1,900)**, and **GGRM (Buy, TP IDR82,000)**. MAPI and RALS both offer transformational strategy that enables them to boost sales growth going forward coupled with expanding margin from better inventory turnover and merchandise mix. GGRM will have a stronger earnings growth in the coming years, in our view, as they still have room for more upside in price increase—not to mention their undemanding valuation.

Companies Data

TICKER	Price (IDR) 28-Nov	Mkt. Cap (IDR bn)	TP	Ups. (%)	Rec.	EPS Growth(%) 2016	EPS Growth(%) 2017	PE (x) 2016	PE (x) 2017	EV/EBITDA (x) 2016	EV/EBITDA (x) 2017	Div. yield (%) 2016	Div. yield (%) 2017
Staples													
INDF	7,325	64,317	9,200	25.6	Buy	34.9	19.1	17.5	14.7	6.7	6.6	2.3	3.2
ICBP	8,350	97,377	9,200	10.2	Neutral	24.0	10.3	25.9	23.5	16.6	14.8	1.5	1.9
GGRM	62,775	120,785	82,000	30.6	Buy	3.4	19.0	18.2	15.3	11.6	10.0	4.1	3.9
HMSP	3,870	450,151	4,300	11.1	Buy	17.8	10.1	36.9	33.5	27.5	24.9	2.3	2.7
KLBF	1,400	65,625	1,800	28.6	Buy	14.2	18.8	28.4	23.9	18.7	15.7	1.5	1.8
ROTI	1,455	7,365	1,900	30.6	Buy	-1.6	21.6	27.4	22.5	12.7	10.1	0.7	0.9
AISA	1,870	6,019	2,300	23.0	Buy	62.6	25.5	11.6	9.3	6.1	5.4	0.9	1.1
UNVR	40,100	305,963	44,000	9.7	Neutral	11.7	15.3	46.8	40.6	32.5	28.3	2.1	2.5
Retail													
RALS	1,145	8,125	1,900	65.9	Buy	35.8	21.7	18.6	15.3	12.3	10.0	2.6	3.4
MAPI	4,870	8,084	7,200	47.8	Buy	468.9	122.5	41.1	18.5	7.6	6.2	0.1	0.3
LPPF	14,250	41,580	20,000	40.4	Buy	17.1	15.5	20.0	17.3	13.9	11.9	3.0	3.5
ERAA	605	1,755	800	32.2	Buy	8.9	17.5	7.1	6.1	7.2	6.3	3.3	4.2
ACES	845	14,492	950	12.4	Buy	10.8	14.3	24.9	21.8	17.2	14.9	2.0	2.5
MPPA	1,700	9,143	1,500	(11.8)	Sell	-57.7	241.6	111.5	32.6	18.2	11.3	1.9	1.8
Healthcare													
MIKA	2,580	37,227	3,000	16.3	Buy	23.9	10.7	53.5	48.3	41.3	36.4	1.0	1.2
SILO	10,400	13,531	10,800	3.8	Neutral	51.2	54.4	112.9	73.1	20.5	16.2	0.1	0.1

AAA. Asean Athletic Association

Our story next year...

We are optimistic that consumer purchasing power continue to improve gradually next year—in line with the improving on overall economic conditions. Some factors that we believe will drive consumer purchasing power:

1) **Benign inflation.**
   Our macro economist predicts that inflation will increase slightly to 4.0% in 2017F (vs 3.5% in 2016F). The increase is still in moderate level, in our view, as the value is still lower than 10-years average at 6.1%.

2) **Improvement on real GDP growth.**
   3Q16 real GDP growth came in at 5.0% YoY, slightly below consensus of 5.1%. While private consumption growth is reported slightly lower to 5.0% in 3Q16 from 5.1% in 2Q16 on the back of shifting post Lebaran period, we continue to think private consumption will be the main growth factor to GDP growth on the back of stable inflation and interest rate. We expect GDP growth to remain at 5.1% in 2017F (pretty much similar to this year).

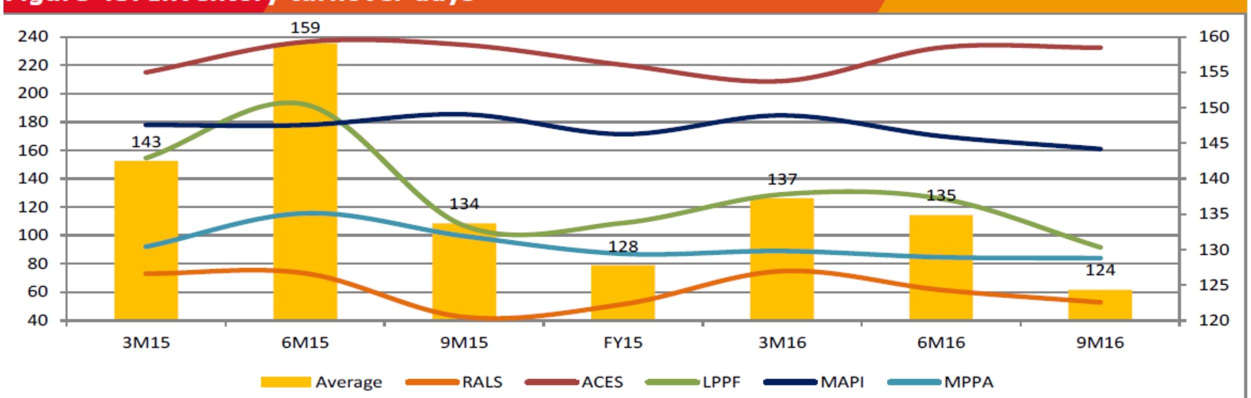
3) **Post tax amnesty effect.**
   We view that consumers will have more confident in spending their money post tax amnesty, as they have less concern on their expenses. Our discussions with Nielsen suggested that prior to tax amnesty, wholesalers/retailers prefer not to stock up excessive inventory to prevent tax officers scrutiny. Post tax amnesty, however, we expect wholesalers/retailers to have higher confidence on inventory stock up, that would translate to higher sales volume next year.

4) **Rising commodity prices.**
   The recent rise in coal price is expected to significantly boost overall consumption on coal areas, particularly in Kalimantan and South Sumatera, in our view. Purchasing power has been low in those particular areas in the past few years and is reflected in retailers' negative SSSG. However, lately we have been seeing improvements in retailers' SSSG in those particular areas which are expected to continue to next year—as we expect small miners to resume their production next year. At the same time, the resilient palm oil and rubber prices will also support rural household purchasing power.

All of the above factors, we believe, will promote a better story for consumer by next year. Not only staples, we view that discretionary items will as well benefited on the back of better purchasing power. That being said, companies will have more confidence in adjusting its prices without significantly affecting volumes.

Retailers: Inventory trending down = margin expansion on hand!
Due to bad consumer purchasing power last year, many retailers are stuck with inventory problems—which resulted in massive discounts from the end of last year. This year, as we see inventory stabilizing to retailers' optimum level, we expect margin to further expand.

Figure 43. Inventory turnover days



Source: TRIM Research

Some cost pressure are on the board, but minor impact

Despite of the optimism that remains on the overall consumer purchasing power, we noted some cost pressure that might affect both companies and consumers. These cost pressure include: 1) The recently announced national minimum wage (UMR) for next year which, on average, lower than last year's, 2) The likelihood of electricity subsidy removal, and 3) Soft commodity prices that started to crawling up.

1) Minimal increase in minimum wage (UMR) next year

Company: The minimal increase of 9.1% on minimum wage will impact salaries and wages expenses on consumer companies, *in a positive way* as the increase is lower than last year's at 11.1%. We see retailers will be positively impacted the most as huge portion of their salaries and wages expenses are linked to minimum wage.

Consumer: The minimal increase of minimum wage indeed raises concern on the buying power of middle-lower income customers—and in turn, its effect towards retailers targeting those segment. However, **we note that the rising minimum wage is still 5.1% above the expected inflation**, thus we remain optimistic on consumer's purchasing power next year. Please be reminded that there is also a rise in non-taxable income, which is positive for middle-lower income customers.

2) Electricity subsidy removal

The government is planning to remove electricity subsidy on households with 900VA, in which around 18.7mn households will be affected by this. We view that this could become one of the risks that can hamper growth prospects of companies. Note that the removal of this subsidy will cost the household additional of IDR92,600/month for electricity expenses (from previous billing of IDR75,000/month based on average consumption of 124kWh/month). From the consumer point of view, such significant increase in the amount of electricity bill that needs to be paid will eventually affect the overall consumer spending power, yet we are expecting some of it can be offset through the increase in minimum wage.

3) Recovery of soft commodity prices

In addition, we see that some of the soft commodity prices have started crawling up. While this might not significantly impacting retailers and healthcare companies, we believe consumer staples companies are impacting the most. Even though CPO, sugar, and skim milk prices has started to rise, we have not seen the impact in 3Q16 yet due to inventories. We view that it will start impacting from 4Q16 onwards which then will translate into higher costs and could affect overall margins. While this might not be affecting much to the big consumer names with strong pricing power, the smaller ones though will be more impacted since they need to bear some of these cost by themselves. At the same time, higher product costs will affect overall consumer buying power.

4) Volatility of exchange rate

As some of the consumer companies under our coverage have high exposure towards exchange rate, we believe a volatility on exchange rate post Trump effect will definitely disrupt their profitability. Though some of these companies are able to pass on their USD cost, but the question remains: will they be able to pass 100% of their increased cost without affecting consumer demand.

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Our top picks…

We believe consumer's purchasing power will remain strong across all consumer segments, thus being more constructive towards discretionary stocks vs. staples—although not ignoring selected names in staples universe that deserve re-rating, eg; GGRM. Why discretionary? We are expecting larger room for sales growth and margin expansion to take place within the discretionary names (thanks to normalized inventory level, *see page 62)*, not to mention that the latter has been lagging behind the staples names throughout the last few years—thus the undemanding valuation.

Nevertheless, we advise investors to look more through bottom-up approach rather than top-bottom—in simple words, the companies that do things better going forward than they are in the few years back. We also apply the following categories to choose our top picks: **1) Higher sales growth, 2) Further margin expansion,** and **3) Undemanding valuation, with >30% upside to our TP.**

MAPI (BUY, TP IDR7,200, 50% ups.)
Two of MAPI's main growth engine for next year: 1) Rapid expansion of its F&B division (esp. Starbucks) and 2) Expansion of Inditex brands (eg; Zara) to Vietnam, in which we expect at least IDR1bn sales per day with only 1 store opened, 3-4x more than Zara Indonesia' sales. Besides, we also see margin improvements on the back of 1) Inventory getting back to optimum level of ~160 days, means less discounting and 2) Disposal of non-performing brands (eg; Burger King, Domino's Pizza), and 3) Lowered interest expenses from deals with CVC and GA.

RALS (BUY, TP IDR1,900, 58% ups.)
We see that RALS' transformation has successfully bring fresh air to the company, shown by the positive data points this year – we expect 5.0% SSSG until the end of this year (after a series of negative SSSG last year) and the rise of Direct Purchase products (which provide better margins). We expect the trend to continue next year, coupled with rising coal price which gives the largest benefit for RALS among all retailers—note that 1) RALS' outer Java SSSG is strongly related to commodity prices, and 2) Outer Java area contributed 39.1% to RALS' total sales in 10M16!

GGRM (BUY, TP IDR82,000, 30% ups.)
We view that GGRM deserves a re-rating as it offers: 1) a healthier FCF coupled with a toned down capex going forward, 2) a stronger earnings growth in 2017-18F as GGRM still have room for more upside in price increase (company has been conservative in increasing its price this year), and 3) a really attractive valuation which should not be ignored. GGRM currently trades at 15x 2017F PE and offers 19/20% earnings growth in 2017/18F (vs HMSP at 33x 2017F PE with 10/15% earnings growth).

Construction Sector

Lucrative price offsets the headwind ahea

We expect lower government-disbursement from Ministries

Macro outlook for 2017 seems to have a mixed impact on infrastructure SOE where we foresee budget cut for ministries that might impact negatively on SOE contractors. Based on government priority projects, we can expect higher portion of oil refinery projects as government plans to refurbish 5 oil refineries projects; Cilacap, Balongan, dumai, Balikpapan, and Plaju, whilst the amount for toll-road projects should decrease. The increase in oil refinery projects will benefit several companies due to the higher gross margin these projects give.

But valuations are cheap for the time being

Construction-sector stocks are currently trading below their 3-years average PE, but does not necessarily translate to a downwards rerating as the main cause of depreciation itself was due to the recently occurred massive foreign selloffs following uncertainty over emerging markets post-Trump election (and made worse due to the fact that ~15% of infra/construction stocks were owned by foreign investors).

In search of the one with most value-for-money..

As macro condition is not exactly at the sector's favor, coupled by attractive entry-point prices, we screen potential stocks over their: 1) Price-to-equity ratio, 2) EV-to New Contract, 3) Potential earnings growth. We also believe that given how tight 2017 state budget's allocation to infrastructure / construction related ministries is (which was lowered by 7% YoY), companies' ability to add leverage becomes extremely crucial and would potentially be the game-changing factor for 2017.

..with WSKT and WIKA as our top picks

We pick WSKT and WIKA as our top picks as both of them offer security amid the volatility macro uncertainty ahead. WSKT's sheer order book size (which is way above its peers) that should secure their revenue as well as net profit growth for another 3-4 years, while still having high chances on securing Indonesia's upcoming toll-road related new contracts, and WIKA's current order book manage to cover 99% of our revenue estimate for the next three years.

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Companies Data

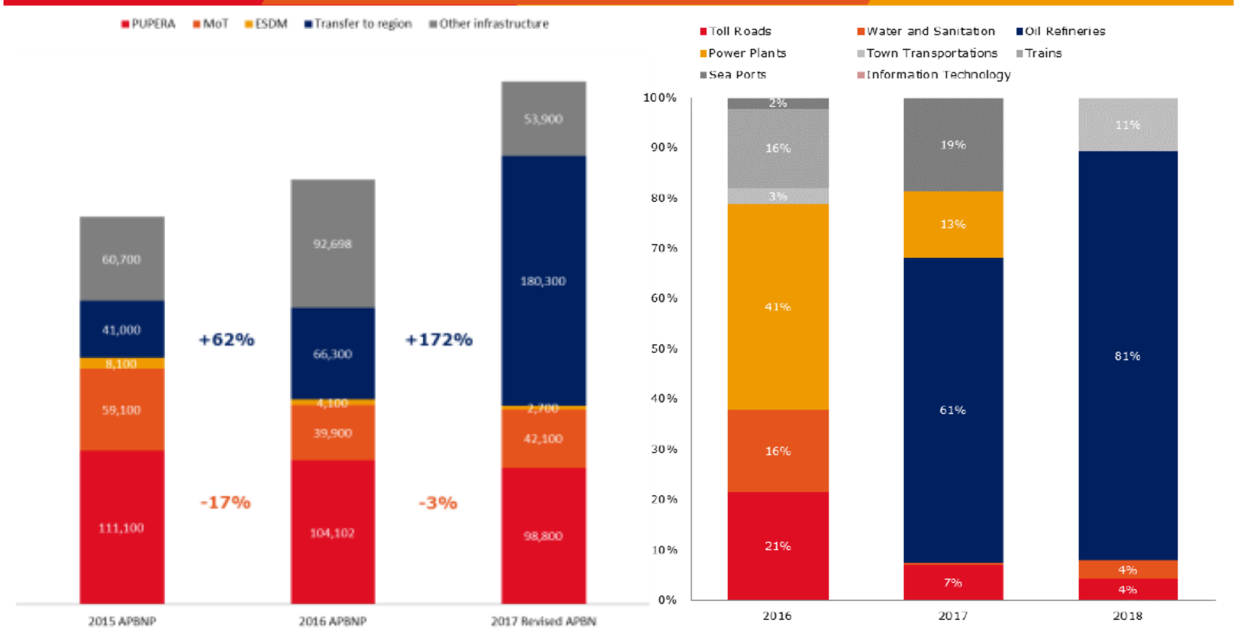
	Rec.	TP (Rp/sh)	Sh. Px. (Rp/sh)	Ups (%)	EPS Growth 2016	EPS Growth 2017	EV/EBITDA(x) 2016	EV/EBITDA(x) 2017	Div. yield (%) 2016	Div. yield (%) 2017
WSKT	BUY	2,910	2,270	28.2	17.3	80.8	16.0	9.5	0.3	0.6
WIKA	BUY	2,930	2,330	25.8	17.7	6.6	7.7	4.4	0.9	1.0
WSBP	BUY	630	555	13.5	202.9	0.1	9.4	7.3	0.0	0.0
PTPP	NEUTRAL	4,210	3,900	7.9	27.1	12.1	8.7	6.5	1.0	1.1
ADHI	NEUTRAL	1,930	1,830	5.5	-50.7	30.1	6.9	5.5	1.1	1.4
WTON	SELL	760	805	-5.6	106.3	-20.8	9.7	10.8	1.4	0.8

2017: What to Expect

Macro outlook for 2017 seems to have a mixed impact on infrastructure SOE. We are seeing budget cut for ministries that might impact negatively on SOE contractors. Yet, oil refinery projects that should start to tender in 2017, should positively impact certain SOEs due to their average higher margin.

1) Infrastructure budget to increase, but not necessarily from SOEs

Figure 70. Infrastructure State Budget & Priority Project Types



Source: Trimegah Research, kppip.go.id, kemenkeu.go.id

As overall construction sector's new contracts are 98% correlated with infrastructure state budget, a 23% YoY in Indonesia's 2017 proposed infrastructure budget should boost the sector as a whole. It should be noted however that this does not necessarily mean that it would instantly increase the year's SOE new contract outlook especially considering that despite new projects varying from toll roads, power plants, and even low income housing projects (which all is being derived from numerous ministries), state budget's disbursements to ministries had been lowered by 7% YoY. The state budget's overall increase itself was mainly due to the increase in government disbursements to local governments where they would typically appoint smaller-scale contractors for their projects instead of SOE contractors.

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2017: A lucrative entry point

Each infra / construction-sector stocks are currently trading below their 3-years average PE. Though it is currently at a downtrend, this does not necessarily translate to a downwards rerating, as we think the decrease itself is due to large foreign-flow exposure to Indonesia (on average, 15.4% of infrastructure shares were owned by foreign investors); which experienced massive sell-off following Trump's election towards emerging-market prospects. On average, 15.4% of infrastructure shares is owned by foreign investor. We think this uncertainty should sustain until Trump had finally sits his office and the market can then assess his policy direction. Thus, we remain prudent in stock picking where we look for the ones with most value-for-money among all.

Figure 71. WIKA's Forward PE Band

Source: Trimegah Research, Company

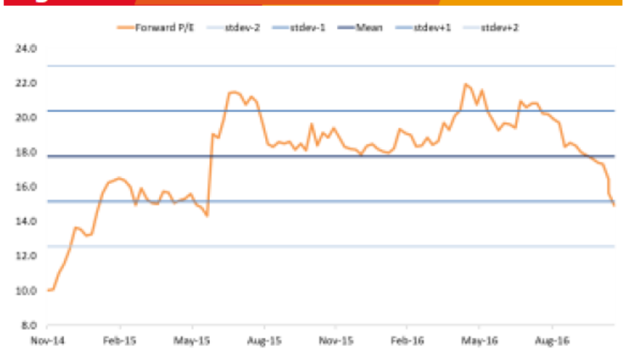
Figure 72. ADHI's Forward PE Band

Source: Trimegah Research, Company

Figure 73. PTPP's Forward PE Band

Source: Trimegah Research, Company

Figure 74. WSKT's Forward PE Band

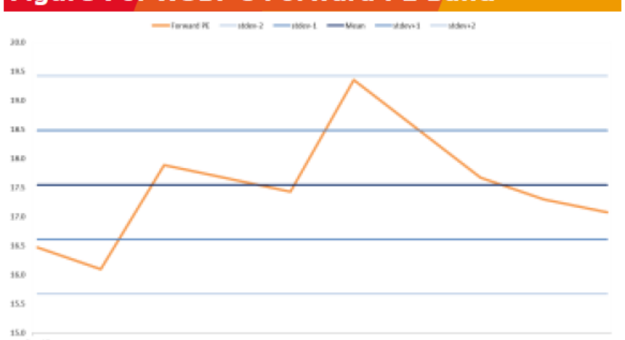


Source: Trimegah Research, Company

Figure 75. WTON's Forward PE Band

Source: Trimegah Research, Company

Figure 76. WSBP's Forward PE Band



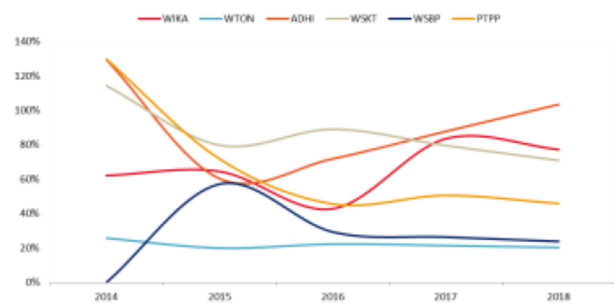
Source: Trimegah Research, Company

The search for the true value-for-money item

Our definition of cheap will be based on 2 aspects; price-to-earnings ratio and Enterprise Value-to-new contract, along with companies' ability to add debt, order book scale, and revenue coverage. Given that 2017's state-budget's allocation for ministries is tight, having room to leverage would be the key differentiating factor for each companies. We also see order book and earnings coverage as added features that should hedge the fluctuation of new contract that might happen in the year ahead.

Figure 77. Construction PE & EV/ New Contract Ratio & Debt to Equity Ratios

	2017 PE	EV/ New Contract	3 Years Revenue Coverage
WSKT	14	0.7	74%
ADHI	14	0.8	27%
WIKA	20	0.9	99%
PTPP	18	1.0	72%
WSBP	16	1.5	24%
WTON	26	2.7	19%



Source: Trimegah Research, Company

In terms of Pricing: WSKT

In terms of pricing, WSKT and ADHI are the two cheapest stock in PE perspective, yet WSKT is still cheaper than ADHI in terms of EV/ New Contract. Therefore, we can conclude that WSKT is the cheapest one.

In terms of room to leverage: WTON & WSBP

WSBP and WTON are the ones with least leverage, which is due to their business nature as a precast manufacturer rather than contractor. Being a precast manufacturer implies that they have less exposure to lengthy account receivables as goods were sold in a cash and carry basis, which translates to lower necessity to add debt.

In terms of order book scale: WSKT & WIKA

The one with the biggest order book is WSKT, with an estimated order book of ~IDR126trn, followed by WIKA at IDR77trn.

In terms of 3 years revenue coverage: WIKA & WSKT

Revenue coverage is a percentage of how big 2016's order book compared to the next 3 years of its forecasted revenue. The higher the percentage is, the more guaranteed the revenue for 3 years ahead. Thus, more potential downside. On this sense, WIKA is the one who is least exposed to fluctuation, followed by WKST.

WSKT and WIKA as our top picks.

Based on the description stated above, we pick WSKT and WIKA as our top picks as both of them offers security over a possible fluctuation of new contract ahead. . WSKT is our top pick due to the sheer order book scale which should secure both revenue as well as Net Profit growth for another 3-4 years ahead, whilst still having chances on further increasing their order book following Indonesia's aggressive stance on nation-wide toll-road connectivity. On top of that WSKT is the cheapest one among its peers. WIKA also have huge order book which could cover our next 3 years revenue forecast.

Property Sector
The best has yet to come

Marketing sales has yet to pick up..

We remain neutral on Property sector following lackluster marketing sales performance. 2016 targets achievement are still a long way to go, with average deficit reaching ~40%, especially on larger market-capped developers; SMRA at 37%, BSDE at 40% and CTRA at 38%. Note that several big-names had lowered their marketing sales target, and we expect more to come following the lack of sales improvement for the year. Our neutral stance is further supported by the not-so-favorable gap between primary and secondary prices, which is still at ~15%, whilst we think demand would again be conducive only if it goes back to being in the low-single digits.

..although premium-segment developers are showing prospect..

Whilst overall marketing sales still at turmoil, we still believe middle-upper segment developers are the ones performing. PWON had reached 88% of their (revised) marketing sales target, whilst DILD reaching 55%. Note that tax amnesty-related cash has yet been fully absorbed by the sector, and is less likely being spent on middle-segment properties as well. On that sense, we think inner-city focused developers are the ones to benefit the most during the next property upcycle.

..while industrial estates takes the cake

Industrial estates had performed better than expected, especially DMAS where they've not only meet their preassigned target while still having much room for sales addition (note that as of 9M16 DMAS had reached 6% excess over their land sales target).

2017 should be better following more incentives..

We have yet given up altogether though as we still believe 2017 should see better demand following the incentives that had happened in late-2016. Relaxed LTV and mortgage limitations, followed by cheaper mortgage rates, as well as broader foreign-purchasable supply should be the main property demand driver for 2017, as thus would lean more towards middle-upper segment properties, especially those that are directly benefitted by Jakarta's upcoming MRT.

..with PWON and DMAS as our top picks

We pick both PWON and DMAS due to their robust balance and stable earnings. We like PWON following their ability to mitigate earning volatility thanks to their second-to-none recurring income performance, whilst DMAS due to their strong yet consistent land sales performance. Note that we are Neutral on the sector itself as we do not expect demand to drastically improve in 2017, however, our top picks represents the stocks that we believe has the least earnings downside.

AAA. Asean Athletic Association

Companies Data

	Rec.	TP (Rp/sh)	Sh. Px. (Rp/sh)	Ups (%)	Discount to NAV (%)	EPS 2017 (IDR)	EPS 2017 (% YoY)	PE (x) 2016	EV/EBITDA (x) 2016	Div.yld.(%) 2016
PWON	BUY	790	680	16.1	52	30	14	27	10	0
DMAS	BUY	290	230	26.0	72	13	24	22	10	4
DILD	BUY	780	500	56.0	77	497	19	13	13	2
MDLN	BUY	670	340	97.0	79	46	-69	5	1	2
MMLP	BUY	760	670	13.4	NA	21	41	45	37	0
BKSL	BUY	170	95	78.9	77	4	113	48	22	2
MTLA	BUY	510	264	93.1	84	20	23	7	5	7
BSDE	NEUTRAL	1,800	1,680	7.1	68	140	-14	10	8	3
SMRA	SELL	1,330	1,360	-2.2	68	16	72	150	17	0

NAVs seem attractive at the moment..

Figure 78. Developer NAVs under our coverage

	RNAV (IDR)	Price as of 28/11/2016 (IDR)	Discount to NAV
PWON	1,412	680	52%
DMAS	824	230	71%
DILD	2,237	500	77%
MDLN	1,659	340	79%
MTLA	1,748	264	84%
BKSL	410	95	78%
BSDE	5,333	1,680	67%
SMRA	4,220	1,360	68%

Source: Trimegah Research, Company

As of 28/11/2016, sector's valuation was at an attractive position, where stocks' under our radar's average discount to NAV was at 70% with PWON leading the herd at 52% discount to NAV. Note that valuations were already relatively cheap prior to JCI's post-Trump US Presidency victory price drop, where sector's average discount to NAV as of 10/11/2016 was at 67% and then fell to 71% as of 15/11/2016. What we'd like to highlight is that prices were already cheap to begin with, and global sentiments had only made it even cheaper. But this does not necessarily mean that the sector itself is currently worth any overweight rating, as NAV would only measure their asset size, whilst monetization ability still remain as the sector's main issue.

..but not so much on marketing sales performance

Figure 79. Developers' Marketing Sales Performance (IDRbn)

	2014				2015				2016			Target	9M YoY Growth
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Achievement	
APLN*	1,830	630	1,060	2,830	940	460	300	760	1,017	519	554	69.7%**	23%
DILD	632	549	621	736	252	245	884	493	702	298	400	54.7%	1%
PWON	586	543	842	1,129	1,200	799	501	600	594	550	656	81.8%**	-28%
SMRA	650	1,790	1,810	351	1,200	1,500	296	1,354	401	1,312	489	62.9%	-27%
BSDE	1,765	985	2,250	1,507	2,200	1,259	1,141	2,157	1,204	1,329	1,568	59.7%	-11%
ASRI*	900	1,600	1,300	455	568	548	349	435	418	578	464	58.4%	0%
CTRA*	1,730	1,770	2,300	2,830	1,745	2,555	1,000	3,900	1,100	1,900	2,800	62.4%	9%
BKSL	452	518	420	255	212	164	115	278	156	244	246	53.8%	31%
MTLA	-	-	-	-	229	266	278	334	241	277	522	79.1%	35%
MDLN	-	-	-	-	1,456	606	522	587	221	233	508	22.9%	-63%
DMAS	0	580	82	927	378	177	1,119	0	43	152	708	106.2%	-46%
BEST*	73	154	256	300	213	0	0	226	0	189	188	54.0%	NA
KIJA*	188	262	121	450	292	225	207	285	49	421	550	72.9%	41%
TOTAL	-	-	-	-	**9,200**	**7,932**	**5,913**	**10,489**	**5,683**	**7,493**	**5,823**		

Source: Trimegah Research, Company. *not under our coverage universe **revised target

At this point, larger NAV becomes irrelevant so long as monetization ability remains an issue. Marketing sales throughout 2016 has yet shown significant improvement, let alone sales growth. As of 9M 2016, sector's cumulative marketing sales was at a 10% deficit over 2015's 9M achievement, and further note that 2016's sales target was being set on a relatively conservative manner with target growth being capped at ~10% (except for DILD, where target was at an aggressive 35% increase). We do not expect the sector to meet its target for the year, especially considering that in order to do so it would require ~170% improvement over 3Q16's marketing sales achievement, hence our Neutral stance over the sector.

Incentives were leaned towards high-rise developers..

Figure 80. Recent Property-Related Incentives

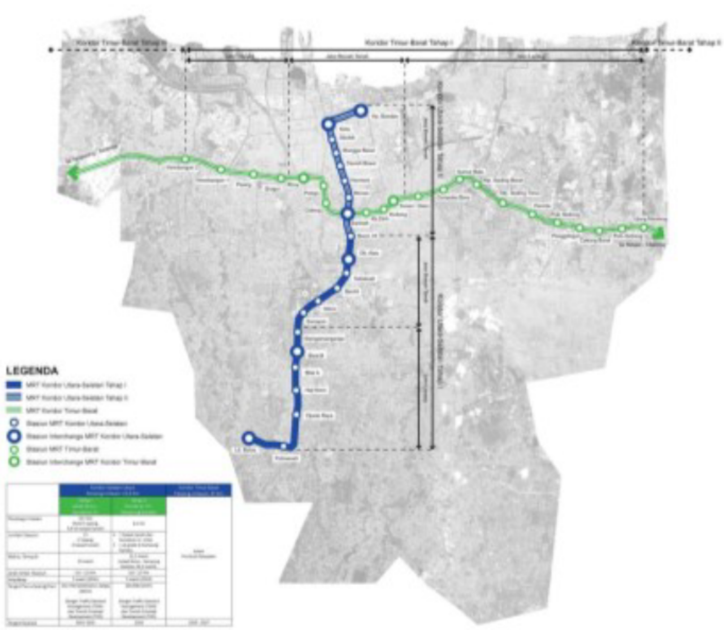
LTV Relaxation	Property Final Tax	Foreign Ownership	Jakarta BPHTB	Foreign Ownership
Effective as of Aug-16 Lowers required Down Payments for new mortgages to 15% (lowest, first mortgage) and 25% (highest, third mortgage). Also grants second mortgage for indent properties.	**Effective as of Sep-16** Lowers property final tax from 5% to 2.5%.	**Effective as of Sep-16** Enables KITAS-holding expats to purchase HGB-titled Apartments (priced above IDR3bn-Jakarta) and SHM-titled Landed houses (priced above IDR10bn-Jakarta).	**Effective as of Oct-16** Lowers BPHTB tariff to 0% for properties priced below IDR2bn located in Jakarta.	**Potentially by 2017** Further relaxes Indonesia property purchasable expatriates (currently limited to KITAS holders, potentially broadened to visit-visa holders).
Main Beneficiaries: BSDE due to their large mortgage buyer-base, PWON & DILD due to indent property mortgage exposure.	**Main Beneficiaries:** MDLN and BKSL due to 90%+ development-based revenue.	**Main Beneficiaries:** PWON and DILD due to project portfolio being highly exposed to expat-prone areas.	**Main Beneficiaries:** PWON, DILD and MDLN due to landbank and supply portfolio being highly exposed to Jakarta.	**Main Beneficiaries:** PWON and DILD as it would further increase their potential demand pool.

Source: Trimegah Research, Company

Looking back, 2016 had experienced numerous incentives which highly benefits both supply and demand side, however, demand was still relatively weak. It should be noted that 2016 was also the year where potential buyers, especially high networth individuals, were in a wait-and-see stance following July's tax amnesty. Given that its been done, yet demand had yet rebounded, we expect mid-2017 to be the turning point of the sector as we think buyers should be less concerned by tax payments by then, and would again opt for property purchase as a means of investment.

..with added prospect over MRT

Figure 81. Jakarta MRT Map



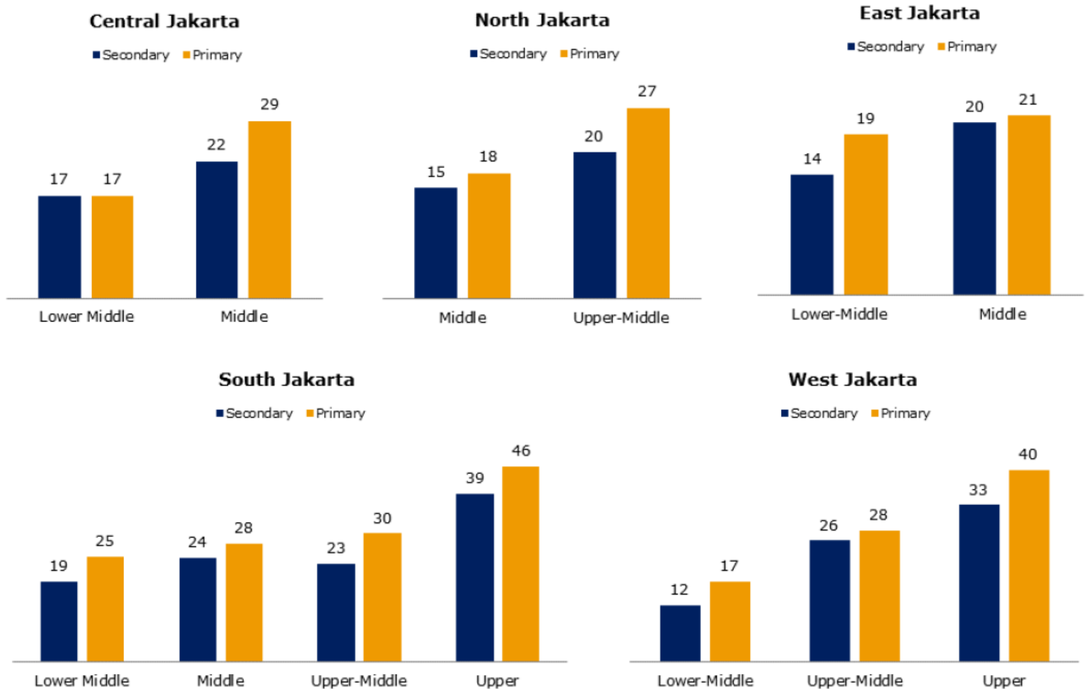
Source: Trimegah Research, Company

As Jakarta's Mass Rapid Transit is getting closer to completion, we expect high possibility of affected area's land value to further appreciate (as precedent, based on our discussions with property agents; Century21 and Leads, land price in Cipete and Cilandak appreciated by ~40% during Antasari non-toll elevated road's completion).

Following the same rationale, we expect developers with exposure to MRT stations to experience better take-up and sales rate as to the ones that are not, and the ones that should benefit the most are the ones that has direct immediate access to said stations; PWON, over their Blok M Plaza asset which is directly connected to Blok M Plaza, and DILD over their South Quarter Simatupang asset and Kebon Melati asset which are within close proximity to Lebak Bulus and Bunderan HI station, respectively.

Secondary-primary price gap are getting less threatening..

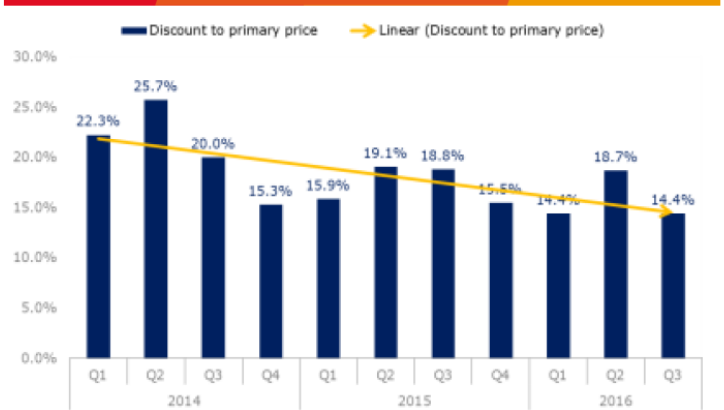
Figure 82. Jakarta Apartment Secondary—Primary Price per sm Comparison (IDRbn)



Source: Trimegah Research, Cushman & Wakefield Indonesia, Century21, Rumah123.com

Our market findings (which was based on on-the-ground research on Greater Jakarta's properties-for-sale in Q3 2016), indicates that the price difference between primary market and secondary market units are within the range of 5% - 35% and would highly vary depending on the area as well as price-segmentation; with North Jakarta's Upper-Middle segment apartments having the most spread between primary-secondary prices, with Central Jakarta's Lower-Middle segment units being the least, followed by East Jakarta's Middle segment units. It should be noted however that the spread itself could vary depending on both listing and transacted price availabilities.

Figure 83. Jakarta Primary—Secondary Price Trend



Source: Bank Indonesia, Trimegah Research

..especially considering the gap-trend

Historically speaking, Jakarta is now facing a downwards trend in terms of primary-secondary price spread; making room for an ideal primary market-driven property demand environment to occur as investment oriented-buyer's would then have better confidence on being able to dispose their investments at a favorable price. As of end-Q3 2016, the spread was at 14.4% (vs. 18.8% in Q3 2015) and historically, should see lower spread by Q4. Following the trend, we should see 2017's spread to further decrease by another 3-4%.

Emerging Consumer Survey 2017 - *Credit Suisse Research Institute*

Conscious living

The results of this year's Emerging Consumer Survey confirm that the emerging middle clas continues to expand and the pattern of consumer spending in the emerging world is changing with it. Running through this change in consumption is a lifestyle change. Consumers across our surveyed emerging economies are starting to adopt a more conscious spending profile. This is apparent through a greater focus on skin care, good food, sportswear and using car-sharing services rather than owning vehicles. The brand implications cannot be underestimated and we highlight some of the types of companies that are most geared to these trends.

Eugene Klerk

Spending patterns change as income grows

As we highlighted in the previous chapter, the mix of products and services consumed changes substantially as income increases. Spending patterns for consumers in emerging market (EM) countries with below-average income per capita tend, for example, to be focused more on basic goods and services. As income levels rise, discretionary spending then kicks in. In Table 1 below, we dig deeper into specific categories of spending framed in the context of this story. We show the relative strength in growth in these categories that would be expected at different levels of GDP per capita on the basis of our previous analysis.

In countries such as India and Indonesia, demand growth is likely to be strongest for basic apparel, food and beverages, and education services. On the other hand, in the case of countries with higher disposable income such as China, Mexico, Turkey, Brazil and Russia, we expect demand for relatively more expensive items such as tourism, credit services or beauty products to be stronger.

Table 1

Growth potential in spending categories based on GDP per capita

GDP per capita 2016E		Growth potential			
	Country	**High**	**Medium**	**Low**	
		Cereals	Apparel	Beverages	Education
Below USD 2,000	**India**	Two wheelers	Meat	Healthcare	Consumer credit
				Cars	Beauty products
				PCs/laptops	Tourism
		Apparel	Beverages	Healthcare	
		Meat	Cars/two-wheelers	Consumer credit	
USD 2,000 – 5,000	**Indonesia**		Cereals	Tourism	
			PCs		
			Education		
	South Africa	Beverages	Meat	Cereals	
	Mexico	Cars	Apparel	Two wheelers	
USD 5,000 –10,000	**Brazil**	PCs	Healthcare		
	China	Beauty products	Consumer credit		
	Russia		Tourism		
		Education	Cars	Cereals	
		Healthcare	PCs	Two wheelers	
USD 10,000 – 25,000	**Turkey**	Tourism	Beverages	Meat	
		Consumer credit		Apparel	
		Beauty products			

Source: Credit Suisse estimates, IMF

Health deteriorates as income grows

Rising levels of disposable income may result in changes to spending behavior as described above. However these have also contributed to undesirable secondary effects. More specifically, we observe that general health conditions appear to be worsening as income levels increase. In our view, this topic is particularly relevant for key emerging economies, considering the potential strong increase in associated healthcare costs.

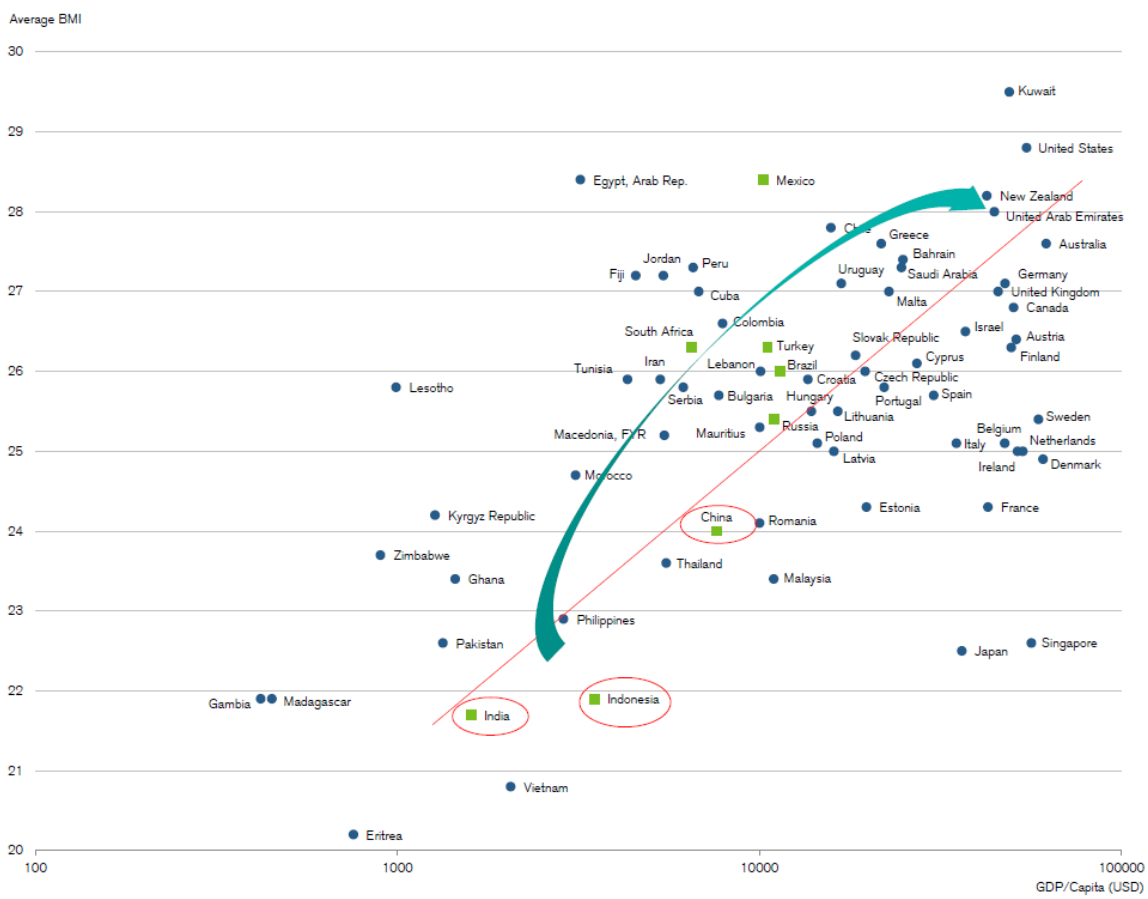
Consumers become bigger as income increases

For example, data from the World Bank and the World Health Organisation show that average Body Mass Index (BMI) readings tend to increase as GDP per capita rises (Figure 1). A BMI reading above 25 suggests that a person is overweight, while a reading above 30 indicates obesity. The combination of increased calorie intake through a change in diet, together with a frequently observed less-active lifestyle (brought about to some degree as economies shift from manufacturing to become more service focused) explains a large part of this phenomenon, in our view.

With the exception of Mexico, where average BMI is already relatively high, we find that average BMI readings are likely to rise in all the countries we surveyed if spending power increases further and there are no significant lifestyle changes in terms of health and physical fitness. The need to ensure that such changes are enacted becomes obvious when considering potential healthcare-related costs (both public and private). For example, the International Diabetes Federation estimates that the number of people suffering from Type-2 diabetes (often related to being overweight or obese) might increase by around 50% from levels seen in 2015 to reach 600 million by 2040. The main part of this increase is expected to occur in Asia, the Middle East and Northern Africa (Figure 2).

Figure 1

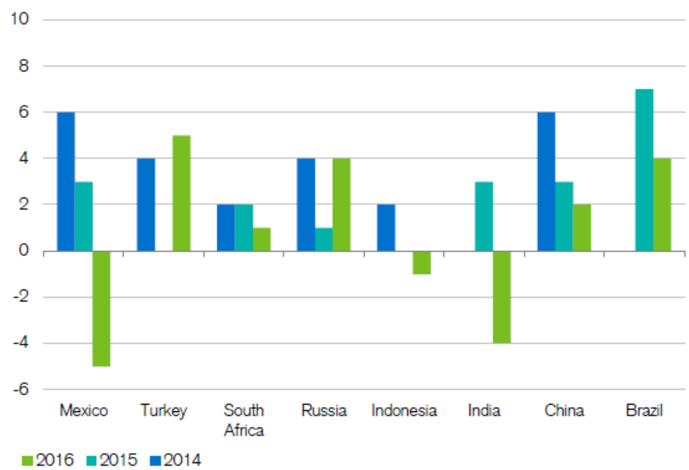
Average body mass index (BMI) increases as GBP per capita rises



Source: WHO, World Bank, Credit Suisse Research

Figure 5

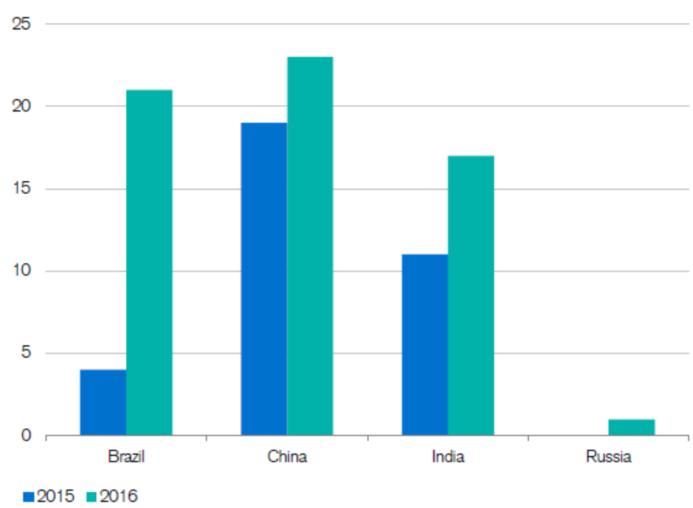
Year-on-year change in car ownership (p.p.)



Source: Emerging Consumer Survey 2017

Figure 6

Share of consumers that expect to use car sharing schemes significantly or slightly more



Source: Emerging Consumer Survey 2017

Are EM consumers becoming more conscious?

Owing to the potential healthcare costs described earlier, we believe that EM consumers might want to/have to adopt a more conscious lifestyle. We use our survey to review how consumers feel about products and services related to environmental awareness (e.g. car usage), nutrition, personal care and more active lifestyles in order to judge whether a conscious lifestyle is being adopted.

Consumers may start buying only what they need

Owning a car is typically seen as a bad investment decision considering the ticket size, strong depreciation and the on-average low usage (we estimate less than 5% of the time). Therefore, signs that the trend in car ownership might be changing could be seen as an indicator that consumers are starting to change their appetites. This argument would become stronger in cases where, at the same time, consumers become more open to using car-sharing services such as Uber, Lyft, Didi Chuxing (formerly known as Didi Kuaidi) and Zipcar.

While not fully conclusive, our survey data does show that growth in car penetration rates is starting to slow across a number of our surveyed countries. This is true for countries such as China, India and Mexico. At the same time, we also observe an increase in the share of consumers intending to use car-sharing services more. In Brazil, for example, the share of consumers intending to use services like Uber rose from 4% in last year's survey to 21% this year. In China, a country with a competitive sharing market (e.g. Uber and Uber and Didi Chuxing), almost a quarter of the consumers surveyed intend to use these services.

Consumers are switching from "bad" to "good" food

A more conscious consumer should also imply that the consumption of "bad" food products declines. External sources such as Nielsen's Global Health and Ingredient Sentiment Survey (August 2016) suggest that consumers across emerging countries are much more focused on what they eat than consumers in developed markets. For example, almost 40% of consumers in the Asia-Pacific (APAC) region follow a low-fat diet (nearly twice the level seen in Europe or North America). While not as extreme, we also observe a higher uptake for low sugar and low-carbohydrate diets across Latin America, Africa and APAC than in Europe or North America.

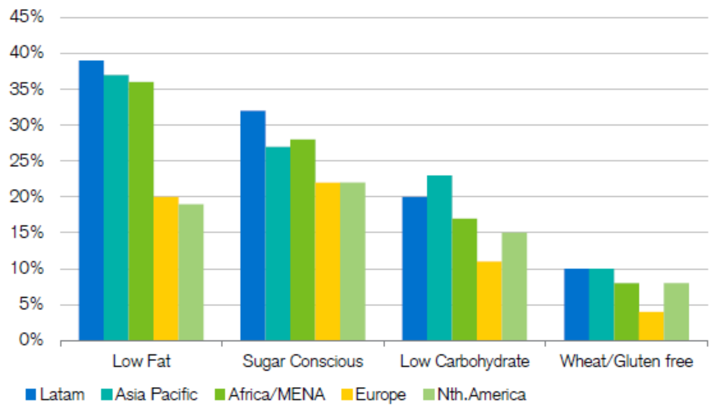
We reviewed our survey results to see if they also suggest that a more healthy approach is adopted by our consumers, which is indeed the case. For example, consumption of beer, spirits and the use of cigarettes is down year-on-year across most of the countries surveyed (Figure 8). At the same time, we also notice that a majority of consumers in all the countries with the exception of Russia have started to switch from "less-healthy" or sugary products to "healthier" options (Figure 9).

Increased focus on personal care

Another consumer product that may indicate whether emerging consumers are becoming more conscious about their lifestyles relates to demand for personal and skin-care products. We note from the survey that a majority of consumers in all countries already buy these products. On a positive note, we find that this share of purchasing consumers rose in five out of eight countries last year. In addition, the share of consumers that intend to spend more on personal and skin-care products this year rose in six out of eight countries.

Figure 7

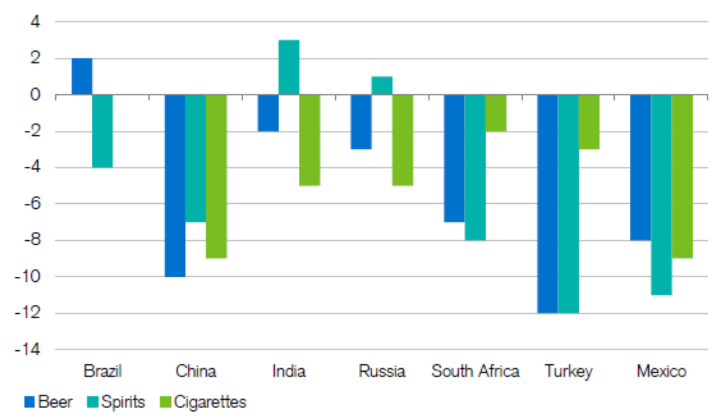
Percentage of respondents who say they follow a special diet that limits or restricts specified foods or ingredients



Source: Nielsen, Global Health and Ingredient Sentiment Survey, Q1 2016

Figure 8

Year-on-year change in share of consumers who had bought these products in the past 3 months (%)



Source: Emerging Consumer Survey 2017

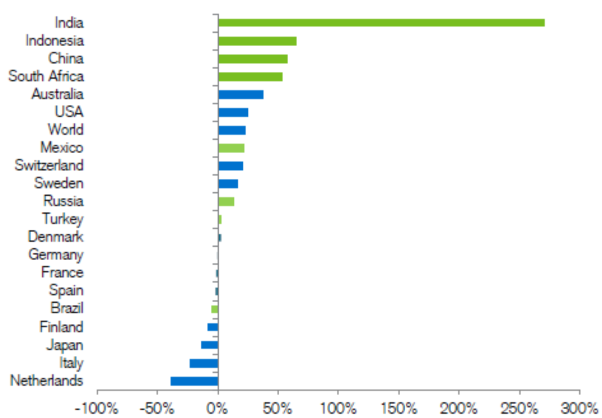
Healthier through a more active lifestyle

Finally, we also review whether consumers are likely to start leading more active lifestyles. External indicators from sources such as market research company Euromonitor suggest that this is the case. For example, consumption of sports drinks during the past five years has been growing strongest across most of the economies we surveyed (Figure 16). Sport-nutrition consumption (e.g. protein products) has also grown very strongly for most of our surveyed markets (Figure 17). The exceptions here include Russia and South Africa, where total consumption has declined between 2011 and 2016. Indications that consumers may be starting to lead more active and therefore healthier or conscious lifestyles might also be found through purchase behavior in terms of sportswear and indications of whether consumers have started to exercise more.

The market for sportswear has indeed expanded aggressively over the past five years. While we would not necessarily attribute all of this growth to consumers using sportswear to start exercising, we do see this as additional "evidence" of a broader trend toward a more conscious lifestyle. In this regard, data from Euromonitor (see charts below) not only shows that the market for sportswear is growing most strongly across key emerging markets, but that the increase in sportswear spending remains far stronger across global emerging markets than developed markets (Figure 18).

Figure 16

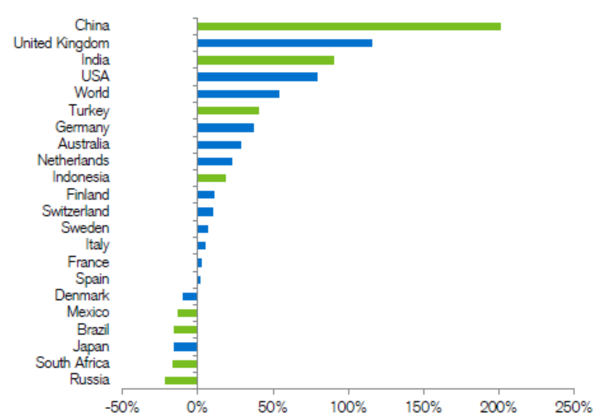
Change in consumption of sports drinks, 2016 vs. 2011: India, Indonesia and China leading



Source: Euromonitor, Credit Suisse research

Figure 17

Change in total sales of sport nutrition, 2016 vs. 2011: China and India lead, Russia weakest



Source: Euromonitor, Credit Suisse research

No.1 brand purchasing intentions over the next 12 months

EM countries	Brazil	China	India	Indonesia	Mexico	Russia	Turkey
Adidas	Adidas	Adidas	Adidas	Adidas	Nike	Adidas	Adidas
Nike	Nike	Nike	Reebok	Nike	Adidas	Nike	Nike
Reebok	Olympikus	Li-Ning	Nike	Converse	Puma	Reebok	Puma

Source: Emerging Consumer Survey 2017

Asia in focus

Our scorecard suggests that consumers in Asia are the most optimistic across our surveyed countries. Against that background, our local analysts provide a more detailed overview of the key changes that look set to impact consumer spending in China, India and Indonesia. Our analysts in China suggest that consumers are making a "lifestyle upgrade" while, in India, we are seeing the impact of demonetization and likely tax reforms, but still resilient income growth among high-income earners. In Indonesia, consumers may benefit from the tailwind of recovering commodity prices, although the path from more basic to discretionary consumption is still in its early stages.

Contrasting themes in Asia

Asian consumers have consistently remained among the more robust in terms of optimism indicators in our surveys and do occupy the top three positions in this year's scorecard. However, the nature of the consumer stories at work differ considerably as does the stage of consumer development. The nature of the rebalancing of growth we refer to elsewhere is played out in countries where the consumption shares of GDP differ as we see in Figure 1. China's lowly consumption share stands out if well understood. Here, our regional analysts put some of the survey readings in the context of prevailing reforms and broader economic factors at work in India, China and Indonesia."

India: Shift to branded goods set to accelerate

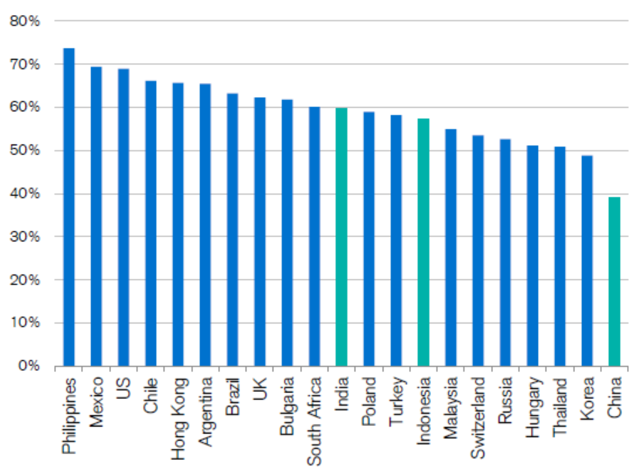
Neelkanth Mishra, Arnab Mitra

India is in the midst of some major changes that are likely to have a multi-year impact on the consumption environment. Specifically, we believe momentum toward branded goods is likely to be superior to that of unbranded products as consumers trade up. We see two reasons why this is likely to happen. First, we believe that the government's demonetization program, introduced in November last year, and the likely introduction of the Goods and Services Tax (GST) in July 2017 will help increase demand for branded good. Businesses manufacturing unbranded goods have been hit by the cash shortage and will find it harder under GST, thus reducing their low price advantage. Increased usage of non-cash payment systems will also act as an enabler of this process in our view, and create investment opportunities in their own right.

Second, we expect income growth to be more robust among higher-income consumers than lower-income groups. Consumers in rural areas benefitted in 2005–14 from higher agricultural prices and increased farming profits (around 50% of rural India is employed in farming) as well as supportive government initiatives. In the absence of these tailwinds, we believe that rural and low-income consumers could come under pressure. A consumption switch toward higher-income groups is likely to support branded goods more than unbranded products in our view.

Figure 1

Current consumption as a share of GDP



Source: Emerging Consumer Survey 2017

Indonesia: What is driving behavior?

Ella Nusantoro, Calvin Tjahjono

A staple consumer

While Indonesia stands out as one of the top three countries in the survey, the anatomy of the story is different in terms of spending patterns. Consumption assumes a far greater proportion of GDP than we see in China and India. However, this consumption and more immediate growth prospects tend to be skewed to more staple products and essentially lower-ticket spending. As we highlighted in the first chapter of the report, Indonesia is essentially at an earlier stage of the roadmap of developing discretionary consumption than a number of the other emerging economies in the survey. The significant "lifestyle" upgrade for China we describe above is much further down the road in Indonesia.

Figures 23 and 24 underline this distinction. The categories with among the strongest spending intentions are staple products such as bottled water, dairy and carbonated drinks. The positive momentum in these categories apparent in Figure 23, illustrates that these strong categories are also seeing growth rates increase further. They are strong and getting stronger (see our spending heat maps in Appendix 1 for cross-country comparisons.)

Brand aware or brand unaware?

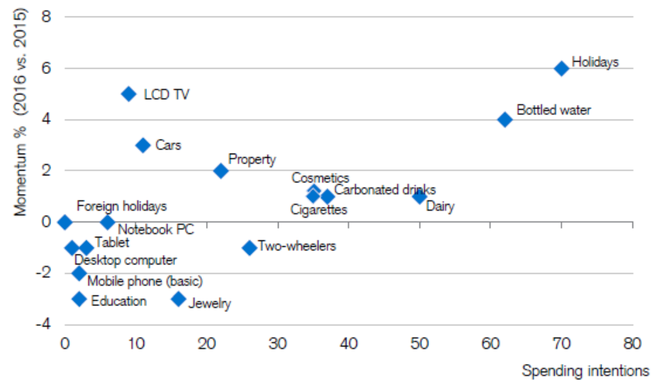
A focus on such staple items will tend to be indicative of local and unbranded product preferences as we illustrated in our chapter analyzing brand winners. That said, in the discretionary categories in Indonesia, we are seeing signs of brand appetite increasing consistent with what has been a trend in improving incomes in Indonesia over the life of the survey. As Figure 25 illustrates the preference for unbranded products across a range of product areas have been consistently declining.

This theme is of course most pronounced among higher income earners. Focusing specifically on fashion, Figure 26 highlights the brand purchasing intentions among high-income earners over the next 12 months. The brands that display the highest penetration have shown positive momentum versus 2014, with the exception of "unbranded," which has lost momentum with these consumers. However, low-income earners remain geared toward the consumption of unbranded fashionwear, with 42%intending to purchase unbranded apparel versus 30% in 2015.

As we highlighted earlier in the report, and despite the undoubted structural merits Indonesia displays as a consumer theme, its status as a commodity exporter presents more cyclical risk and volatility than perhaps exists in the other Asian economies. Its current account deficit provides an added source of sensitivity through potential currency vulnerability in a "risk-off" market environment.

Figure 23

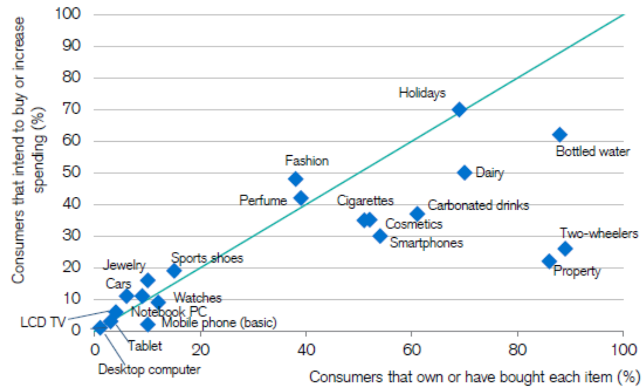
Indonesia: Spending momentum vs. intentions



Source: Emerging Consumer Survey 2017

Figure 24

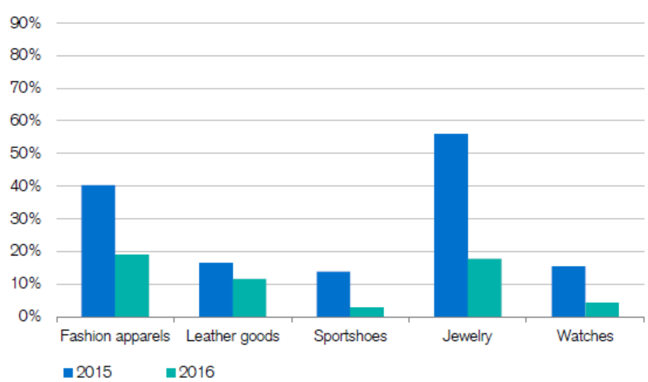
Indonesia: Spending intentions vs. penetration



Source: Emerging Consumer Survey 2017

Figure 25

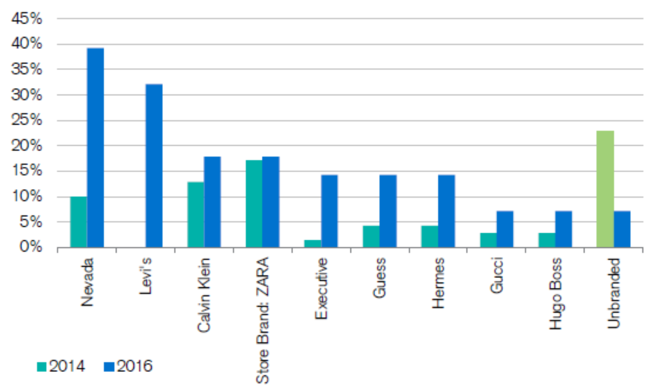
Consumers preference for unbranded products is declining



Source: Emerging Consumer Survey 2017

Figure 26

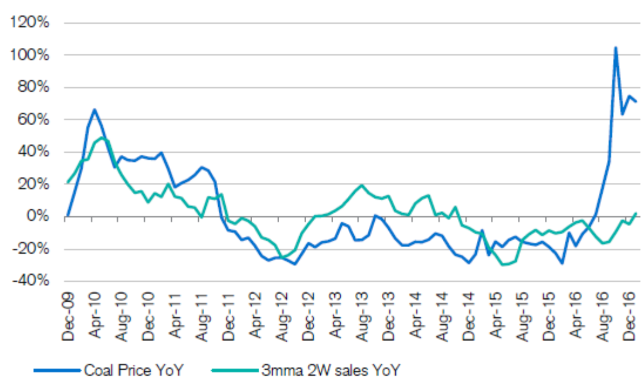
Brand preferences in Indonesia among high-income earners



Source: Emerging Consumer Survey 2017

Figure 27

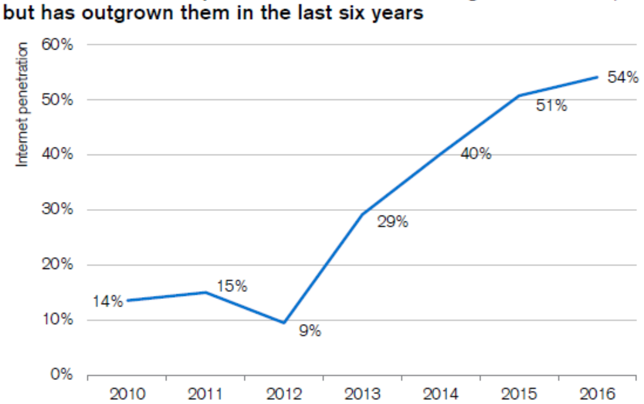
Coal price versus sales of two-wheelers



Source: Emerging Consumer Survey 2017

Figure 28

Indonesia's internet penetration is lowest among EM countries, but has outgrown them in the last six years



Source: Emerging Consumer Survey 2017

However, the recovery in commodity prices we have seen now potentially turns a headwind into a tailwind for consumption. As this is generally positive for economic growth, we would typically expect robust spending intentions for two wheelers in such an environment. This is indeed consistent with the spending intentions we are seeing in the survey. With these prices only having started rising in Q4 2016, we think there is a potential lagged positive impact yet to show itself.

Growing e-commerce

We believe that the long term growth outlook for e-commerce services in Indonesia is promising. One of the reasons for our view is that the country's young, urbanizing, population has allowed internet access rates, as per our survey, to increase rapidly from 9% in 2012 to over 50% last year.

To date consumer usage of internet services in Indonesia remains largely focused on social media (90% of consumers use the internet for this), instant messaging (58%) and accessing music or videos (33%). Only 9% of our surveyed consumers in Indonesia used the internet for online shopping which is a relatively low score when compared to other countries in our survey. Usage of banking and online travel services are also low at 5% and 3%, respectively.

The share of total retail spending that is executed online (around 2%) is also toward the lower end for our surveyed economies and pales in comparison to China, which is at over 15%. We do not believe that the current relatively low share of online shopping in Indonesia is structural, but that it is partly a function of overall economic development. Other factors that are relevant in this regard include the relatively low usage of non-cash payment systems in Indonesia. Our Indonesian research team also highlights the cultural role played by shopping malls for Indonesians as a means to meet friends especially on the weekend.

Indonesia

Greater expectations for the future

Ella Nusantoro

Indonesia is now second in our consumer confidence scorecard this year, up from third place last year. A net 30% of respondents expect personal finances to improve over the next six months, which is above the survey average of 20%. Indonesia ranked best among the eight countries when asked "to what extent has your household income changed in the last 12 months," most likely driven by fiscal measures involving the government increasing the threshold for non-taxable income in each year, allowing tax payers to enjoy an additional IDR 1.5 m (USD 112 m) in income between the years 2014 and 2016. Income expectations for the next 12 months remain resilient, with 44% of respondents expecting no change and 29% expecting an increase in household income of up to 10%. Indonesians continue to be optimistic about making major purchases, with the country ranked third out of eight.

Although income growth is still supportive, there are differences across the income scale, with higher income groups displaying greater optimism about their income prospects and lower income consumers showing relatively weaker readings on overall sentiment. While there are potential benefits for these consumers from the government pledging to increase minimum wages, they are more sensitive to the 2016 rise in fuel prices.

Although respondents are still cautious about inflation expectations, sentiment has improved, with 46% expecting inflation to rise versus 55% last year, potentially driven by government measures to curb inflation at a record-low 3.7% in FY 2016 versus 6.4% in 2015. While 2015 was challenging for Indonesia, 2016 saw expectations improve. GDP growth rose from 4.9% in 2015 to an estimated 5.0% in 2016. Private consumption, which accounts for approximately 54.8% of total GDP, has been stable with around 5% growth due to the broad demographic base and young population. While still showing signs of weakness, the commodity-based Kalimantan region is improving as commodity prices recover and oil and gas production increases. At the same time, the government continues to introduce economic policy packages aimed at improving Indonesia's competitiveness and encouraging investment in the country.

Indonesians' monthly spending patterns remain relatively unchanged year on year. Consumers continue to allocate a large portion of their household income to food (35%), far above the survey average (22%), followed by housing and public utilities (8.3%). However, we note that a shift to more discretionary areas of spending is underway. Spending on smartphones is gaining the most momentum supported by growing internet access. Spending on property and holidays is also very robust. We still see a preference for two-wheelers over four-wheelers, in part reflecting the lower income nature of the Indonesian consumer, but also doubtless influenced by fuel prices. Interestingly, just as growth in discretionary items is rising strongly, consumers are effectively shifting household income expenditure away from staples such as dairy products and carbonated drinks, with momentum declining for both in 2016.

In summary, we think the immediate outlook for the Indonesian consumer appears to be robust, supported by the long-term demographic drivers that remain in place. Both combine to support growing momentum in more discretionary areas of consumer spending. As optimism grows, Indonesians' willingness to purchase unbranded goods has declined, notably jewelry.

istockphoto.com/joyt

Table 1

Key macro indicators

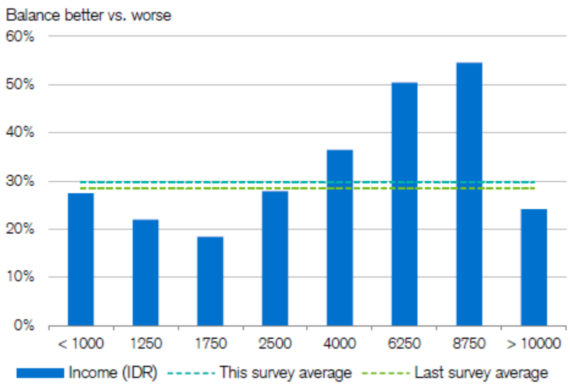
GDP (2016E)	USD 918.2 billion
GDP per Capita (2016E)	USD 3,594
Population (2016E)	255.5 million
CPI Inflation (2016E)	3.0%
CPI Inflation (2017E)	4.5%
Real GDP Growth (2016E)	5.1%
Real GDP Growth (2017E)	5.3%
Real private consumption growth (2016E)	5.1%
Real private consumption growth (2017E)	5.3%

Source: IBGE, Bank Indonesia, Ministry of Finance, Central Bureau Statistics, CEIC, World Bank, Credit Suisse estimates

AAA. Asean Athletic Association

Figure 1

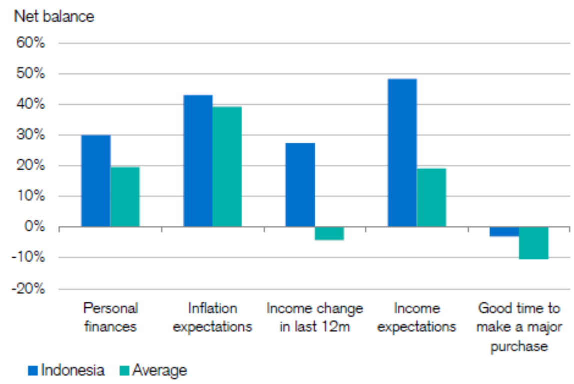
State of personal finances over the next six months



Source: EM Consumer Survey 2017, Credit Suisse research

Figure 2

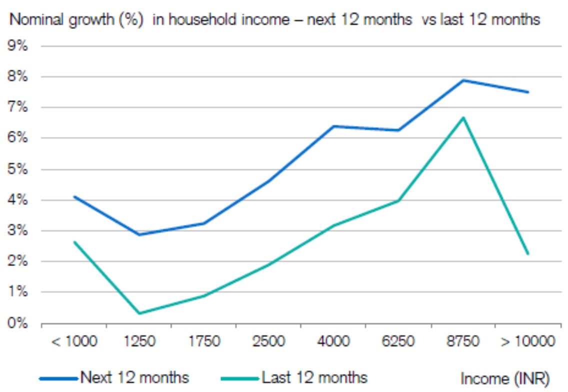
Consumer confidence indicators



Source: EM Consumer Survey 2017, Credit Suisse research

Figure 3

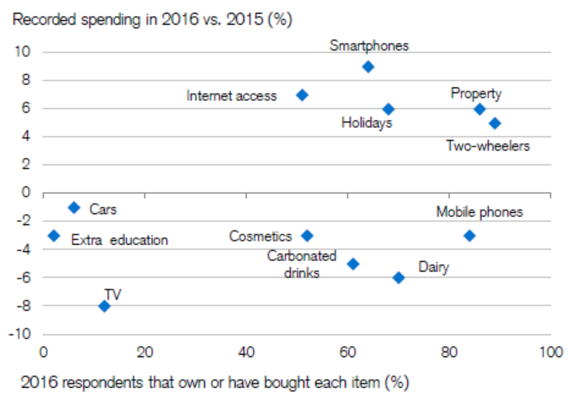
Nominal growth in household income



Source: EM Consumer Survey 2017, Credit Suisse research

Figure 4

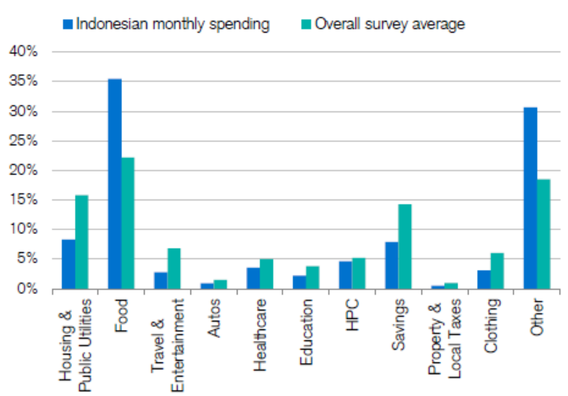
Spending momentum and market penetration



Source: EM Consumer Survey 2017, Credit Suisse research

Figure 5

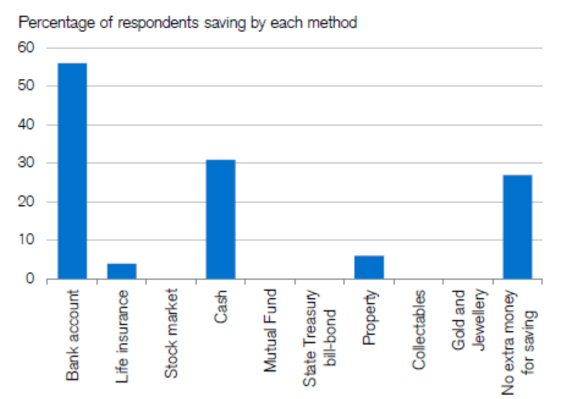
Monthly spending by category



Source: EM Consumer Survey 2017, Credit Suisse research

Figure 6

Savings by distribution channel (%)



Source: EM Consumer Survey 2017, Credit Suisse research

In what ways do you expect your household income to change in the next 12 months?

		China			India			Indonesia			South Africa		
		Income	Purchases	Finances	Income	Purchases	Finances	Income	Purchases	Finances	Income	Purchases	Finances
	Total	**30**	**6**	**27**	**20**	**8**	**47**	**49**	**−3**	**30**	**28**	**−13**	**14**
Area	Urban	29	8	30	28	5	41	49	−3	31	23	−11	17
	Rural	26	1	22	−1	14	62	50	−4	27	37	−16	8
Age	18–29	37	3	33	21	7	47	50	−4	31	28	−7	19
	30–35	30	7	33	20	9	47	50	−3	32	29	−13	16
	46–55	21	10	18	13	5	49	45	−1	28	28	−17	11
	56–65	19	8	16	16	6	46	45	−4	20	12	−20	−6
Income	Low	22	3	13	17	7	28	47	−3	20	13	−19	−3
	Medium	26	5	23	10	9	53	49	−3	34	31	−9	15
	High	36	10	35	32	9	41	56	1	40	59	−7	26

Indonesia Review 2017 - *CountryWatch*

Located in Southeast Asia, the Indonesia archipelago is the largest island complex in the world, spreading across a chain of thousands of islands between Asia and Australia.

Key Data	
Region:	Asia
Population:	255759408
Climate:	Tropical with hot and humid conditions; more moderate conditions in highlands
Languages:	Bahasa Indonesian (Official) English Dutch local dialects including Javanese
Currency:	Indonesian Rupiah
Holiday:	Independence Day is 17 August (1945), Kartini Day is 21 April
Area Total:	1919440
Area Land:	1826440
Coast Line:	54716

Economic Overview

Overview

Indonesia has a well-balanced economy with all major sectors playing an important role. The country has a vast range of mineral resources, and is the only Asian member of the OPEC (Organization of Petroleum Exporting Countries). The manufacturing sector began a rapid expansion in the mid-1980s, and the contribution of the manufacturing sector to GDP exceeded that of the agricultural sector in the 1990s. The services sector has seen fast expansion in recent years, and accounts for about 55 percent of GDP. Exports have been the primary engine of growth for the country. Before the 1980s, exports consisted mainly of primary commodities including natural rubber, coconut oil and copra, tin, and crude oil. The decline in petroleum prices after 1983 resulted in a push towards industrialization, and manufactured products increasingly became dominant in exports.

During the 33 years of authoritarian rule under President Suharto, Indonesia saw continuous economic growth. This growth was mainly due to an economic strategy spearheaded by well-connected industrial groups that were financed in large part by directed lending from state-owned banks. But the "Indonesian economic miracle" did not withstand the Asian financial crisis from 1997 to 1998. The political disturbances in May 1998, which culminated in the resignation of President Suharto, were accompanied by further economic disruption and continued sharp depreciation of the rupiah. The collapse of the rupiah made most of the Indonesian banking and corporate sector insolvent. Also, GDP growth declined sharply and registered a negative growth of 13.7 percent in 1998, compared with an annual average growth of 7 percent between 1987 and 1997.

The government in power from July 2001 to October 2004 restored macroeconomic and financial stability through fiscal consolidation, which had the effect of helping to bolster confidence, lower interest rates and establish a foundation for economic recovery. Upon assuming office in October 2004, the government under President Yudhoyono initiated a medium-term economic program aimed at sustaining and deepening reforms initiated by its predecessor. The program seeks to enhance sustainable growth through the continuation of fiscal consolidation and strengthening of the financial sector, combined with an intensified drive to improve the investment climate by rebuilding infrastructure, bolstering the legal framework, and improving governance. Supported by appropriate macroeconomic policies, Indonesia has continued to make steady economic progress in recent years despite some major natural disasters.

Indonesia's economy has remained resilient despite the global economic crisis, with real GDP still expanding at a respectable rate in 2009. Sound macroeconomic management, relatively low dependence on external demand, and the government's timely policy response led to Indonesia outperforming most of its regional neighbors during the recession. In late 2010, rising inflation, driven by higher and volatile food prices, challenged economic policymakers and threatened to push millions of the near-poor below the poverty line. In May 2011, President Yudhoyono unveiled a plan for the country to become one the world's top ten economies by 2025. In December 2011, Fitch and Moody's upgraded Indonesia's credit rating to investment grade. Overally, economic growth in 2011 was the highest in over a decade.

By mid-2012, inflation was within the central bank's target range, credit growth was robust, and measures of business and consumer confidence remained strong. In June 2012, Indonesians were more confident about economic prospects over the next six months. Bank Indonesia's consumer confidence index in June climbed to a five-month high, with respondents believing that more jobs would be available due to more entrepreneurial activity and as government projects come on stream. As further evidence of the economy's strength, PT Bank Pembangunan Daerah Jawa Timur (Jatim), Indonesia's second-biggest provincial lender, was set to raise US$135.5 million in an initial public offering in July 2012. Also, overall car sales in May 2012 surged 57 percent, the highest in eight months and more than twice the growth seen in China. A record numbers of vehicles bought in Indonesia in 2011 led to automakers such as BMW and General Motors to invest in manufacturing in Indonesia. Still, Indonesia's economy was not without its risks. Indonesia's external current account turned from a surplus to a small deficit, as exports fell by more than imports, reflecting a combination of the deteriorating external environment and continued strong domestic demand. Indonesia also struggles with poverty and unemployment, inadequate infrastructure, corruption, a complex regulatory environment, and unequal resource distribution among regions.

In August 2013, it was clear that the global economic environment had become more challenging for Indonesia. A further decline in commodity prices and slowing growth in major emerging markets (EMs) trading partners had adversely affected Indonesia's export performance. An increase in net oil and gas trade imbalance also added to pressures. The current account deficit was expected to widen for the year while GDP growth was expected to slow due to sluggish external demand and a weak investment outlook. The government continued to face the ongoing challenge of improving Indonesia's insufficient infrastructure to remove impediments to economic growth, labor unrest over wages, and reducing its fuel subsidy program in the face of rising oil prices. However, improved global prospects and election-year spending were expected to boost growth in 2014.

Meanwhile, in mid-October 2013, about 7,000 Indonesian workers were protesting in demand of a 50 percent increase in the minimum wage and improved social welfare. The demonstrations reinforced concerns that labor costs in Southeast Asia's biggest economy were becoming uncompetitive. The government-set minimum wage climbed 44 percent last year in greater Jakarta, where the majority of Indonesia's factories are based. The minimum wage there is on average US$172 a month. Despite experiencing some of the world's fastest economic growth in recent years, nearly 40 percent of Indonesia's population live on about $2 a day, and the gap between the rich and the poor was widening. Economists say that they are concerned expressed concerns that the government would give in to populist demands to win votes rather than implement serious economic reform to help combat slowing growth.

In July 2014, the Indonesian government approved a new regulation easing the export tax on mineral concentrates for miners planning to build a smelter there. In January 2014, Indonesia had imposed an escalating tax policy, which penalized any company that had not made progress on building a smelter by charging them a 25 percent tax on copper concentrate exports or a 20 percent tax on lead, zinc, iron and manganese shipments. The tax was due to increase annually to 60 percent in 2017. It seemed the plan backfired. Instead of encouraging miners to develop smelters and mineral processing facilities, the new tax policy just resulted in many miners halting the export – hence the July regulation that eased the tax.

In July 2014, Indonesia's new president, businessman Joko "Jokowi" Widodo, pledged to enhance the country's infrastructure and simplify regulations in an effort to attract more foreign investors.

"(Investors) say getting business permits is very complicated. Some investors say they need two years. Imagine. So if we can give solutions for getting business permits, I'm sure that we can improve the infrastructure faster," Widodo told Reuters.

He also pledged to come down hard on officials who do not perform. The new president has emphasized maritime and other infrastructure development, and especially increased electric power capacity, since taking office. Fuel subsidies were almost completely removed in early 2015, a move which could help the government increase spending on its development priorities. Indonesia, with the nine other ASEAN members, will continue to move towards participation in the ASEAN Economic Community, though full implementation of economic integration will not be completed by the previously-set deadline of year-end 2015.

In late August 2015, Reuters reported that Indonesia would soon unveil a policy package aimed at boosting the battered rupiah and helping an economy that was growing at its slowest pace in six years. The package was expected to add to previously announced tax incentives aimed at promoting selected activities including oil refineries and infrastructure.

Also in late August, Bank Indonesia (BI) cut its GDP growth outlook for 2015 and 2016. BI Governor Agus Martowardojo was quoted by Reuters as saying he expected 2015 economic growth to be the weakest since 2009. For the year, the rupiah had shed about 11.5 percent against the dollar as of August.

Then, in early September 2015, an Indonesian employers association labeled workers' demands for steep annual wage hikes as “unrealistic” and cautioned there could be more layoffs at companies struggling amid the country’s slowdown. Labor-intensive sectors such as manufacturing and mining had seen thousands of layoffs in previous months.

"The economy is slowing and companies all over the country are already either closing down or cutting jobs," Hariyadi Sukamdani, head of the Indonesian Employers Association, was quoted by Reuters as saying.

"We realize economic conditions in Indonesia are not very good at the moment, but the government needs to realize it's the workers and poor people who get hit the hardest," Bambang, a Jakarta factory worker who had participated in the rallies, was quoted by Reuters as saying. "We are the ones who need to be protected.”

Economic growth moderated for a fourth year in a row at 4.8 percent at 2015, according to the Asian Development Outlook. It was the country’s slowest pace of growth since 2009. Recent reforms have helped Indonesia’s economy remain resilient, but a lower than expected growth forecast for the global economy poses risks.

Indeed, Indonesia’s economy grew less than analysts expected in the first quarter of 2016, noted Bloomberg. GDP increased 4.92 percent in the first three months of the year compared with the same period in 2015, down from a previously reported 5.04 percent in the fourth quarter. a A Bloomberg survey of 15 economists were estimating a median of 5.07 percent.

“While the government is doing what it can to support growth, the gravitational pull of a cyclical downturn is much stronger,” Trinh Nguyen, an economist at Natixis Asia Ltd. in Hong Kong, was quoted by Bloomberg as saying. “Credit growth is slowing and households are spending less.”

Looking ahead, the World Bank was projecting GDP growth of 5.1 percent in 2016 and 5.3 percent in 2017.

Foreign Investment Climate

Background

Indonesia, a vast polyglot nation, has made significant economic advances under the administration of President YUDHOYONO but faces challenges stemming from the global financial crisis and world economic downturn. Indonesia's debt-to-GDP ratio in recent years has declined steadily because of increasingly robust GDP growth and sound fiscal stewardship. The government has introduced significant reforms in the financial sector, including in the areas of tax and customs, the use of Treasury bills, and capital market supervision. Indonesia's investment law, passed in March 2007, seeks to address some of the concerns of foreign and domestic investors. Indonesia still struggles with poverty and unemployment, inadequate infrastructure, corruption, a complex regulatory environment, and unequal resource distribution among regions. The non-bank financial sector, including pension funds and insurance, remains weak. Despite efforts to broaden and deepen capital markets, they remain underdeveloped.

Foreign Investment Assessment

Openness to Foreign Investment

Indonesian government policy is to encourage private sector-led growth and foreign investment. President Wahid has adopted increasing foreign investment as a personal cause, and since taking office has carried a message of welcome in his foreign travels. In 1998 and 1999, the GOI issued several new regulations to ease the entry of foreign firms and capital into Indonesia. However, the Foreign Capital Investment Law of 1967, which provides the basic framework for foreign investment, is still in effect. The law has been under revision for almost two years and its reform comprises one of the objectives of the GOI's IMF-supported economic reform program.

Investment in Indonesia is categorized as either domestic (PMDN) or foreign (PMA). An investment with any degree of direct foreign ownership is defined as PMA. The Capital Investment Coordinating Board (BKPM) - now subsumed under the Board of Investment and State-Owned Enterprises (BPM-PBUMN) - plays a key role in promoting foreign investment and approving project proposals. The relevant technical government departments handle investments in the oil and gas, banking, and insurance industries. BKPM, or the corresponding provincial board (BKPMD), approves foreign and domestic investment in all other sectors.

While BKPM/BKPMD aims to function as a one-stop investor service, investors are routinely required to work closely with relevant technical government departments, such as Finance, Manpower, Land Affairs, and Justice, as well as regional and local authorities, unless they investing in Bonded Zones (Kawasan Berikat) or in Integrated Economic Zones (KAPET). Recent reforms have freed investors from some cumbersome documentary requirements resulting from the need to work with other departments and local governments. One significant change is that master lists of capital goods and basic material imports for both foreign and domestic investments are approved by BKPM/BKPMD and no longer need clearance from the Directorate General of Customs and Excise.

The GOI has also made efforts to streamline and simplify foreign investment application processes. For example, approvals for foreign investment over US$100 million no longer must be approved by the President of Indonesia, but can now be approved by the Chairman of BKPM. Currently there are no restrictions on the investment level (below US$100 million) that can be approved by a BPKMD. Starting in January 2000, some provinces, among them the Jakarta District, West Java, West Kalimantan, and East Kalimantan, started accepting foreign investment applications. Plans are afoot to permit Indonesian embassies and consulates abroad to accept and process foreign investment applications.

A foreign investor may be an individual or a corporate entity. Private entities may establish, acquire, and dispose of interests in business enterprises. Current regulations permit foreign firms to acquire domestic firms in sectors open for foreign investment after receiving approval from BKPM. When reviewing applications from foreign firms seeking to acquire locally established firms, BKPM frequently requires the buyer to reserve a small stake for a local buyer or the original owner and, in cases where the local firm is being "rescued" by a foreign buyer, to inject capital, not just provide management expertise, technology or assume outstanding loans. The approval process to take over a "sick" firm may take as long as two months. In 1998, the GOI established the Jakarta Initiative, with a mandate to eliminate obstacles to corporate debt restructurings. In May 1999, the government issued regulations providing incentives for corporate debt restructurings that could address some of the obstacles to foreign investment in existing, but distressed, firms.

The GOI has eliminated many restrictions on foreign investment in retail and wholesale operations. Foreign firms are now allowed to invest directly in both wholesale and large-scale retail trade sectors (generally interpreted as shopping centers, malls, supermarkets, and department stores), with the condition that they enter into a cooperative agreement with a small-scale enterprise. In addition, many foreign firms use franchising, licensing, and technical service agreements to distribute their goods. Indonesia has also lifted many restrictions on foreign participation in domestic distribution services. Under current regulations, foreign companies manufacturing in Indonesia may distribute their locally produced goods at the wholesale level and may apply for permits to import and distribute other products as well. These licensing processes, like many other processes, may be substantially affected by decentralization. However, companies engaging in wholesale distribution may not conduct retail operations directly, but must form a separate retail company. Further, the number of expatriate employees granted visas to work in any single wholesale and retail business remains limited.

Transparency of Regulatory System

Indonesia has a tangled regulatory and legal environment where most firms, both foreign and domestic, attempt to avoid the justice system. Laws and regulations are often vague and require substantial interpretation by implementing offices, leading to business uncertainty. Deregulation has been somewhat successful in removing barriers, creating more transparent trade and investment regimes, and has alleviated, but not eliminated, red tape. Transparency problems and red tape are routinely cited by foreign businesses as factors hindering their operations in Indonesia.

Labor Force

Total: 111.5 million estimated

By occupation: agriculture 45%, industry 16%, services 39%

Agriculture and Industry

Agriculture products: rice, cassava (tapioca), peanuts, rubber, cocoa, coffee, palm oil, copra, poultry, beef, pork, eggs

Industries: petroleum and natural gas, textiles, apparel, footwear, mining, cement, chemical fertilizers, plywood, rubber, food, tourism

Import Commodities and Partners

Commodities: machinery and equipment, chemicals, fuels, foodstuffs

Partners: Japan 13%, Singapore 12.8%, China 9.1%, US 8.3%, Thailand 5.2%, Australia 5.1%, South Korea 4.7%, Saudi Arabia 4.6%

Export Commodities and Partners

Commodities: oil and gas, electrical appliances, plywood, textiles, rubber

Partners: Japan 22.3%, US 12.1%, Singapore 8.9%, South Korea 7.1%, China 6.2%

Telephone System

Telephones- main lines in use: 7.75 million

Telephones- mobile cellular: 11.7 million

General Assessment: domestic service fair, international service good

Domestic: inter-island microwave system and HF radio police net; domestic satellite communications system

International: country code - 62; satellite earth stations - 2 Intelsat (1 Indian Ocean and 1 Pacific Ocean)

Internet

Internet Hosts: 62,036

Internet users: 8 million

Roads, Airports, Ports and Harbors

Railways: 6,458 km

Highways: 342,700 km

Ports and harbors: Cilacap, Cirebon, Jakarta, Kupang, Makassar, Palembang, Semarang, Surabaya

Airports: 667; w/paved runways: 154

Legal System and Considerations

Indonesia's legal system is based on Roman-Dutch law, substantially modified by indigenous concepts and by new criminal procedures and election codes. It has not accepted compulsory ICJ jurisdiction.

Dispute Settlement

The Indonesian government has agreed to submit any investment disputes to the International Center for the Settlement of Investment Disputes (ICSID) in Washington, D.C. A long-pending investment dispute involving a U.S. investor was resolved through the ICSID in 1993. Indonesia has signed on to UNCITRAL (United Nations Commission on International Trade Laws) arbitration rules. Foreign firms have entered arbitration hearings in Indonesia under UNCITRAL administration. An Indonesian investment arbitration board, BANI, is available when both parties to a dispute agree to submit to its arbitration.

Indonesia is also party to the 1958 New York Convention on Recognition and Enforcement of

Foreign Arbitral Awards. The record of enforcement of foreign arbitral awards is, however, negative. In practice, foreign companies have had great difficulty enforcing foreign arbitration awards or getting the judicial system to honor arbitration clauses in contracts involving foreign investors. In 1999, Indonesia enacted a Law on Arbitration that addresses many concerns, but the new law's impact has yet to be felt. Disputes between Independent Power Producers (IPPs) and the state electric company PLN and lack of respect for arbitration rights clauses in contracts have been cited by many foreign chambers of commerce operating in Indonesia as major causes for alarm and strong deterrents to further investment in Indonesia.

The court system does not provide effective recourse for solving commercial disputes. The judiciary is nominally independent, but irregular payments and other collusive practices often influence judicial outcomes. The GOI has recognized that the legal system must be modernized. Legal and judicial reform is an important part of Indonesia's economic reform program. Indonesia enacted laws on consumer protection, anti-corruption, and anti-monopoly/competition in 1999; however, the regulatory frameworks to enforce these new laws remain incomplete.

Corruption Perception Ranking

See listing reported by Transparency International, from the least to most corrupt countries, in the review for Indonesia's ranking.

Cultural Considerations

In many Asian cultures, including Indonesia, avoiding confrontation is the norm. Rather than answering negatively in an outright manner, Indonesians will more likely make excuses or they may tell you that they must check with someone at a higher level, when such a person doesn't exist. Likewise, they find it difficult to accept a direct negative answer. It is also important to note the attire differentials in Indonesia. For example, business dress is conservative; suits for both men and women. However, outside of business, dress is generally elegant but casual. Beach wear should be confined to the beach and shorts should not be worn in urban centers. Visitors should always dress modestly in temples, mosques, and holy sites. Women should take care to wear shirts or blouses that cover at least their upper arms and shorts and skirts should be at least knee-length.

The Foreign Investment Index is a proprietary index measuring attractiveness to international investment flows. The Foreign Investment Index is calculated using an established methodology by CountryWatch's Editor-in-Chief and is based on a given country's economic stability (sustained economic growth, monetary stability, current account deficits, budget surplus), economic risk (risk of non-servicing of payments for goods or services, loans and trade-related finance, risk of sovereign default), business and investment climate (property rights, labor force and laws, regulatory transparency, openness to foreign investment, market conditions, and stability of government). Scores are assigned from 0-10 using the aforementioned criteria. A score of 0 marks the lowest level of foreign investment viability, while a score of 10 marks the highest level of foreign investment viability, according to this proprietary index.

Indonesia	5.5

Taxation

Corporate tax

The main corporate tax rate is progressive and rises to 30 percent. There is also a branch profit tax of 20 percent on remittances derived from overseas.

Individual tax

Individual tax rates are progressive and rise to 35 percent. There is also a 15 percent withholding tax on dividends received by individuals from Indonesian companies. As well, there is a withholding tax of 20 percent attributed to the interest on government bonds.

Capital gains

Capital gains are generally taxed as income.

Indirect tax

There is a value-added tax (VAT), which applies to most transactions at a standard rate of 10 percent. Lower rates of one percent and 0.5 percent apply to certain services. There are exemptions for healthcare, basic necessities, as well as insurance and financial services. On the other side of the equation, there is a luxury sales tax on technological devices, carpets and some vehicles.

People

Demography

Indonesia is home of one the world's largest national populations with more than 231 million people. The island of Java is one of the most densely populated areas in the world, with more than 107 million people living in an area the size of New York state in the United States.

Cultural Diversity

Indonesia is composed of numerous related but distinct cultural and linguistic groups. The ethnic groups tend to be derived from the Malay ethnolinguistic groupings, including the Javanese, which make up almost half the population, as well as Sundanese, Madurese and coastal Malays, among others. A substantial minority of European and North American expatriates are also living in Indonesia, along with some people of Dutch extraction who are descendants of the colonists.

Since independence, the national language, called Indonesian - a form of Bahasa Malaysian - has spread throughout the country and become the language for most written communication, education, government and business. Many local languages remain important in several areas, the most significant of which is Javanese. While English and Dutch are two non-native languages also used in Indonesia, English is the most widely spoken foreign language.

Religious freedom is guaranteed by the constitution, applying to the five religions recognized by the state, namely Islam, Protestantism, Catholicism, Buddhism and Hinduism. Islam is the most widely followed. In some remote areas, animism is also practiced.

Education is free and compulsory for children between the ages of six and 12. Although about 92 percent of eligible children are enrolled in primary school, a much smaller percentage attend full time. About 44 percent of secondary school-age children attend junior high school, and some others of this age group attend vocational schools.

The population of Indonesia has a healthy life expectancy at birth of 68.9 years - 66.5 for men and 71.5 for women, according to recent estimates. Healthy life expectancy is based on an indicator developed by the World Health Organization called the Disability Adjusted Life Expectancy. To calculate DALE, the years of ill health are weighted according to severity and subtracted from the expected overall life expectancy to give the equivalent years of healthy life. Another calculation by the World Factbook notes that the average life expectancy is 70.46 years -- 67.98 years for men and 73.07 years for women. Meanwhile, Indonesia's infant mortality rate is 31.04 deaths per 1,000 live births.

In terms of literacy, at the start of the decade, 84.1 percent of the female population and 92.9 percent of the male population aged 15 and over could read and write. In recent years, the literacy rate has increased to 90.4 percent for the total population -- 86.8 percent among women and 94 percent among men.

Another notable measure of human development is the Human Development Index (HDI), which is formulated by the United Nations Development Program. The HDI is a composite of several indicators, which measure a country's achievements in three main arenas of human development: longevity, knowledge and education, as well as economic standard of living. In a recent ranking of 169 countries and territories, the HDI places Indonesia in the medium human development category, at 108th place.

Note: Although the concept of human development is complicated and cannot be properly captured by values and indices, the HDI, which is calculated and updated annually, offers a wide-ranging assessment of human development in certain countries, not based solely upon traditional economic and financial indicators.

	Female-Headed Households (%):
	12%
	Economically Active Females (%):
	56.3%
	Female Contributing Family Workers (%):
	N/A
Female Population:	**Female Estimated Earned Income:**
112.7 million	$2,289

Indonesian Perspectives - *Post-2015 Development Agenda*

- In 2015, Indonesia is estimated to have 255 million population.

2035 marks 306 million population

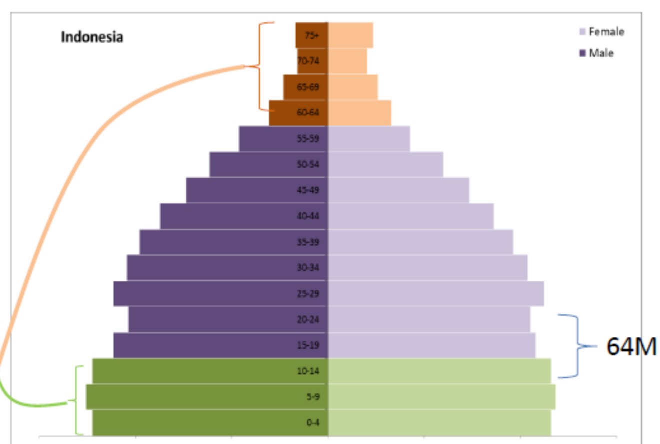
- Expecting about 50 million new comers, they are the upcoming young people, leading to greater concerns related to sexual and reproductive health and rights

4

Today Indonesia's population is in its favorable pace for economic development

- The number of population was 237.6 million as of the 2010 population census, an increase of 147 million in nearly 40 years.
- Due to the successful past decline in fertility and mortality rates, today Indonesia's population structure has
  - 28% population aged below 15.
  - 8% people aged 60 and above
  - 64% working age population

Indonesia in 2010



Source: based on the 2010 population census

Highly Mobile Population

Facilitated by the advancement in public transportation and information, as well as smaller family sizes, population mobility in Indonesia has taken different types of mobility:

- Increasing commuter;
- Rising seasonal migration;
- Complex internal migration;
- More return migration;
- IDP (Internally Displaced Persons);
- Rising overseas migrations;
- Rising flow of foreign migrants;

Jakarta Investment Opportunity - *Jakarta Investment & Promotion Board*

JAKARTA CITY MAP & POPULATION

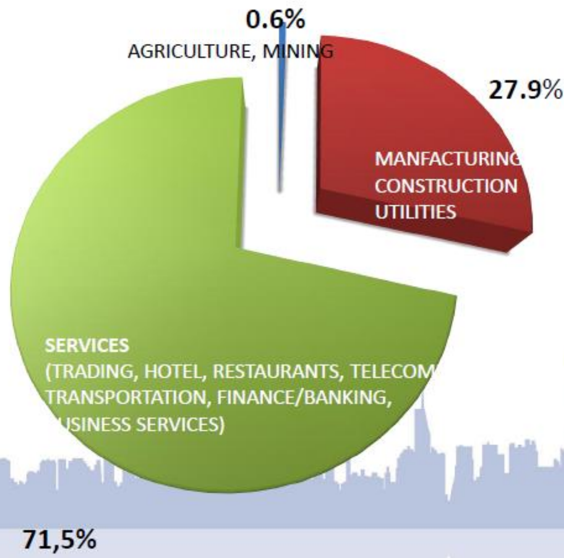
Jakarta is not a city, but rather a province with special status as the capital of Indonesia. As a province, is divided into five cities (kota), and one regency (kabupaten).

Total Land Area : ± 665 Sq KM

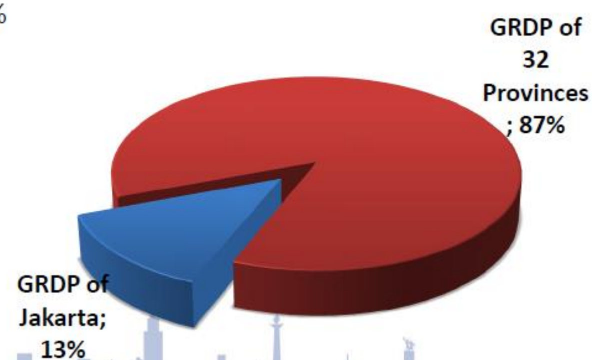
Regency	Population
West Jakarta	2,278,825
North Jakarta	1,645,312
East Jakarta	2,687,027
South Jakarta	2,057,080
Central Jakarta	898.883
Kepulauan Seribu	21,071
TOTAL	9,588,198

AAA. Asean Athletic Association

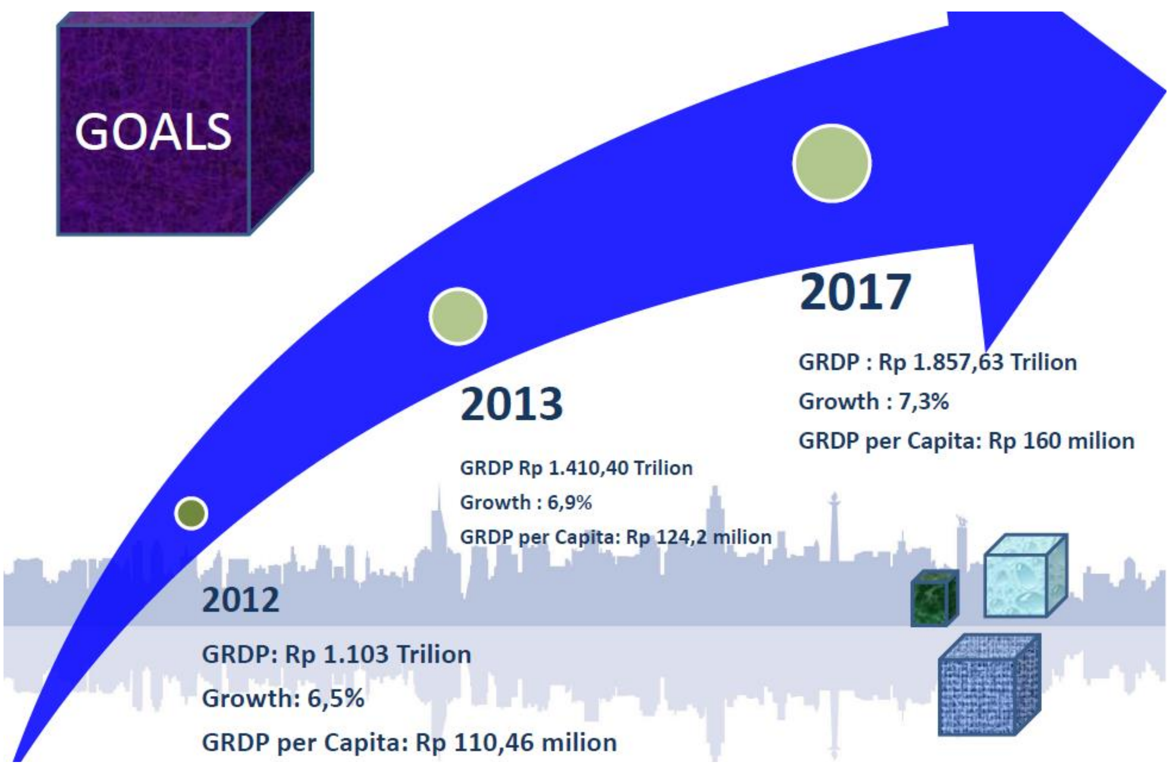
Jakarta's Economic Structure 2012



Contribution to National GDP



Jakarta contribute more than 13% of its GRDP to the total of Indonesia national GDP



AAA. Asean Athletic Association

Competitiveness Index

Competitiveness Index of 33 Provinces in Indonesia

PERINGKAT	PROVINSI	SKOR
1	DKI JAKARTA	1.7576
2	JAWA TIMUR	0.6644
3	KALIMANTAN TIMUR	0.5523
4	JAWA BARAT	0.5113
5	JAWA TENGAH	0.4282
6	DI YOGYAKARTA	0.2757
7	BANTEN	0.2343
8	KEPULAUAN RIAU	0.1708
9	BALI	0.1371
10	RIAU	0.1152

Source: Analisis Daya Saing & Strategi Pembangunan untuk 33 Provinsi Indonesia

Jakarta was ranked number one in terms of overall competitiveness without exception.

From the score show that 68 years of Indonesia's independence, competitiveness that contribute to the economic development is concentrated at the region of DKI Jakarta and Java.

Competitiveness Analysis Assessment & Strategy Development judged on four priority areas , namely :
1. Macroeconomic Stability
2. Planning Government & Institutions
3. Financial Condition , Business & Labor
4. Quality of life & Infrastructure Development

JAKARTA VISION AND PRIORITY PROGRAMS

JAKARTA VISION: New Jakarta- Modern City, Livable and Humane, A Civilized Society, Oriented to Public Service

Property

Tabel V.4. Peringkat Investasi Properti Global

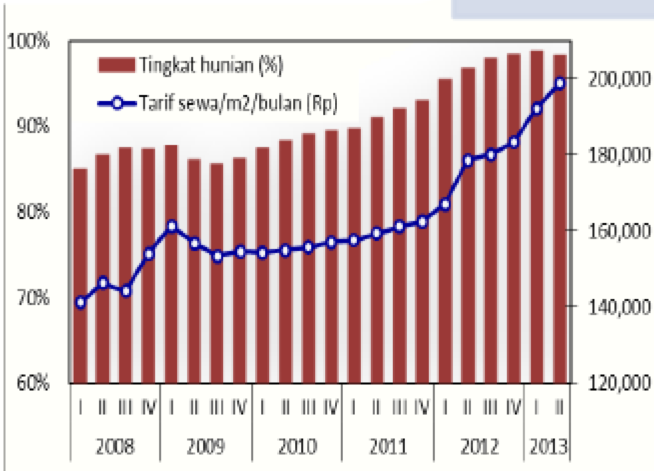
City	2013	2012	2011	2010	2009	2008	2007
Jakarta	1	11	14	17	20	20	19
Shanghai	2	2	2	1	5	1	2
Singapore	3	1	1	5	2	2	4
Sydney	4	3	6	6	14	15	16
Kuala Lumpur	5	17	15	15	10	11	15
Bangkok	6	14	17	19	18	18	8
Beijing	7	5	7	3	12	6	9

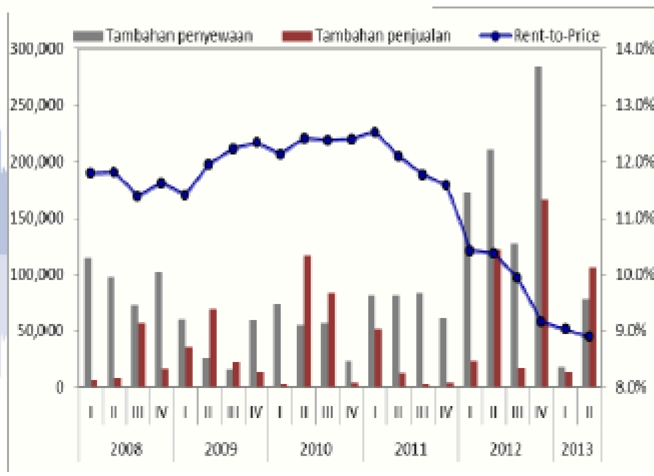
Sumber: *Survei Tren Real Estate Asia Pasifik 2007 – 2013 Urban Land Institute dan Pricewaterhousecoopers*

- Increased investment in commercial property is supported by strong business activity and investment by foreign and domestic.

OFFICE BUILDING

- Property development office space in second quarter 2013 in the Jabodetabek experienced positive development, a commitment reflected in the sale, rental rates and selling prices





Leisure & Sport

- There are many shopping centers in Jakarta , ranging from traditional markets to upscale shopping center. This indicate the large potential market in this city as well as the safety of doing business.
- Jakarta also has many places of interest such as museums and theme parks. Among the other 47 museums there are 3 recreational parks Taman Impian Jaya Ancol , Ragunan Zoo , Taman Mini Indonesia Indah.
- For golf lovers , they can find more than 10 golf courses in the Greater Jakarta area and more than 50 sports clubs which have facilities of international standards.

INFRASTRUCTURE DEVELOPMENT PLAN IN JAKARTA

Infrastructure	Value	Period Start	Period End
Tanjung Priok free way Access	4 Billon	2012	2014
Kalibaru Port	22,6 Billion	2013	2018
1st phase - Mass Rapit Transit (MRT)	15,7 Billion	2013	2016
1st phase - Monorail	6,9 Billion	2013	2015
Trains to Soekarno Hatta Airport	2,3 Billion	2012	2014
6 toll roads network	40 Billion	2013	2021
Toll road development Depok - Antasari	4,8 Billion	2013	2016
Development of Special Economic Zone Marunda	6 Billion	2014	2017

AAA. Asean Athletic Association

PROJECTS

INVESTMENT IN JAKARTA

Open for FDI : 120 Lines of Business
Share of Ownership : 25% - 95%

Close for FDI (open for Domestic Investment only) : 48 Lines of Business

Close for Foreign and Domestic Investment : 25 Lines of Business

INVESTMENT IN JAKARTA

NO	LINES OF BUSINESS	KBLI	OWNERSHIP	SECTOR
1	Operating & Maintenance Service	11200	Max 95%	Energy
2	Hotel	55115	Max 50%	Culture & Tourism
3	Restaurants and Cafes	55213	Max 50%	Culture & Tourism
4	Recreation and Entertainment	92411	Max 50%	Culture & Tourism
5	Professional Convention Organizer (PCO)	63440	Max 50%	Culture & Tourism
6	Pharmaceutical Industry	24232	Max 75%	Health
7	Health Support Services	85193	Max 65%	Health
8	Business Consultation Service and Management (Hospital Management Services)	74140	Max 65%	Health
9	Loss Insurance Companies	66030	Max 80%	Finance
10	Operation of Telecommunication Networks	6421	Max 49%	Communication and Informatics
11	Operation of Multimedia Services	64322	Max 95%	Communication and Informatics

Jakarta Economic is expected to grow in the range of 6.4 to 7.3% until 2017 make Jakarta is favorable place to invest in Indonesia.

JAKARTA IS THE GATE OF INDONESIA'S INVESTMENT.

Local Competition

No other competitor on the market, no other similar business model exists within the country, guarantee of use and high possibility of interest from general public.

Sporting Facilities in Indonesia[10]

- Gelora Bung Karno Stadium - Gelora, Tanah Abang, Central Jakarta, Indonesia. mostly used for football matches and has a seating capacity of over 88,083 spectators
- Palaran Stadium, Samarinda - used for Pekan Olahraga Nasional at 2008
- Gelora Bung Tomo Stadium in Surabaya, used mostly for football matches.
- Pakansari Stadium in Bogor

The fitness industry brands:

To date, there are three brands currently dominating the metropolis: Celebrity Fitness, Gold's Gym and Fitness First. These gyms ensured that everyone from corporate workers to stay-at-home moms are able to exercise at anywhere and anytime and make it a part of their daily routine, just like grabbing a cup of coffee.[11] The fitness industry is evidently growing in this country, Gold's Gym itself currently has about 70,000 active members, a 40% increase from last year (***source:*** bisnis.com) that belong to the middle – upper class market. Francis Wanandi, 46, founder and chairman of Gold's Gym Indonesia credited the rise of technology and easy access to information that make people becoming more health-conscious. "There's not enough space for Jakarta people to move, so that's why our presence become important because we can provide the needs of the people," says Francis. He also adds that gym provides the comfort of working out in an indoor area without having to deal with the chaos of Jakarta.[12]

From the price range, Rp. 100,000 – Rp. 300,000 ($7.5 - $ 22.7) for a single drop-in class, and locations, it's obvious that these boutique workout studios targeted the upper class market, yet somehow the trend is spreading like a wildfire around the metropolis. [13]

[10] *http://www.topendsports.com/world/countries/indonesia.htm*
[11] *http://www.thejakartapost.com/longform/2016/05/31/the-fitness-phenomenon.html*
[12] *http://www.thejakartapost.com/longform/2016/05/31/the-fitness-phenomenon.html*
[13] *http://www.thejakartapost.com/longform/2016/05/31/the-fitness-phenomenon.html*

Marketing Strategy

Marketing

AAA. Asean Athletic Association utilizes a variety of marketing methods that collectively make up the Company's marketing strategy.

Due to the size and convenient location of our facility, many people will be attracted to AAA. Asean Athletic Association to see what we have to offer. However, we will not be content to just wait for customers to come to us. Instead, we will focus our marketing strategies on those market segments who match our offerings. The great thing about marketing AAA. Asean Athletic Association, is that each market segment relates, in certain ways, to all the others.

Our main objective with our early marketing strategy will be to get people into our facility. Once people see what we have to offer, and feel the atmosphere that will be created, they will want to return and participate in the many activities and programs that will be available to them.

Some of the ways AAA. Asean Athletic Association will get people into the facility include:

1. Active marketing to national sports team.
2. Providing either monthly membership or entrance fee basis to the general public.
3. Online media.
4. Offering tours of the facility.
5. Having a large promotional event to open the facility.
6. Hosting and/or supporting various events.
7. Mailing out free day passes to target demographics.

Following the opening of AAA. Asean Athletic Association, print and radio media will be used to promote both the facility and the programs that are being offered to attract new people from all over the area.

Because of the small number of recreation and fitness facilities in the area, we feel we will become the number one sports and fitness complex quickly. This will be accomplished by actively and continuously promoting AAA. Asean Athletic Association through media advertisements as well as through hosting and supporting various events.

Sales Strategy

Sales in the sport and fitness club business are based on the services and amenities provided by the facility. The "something for everyone" slogan fits perfectly with AAA. Asean Athletic Association. All of the users of our facility must feel like they are getting the best possible value for their money. If there is a better value, for equal services, AAA. Asean Athletic Association will match or beat that value for our customers.

Each person desiring a membership at AAA. Asean Athletic Association will be able to sit down with a representative and be notified of all of their membership options. During this brief discussion, the person will be also be informed of all of the services, programs, and amenities AAA. Asean Athletic Association has to offer. It will be important to establish a relationship of trust with our members as membership retainment is an important aspect in our business.

Marketing Programs

AAA. Asean Athletic Association considers online marketing to be essential in today's economy. To this end the Company will maintain an active web presence by [1] having a web site that is easy to understand and navigate, and [2] engaging search engine methodology to enable target customers to find AAA. Asean Athletic Association easily online. The Company will also consider the application of direct marketing and utilize this methodology if and when AAA. Asean Athletic Association believes the Company has a fresh mailing list, and an economic means of delivery. The Company considers the network among industry professionals, target customers, and existing clientele to be of utmost value in the ongoing marketing of the Company.

Web Plan Summary

AAA. Asean Athletic Association will have a well designed website**.** The Company understands the increasing importance of online marketing. The management team will continually strive to have a competitive edge by maintaining a significant presence, and plans for sophisticated exposure online. It is important that those interested in finding their services will do so from online first and easily. AAA. Asean Athletic Association will apply the necessary resources to be an industry leader in utilization of the internet's potential.

AAA. Asean Athletic Association recognizes that there are at least four aspects of the Company's success relevant to its involvement in the internet: [1] a sophisticated website that allows accessibility and free flow of information to any constituent within its alliance of clients,

[2] a program of search engine optimization (SEO) to assure that penetration of the marketplace is vast and consistent, [3] the facilitation of the website for their services, and [4] utilizing the website to facilitate business.

Strategic Alliances

AAA. Asean Athletic Association is constantly working to build a network of key individuals and companies that work as alliances to accomplish its major strategies. The Company is also committed to networking with any and all individuals that may have a favorable impact on the business. A great strength of this Company is its vast network of professional alliances that stand ready, willing, and able to facilitate the growth of this Company as soon as it begins to take off. The Company will be most concerned with developing concrete alliances that ensure the funding the Company needs to grow, as well as developing support systems for the businesses that facilitate their success.

Branding & Corporate Literature

The majority of the positioning and branding strategies as well as the creative aspects of the brands, logos, slogans, Company fonts, color scheme, etc. will be the responsibility of The Founders. The Founders will be responsible to assure that all personnel use the designated logo and brand uniformly. The advice of a web designer and graphic artist will be blended to create the best possible presentation at all levels and in all venues.

Positioning Statement

AAA. Asean Athletic Association takes the position that its primary role in the marketplace is being a provider of top quality, multi level sports and entertainment complex services. This is how AAA. Asean Athletic Association will distinguish itself in the marketplace. The Company wants the target customers to think about AAA. Asean Athletic Association whenever people think about the best place for multi level sports and entertainment complex. The Company wants them to choose AAA. Asean Athletic Association when it is time to because people associate AAA. Asean Athletic Association with quality.

Key Members of the Company

The Company is owned by Pipit Group.

The initial management team for AAA. Asean Athletic Association depends mainly on the Pipit Group.

Back-up for the Pipit Group team will include staff members who will compensate for the lack of experience in each area. For example, qualified personnel will be hired for the food and beverage, massage therapy, and fitness areas. General help staff will be hired on a need basis as the users of the facility increase. There will also be a janitor hired for basic cleanliness and maintenance of the complex.

Management Team

AAA. Asean Athletic Association recognizes that in any growing Company management personnel often have to fill more than one role. As a result a gap or gaps may exist until the Company is developed enough to have a specific person for every task required. AAA. Asean Athletic Association currently has everything covered and feels confident that each task is being handled competently by management. As the Company hires more people the Company will always be sensitive to this issue and prevent any weaknesses by planning a contingency program that overlaps job responsibilities.

Personnel Plan

AAA. Asean Athletic Association encourages its total work force to protect the success of its business plan. All aspects of the business have been sufficiently analyzed to determine each and every position required to run a fully functioning operation that can complete all of the strategies and programs to be undertaken.

The Pipit Group is confident that the Company team has the experience and skills needed to establish and to grow this AAA. Asean Athletic Association Company.

AAA. Asean Athletic Association

Funding

Funding

AAA. Asean Athletic Association is currently seeking funding in the amount of **$15,000,000** for use in financing its start-up, refurbish the current built structure and fit out of sport specific facilities, and general working capital requirements in the form of an investment to execute its business plan for the greatest potential to secure the most desirable ("highest and best") return.

This start-up and capital amount will allow the Company to have the proper and vital day-to-day cash reserves/ operating funds for the foundational first-year of operation of the AAA. Asean Athletic Association business.

Use of Funds

To refurbish the current built structure and fit out of sport specific facilities.

Investor Return Strategy

The equity investor will share in the increased valuation of the Company as revenues grow, the balance sheet becomes stronger, and the Company attains a market leadership position. In conjunction with investors, AAA. Asean Athletic Association management will pursue viable exit strategies once the Company reaches a critical mass. Management believes that it can attain an attractive outcome for all shareholders; based on Company projections and current comparable market valuations. (See pro forma).

The pro forma projections indicate that the business will have sufficient excess cash to cover operations should sales not materialize as quickly as planned.

Exit Strategy

AAA. Asean Athletic Association is open to mergers, acquisitions, or selling in the future when the time is right.

Conclusion

AAA. Asean Athletic Association believes that its long-term prospects for establishing and continuing a successful business are excellent. The Company believes that this industry, and the strong foundation of experience that management brings to the Company, lends itself to positive results over the long-term. With a market-sensitive management team and excellent systems in place to monitor competitive shifts or changes, AAA. Asean Athletic Association is ideally positioned [1] to implement this business plan through the next five years [2] to become a respected and recognized leader in the industry and [3] to continue growing on through the next decade.

Management seeks a relationship with an investor(s) that can help AAA. Asean Athletic Association carefully grow the business in a manner which will allow the Company to provide exceptional services to a growing market.

The Company appreciates your consideration of this request and is confident you can enjoy a fine working relationship for many years.

Pro Forma - 5 Year Financial Forecast

AAA. Asean Athletic Association' financial projections show that the Company will competently utilize the requested funding to capitalize its growth efforts. The Company projects a significant increase in net income over the next (5) years as its business plan is implemented. The Company has fully developed this financial plan to cover the next five years in business. The purpose of the financial plan is to survey solid growth through the exciting business model punctuated by a healthy relation between continually increasing revenues, and diligent monitoring of an optimum cost structure.

USD

Start-up Summary/Use of Funds

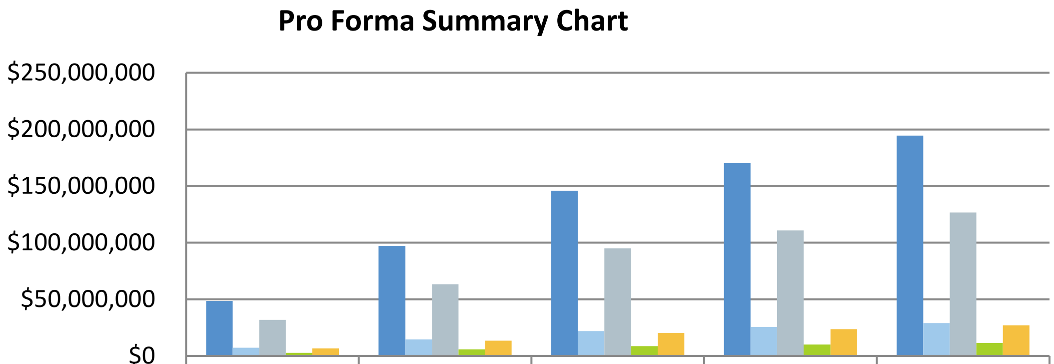
Total Amount Being Requested	$15,000,000
Total Funding Already Received	$0
Total Start-up Expenses	$15,000,000
Total Start-up Assets	$0
Cash Balance on Starting Date	$357,760

Assumptions

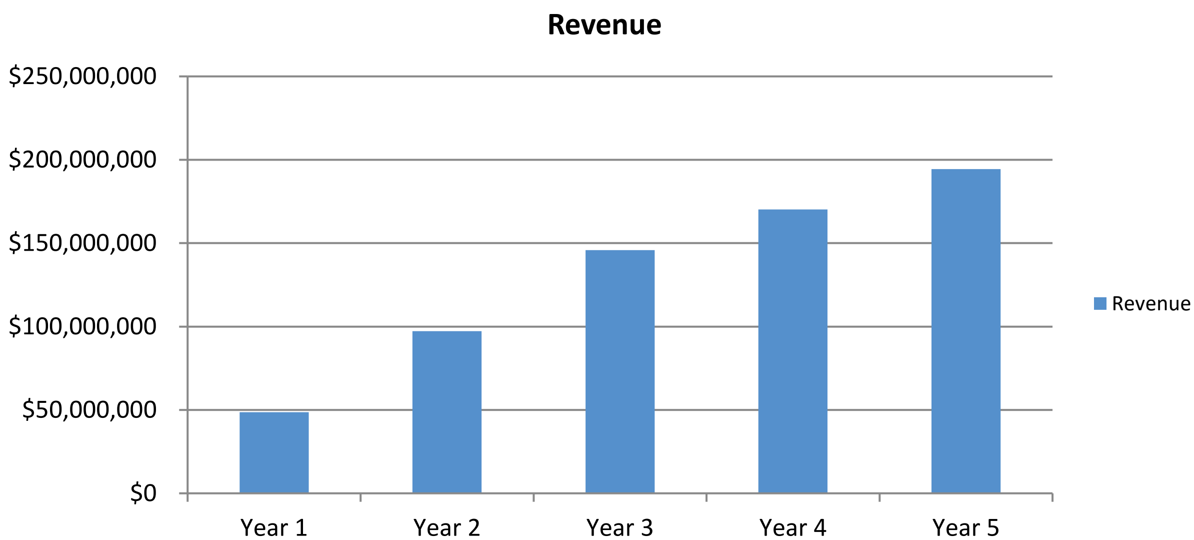
IBISWorld Ratios for expenses and profit. 5% market share by year 1 and 25% by year 5.

Financial Assumptions					
	Year 1	Year 2	Year 3	Year 4	Year 5
Growth Assumptions					
Total Revenue Growth		100%	50%	17%	14%
Total Expense Growth		100%	50%	17%	14%
Personnel Assumptions					
Average Salary Growth		100%	50%	17%	14%
Payroll Growth		100%	50%	17%	14%
Cash Assumptions					
Months of Cash on Hand	1	4	6	8	9
Bill Payment Term (Days)	30	30	30	30	30

Pro Forma Summary Chart



	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	$48,611,111	$97,222,222	$145,833,333	$170,138,889	$194,444,444
Total Cost of Revenue	7,291,667	14,583,333	21,875,000	25,520,833	29,166,667
Total Operating Expenses	$31,740,438	$63,391,132	$95,041,827	$110,867,174	$126,692,521
Taxes & Interest Incurred	$2,873,702	$5,774,327	$8,674,952	$10,125,264	$11,575,577
Net Profit	$6,705,304	$13,473,429	$20,241,554	$23,625,617	$27,009,679



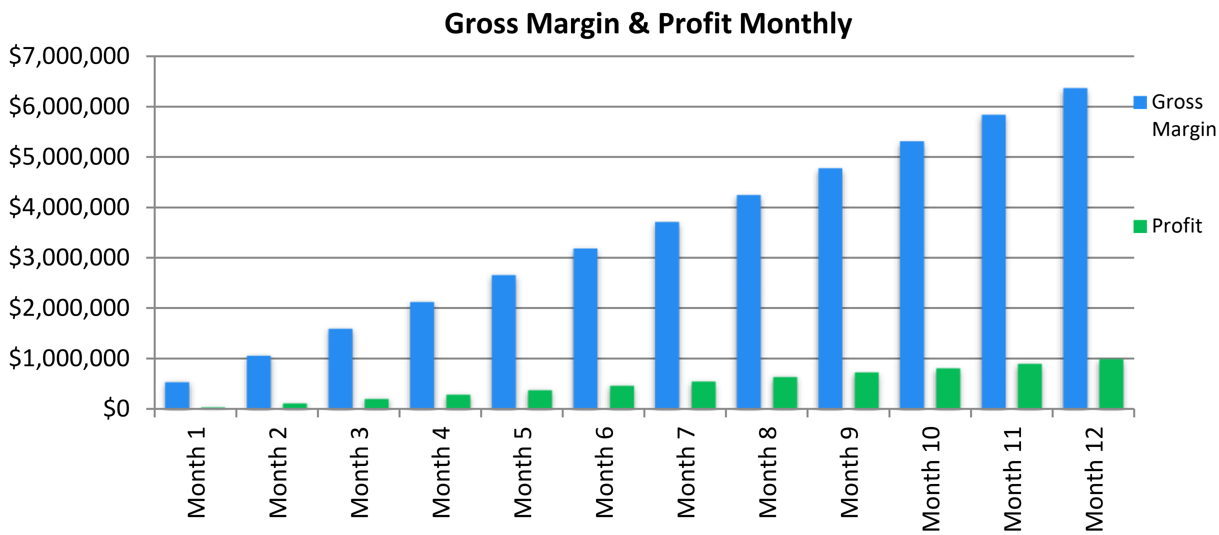
AAA. Asean Athletic Association

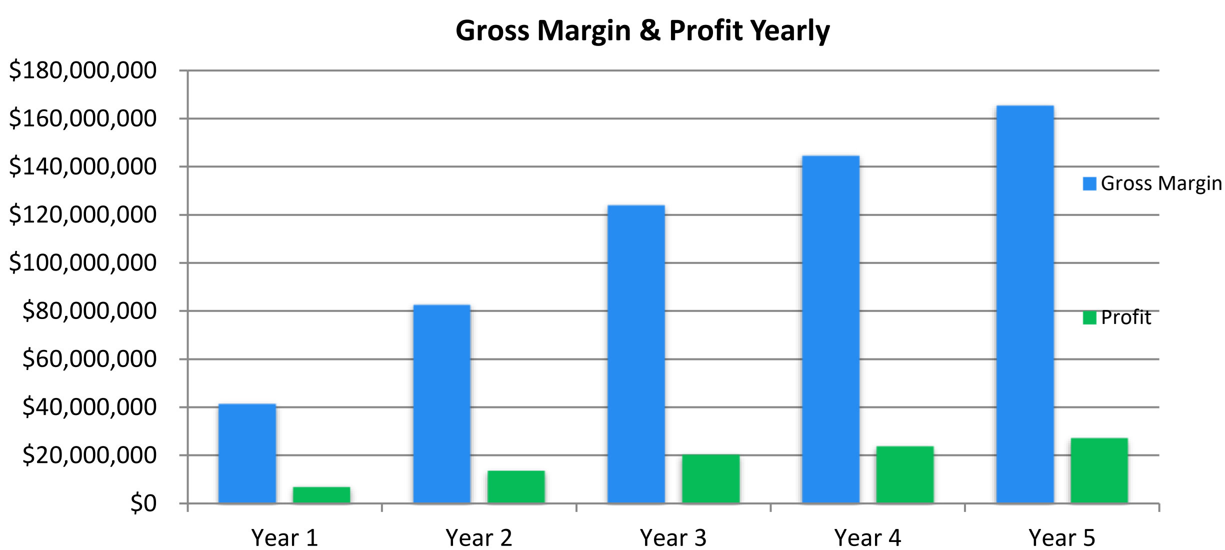
Profit & Loss Statement

The projected Profit & Loss Statement for *AAA. Asean Athletic Association* highlights the relation between the sales forecast and the operating expenses. These figures are based on the experience in the industry and the projected sales for the next five years. Please note: the Company makes every attempt to present conservative projections with incremental growth.

Pro Forma Profit and Loss					
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	$48,611,111	$97,222,222	$145,833,333	$170,138,889	$194,444,444
Subtotal Cost of Revenue	$7,291,667	$14,583,333	$21,875,000	$25,520,833	$29,166,667
Total Cost of Revenue	$7,291,667	$14,583,333	$21,875,000	$25,520,833	$29,166,667
Gross Margin	$41,319,444	$82,638,889	$123,958,333	$144,618,056	$165,277,778
Gross Margin/Revenue	85.00%	85.00%	85.00%	85.00%	85.00%
Expenses					
Purchases	$44,872	$44,872	$44,872	$44,872	$44,872
Depreciation	$26,175	$26,175	$26,175	$26,175	$26,175
Marketing	$18,697	$18,697	$18,697	$18,697	$18,697
Premises & Utilities	$8,594,444	$17,188,889	$25,783,333	$30,080,556	$34,377,778
Other	$1,239,583	$2,479,167	$3,718,750	$4,338,542	$4,958,333
VAT	$1,983,333	$3,966,667	$5,950,000	$6,941,667	$7,933,333
Total Personnel	$19,833,333	$39,666,667	$59,500,000	$69,416,667	$79,333,333
Total Operating Expenses	**$31,740,438**	**$63,391,132**	**$95,041,827**	**$110,867,174**	**$126,692,521**
Profit Before Interest and Taxes	$9,579,006	$19,247,756	$28,916,506	$33,750,881	$38,585,256
EBITDA	$10,880,737	$23,214,423	$34,866,506	$40,692,548	$46,518,590
Interest Expense	$0	$0	$0	$0	$0
Taxes Incurred	$2,873,702	$5,774,327	$8,674,952	$10,125,264	$11,575,577
Net Profit	**$6,705,304**	**$13,473,429**	**$20,241,554**	**$23,625,617**	**$27,009,679**
Net Profit/Revenue	13.79%	13.86%	13.88%	13.89%	13.89%

AAA. Asean Athletic Association





AAA. Asean Athletic Association

Cash Flow Statement

The projected Cash Flow Statement for *AAA. Asean Athletic Association* represents what the Company believes the business will take in and what it will spend. Cash flow will be crucial to the survival of the business. The Company is confident that the Company will have ample cash on hand to ensure that investors can be paid on time. The Company offers this statement of the business's positive cash flow as perhaps the single most powerful gauge of the expected financial performance.

Pro Forma Cash Flow					
	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Received					
Revenue	$48,611,111	$97,222,222	$145,833,333	$170,138,889	$194,444,444
Proceeds from Property/Land	$0	$0	$0	$0	$0
Proceeds from Bank Loan	$0	$0	$0	$0	$0
Proceeds from Current Assets	$0	$0	$0	$0	$0
Proceeds From Long-term Assets	$0	$0	$0	$0	$0
Proceeds from Investor	$15,000,000	$0	$0	$0	$0
Subtotal Cash Received	$63,611,111	$97,222,222	$145,833,333	$170,138,889	$194,444,444
Expenditures					
Expenditures from Operations					
Cash Spending	$19,833,333	$39,666,667	$59,500,000	$69,416,667	$79,333,333
Bill Payments	$19,420,119	$43,913,667	$64,343,067	$76,222,249	$87,227,076
Subtotal Spent on Operations	$39,253,452	$83,580,334	$123,843,067	$145,638,916	$166,560,409
Additional Cash Spent					
Investor Repayment	$0	$0	$0	$0	$0
Principal Loan Repayment	$0	$0	$0	$0	$0
Purchase Long-term Assets	$0	$0	$0	$0	$0
Dividends Paid	$0	$0	$0	$0	$0
Subtotal Cash Spent	$54,253,452	$83,580,334	$123,843,067	$145,638,916	$166,560,409
Net Cash Flow	$9,357,659	$13,641,888	$21,990,267	$24,499,973	$27,884,036
Cash Balance	$9,357,659	$22,999,547	$44,989,814	$69,489,787	$97,373,822

AAA. Asean Athletic Association

Financial Indicators

AAA. Asean Athletic Association recognizes that the most important financial indicators are cash and bottom line. *AAA. Asean Athletic Association* will constantly monitor the flow of revenue to the Company as well as the expense requirements that deplete the Company of its cash. *AAA. Asean Athletic Association* will always try to improve the ratio of revenue and expenses to generate a healthier bottom line in addition to a healthier cash base.

Financial Indicators					
	Year 1	Year 2	Year 3	Year 4	Year 5
Profitability %'s:					
Gross Margin	85.00%	85.00%	85.00%	85.00%	85.00%
Net Profit Margin	13.79%	13.86%	13.88%	13.89%	13.89%
EBITDA to Revenue	22.38%	23.88%	23.91%	23.92%	23.92%
Return on Assets	71.66%	58.58%	44.99%	34.00%	27.74%
Return on Equity	31.89%	39.06%	36.98%	30.15%	25.63%

Breakeven Analysis

The break-even analysis for *AAA. Asean Athletic Association* calculates at what point the Company becomes profitable, and also at what point the Company will be operating at a loss. The analysis takes into consideration forecasted revenues as well as regular running fixed costs and average revenue.

Break-even Analysis	
Monthly Revenue Break-even	$3,393,543
Assumptions:	
Average Monthly Revenue	$4,050,926
Average Monthly Variable Cost	$607,639
Estimated Monthly Fixed Cost	$2,884,512

AAA. Asean Athletic Association

Balance Sheet

The projected Balance Sheet for *AAA. Asean Athletic Association* highlights total assets, total liabilities, and owners' equity. The salient feature of the projected Balance Sheet is that it demonstrates the relationship between what the Company will own in assets and the way this is balanced by equity investment funds and owners' existing equity.

Pro Forma Balance Sheet					
	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets					
Cash	$9,357,659	$22,999,547	$44,989,814	$69,489,787	$97,373,822
Total Current Assets	**$9,357,659**	**$22,999,547**	**$44,989,814**	**$69,489,787**	**$97,373,822**
Total Long-term Assets	**$0**	**$0**	**$0**	**$0**	**$0**
Other Assets	$0	$0	$0	$0	$0
Total Assets	**$9,357,659**	**$22,999,547**	**$44,989,814**	**$69,489,787**	**$97,373,822**
Liabilities and Capital					
Current Liabilities					
Accounts Payable	$3,333,957	$3,502,415	$5,251,128	$6,125,484	$6,999,840
Current Borrowing	$0	$0	$0	$0	$0
Other Current Liabilities	($15,000,000)	($15,000,000)	($15,000,000)	($15,000,000)	($15,000,000)
Subtotal Current Liabilities	**($11,666,043)**	**($11,497,585)**	**($9,748,872)**	**($8,874,516)**	**($8,000,160)**
Long-term Liabilities	$0	$0	$0	$0	$0
Total Liabilities	**($11,666,043)**	**($11,497,585)**	**($9,748,872)**	**($8,874,516)**	**($8,000,160)**
Paid-in Capital	$15,000,000	$15,000,000	$15,000,000	$15,000,000	$15,000,000
Retained Earnings	$0	$6,023,702	$19,497,131	$39,738,686	$63,364,303
Earnings	$6,023,702	$13,473,429	$20,241,554	$23,625,617	$27,009,679
Total Capital	**$21,023,702**	**$34,497,131**	**$54,738,686**	**$78,364,303**	**$105,373,982**
Total Liabilities and Capital	**$9,357,659**	**$22,999,547**	**$44,989,814**	**$69,489,787**	**$97,373,822**
Net Worth	$21,023,702	$34,497,131	$54,738,686	$78,364,303	$105,373,982

AAA. Asean Athletic Association

12-Month Profit & Loss Statement

Year 1 Profit & Loss												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Revenue	623,219	1,246,439	1,869,658	2,492,877	3,116,097	3,739,316	4,362,536	4,985,755	5,608,974	6,232,194	6,855,413	7,478,632
Subtotal Cost of Revenue	93,483	186,966	280,449	373,932	467,415	560,897	654,380	747,863	841,346	934,829	1,028,312	1,121,795
Total Cost of Revenue	93,483	186,966	280,449	373,932	467,415	560,897	654,380	747,863	841,346	934,829	1,028,312	1,121,795
Gross Margin	529,736	1,059,473	1,589,209	2,118,946	2,648,682	3,178,419	3,708,155	4,237,892	4,767,628	5,297,365	5,827,101	6,356,838
Gross Margin/Revenue	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%
Expenses												
Purchases	38,141	44,872	44,872	44,872	44,872	44,872	44,872	44,872	44,872	44,872	44,872	44,872
Depreciation	22,249	26,175	26,175	26,175	26,175	26,175	26,175	26,175	26,175	26,175	26,175	26,175
Marketing	15,892	18,697	18,697	18,697	18,697	18,697	18,697	18,697	18,697	18,697	18,697	18,697
Premises & Utilities	110,185	220,370	330,556	440,741	550,926	661,111	771,296	881,481	991,667	1,101,852	1,212,037	1,322,222
Other	15,892	31,784	47,676	63,568	79,460	95,353	111,245	127,137	143,029	158,921	174,813	190,705
VAT	25,427	50,855	76,282	101,709	127,137	152,564	177,991	203,419	228,846	254,274	279,701	305,128
Total Personnel	254,274	508,547	762,821	1,017,094	1,271,368	1,525,641	1,779,915	2,034,188	2,288,462	2,542,735	2,797,009	3,051,282
Total Operating Expenses	**482,060**	**901,300**	**1,307,078**	**1,712,856**	**2,118,634**	**2,524,412**	**2,930,191**	**3,335,969**	**3,741,747**	**4,147,525**	**4,553,303**	**4,959,081**
Profit Before Interest and Taxes	47,676	158,173	282,131	406,090	530,048	654,006	777,965	901,923	1,025,881	1,149,840	1,273,798	1,397,756
Interest on Loan Repayment	0	0	0	0	0	0	0	0	0	0	0	0
Taxes Incurred	14,303	47,452	84,639	121,827	159,014	196,202	233,389	270,577	307,764	344,952	382,139	419,327
Net Profit	**33,373**	**110,721**	**197,492**	**284,263**	**371,034**	**457,804**	**544,575**	**631,346**	**718,117**	**804,888**	**891,659**	**978,429**
Net Profit/Revenue	5.36%	8.88%	10.56%	11.40%	11.91%	12.24%	12.48%	12.66%	12.80%	12.92%	13.01%	13.08%

AAA. Asean Athletic Association

12-Month Cash Flow Statement

Year 1 Cash Flow												
Additional Cash Received	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Revenue	623,219	1,246,439	1,869,658	2,492,877	3,116,097	3,739,316	4,362,536	4,985,755	5,608,974	6,232,194	6,855,413	7,478,632
Proceeds from Property/Land	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Bank Loan	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Current Assets	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds From Long-term Assets	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Investor	15,000,000	0	0	0	0	0	0	0	0	0	0	0
Subtotal Cash Received	15,623,219	1,246,439	1,869,658	2,492,877	3,116,097	3,739,316	4,362,536	4,985,755	5,608,974	6,232,194	6,855,413	7,478,632
Total Personnel	254,274	508,547	762,821	1,017,094	1,271,368	1,525,641	1,779,915	2,034,188	2,288,462	2,542,735	2,797,009	3,051,282
Bill Payments	11,186	345,292	636,576	918,751	1,200,926	1,483,102	1,765,277	2,047,452	2,329,627	2,611,802	2,893,977	3,176,152
Additional Cash Spent												
Investor Repayment	0	0	0	0	0	0	0	0	0	0	0	0
Principal Loan Repayment	0	0	0	0	0	0	0	0	0	0	0	0
Purchase Long-term Assets	0	0	0	0	0	0	0	0	0	0	0	0
Dividends Paid	0	0	0	0	0	0	0	0	0	0	0	0
Cash Spent	15,265,459	853,839	1,399,397	1,935,845	2,472,294	3,008,743	3,545,191	4,081,640	4,618,088	5,154,537	5,690,985	6,227,434
Net Cash Flow	357,760	392,599	470,261	557,032	643,803	730,574	817,345	904,115	990,886	1,077,657	1,164,428	1,251,199
Cash Balance	357,760	750,359	1,220,621	1,777,653	2,421,456	3,152,029	3,969,374	4,873,489	5,864,375	6,942,032	8,106,460	9,357,659

AAA. Asean Athletic Association

12-Month Balance Sheet

Year 1 Balance Sheet												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Assets												
Cash	357,760	750,359	1,220,621	1,777,653	2,421,456	3,152,029	3,969,374	4,873,489	5,864,375	6,942,032	8,106,460	9,357,659
Total Current Assets	357,760	750,359	1,220,621	1,777,653	2,421,456	3,152,029	3,969,374	4,873,489	5,864,375	6,942,032	8,106,460	9,357,659
Total Long-term Assets	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets	357,760	750,359	1,220,621	1,777,653	2,421,456	3,152,029	3,969,374	4,873,489	5,864,375	6,942,032	8,106,460	9,357,659
Current Liabilities												
Accounts Payable	324,387	606,265	879,034	1,151,803	1,424,572	1,697,342	1,970,111	2,242,880	2,515,649	2,788,419	3,061,188	3,333,957
Current Borrowing	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Subtotal Current Liabilities	(14,675,613)	(14,393,735)	(14,120,966)	(13,848,197)	(13,575,428)	(13,302,658)	(13,029,889)	(12,757,120)	(12,484,351)	(12,211,581)	(11,938,812)	(11,666,043)
Long-term Liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	(14,675,613)	(14,393,735)	(14,120,966)	(13,848,197)	(13,575,428)	(13,302,658)	(13,029,889)	(12,757,120)	(12,484,351)	(12,211,581)	(11,938,812)	(11,666,043)
Paid-in Capital	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Retained Earnings	0	0	0	0	0	0	0	0	0	0	0	0
Earnings	33,373	144,095	341,587	625,849	996,883	1,454,687	1,999,263	2,630,609	3,348,726	4,153,614	5,045,272	6,023,702
Total Capital	15,033,373	15,144,095	15,341,587	15,625,849	15,996,883	16,454,687	16,999,263	17,630,609	18,348,726	19,153,614	20,045,272	21,023,702
Total Liabilities and Capital	357,760	750,359	1,220,621	1,777,653	2,421,456	3,152,029	3,969,374	4,873,489	5,864,375	6,942,032	8,106,460	9,357,659
Net Worth	15,033,373	15,144,095	15,341,587	15,625,849	15,996,883	16,454,687	16,999,263	17,630,609	18,348,726	19,153,614	20,045,272	21,023,702