

BUSINESS IN ASEAN



By:
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PT. Pan Brothers Tbk

OVERVIEW PT. PAN BROTHERS TBK & SUBSIDIARIES

VISION: To Be An Integrated and Worldwide Apparel Supplier

Indonesia's **largest** listed garment manufacturer.

Well-established business founded in **1980** and listed on the Indonesia Stock Exchange since **1990**.

Strong **export focus-markets** include US, Europe, Asia, Canada, Japan, and Australia.

Long-standing relationships with many **leading global fashion** and **apparel brands**, with a strong CSR/ethics focus.

Plants located in both **West** and **Central Java** with 13,250 machines and a production capacity of 42 million pieces of garment per year.*

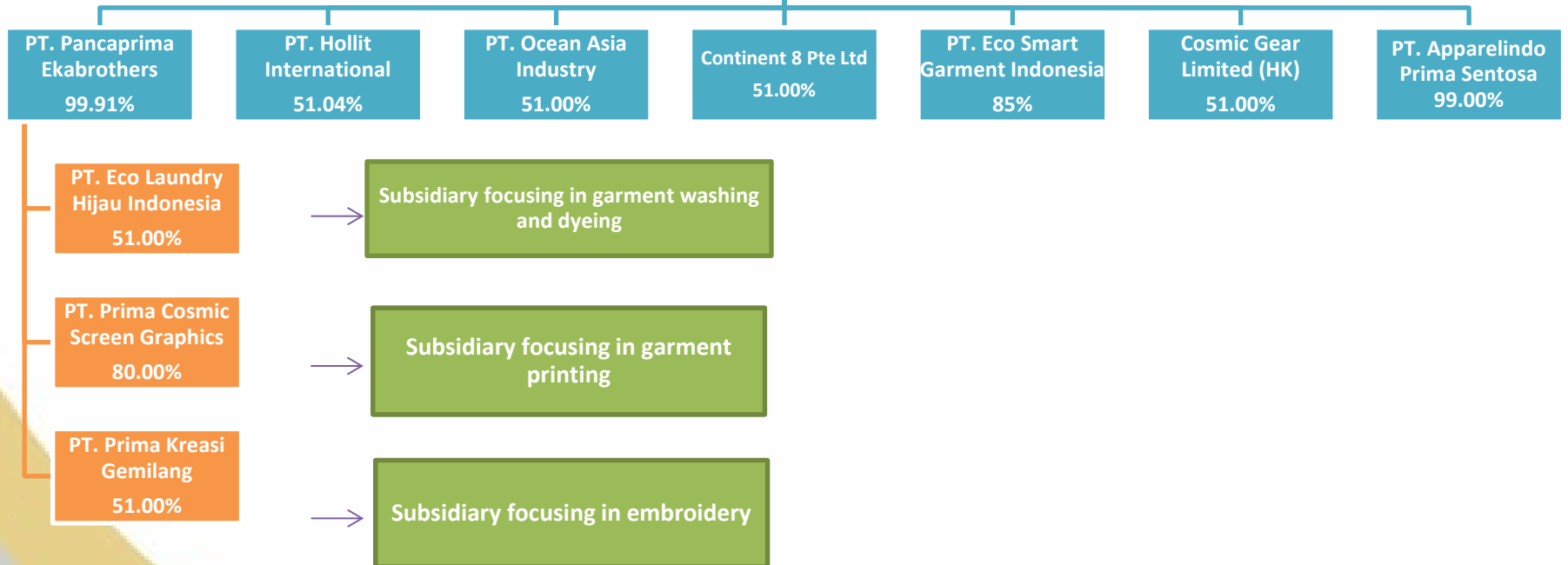
Generated **USD 340 million** in Sales in 2013.

Selective expansion into both **upstream** and **downstream** segments.







*Additional machineries in 2014 from ESGI will be 7,440 units with additional capacity of 27 million pieces per year (starting Dec 2014).

GROUP STRUCTURE

PT. Pan Brothers Tbk.



GROUP OVERVIEW

Business	Garment Manufacturing			Product Development and Buying Agent			Fabric Supply	Retail
Group Companies	 <p>PT Pan Brothers Tbk "PBT"</p>	 <p>PT Pancaprima Ekabrothers "PPEB"</p>	<p>PT Eco Smart Garment Indonesia "ESGI"</p>	 <p>PT Hollit International "Hollit"</p>	 <p>Continent 8 Pte Ltd "C8"</p>	 <p>Cosmic Gear Limited "Cosmic"</p>	 <p>PT Ocean Asia Industry "OAI"</p>	<p>PT Apparelindo Prima Sentosa "APS"</p>
Brief Description	<ul style="list-style-type: none"> Started in 1980. Manufactures Cut and Sewn Knit Garments such as Polo Shirts, Golf Shirts, Track Suits, Sweat Suits as well as Woven Garments such as Padded and Light Weight Jackets, Pants, Shorts and Casual Pants. 	<ul style="list-style-type: none"> Acquired in 2005. Manufactures Technical, Functional and Active Wear Jackets suited for Snow Boarding, Ski Outer Wear, Active Wear, Jogging, Hiking, and other Sports and Outdoor Activities. 	<ul style="list-style-type: none"> Established in 2013 as a JV with Mitsubishi. Planning to build 7 garment manufacturing facilities in 2014 to 2016. 	<ul style="list-style-type: none"> Acquired in 2011. A product development company focusing on the development and creation of latest trends in styling, finishing and material. Also manages the collection and production of world renowned fashion brands. 	<ul style="list-style-type: none"> Incorporated in Singapore. Engages in sourcing activities that will allow the Group's products to reach more international markets. 	<ul style="list-style-type: none"> Incorporated in Hong Kong to help the group better cater the international market. Engages in product development and material sourcing. 	<ul style="list-style-type: none"> Started in 2012. Produces various kinds of knit fabrics, such as single knits and double knits (Single Jersey and Lycra Single Jersey, Pique and Lacoste, Fleece / French Terry Interloop / Lycra Interloop, Jacquard Jersey) and flat knits. 	<ul style="list-style-type: none"> Started in 2013. Incorporated in Indonesia to engage in apparel retail business Launched its women's fashion brand, Zoe, and 2 licenses to distribute Greyhound Original & Flynow in 2013.

CUSTOMERS

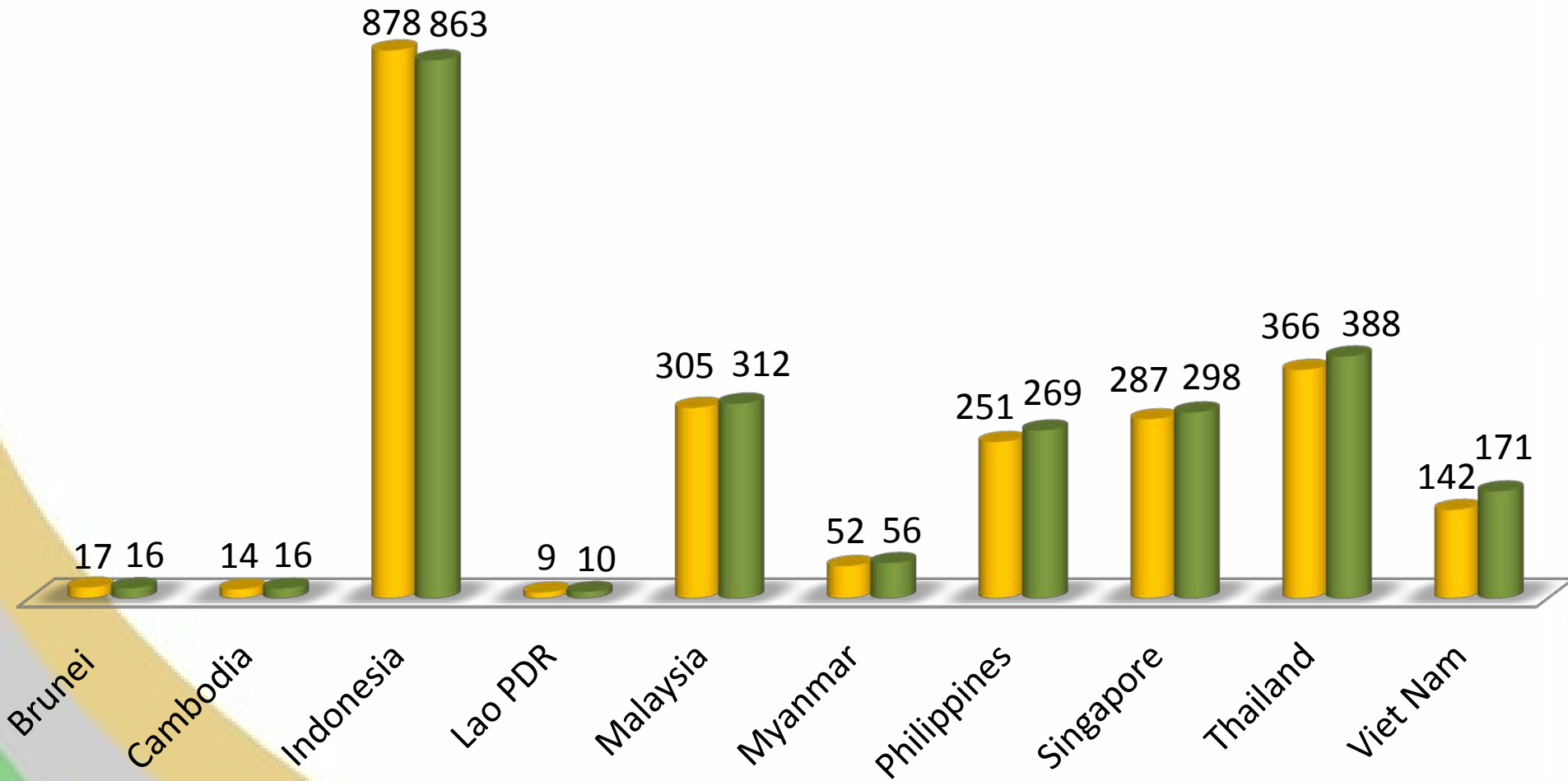


ASEAN: Profile

- Population of over 604 million people, ranking the world's 3rd populous area after China and India.
- Countries: Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam
- Covers an area of 4.43 million KM2 and is abundant with land and marine resources.
- 9th largest economic region by size.
- 5th strongest purchasing power parity after USA, China, Japan, and India with GDP of 2.18 trillion USD.
- One of the fastest growing economies with 30% annual economic growth and is generating 2.5 trillion USD of the total trade value with 25.6% earned from intra-ASEAN trading.

GDP 2012-2013 (In Billion USD)

■ 2012 ■ 2013



Foreign Direct Trade of ASEAN member countries (In Million USD)

Country	2012			2013		
	Exports	Imports	Total trade	Exports	Imports	Total trade
Brunei	13,182.2	3,674.1	16,856.3	11,445.4	3,611.8	15,057.2
Cambodia	7,434.9	11,228.8	18,663.7	9,148.2	9,176.0	18,324.2
Indonesia	190,031.8	191,689.5	381,721.3	182,551.9	186,628.7	369,180.5
Lao PDR	2,655.2	3,503.5	6,158.8	2,592.8	3,292.0	5,884.9
Malaysia	227,537.8	196,392.6	423,930.3	228,276.3	205,985.3	434,261.6
Myanmar	9,314.9	9,188.4	18,503.3	11,436.3	12,009.1	23,445.4
Philippines	51,995.2	65,386.4	117,381.6	53,978.3	65,130.6	119,108.9
Singapore	408,393.6	379,723.3	788,116.9	410,249.7	373,015.8	783,265.5
Thailand	229,524.2	247,777.7	477,301.9	228,730.2	249,517.1	478,247.3
Viet Nam	114,510.7	113,282.5	227,793.3	132,664.1	132,109.9	264,774.0
ASEAN	1,254,580.7	1,221,846.8	2,476,427.4	1,271,073.2	1,240,476.3	2,511,549.5

Foreign Direct Investment of ASEAN member countries (In Million USD)

Country	2012			2013		
	Intra-ASEAN	Extra-ASEAN	Total net inflow	Intra-ASEAN	Extra-ASEAN	Total net inflow
Brunei	31.5	833.3	864.8	(72.6)	981.0	908.4
Cambodia	523.0	1,034.1	1,557.1	298.8	976.1	1,274.9
Indonesia	7,587.9	11,550.0	19,137.9	8,721.1	9,722.7	18,443.8
Lao PDR	73.6	220.7	294.4	n.a	n.a	426.7
Malaysia	2,813.9	6,586.1	9,400.0	2,187.5	10,109.9	12,297.4
Myanmar	151.2	1,203.0	1,354.2	1,186.8	1,434.1	2,620.9
Philippines	145.2	2,651.8	2,797.0	(41.7)	3,901.5	3,859.8
Singapore	8,410.8	51,400.7	59,811.5	5,706.2	54,938.7	60,644.9
Thailand	(342.0)	11,041.2	10,699.2	1,256.8	11,743.0	12,999.8
Viet Nam	1,262.5	7,105.5	8,368.0	2,078.6	6,821.4	8,900.0
Total	20,657.6	93,626.4	114,284.0	21,321.5	100,628.3	122,376.5

Source : ASEAN Merchandise Trade Statistics Database

Development to ASEAN Economic Community (AEC)

- 3 main objectives of ASEAN:
 - I. Enhance economic, social, and cultural development within region.
 - II. Retain economic stability and security within the region.
 - III. Open a stage to discuss conflicts within the region are strictly maintained.
- 3 main pillars driving the ASEAN region:
 - **ASEAN Economic Community (AEC)**
 - ASEAN Political and Security Community (APSC)
 - ASEAN Socio-Cultural Community (ASCC)

ASEAN Economic Community (AEC)

- **What is AEC**
 - The AEC is one of the strategic objectives of the ASEAN Community next to the ASEAN Political-Security Community and the ASEAN Socio-Cultural Community
 - End of goal of economic integration as espoused in vision 2020
 - Part of the 3 pillars of the ASEAN Community
 - The other 2 pillars are Security Community & Socio-Cultural Community
- **Key accords**
 - Declaration of ASEAN Concord II in 2003 : Decision to establish AEC
 - AEC Blueprint in 2007 : Stipulates vision, goals and strategic schedule
 - Master Plan on ASEAN Connectivity (MPAC) in 2010
 - ASEAN Trade in Goods Agreement (ATIGA) in 2010
- **Launch date**
 - 31 December 2015

ASEAN Economic Community (AEC)

KEY CHARACTERISTIC

ASEAN Economic Community (AEC 2015): key characteristics

- Free flow of goods
- Free flow of services
- Free flow of investment
- Free flow of capital
- Free flow of skilled labor

**Single
market and
production
base**

- Competition policy
- Consumer protection
- Intellectual property rights
- Infrastructure development
- Taxation & e-commerce

**Competitive
economic
region**

- SME development
- Initiative for ASEAN integration

**Region of
equitable
economic
development**

- Coherent approach towards external economic relations
- Enhanced participation in global supply networks

**Region fully
integrated
into the
global
economy**

Implications of AEC to Business in ASEAN

BENEFIT	COST
<ol style="list-style-type: none">1. Expanded market and consumer database (which will take up to over 600 million people).2. Freedom to set up production bases in any member countries that might lead to reduced production cost.3. Free movement of skilled labor within ASEAN member countries.4. Ability to achieve scale economies and enhanced productivity.5. Less barrier in trading activities.6. Increased importance of all ASEAN countries as they will be considered a single market.	<ol style="list-style-type: none">1. Influx of cheap foreign goods to the local market2. Intense competition among the ASEAN3. Some social issues will arise – e.g. effects of migration of workers4. Lack of protection of SMEs5. Some of ASEAN countries is not ready of AEC – e.g. Cambodia6. Poor governance and weak institutions in some ASEAN countries

Leading Garment Exporter 2000-2012 (in %)

Year						
Country	2000	2008	2009	2010	2011	2012
China	18.2	33.2	34	36.9	37.3	37.8
European Union	28.4	31.1	30.7	28.1	28.2	25.8
Turkey	3.3	3.8	3.7	3.6	3.4	3.4
India	3	3	3.6	3.2	3.5	3.3
Bangladesh	2.6	3	3.4	4.5	4.8	4.7
Mexico	4.4	1.4	1.3	1.2	1.1	1.1
Vietnam	0.9	2.5	2.7	3.1	3.2	3.3
Indonesia	2.4	1.7	1.9	1.9	2	1.8
United States	4.4	1.2	1.3	1.3	1.3	1.3
Thailand	1.9	1.2	1.2	1.2	1.2	1
Pakistan	1.1	1.1	1.1	1.1	1.1	1
Tunisia	1.1	1	1	0.9	<1	<1
Cambodia	0.5	1	<1	<0.9	1	1
Malaysia	1.1	1	1	1.1	1.1	1.1
Morocco	1.2	<1	1	<0.9	<1	<1
Sri Lanka	1.4	<1	<1	1	1	0.9
Others	24.1	13.8	12.1	10.9	9.8	12.5
Total	100	100	100	100	100	100

Source : WTO International Statistics



Thank You

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