



**sinarmas land**

*“Building for a better  
future”*

**4Q & FY 2017**

**Financial Results Presentation**

CORONER COURT

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# **01. KEY HIGHLIGHTS**

02. FINANCIAL PERFORMANCE

03. BUSINESS UPDATES

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# Key Highlights for 4Q & FY 2017

- The Group's 4Q and FY 2017 revenue 70.8% and 47.5% respectively to S\$560.4 million and S\$1,296.4 million contributed mainly by higher sales of land parcels to Japanese and Chinese property developers and higher revenue recognized from handover of apartments in BSD City
- Rental income\* increased 4.8% to S\$156.6 million in FY 2017 from higher rental income from Indonesia division and increased rental contribution from UK division following the acquisition of 33 Horseferry Road in June 2017
- Profit attributable to owners of the Company surged 412.5% to S\$238.2 million in 4Q 2017 and jumped 209.8% in FY 2017 to S\$356.0 million on the back of higher revenue contribution and better operating performance from its Indonesia division as well as an exceptional gain of S\$109.4 million from the divestment of Orchard Towers
- Financial position remain strong as at 31 December 2017 with total assets of S\$6,562.8 million, bolstered with cash and cash equivalents of S\$930.3 million and a net debt to equity ratio of 14.6%
- On 28 November 2017, BSDE, through a wholly-owned subsidiary PT Duta Cakra Pesona ("Transferee"), has signed a transfer agreement with PT Asuransi Jiwa Sinarmas MSIG ("Transferor") for the transfer of property units in Sinarmas MSIG Tower to the Transferee for a total consideration of IDR 1.0 trillion
- On 19 December 2017, AFP Land Limited completed the divestment of its interest in the entire issued and paid-up share capital of Golden Bay Realty (Private) Limited for a total consideration of S\$162 million

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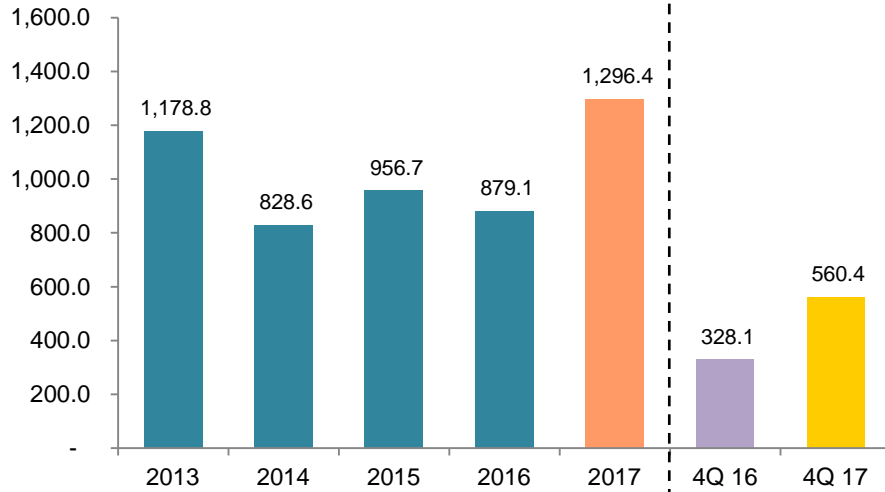
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# 4Q & FY 2017 Financial Highlights



## Revenue

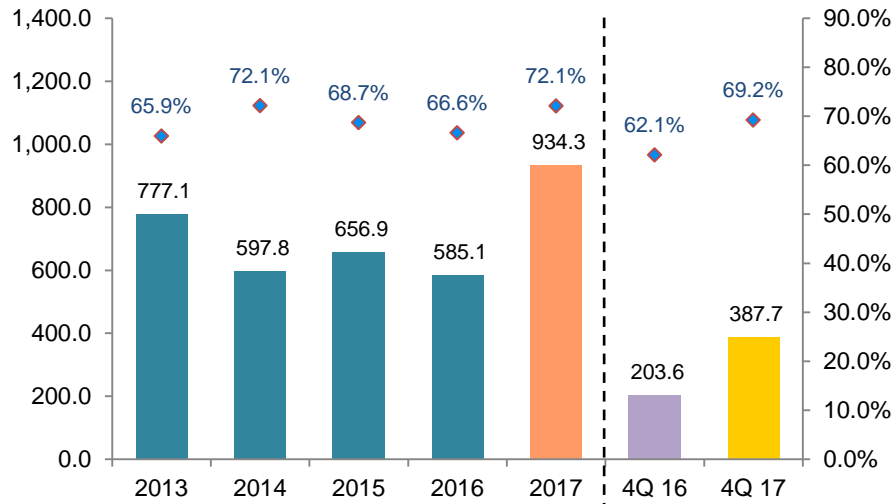
S\$ million



- Total revenue in 4Q & FY 2017 rose 70.8% and 47.5% respectively to S\$560.4 million and S\$1,296.4 million contributed mainly by higher sales of land parcels to Japanese and Chinese property developers and higher revenue recognized from handover of apartments in BSD City
- The increase was partially offset by lower sales in industrial land from Kota Deltamas and other residential projects in Indonesia

## Gross Profit and Gross Profit margin

S\$ million



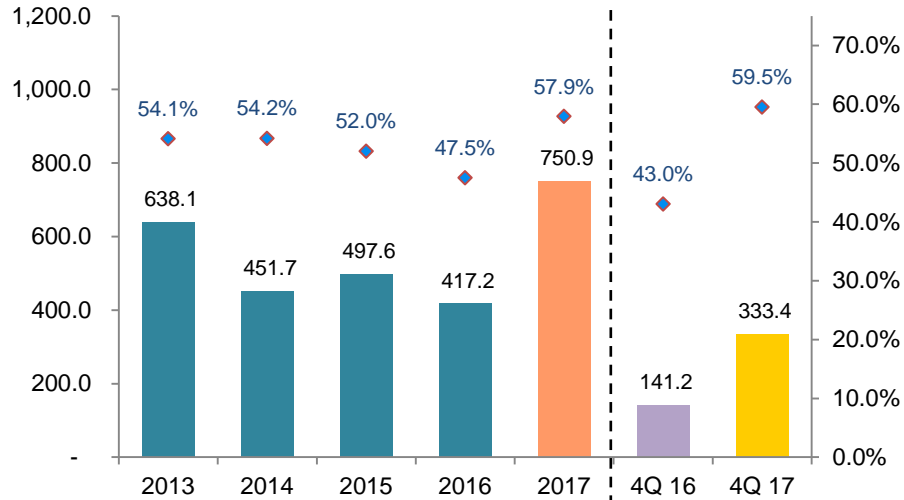
- In tandem with the higher revenue, 4Q & FY 2017 gross profit increased 90.4% and 59.7% respectively to S\$387.7 million and S\$934.3 million
- On the back of higher sales of land parcels to third parties and joint venture companies in Indonesia, 4Q & FY 2017 gross profit margin rose 7.1 and 5.5 percentage points to 69.2% and 72.1% respectively.

# 4Q & FY 2017 Financial Highlights



## EBITDA and EBITDA margin

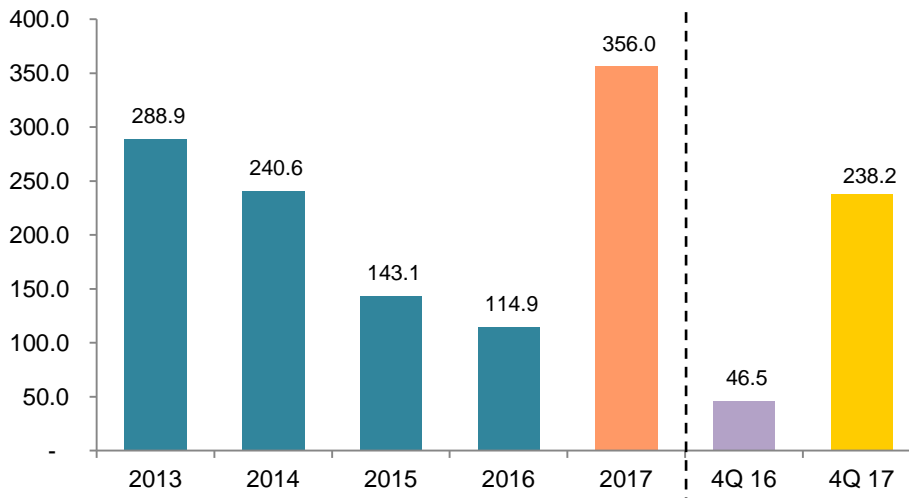
S\$ million



- EBITDA surged 136.0% to S\$333.4 million in 4Q 2017 and jumped 80.0% to S\$750.9 million in FY 2017 mainly due to higher revenue contribution from BSD City despite lower sales in other Indonesia residential projects and land sales from Kota Deltamas, as well as higher selling and G&A expenses
- On the back of higher gross profit margin, EBITDA margin rose 16.5 percentage points to 59.5% in 4Q 2017 and 10.4 percentage point to 57.9% in FY 2017

## Profit attributable to Owners of the Company

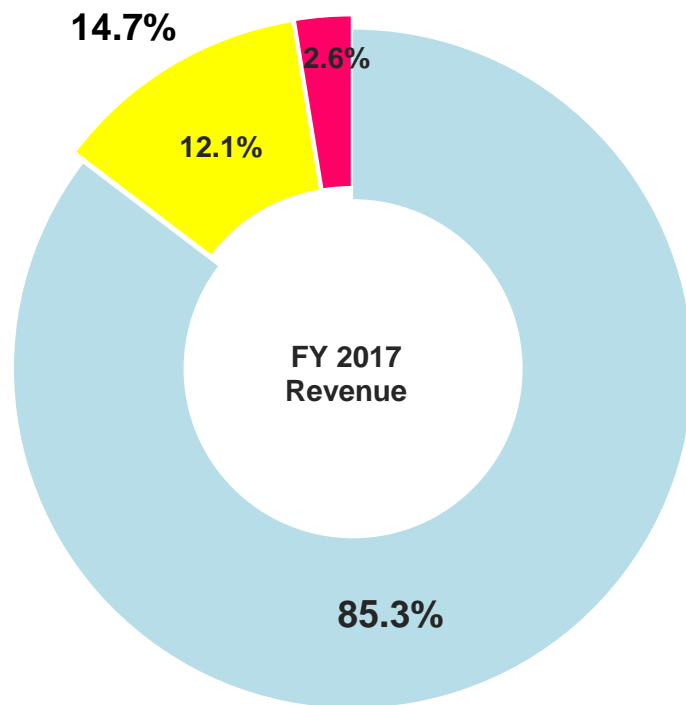
S\$ million



- Profit attributable to owners of the Company surged 412.5% to S\$238.2 million in 4Q 2017 and jumped 209.8% in FY 2017 to S\$356.0 million on the back of higher revenue contribution and better operating performance from its Indonesia division as well as an exceptional gain of S\$109.4 million from the divestment of Orchard Towers

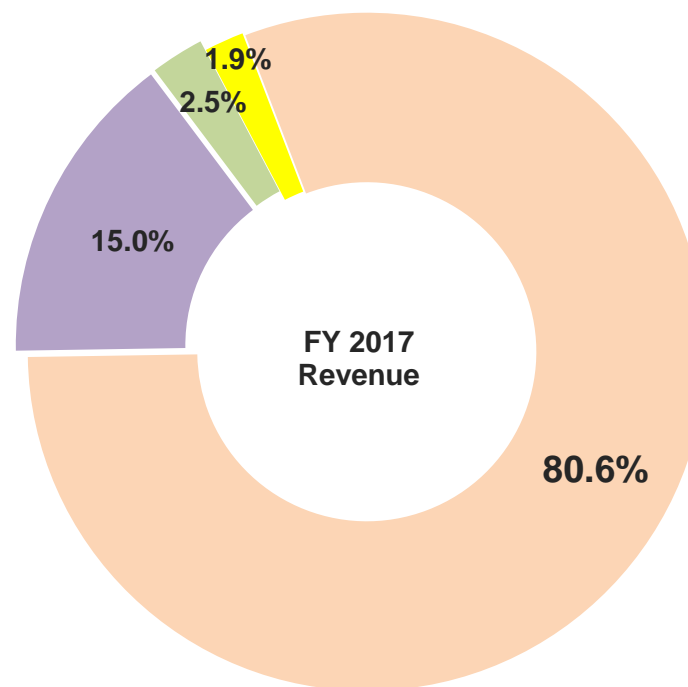
# FY 2017 Revenue Breakdown

Revenue – Product Breakdown (%)



- Sales of Development Properties and Land
- Rental Income
- Others

Revenue – Geographical Breakdown (%)



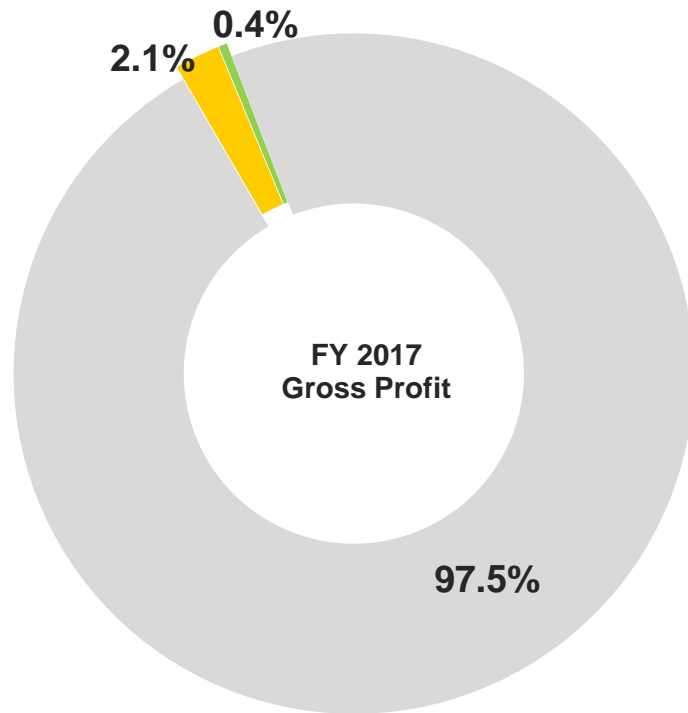
- BSDE
- Non-BSDE
- UK
- Others\*

\* : Other countries include China, Singapore, Malaysia and Batam

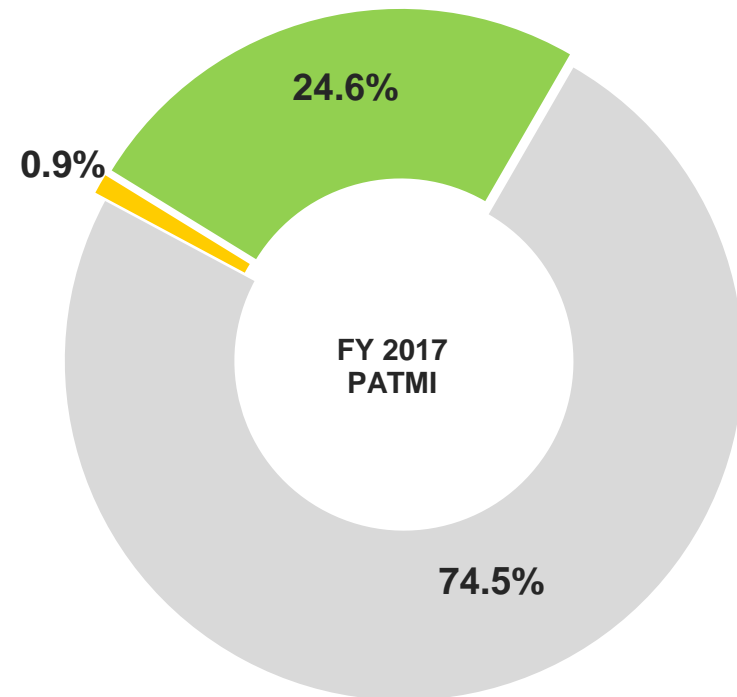


# FY 2017 Gross Profit and PATMI Breakdown

Gross Profit – Geographical Breakdown (%)



PATMI – Geographical Breakdown (%)

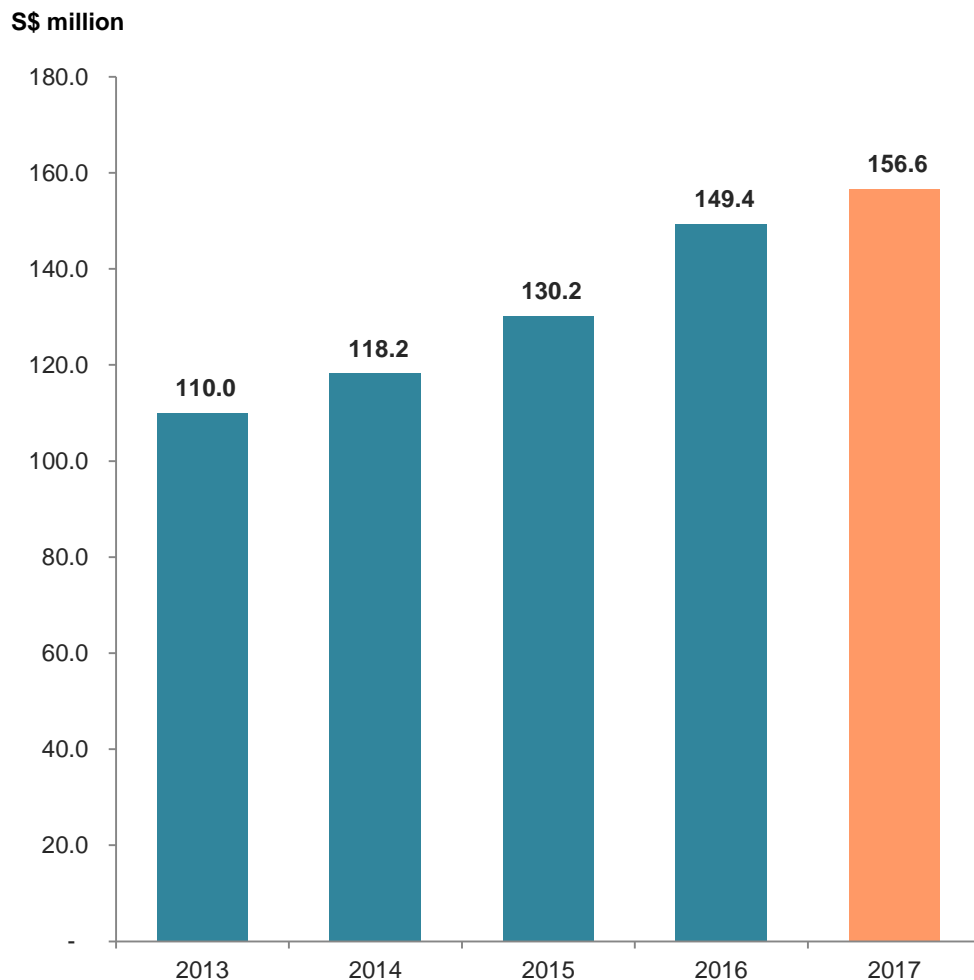


■ Indonesia    ■ UK    ■ Others\*

\* : Other countries include China, Singapore, Malaysia and Batam

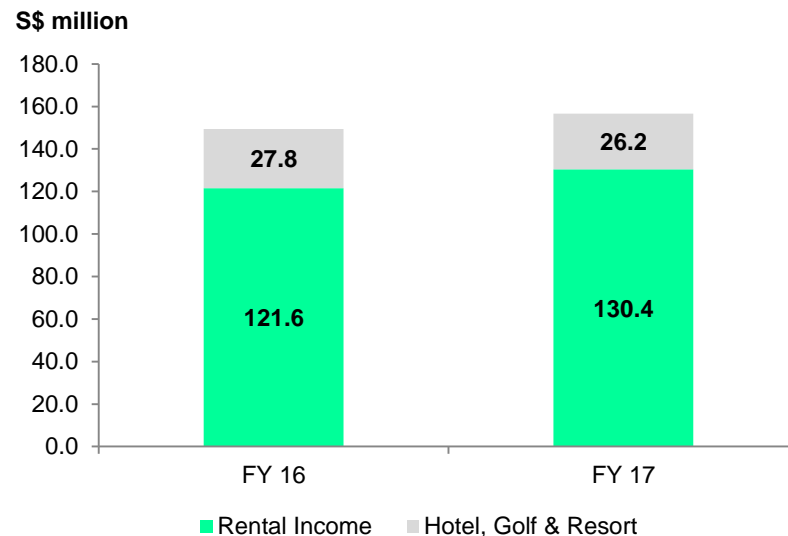
# FY 2017 Recurring Income (Revenue) Breakdown

## Increasing Recurring Income (Revenue)\* base (S\$ million)

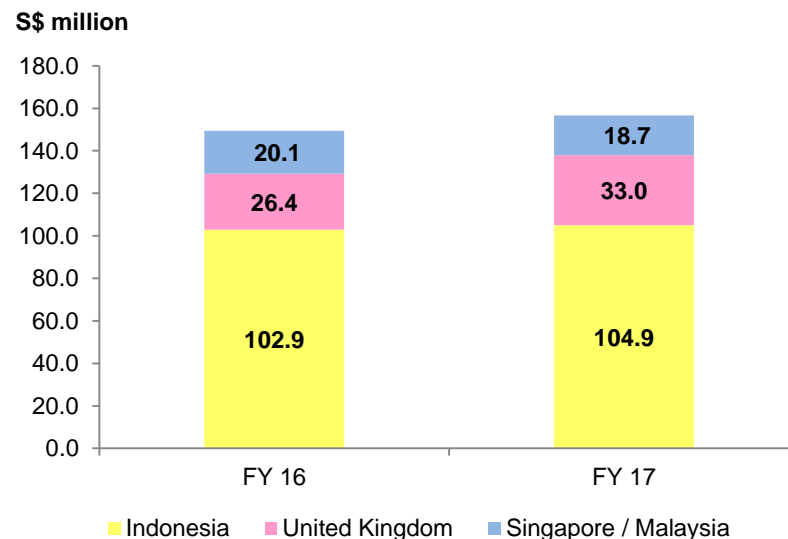


\* : Recurring income (Revenue) includes rental income, hotel revenue and revenue from golf and resort operations

## Recurring Income (Revenue) – Product Breakdown



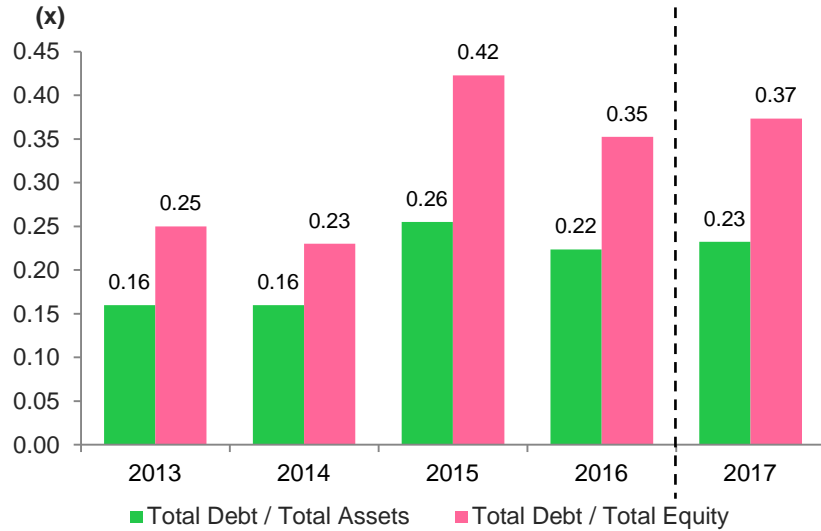
## Recurring Income (Revenue) – Geographical Breakdown



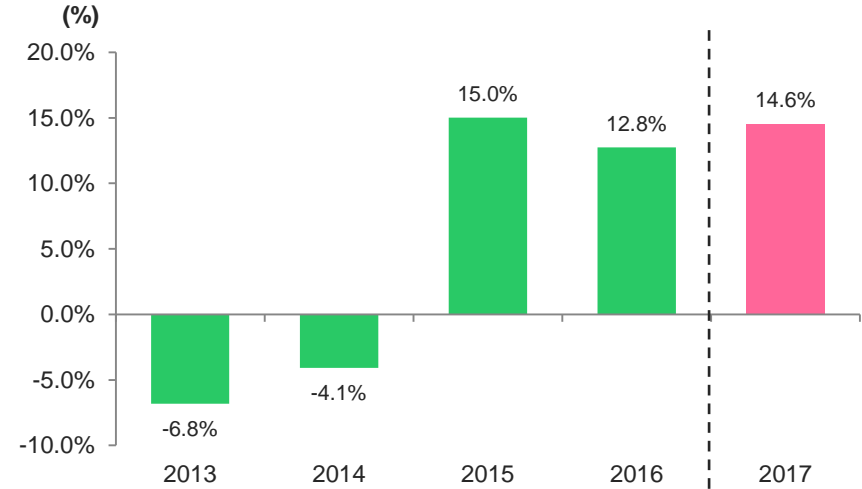
(S\$ '000)	As at 31 Dec 2017	As at 31 Dec 2016
<b>Assets</b>		
Cash and cash equivalents	930,287	867,276
Investment properties	1,656,565	1,077,139
Properties held for sale	1,230,153	1,265,641
Properties under development for sale	1,755,445	1,793,858
Other assets	990,308	1,075,931
<b>Total Assets</b>	<b>6,562,758</b>	<b>6,079,845</b>
<b>Liabilities</b>		
Borrowings	801,031	552,197
Bond Payables	719,078	794,299
Other liabilities	957,453	878,053
<b>Total Liabilities</b>	<b>2,477,562</b>	<b>2,224,549</b>
<b>Equity</b>		
Total Capital and reserves	2,171,150	1,983,571
Non-controlling Interest	1,914,046	1,871,725
<b>Total Equity</b>	<b>4,085,196</b>	<b>3,855,296</b>

# Key Financial Ratios

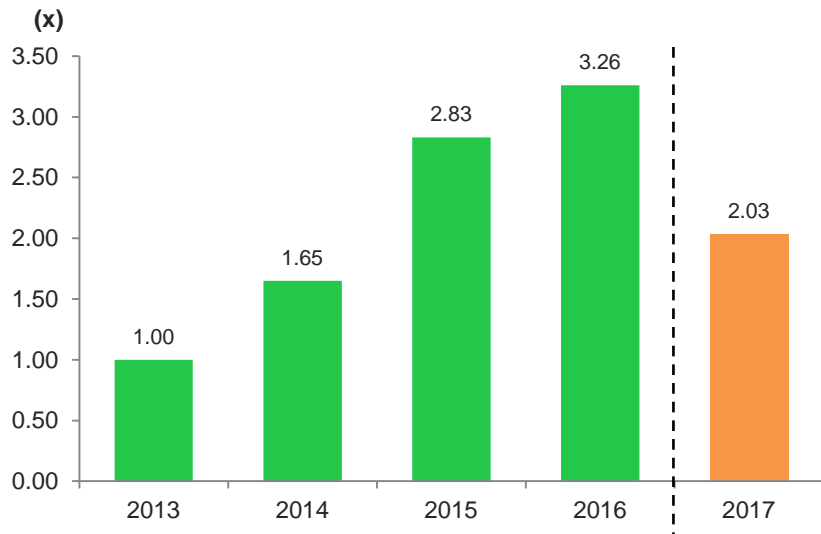
## Debt / Assets and Debt / Equity



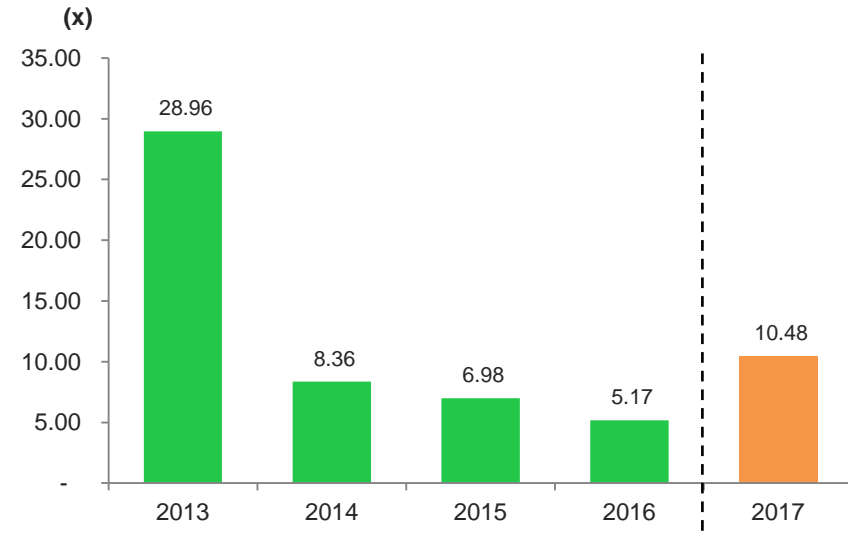
## Net Debt / Equity



## Total Debt / EBITDA

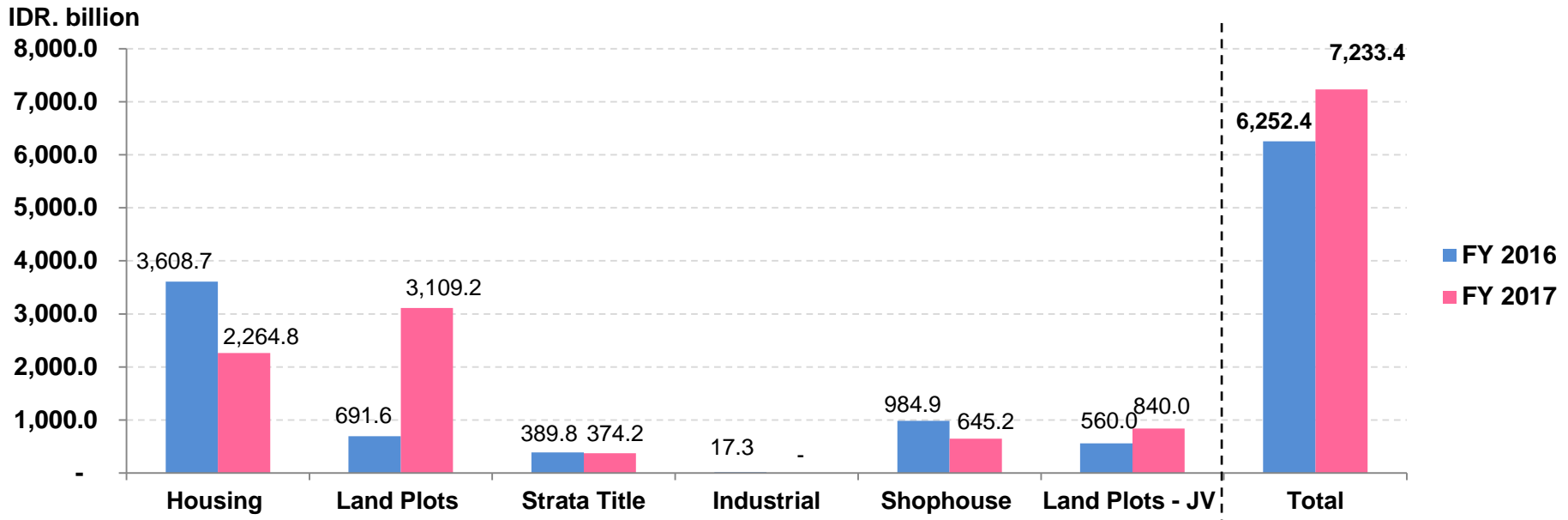


## EBITDA / Interest Expense



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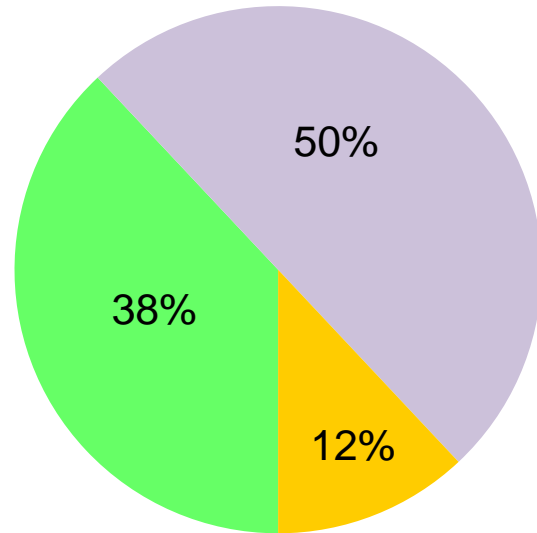
# Indonesia Property Division – BSDE achieved Marketing Sales target of IDR 7.2 trillion for FY 2017



- BSDE achieved **100%** of 2017 full year **IDR 7.2 trillion marketing sales target**
- FY 2017 marketing sales increased 16% compared to FY 2016 due to higher contribution from commercial land plot sales
- Residential pre-sales generated IDR 2.3 trillion in 2017 or 31% contribution to full year achievement. Commercial business units including land plots, strata title (apartments), industrial, and shop houses reached at IDR 4.1 trillion, contributing 57% of full year achievement.
- In terms of product composition, most marketing sales contribution was generated from the sales of land plots (43%), landed houses (31%) and JV land plots (12%). The remaining 14% was contributed from shop houses (9%) and strata title (5%)

# Indonesia Property Division – BSDE targets IDR 7.2 trillion for FY 2018 Marketing Sales

## FY 2017 Actual Marketing Sales

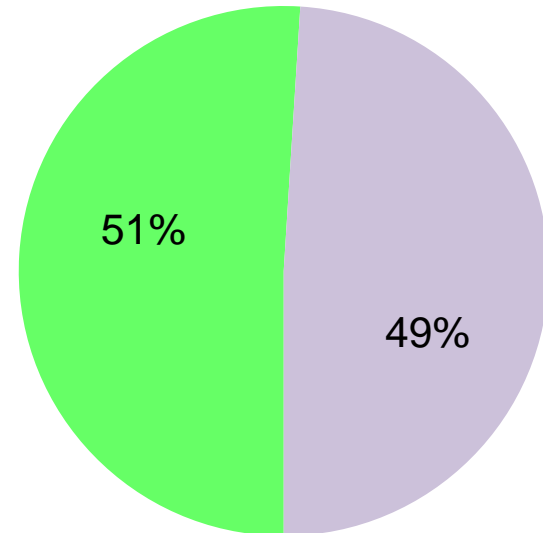


■ Residential

■ Commercial

■ JV Land

## FY 2018 Marketing Sales Target



- BSDE maintained its target of **IDR 7.2 trillion** for **FY 2018 marketing sales**
- **Commercial segment is expected to contribute IDR 3.55 trillion**, with land sales and launches of Southgate Residence and Klaska Surabaya expected to 38% of total commercial pre-sales contribution
- **Residential segment targets to contribute 51% or IDR 3.65 trillion** of total marketing sales target with residential projects in BSD City will continues to be the main contributor (26%)
- With the land sales from the Mitsubishi Corporation joint venture collaboration booked in both 2016 and 2017, the Group does not budget for any foreseeable JV land sales in 2018

# Indonesia Property Division – BSDE – Major Launch Updates



- **BSD City launched an extension residential cluster by the name of “The Savia” in Oct 2017**
- **The Savia is located at in BSD City Phase 1 with access to Jakarta-Serpong toll gate, nearby to Rawa Buntu train station, Modern Market I, and surrounded by various reputable schools.**
- **A total of 192 units of landed houses was offered with specifications vary from 62 to 133 sqm of built-up area. Price starts from IDR 850 million to IDR 3 billion per unit**
- **On launched date, 72 units were sold, contributing IDR 90 billion of marketing sales.**



# Indonesia Property Division – BSDE – Major Launch Updates



- BSD City launched a new residential cluster by the name of “The Zora” in Jan 2018
- The Zora is a JV project together with Mitsubishi Corporation. BSDE has 40% stake in the JV company.
- The Zora is located in Phase 2 of BSD City, surrounded by QBig Mall, Courts Mega Store, IPEKA Christian School and direct connected to Indonesia Convention and Exhibition – ICE.



- The first phase development, KEIA, offers price starting from IDR 3.8 to 7.1 billion per unit, with specification of 195 to 302 sqm building area and 120 to 190 sqm land area.
- On the day launch, 27 units sold and contributed IDR 120 billion of marketing sales

# Indonesia Property Division – BSDE – Major Launch Updates



- **BSD City launched a new residential cluster by the name of “Jadeite Residence” in Feb 2018**
- Jadeite Residence is an upper segment market residential located at Phase 2 of BSD City, next to 66 ha of De Park Cluster and close to Jakarta Nanyang School
- A total of 67 units offered with price starting from IDR 4.2 to 11.2 billion per unit, with specification of 180 to 318 sqm building area and 162 to 487 sqm land area
- On launched date, 60 units were sold, contributing IDR 280 billion of marketing sales.



- BSDE, through a wholly-owned subsidiary PT Duta Cakra Pesona (“Transferee”), has signed the transfer agreement with PT Asuransi Jiwa Sinarmas MSIG (“Transferor”) for the transfer of property units in **Sinarmas MSIG Tower**
- The objects in the transfer agreement are the units of the right of strata title ownership with total area of **35,989.44 sqm**, which are part of the property units in Sinarmas MSIG Tower, **a brand new office tower**, situated in main road of Jakarta CBD, Jl. Jend. Sudirman Lot 21
- The value in the transfer agreement amount to **IDR 1.0 trillion**.
- The purpose of signing this transfer agreement is in accordance with **BSDE business strategy to increase revenue, especially the increase of recurring income in the long term**

# Indonesia Property Division – BSDE – Acquisition of 13 floors in Bakrie Tower



- BSDE has acquired **13 floors in Bakrie Tower** with a **net leasable area of 17,000 sqm** for approximately IDR 500 billion as part of its business strategy to increase recurring income base
- This unique architecture building with twist and interlock design is strategic located in Rasuna Epicentrum Jakarta

# Indonesia Property Division – DMAS Achieved IDR 1,408 billion Marketing Sales for FY 2017



- **DMAS** (also known as Kota Deltamas) achieved **IDR 1,408 billion for FY 2017 marketing sales** or 94% of full year 2017 (“FY 2017”) target of IDR 1,506 billion
- FY 2017 marketing sales were mostly contributed from sales of industrial land, and supported by residential and commercial products, as well as contribution from the JV project with Panahome
- DMAS has sold **59.1 hectares of industrial land sales in FY 2017**, accomplishing the FY 2017 industrial land sales target of 60 hectares
- DMAS has set a **marketing sales target of IDR 1,250 billion in 2018** with industrial segment continuing to be the main key driver

# AFP Land Division – Complete Divestment of Golden Bay Realty (Private) Limited



- AFP Land Limited, a wholly-owned subsidiary of SML, has **completed the divestment of the entire issued and paid-up share capital of Golden Bay Realty (Private) Limited** to Hiap Hoe Limited
- Golden Bay Realty (Private) Limited is in the business of property investment holdings for the Group's **retail and office units in Orchard Towers** amounting to an aggregate strata floor area of **approximately 128,000 square feet and net leasable area of approximately 89,000 square feet** (collectively referred to as the "Properties")
- The consideration for the Proposed Divestment was agreed on a willing-buyer willing-seller basis shall be **S\$162 million**, after taking into account, inter alia, the agreed value and income profiles of the Properties.

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# 4Q 2017 vs 4Q 2016

## Consolidated Income Statement

### 4Q 2017 versus 4Q 2016 Consolidated Income Statement

(S\$ '000)	4Q 2017	4Q 2016	Change %
Revenue	560,419	328,086	70.8
Cost of Sales	(172,757)	(124,515)	38.7
<b>Gross Profit</b>	<b>387,662</b>	<b>203,571</b>	<b>90.4</b>
<i>Operating Expenses</i>			
Selling Expenses	(30,574)	(24,020)	27.3
General and administrative expenses	(56,291)	(48,014)	17.2
<b>Operating profit</b>	<b>300,797</b>	<b>131,537</b>	<b>128.7</b>
Finance income	12,320	7,770	58.6
Others	(10,895)	1,005	n.m.
Gain on disposal of a subsidiary	109,441	-	n.m.
<b>Profit before income tax</b>	<b>411,663</b>	<b>140,312</b>	<b>193.4</b>
Income tax	(21,029)	(23,931)	(12.1)
<b>Profit for the period</b>	<b>390,634</b>	<b>116,381</b>	<b>235.7</b>

#### Attributable to:

Owners of the Company	238,164	46,472	412.5
Non-controlling interests	152,470	69,909	118.1



# FY 2017 vs FY 2016

## Consolidated Income Statement

### FY 2017 versus FY 2016 Consolidated Income Statement

(S\$ '000)	FY 2017	FY 2016	Change %
Revenue	1,296,442	879,098	47.5
Cost of Sales	(362,161)	(294,025)	23.2
<b>Gross Profit</b>	<b>934,281</b>	<b>585,073</b>	<b>59.7</b>
<i>Operating Expenses</i>			
Selling Expenses	(99,487)	(85,069)	16.9
General and administrative expenses	(176,956)	(151,824)	16.6
<b>Operating profit</b>	<b>657,838</b>	<b>348,180</b>	<b>88.9</b>
Finance income	33,448	28,672	16.7
Others	(110,709)	(54,404)	103.5
Gain on disposal of a subsidiary	109,441	-	n.m.
<b>Profit before income tax</b>	<b>690,018</b>	<b>322,448</b>	<b>114.0</b>
Income tax	(52,320)	(58,749)	(10.9)
<b>Profit for the period</b>	<b>637,698</b>	<b>263,699</b>	<b>141.8</b>

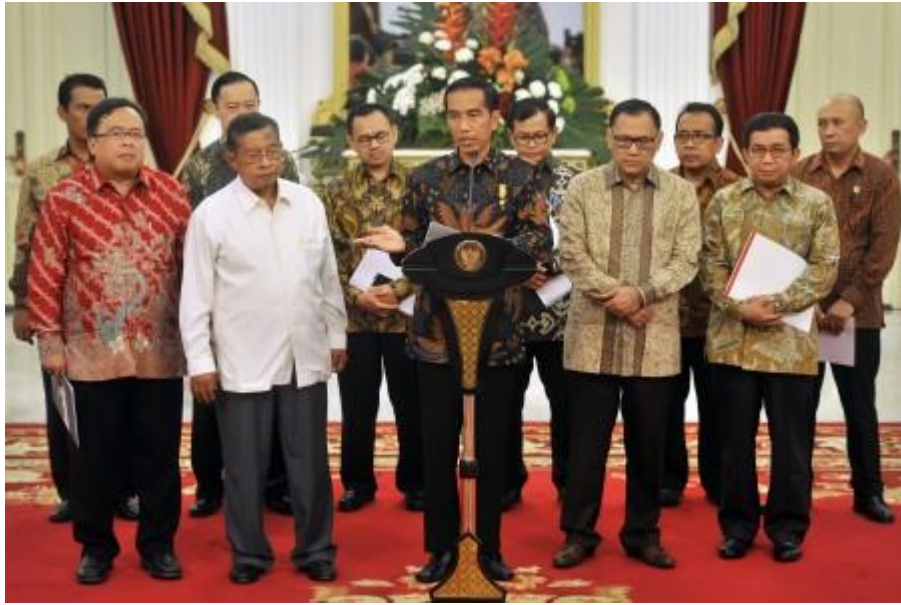
#### Attributable to:

Owners of the Company	355,971	114,098	209.8
Non-controlling interests	281,727	148,791	89.3

# Statement of Financial Position

## Statement of Financial Position

(S\$ '000)	As at 31 Dec 2017	As at 31 Dec 2016
<b>Current Assets</b>		
Cash and cash equivalents	930,287	867,276
Properties held for sale	1,230,153	1,265,641
Other current assets	367,832	435,383
<b>Total Current Assets</b>	<b>2,528,272</b>	<b>2,568,300</b>
<b>Non-Current Assets</b>		
Associated companies	266,378	265,247
Joint ventures	148,382	122,925
Properties under development for sale	1,755,445	1,793,858
Investment properties	1,656,565	1,077,139
Property, plant and equipment	178,097	195,777
Other non-current assets	29,619	56,599
<b>Total Non-Current Assets</b>	<b>4,034,486</b>	<b>3,511,545</b>
<b>Total Assets</b>	<b>6,562,758</b>	<b>6,079,845</b>
Short-term borrowings	26,837	46,191
Short-term payables and liabilities	746,668	679,629
Bonds payables	719,078	794,299
Long-term borrowings	774,194	506,006
Long-term liabilities	210,785	198,424
<b>Total Liabilities</b>	<b>2,477,562</b>	<b>2,224,549</b>
<b>Total Capital and reserves</b>	<b>2,171,150</b>	<b>1,983,571</b>
Non-controlling Interest	1,914,046	1,871,725
<b>Total Equity</b>	<b>4,085,196</b>	<b>3,855,296</b>
<b>Total Liabilities and Equity</b>	<b>6,562,758</b>	<b>6,079,845</b>



- Indonesia president Joko “Jokowi” Widodo unveiled **Indonesia’s 1<sup>st</sup> economic policy package** on 9 September 2015 that **aims to boost Indonesia’s mid to long term economy**
- **89 regulations are to be revised** as they are considered to burden the country’s business environment
- Simplify the process for companies to obtain business permits, **cut red tape, curtail overlapping regulations**, enhance the **use of electronic-based services**
- Government will empower the micro, small and mid-sized businesses through **subsidized loans with low interest rates of 12 percent only** (from 22-23 percent currently)
- **Accelerate and increase the flow of central government funds to the local governments.** These funds are specifically for infrastructure development in the regions.
- Local government will become important powers to **speed up realization of strategic projects** of national interest
- **Investment in the property sector needs to be encouraged**, including friendly policies for low-income communities



- **2<sup>nd</sup> economic policy package** unveiled on 29 September 2015 focuses on **establishment of bonded logistics zone and import tax cut**
- Time required to process **investment permits** for investments in Indonesia's industrial estates will be **curtailed from eight days to only three hours**
- Preparing **two bonded logistic zones**, one in **Cikarang (West Java)** and the other in **Merak (Banten)** as it aims to offer more efficient industrial facilities
- The zone in **Cikarang** is designed to serve the **logistics-related manufacturing industry**, while the zone in **Merak** is to function as a **storage facility for fuel logistics**.
- These zones should serve as a **hub for capital goods, intermediary goods, and raw materials**
- Bonded zones are attractive as the government provides several taxation facilities, such as the **exemption of value-added tax (VAT) and sales tax on imported intermediary goods**, as well as the possibility to postpone import duty payments
- Indonesian government **scrapped VAT** for imports of aircraft components and aviation safety equipment
- This exemption applies to both airlines and those third-party companies that import such aircraft components. The move will support companies engaged in the aviation sector.



- **3<sup>rd</sup> economic policy package** unveiled on 7 October 2015 focuses on **micro-financing and cheaper diesel & electricity**
- **Indonesian street vendors and small businesses** (that operate in designated areas) can obtain a leasehold certificate through which they can **secure cheap government-backed micro loan** to expand their business since many lack assets to secure a loan
- Boost the industrial sector by **cutting the diesel price by IDR 200 to IDR 6,700 (USD \$0.48) per liter**
- **Electricity tariffs** (for industries) are to be **cut by 30 percent** between 11 pm and 8 am
- Companies that are in **financial trouble** will be **allowed to delay the payment of up to 40 percent** of its electricity bills until the next year with condition that the company **agrees not to layoff employees.**



- **4<sup>th</sup> economic policy package** unveiled on 15 October 2015 focuses on **boosting labour and employment in Indonesia**
- **Implementation of a new fixed formula** that will be applied by the government to determine increases in labour wages across the 34 provinces of the Archipelago
- **Currently, minimum wage growth is not fixed** but depends on negotiations between local governments and labour unions and is also based on the basic costs of living index in each 34 provinces
- Every year the basic costs of living index (which involves 60 essential monthly expenditures) is surveyed. The result of this index is highly influential in determining the new minimum wage as it forms a recommendation to the local Governor.
- As a result, sudden big jumps in minimum wages occurs. This is not good news for the business climate as it increases uncertainty for business owners and investors.
- The **new formula** is designed to provide **more certainty to business owners** regarding minimum wage growth
- Every year, wages will be allowed to increase **based on the provincial inflation rate and economic growth pace**



- **5<sup>th</sup> economic policy package** unveiled on 22 October 2015 focuses on **tax incentive for revaluation of fixed assets and removal of double taxation**
- New tax incentive **encourage companies to revalue assets**, hence increasing their leverage. With higher-valued assets and larger capital, these **companies can borrow more from banks**, hence having **more room to invest**
- Previously, companies had to pay a 10% tax on the company's fixed asset growth. From **now till 31 Dec 2015, the tax rate is 3%**; increasing to 4% from 1 Jan 2016 to 30 Jun 2016; and 6% from 1 Jul 2016 to 31 Dec 2016
- **Scrap double taxation on real estate investment trusts** that are being established in Indonesia in an effort to boost the domestic capital market
- The government is going to **encourage the growth of the Islamic finance industry** by simplifying the regulatory and licensing for products of Islamic banking.
- There will be codification of Islamic products, in which **some certain code licences will be exempted.**



- **6<sup>th</sup> economic policy package** unveiled on 5 November 2015 **focuses tax incentives for investment in Indonesia's special economic zone**
  - **Special economic zones** are defined as designated areas **where natural resources** (mined in or around the zone) **are processed**
  - Investors can get income **tax discounts of between 20 and 100 percent** for a duration **up to 25 years** with a minimum investment value
  - These generous tax holidays are designed to attract investment in the country's manufacturing industry
- 
- **Foreign investors are allowed to own property** in these special economic zones and investors will be able to **import raw materials without being charged value-added tax (VAT)**
  - **Goods manufactured** in these special economic zones are to be **exempted from VAT when sold domestically**, but remain subject to customs and excise fees.
  - The Indonesian government assigned the special economic zone status to eight areas: Tanjung Lesung (Banten), Sei Mangkei (North Sumatra), Palu (Central Sulawesi), Bitung (North Sulawesi), Mandalika (West Nusa Tenggara), Morotai (North Moluccas), Tanjung Api-Api (South Sumatra), and Maloi Batuta Trans Kalimantan (East Kalimantan).



# Indonesia Property Division – Indonesia Economic Stimulus Policy Package #7

- **7<sup>th</sup> economic policy package** unveiled on 4 December 2015 **focuses on waiving income tax for workers in the nation's labor-intensive industries**
- **Those who work in labor-intensive industries**, such as footwear, textiles or tobacco, and earn less than IDR 50 million (approx. USD \$3,700) per year **are eligible for exemption from paying income tax.**
- **This policy** will be maintained **for at least two years.**
- Also, the government will **grant leasehold certificates (for free)** to street vendors operating in 34 state-owned designated areas.
- The program, which will be launched in Banten (West Java), **aims to increase vendors' capital**
- Through this new policy, however, these **vendors will have access to government-backed micro-loans** unlike previously where they have difficulty obtaining loans as most vendors are working illegally and lack capital to secure a loan





- **8<sup>th</sup> economic policy package** unveiled on 21 December 2015 **focuses on Import Tax, Oil Refineries and One-Map Policy**
- To improve the rapid expanding aviation industry, the government announced **scrapping import taxes on 21 categories of airplane spare parts**
- The Indonesian government also announced the **opening up of oil refinery sector** that was previously only available to state-owned energy firm Pertamina or through a partnership between a private investor and Pertamina

- **Private investors are now allowed to establish oil refineries independently** but are required to sell the end-products to Pertamina.
- The central government will **streamline and harmonize land-acquisition for infrastructure development** across the country through the new "one-map policy"
- **The one-map policy will imply four advantages:** **(1)** integration of the planning of land utilization with the government's Spatial Planning Document (Dokumen Rencana Tata Ruang), **(2)** easing and speeding up the completion of conflicts of land use, **(3)** one reference map will improve the information provision related to localization of economic activities, and **(4)** speed up the issuance of permits related to land usage.

- **9<sup>th</sup> economic policy package** unveiled on 27 January 2016 **aims to combat Indonesia's high logistics cost**
- Indonesia's 9th economic stimulus package **consists of four parts:**
- **(1) to integrate billing and payments for port services** conducted by state-owned enterprises into one electronic system (single billing system)
- **(2) to integrate the Indonesia National Single Window system** (which handles export and import documents) with the 'inaportnet' system (which monitors the flow of goods in harbors)
- **(3) to revise Transportation Ministry Regulation No.3/2014 on the Use of Foreign Currencies for Transportation Payments.** By revising this regulation the Indonesian government aims to make the use of the **Indonesian rupiah mandatory for payments related to transportation activities**
- **(4) to remove Communications and Information Ministry Regulation No.9/2015.** This move should **neutralize the price difference between private commercial postal services and state postal services in Indonesia.** The aforementioned regulation states that commercial postal services in Indonesia are required to be more expensive than universal (private) postal services. This regulation was a major advantage to state-owned Pos Indonesia but limited competitiveness and efficiency in the country's postal services sector.



- **10<sup>th</sup> economic policy package** was unveiled on 11 February 2016 focuses on **deregulation measures and significant revisions to the negative investment list**
- Simplified the negative investment list to only 84 from 119 and opened **29 new sectors to foreign investors**
- **Allow 100 percent foreign ownership** in cold storage business, crumb rubber industry, sport-centers, film production industry, restaurants, raw materials for medicines, toll roads, and telecommunication equipment
- Revisions are designed to optimize the nation's economic growth while not causing a reduction in local competitiveness

## New versus Old Maximum Allowed Foreign Ownership:

Industry	New % Share	Old % Share
Warehouse Distributor	67%	33%
Cold Storage	100%	33%
Business Training	67%	49%
Travel Agency	67%	49%
Golf Course	67%	49%
Transport Supporting Services	67%	49%
Sport Center	100%	49%
Film Production Houses	100%	49%
Crumb Rubber	100%	49%
Museums	67%	51%
Catering	67%	51%
Convention Services	67%	51%
Exhibitions & Travel Incentives	67%	51%
Restaurant	100%	51%
Construction Consultancy	67%	55%
Telecommunication Services	67%	65%
Raw Materials for Medicines	100%	85%
Toll Road	100%	95%
Telecommunication Testing Agency	100%	95%

- **11<sup>th</sup> economic policy package** was unveiled on 29 March 2016 includes a **lower tax rate on property purchased by local real estate investment trusts**, the **harmonization of customs checks** across the nation's ports (curtailing dwell time), **government subsidies for loans taken up Indonesia's export-oriented small and medium enterprises**, and the **drawing of a roadmap for the nation's pharmaceutical industry**
- The Indonesian government will cut the final income tax rate on sales of property to real estate investment trusts (REITs) from **5 percent to 0.5 percent**
- Dwell time at Indonesian ports are targeted to be **reduced from 4.7 days to 3.7 days** through reforming of various procedures particularly the harmonization of customs checks among the port authorities
- Indonesian government will provide subsidized loans for those Indonesian small and mid-sized companies that are primarily export-oriented. This policy encourages the development of export-oriented industries in Indonesia and will also have a positive impact on the country's trade and current account balances
- The government aims to **boost the domestic production of medicines' raw materials**, particularly for five product categories (namely biotechnology, vaccines, herbal extracts, active pharmaceutical ingredients and medical devices)
- Indonesia government had removed the pharmaceutical industry from its negative investment list (which lists the sectors that are closed, or partially closed, for foreign ownership), implying 100 percent foreign ownership is now allowed
- Step up effort to develop the local manufacturing of medicines (including raw materials) such as offering tax holiday, development of a special economic zone as well as an integrated logistics center

# Indonesia Property Division – Indonesia Economic Stimulus Policy Package #12

- **12<sup>th</sup> economic policy package** was unveiled on 28 April 2016 focuses on **enhancing the ease of doing business for the small and mid-sized companies**
- Also, the government announced the **cut in a number of procedures and permits, as well as costs** required for development of a business
- **The number of procedures required to establish a business has been cut from 94 procedures to 49, while the number of permits has been curbed from nine permits to six.** This should manage to drastically cut the time that is required to open a business in Indonesia.

Indicator	Prior to 12th Package	After 12th Package
<b>Starting a Business</b>	<ul style="list-style-type: none"> <li>• 12 procedures</li> <li>• 47 days</li> <li>• Costs at IDR 6.8 - 7.8 million</li> </ul>	<ul style="list-style-type: none"> <li>• 7 procedures</li> <li>• 10 days</li> <li>• Costs at IDR 2.7 million</li> </ul>
<b>Construction of Building</b>	<ul style="list-style-type: none"> <li>• 17 procedures</li> <li>• 210 days</li> <li>• IDR 86 million for 4 permits</li> </ul>	<ul style="list-style-type: none"> <li>• 14 procedures</li> <li>• 52 days</li> <li>• IDR 70 million for 3 permits</li> </ul>
<b>Tax Payments</b>	<ul style="list-style-type: none"> <li>• 54 payments</li> </ul>	<ul style="list-style-type: none"> <li>• 10 online payments</li> </ul>



- **13<sup>th</sup> economic policy package** was unveiled on 24 August 2016 focuses on the reduction of bureaucracy (red tape) in a bid to boost the construction of low-cost housing for the poorer segments of Indonesian society
- The number of necessary permits will be cut down from **33 to 11**, as well as reducing the number of days needed to obtain all permits **from up to 981 days to 44 working days**
- By making it easier, faster and less expensive to invest in the construction of low-cost housing in Indonesia, the government's "1 million houses program" (a five-year program) should get a real boost.
- Tough red tape managed to curtail the success of the 1 million houses program. So far this year only 400,000 low-cost houses have been built.



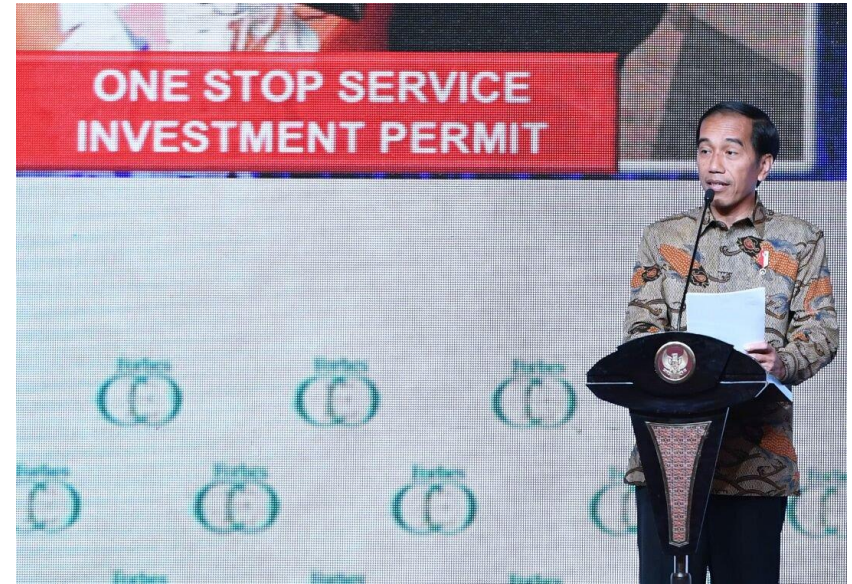
- **14<sup>th</sup> economic policy package** was unveiled on 10 November 2016 focuses on tackling eight issues that could turn Indonesia into the biggest digital economy in ASEAN by 2020 with a targeted value of US\$130 billion
- The 8 issues are funding, taxation, consumer protection, human resources, logistics, communication infrastructure, cyber security and the establishment of a project management office
- The government expects the new policy package, dubbed the e-commerce road map, to **create 1,000 “techno-preneurs” with businesses that have a total value of \$10 billion by 2020**
- The road map to expected to better protect national interests and give priority to small and medium-sized enterprises and start-ups
- Government also aims to **reduce taxes** for locals investing in start-ups and simplify taxation procedures for **e-commerce start-ups with a turnover of less than IDR 4.8 billion a year**, so that the **final income tax will only come to 1 percent.**



- **15<sup>th</sup> economic policy package** was unveiled on 15 June 2017 to **develop the business and competitiveness of national logistics service providers**
- This package will address **4 main aspects**:
  1. Enhancing the role of transportation insurance
  2. Reducing costs for logistic service providers,
  3. Strengthening the Indonesia National Single Window (INSW) authority
  4. Reducing the number of prohibited and restricted goods
- In trying to **reduce costs incurred by logistic service providers**, the **government aims to eliminate costs** of sea transportation, shipping agencies, freight forwarding, loading and unloading services as well as port management
- Currently, **those business activities incur certain costs, ranging between Rp 2 billion (US\$150,568) and Rp 500 billion**. Under the new policy package, **these costs will be eliminated**
- In addition, three presidential regulations will be revised and integrated into one presidential regulation concerning INSW to **expedite the development and application of automated licensing services in the export and import, customs, and port fields**



- **16<sup>th</sup> economic policy package** was unveiled on 31 August 2017 to **speed up the issuance of business permits** while providing **greater certainty on the cost and time involved** and to **improve coordination between ministries and provincial administrations**
- New package creates a single submission system for investors, implying **they only have to go one place to obtain all required licenses**. This is much-needed because in some sectors it can take up to five years to arrange all permits
- The acceleration of business processes would be implemented in **two stages**
- The first stage includes the formation of task forces to **implement business licensing processes and to oversee the application of licensing checklists at special economic zones (KEK), free-trade zones (FTZ) industrial and tourism areas** using data sharing
- The second stage includes **regulatory reforms and the single-submission system**
- Also, this package seem to **address that weak coordination and cooperation between the central government and regional government** that has been a major bottleneck that undermines the attractiveness of Indonesia's investment climate



# Thank You

**Ronald Ng**

Corporate Finance Manager

Email: [ronald.ng@sinarmasland.com.sg](mailto:ronald.ng@sinarmasland.com.sg)

Tel: (65) 6885 7746

**Robin Ng**

Executive Director

Email: [robinng@sinarmasland.com.sg](mailto:robinng@sinarmasland.com.sg)

Tel: (65) 6590 0884

**Ferdinand Sadeli**

Executive Director and Chief Financial Officer

Email: [ferdinand.sadeli@sinarmasland.com](mailto:ferdinand.sadeli@sinarmasland.com)

Tel: (62) 21 5036 8368 Ext 12836

