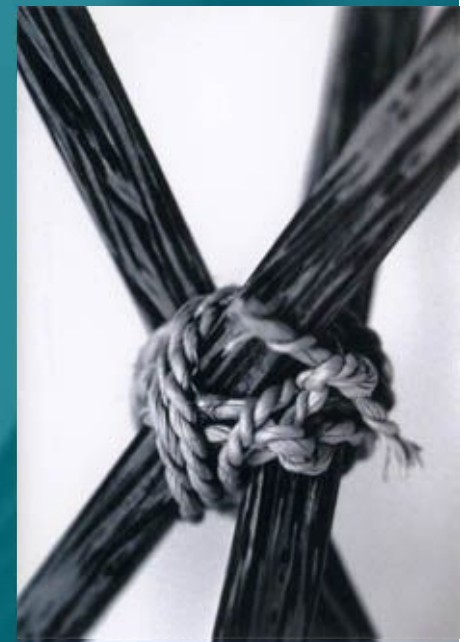


**Censere**

appraise • assist • advise

# Invest in South-East Asia

Success Stories for Business



# Introduction to Censere

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## Regional Consulting Group

Auckland, Bangkok, Beijing, Hong Kong, Kuala Lumpur, Shanghai, Singapore, Sydney and Tokyo

50+ professionals in total

Real estate surveyors, Engineers, Financial analysts,  
Research analysts

## Transaction Support & Value Consulting

Valuation, Industry research, Due diligence,  
Investment advisory

# Options for Investment

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- ✓ Exporting
- ✓ Contracts – short term or long term
- ✓ Licensing/Franchising
- ✓ FDI – JV
- ✓ FDI – WFOE

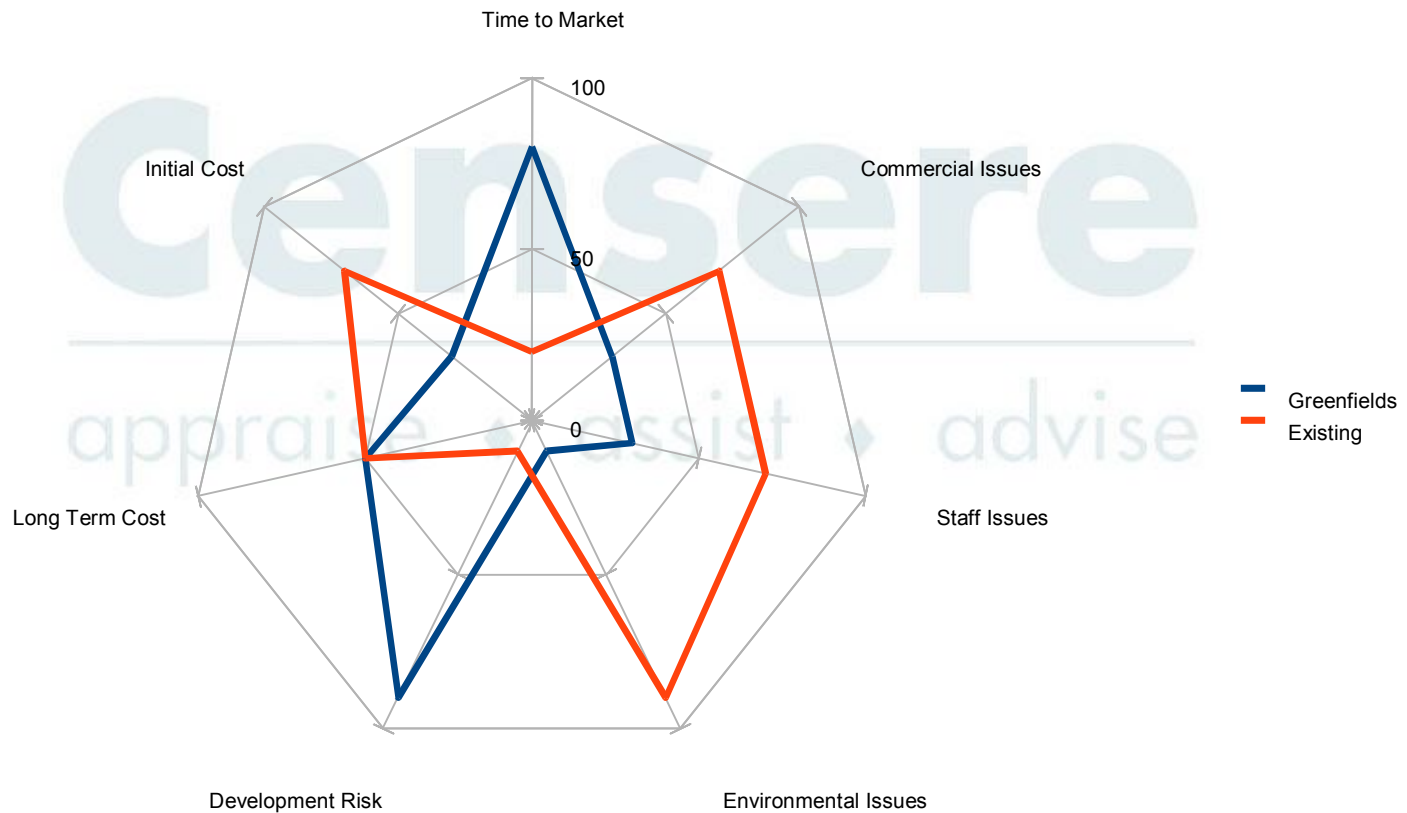
We'll be focusing  
On these areas

# New or Existing Target?

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- Whether JV or WFOE – there may be opportunities for either greenfields investment or investment in an existing business
- Most of the factors we discuss today are common to both investment in either new or existing assets, with a few exceptions

# Greenfields Vs Existing



# Joint Venture

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## Pros

- Share risk
- Share costs
- JV partner has local market knowledge
- May be quicker to establish
- May enable entry into restricted market

# Joint Venture

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## Cons

- Rewards will be shared
- Control may be diluted
- Counter-party risk
- Divergent goals

# Wholly Foreign Owned

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## Pros

- Absolute control
- Rewards accrue solely to you

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# Wholly Foreign Owned

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## Cons

- Higher cost
- Market may be restricted
- May take longer
- Greater exposure to local market

# Case #1 - Foundry

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- **Situation** – client wanted to enter market, but found a local company was already copying their product
- **Proposed solution** - review of legal framework and market entry study
- **Result** – we suggested they form a JV with the infringing party, using possible threat of legal action to get them to the negotiating table

# Case #1 - Foundry

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## Learning Outcome

- Be creative when seeking solutions, they turned an adversarial situation into a worthwhile investment

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# Case #2 – SIA Engineering

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- **Situation** – wanted to enter Indian aircraft maintenance market but bureaucratic red-tape made direct entry difficult, so they were pursuing JV with local airline
- **Proposed solution** – technical review of maintenance capabilities of target
- **Result** – found numerous inconsistencies in technical records which were unable to be reconciled

# Case #2 – SIA Engineering

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## Learning Outcome

- Reputational risk is a key factor to be considered when entering new markets or forming JV's. In this case, it would have required substantial additional capital inputs to overcome technical shortcomings, which local partner would not recognise.

# Case #3 – Investment Fund

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- **Situation** - proposed acquisition of a small steel mill in China, but buyer had little knowledge of the market factors
- **Proposed Solution** – industry research, technical and financial feasibility study, deal valuation
- **Result** – we recommended NOT investing in the deal as the target was unlikely to meet the long term projections

# Case #3 – Investment Fund

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## Learning Outcome

- Conduct sensible due diligence, especially in new markets where you are not familiar with the rules
- Financial and legal DD are not enough, look at overall business and commercial aspects of the target and local markets

# Case #4 – Jabil Circuit

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- **Situation** – completion of acquisition, while preserving technical know-how and clients
- **Proposed solution** – investigation of intellectual capital and post-acquisition integration plan for IC
- **Result** – successful acquisition and integration of business, significantly expanded operations in China and new clients in the mobile handset sector

# Case #4 – Jabil Circuit

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## Learning Outcome

- Acquiring an existing business, if done properly, can be an excellent way of gaining access, both to new clients and new markets
- Properly identify intangibles and integrate these carefully after closing

# Case #5 – Paint Co.

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- **Situation** – JV was failing and client wanted to terminate JV, either client sells or buys out JV partner
- **Proposed solution** – conduct DD, value existing JV
- **Result** – client ended up buying out JV partner at substantial premium because intangibles were owned by JV, not licensed

# Case #5 – Paint Co.

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## Learning Outcome

- JV was actually doomed from the start as initial business plan was not properly researched and developed
- Intangibles can have significant value – these should be considered going into any venture

# Understand the Rule of Law

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- Do not assume it is the same as you are used to at home
- Common Law Vs Civil Law system
- India – can take many years to get to court
- Malaysia – can take more than 10 years to register patents (but improving)
- Most of SEA – Civil law system
- Finally, understand the role of the courts

# Where to Invest?

	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Singapore	1	4	2	1	16	4	2	5	1	13	2
Hong Kong	3	18	1	6	75	4	3	3	2	3	13
Thailand	12	55	13	52	6	71	12	88	12	24	48
Japan	15	91	45	40	54	15	16	123	17	20	1
Malaysia	23	88	109	61	86	1	4	24	35	59	57
China	89	151	180	140	32	61	93	125	44	18	65
Vietnam	93	116	69	103	40	30	172	147	74	32	127
Indonesia	122	161	61	149	95	113	41	127	45	146	142
India	133	169	175	104	93	30	41	169	94	182	138
Philippines	144	162	111	115	102	127	132	135	68	118	153

Rankings - Doing Business 2010 - The World Bank Group  
<http://www.doingbusiness.org/economyrankings/>

# Invest in India

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- Government has been slow to act
- Legal system is slow
- Has opened up many sectors to FDI
- Paperwork can be tedious
- Growing middle class
- Not an homogeneous market

# Invest in India

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Good opportunities in

- Infrastructure
- Software
- Chemicals
- Apparel
- Pharmaceuticals

# Invest in Indonesia

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- Reasonable access to foreign investors
- Strong domestic economy
- Legal system is less than perfect
- Corruption is prevalent
- Currency depreciation issues
- Security is an issue

# Invest in Indonesia

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Good opportunities in

- Energy & Resources
- Infrastructure
- Tourism
- Mostly greenfields or brownfields investment

# Invest in Thailand

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- Reasonable access to foreign investors
- Strong domestic economy
- Legal system is less than perfect
- Political situation was/is an issue
- Mostly need to be JV structure

# Invest in Thailand

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Good opportunities in

- Chemicals
- Infrastructure
- Tourism
- Automotive
- Food processing

# Invest in Vietnam

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- Vietnam has quite liberal investment rules
- Young population, good level of education
- Strong GDP growth, but coming off a low base
- Government is somewhat slow to respond and has backtracked on issues
- Currency depreciation issues
- Supporting industries may be limited

# Invest in Vietnam

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Good opportunities in

- Infrastructure
- Tourism
- FMCG
- Food processing
- Mostly greenfields or brownfields investment

# Q & A

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