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CONTENTS

THE WEEK OF SEP 13 - SEP 19, 2021

CORPORATE

5 The week: What's next after Hongkong Land's share buyback plan?

7 MAS weighs sustainability expectations with coming regulation

BILLION DOLLAR CLUB SPECIAL

8 Of SPACs and sweat equity

9 SGX CEO Loh Boon Chye: Booster shot by the ecosystem, for the ecosystem

10 2021 Honours List

11 ST Engineering restructures to capture new growth; Sri Trang Agro and Straits Trading take one win each

Union Gas overall winner, transits to Mainboard; ISDN Holdings and China Everbright Water snare respective wins

12 Yanlord Land tops sector; First Sponsor wins for earnings growth and shareholders' returns

Sing Holdings is sector winner; APAC Realty, Aspial and Alset ace their respective categories

14 Sector winner Genting Singapore tops weighted ROE

The Place Holdings is sector winner; BRC Asia and Kimly top earnings growth and ROE respectively

15 Sheng Siong is winner once again; Japfa tops earnings and share price growth

Cortina dominates sector awards; Challenger Technologies and Food Empire hold their own

16 iFast vaults from Centurion to Billion Dollar Club and dominates sector

ValueMax overall sector winner; Maxi-Cash Financial Services wins best ROE

17 Top Glove comes up tops; Riverstone scores for ROE

Medtecs is big winner in this pandemic year

18 Keppel DC REIT and Mapletree Industrial Trust ride on hot data centre market to come up tops

IREIT Global makes big leap forward with Decathlon portfolio acquisition

19 With strong growth momentum, AEM 'graduates' from Centurion to Billion Dollar Club

Silverlake Axis shines with overall and ROE win; Innotek and Multi-Chem win as well

20 SingPost aims to deliver the 'Future of Post'; SATS seeks out new growth areas

SBS Transit rolls on with overall sector win; Penguin International leads in shareholders' returns

21 Sinostar PEC enjoying better margins; Shen Yao and United Global make up the other winners

22 Top Glove tops for earnings and share price growth; strong focus on ESG helps generate well-rounded score

23 Enhancing long-term value via sustainability: EY

24 iFast emerges as best performing stock, eyes 'truly global' FinTech business

25 As both earnings and share price double, APAC Realty sets bigger goals

26 Union Gas fuels up for overseas ventures, eyes piped gas for sustainable growth

27 Silverlake Axis keeps focus on both returns and innovation

29 Corp watch: Barramundi's Oslo listing affords better growth ahead of potential SGX listing

30 Chew on this: Investing culture: A tale of two cities

CAPITAL

32 Tong's portfolio: Covid-19 is a highly emotive subject — read, think before jumping to conclusions

34 Capturing opportunities in attractively valued income-generating assets

36 China view: Beijing board

37 Insider moves: Controlling shareholders of Megachem and RE & S top up respective stakes

38 Jardine stable starts attracting investor interest

Brokers' digest

OPTIONS

Meet underdogs champion and founder of PR consultancy Elliot & Co, Jeremy Foo
6

EDGEPROP

Space for church and former KTV club at Textile Centre for sale at $33 mil
8

What's next after Hongkong Land's share buyback plan?

BY **GOOLA WARDEN**
goola.warden@bizedge.com

BLOOMBERG

The Mandarin Oriental Hotel logo is displayed outside the company's hotel in the Central district of Hong Kong

On Sept 6, **Hongkong Land** announced a US$500 million ($673 million) share buyback programmed from now till December 2022.

In an announcement, the company said the buyback is in line with the group's long-standing capital allocation practice which is to prioritise investment in new assets to drive long-term growth and shareholder value; continued payment of steady and, over time, increasing dividends; and investment in existing assets on an opportunistic basis, including through share buybacks.

"The purpose of the share buyback is to reduce the capital of the company. As the holding of treasury shares is not provided for in the company's constitution, any shares which are repurchased by the company will be cancelled," Hongkong Land says in a statement.

The following day after the announcement, Hongkong Land promptly started the buying. It picked up 320,000 shares at an average of US$4.67.

Looking ahead, which stock could be next to practise Hongkong Land's share buyback programme?

Jardine Matheson Holdings holds 79.44% of **Mandarin Oriental International** and 50% of Hongkong Land. Could sibling Mandarin Oriental be next given that it also owns properties — mainly hotels — in plum locations?

Mandarin Oriental trades at a discount to its net asset value (NAV) of US$3.95 as at June 30, but the discount is a lot narrower at 0.52 times, compared to Hongkong Land's P/NAV of 0.32 times. However, Mandarin Oriental has a strong brand name and that in itself is an intangible asset.

During a results briefing on July 29, CFO Matthew Bishop said, "Many of the group's property assets are in prime locations located in cities where there is a scarcity of comparable assets and showing resilience."

Mandarin Oriental owns 100% of eight properties in key gateway cities such as London, Paris, Tokyo and Hong Kong; 85.3% of Mandarin Oriental Geneva; 96.9% of the Mandarin Oriental Jakarta; and 25% of Mandarin Oriental New York and Mandarin Oriental Miami. In addition, it holds 50% each of the Mandarin Oriental Singapore and the Mandarin Oriental Ritz Madrid and 47.6% in the Mandarin Oriental Bangkok, located along the Chao Phraya River.

Mandarin Oriental has moved away from an asset-laden model and is adopting an asset-light strategy for future management contracts. Bish-

CONTINUES ON PAGE 6

Share capital reduction unlikely to impact Hongkong Land shareholders' funds

FROM PAGE 5

op points out that Mandarin Oriental's new pipeline projects consist mainly of management contracts for 20 hotels and 13 branded residences.

On the asset front, the hotel group is redeveloping The Excelsior Hotel site in Causeway Bay into a mixed-used development. "In 2019, the group announced its intent to redevelop the site into a mixed-use commercial building for a cost of some US$650 million, to be financed using a combination of existing and new debt facilities. Completion of the building remains on schedule for 2025. As previously indicated, it is not the group's intention to be the long-term owner of commercial property. Opportunities for the monetisation of this asset will continue to be reviewed," Mandarin Oriental said in a statement on July 29.

As at June 30, Mandarin Oriental's "tangible" assets were valued at US$1.15 billion while investment properties under development were valued at US$2.44 billion.

Nevertheless, Mandarin Oriental is unlikely to launch a Hongkong Land-type of share buyback programme because that could cause liquidity to shrink. Perhaps, it could have a share buyback programme leading to privatisation instead.

Rationale for buyback programme

Since the announcement, Hongkong Land's share price has rallied by as much as 16% in the days after the announcement but this still represents a hefty discount to Hongkong Land's June 30 NAV of US$14.75.

In 1HFY2021 ended June 30, Hongkong Land reported a net loss of US$865 million compared to a net loss of US$1.83 billion in FY2020. However, underlying profit to shareholders rose 12% to US$394 million. Annualised, this translates into an ROE of just 2.3%.

But even with the share capital reduction, the US$500 million is unlikely to make much of a dent in Hongkong Land's US$34.4 billion of shareholders' funds. According to DBS Group Research, the buyback would raise the net asset value to US$15.31 per share. As at June 30, the company's NAV was US$14.75.

"In our opinion, this large-scale share repurchase programme signals the stock's strong embedded value and should lend support to its share price which was under pressure of late," says Joseph Yau, an analyst at DBS Group Research.

While Hongkong Land's stock continues to trade at a hefty discount to NAV, the discount has reverted to the mean.

Other ways to narrow discount

Hongkong Land's share buyback programme is a trifle short of the US$513 million in dividend payouts that the company had declared in FY2020 and FY2019. Could Hongkong Land have doubled its dividends instead? And are there other ways to narrow the discount between share price and NAV?

In Hong Kong, the group's portfolio at the heart of the financial district in Central consists of 12 interconnected commercial buildings, providing over 450,000 sq m of Grade A office and luxury retail space. As at Dec 31, 2020, the Central portfolio, which includes retail and a hotel, was valued at US$28.01 billion.

In Singapore, Hongkong Land owns a one-third stake each in Marina Bay Financial Centre and One Raffles Quay. Based on **Keppel REIT**'s valuation of its 33.3% share, the Singapore portfolio is valued at $4.17 billion.

Could Hongkong Land have securitised these choice assets in a REIT and paid a special dividend to its shareholders? Investors certainly think so but Robert Wong, chief executive of Hongkong Land, says there is still a case for it being embedded in the Central portfolio.

"In Central, the bulk of our tenant base is financial, legal and accounting firms and these comprise 80% of our portfolio. Our business depends on whether Hong Kong continues to grow or maintain its status as a key financial market in the region. Our capital market is very active, IPOs keep coming through, and legal is doing well because legal is a key part of capital markets. If the financial market continues to perform healthily then the demand equation should be positive," he says during the company's 1HFY2021 results briefing.

However, the main uncertainty is still the pandemic. A big driver of luxury spending in Central is from Chinese tourists but the border is closed. Although Wong expects rental reversions of Central's office and retail space to be negative, he is confident Hongkong Land's active leasing management is likely to keep occupancy above average in Central.

Some market watchers see the share buyback programme as Hongkong Land's somewhat traditional management making an effort to reduce the discount between price and NAV. CGS-CIMB says, "We think the [buyback] programme reflects management's positive response to investors' concerns on Hongkong Land's persistently deep discount to book value and NAV. It trades at a 59% discount to [our] end FY2021 forecast NAV, with a 5.2% dividend yield, and is one of the cheapest Hong Kong landlords." CGS-CIMB has an "add" recommendation and a target of US$5.70 for the stock.

BLOOMBERG

Hongkong Land's three-year Price to Book

BLOOMBERG; AS AT SEPT 8

SGX companies trading at a discount to book

Company	Market cap	Price to Book
	$ Mil	times
CapitaLand	20,812.8	0.90
Hongkong Land Holdings	15,203.6	0.33
City Developments	6,049.0	0.75
UOL Group	5,918.4	0.60
Frasers Property	4,464.3	0.42
Shangri-La Asia	4,064.5	0.50
Singapore Land Group	3,796.6	0.51
Mandarin Oriental International	3,536.3	0.79
Hutchison Port Holdings Trust	2,461.4	0.54
Yanlord Land Group	2,259.9	0.34
GuocoLand	1,976.1	0.46
Ho Bee Land	1,859.2	0.50
Wing Tai Holdings	1,415.7	0.41
Bukit Sembawang Estates	1,276.4	0.86
OUE	1,188.2	0.32
Sinarmas Land	1,127.6	0.39
Hotel Grand Central	746.8	0.55
Hong Fok Corp	663.1	0.27
Metro Holdings /Singapore	627.4	0.41
Tuan Sing Holdings	594.9	0.47
Far East Orchard	501.7	0.40
Bonvests Holdings	389.5	0.47
Low Keng Huat Singapore	347.2	0.50
Chip Eng Seng Corp	336.9	0.40
Dasin Retail Trust	320.6	0.29
Hotel Royal	310.5	0.50

Other possible candidates

Among the stocks trading at a large discount to NAV, **Guocoland** has a substantial amount of investment properties. As at June 30, Guocoland had $4.97 billion in investment properties including $1.82 billion under development. In addition, Guocoland has a further $3.55 billion in development properties that are held for sale.

Among the investment properties are Guoco Tower comprising office and retail, valued at $2.54 billion, 20 Collyer Quay valued at $509.5 million, and Guoco Midtown at $1.76 billion.

Guocoland is trading at 0.46 times its June 30 NAV of $3.60. It could easily narrow this discount by securitising Guoco Tower and 20 Collyer Quay but is probably unlikely to do so.

Elsewhere, **City Developments** has already taken steps to unlock value at Fuji Xerox Towers, which could add as much as $1 billion to its revalued NAV.

During a results briefing on Aug 12, group CEO of **UOL Group**, Liam Wee Sin said it is premature to look at fund management but he is studying what is "best use" for the various assets. Meanwhile, **Frasers Property**, which has a well managed REIT portfolio, has stated that it is open to collaborations with capital partners. Its real estate investment manager, buried inside Frasers Property, could command higher valuations as a listed entity. E

MAS weighs sustainability expectations with coming regulation

BY JOVI HO
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Despite sustainability initiatives reaching a fever pitch this year, some may still dismiss the dominance of climate conversations as mere euphoria.

But the hype itself is a "necessary step" in furthering the green agenda today, says Kwok Quek Sin, executive director of green FinTech at the Monetary Authority of Singapore (MAS). "In the process of gaining awareness and mainstream interest, we must take advantage of that."

However, hype cannot last forever and there is a more critical factor at play. "The issue isn't the lack of awareness, but whether there are immediate motivations to act," says Kwok, a former Government Technology Agency (GovTech) director who moved to lead MAS's green FinTech division in May.

Green or sustainable finance is the practice of integrating environmental, social and governance (ESG) criteria into financial services to bring about sustainable development outcomes, including mitigating and adapting to the adverse effects of climate change.

This sector is seeing growing interest from both institutions and retail investors. Speaking at the "Green and Sustainable Finance: Investments, Banking and FinTech" webinar organised by the Nanyang Business School on Aug 26, Kwok cites a survey by Fidelity International published in June, which reported that 57% of Singaporeans expressed interest in saving and investing more sustainably.

At the same time, 66% of investors here said they would consider sustainable investing if it was more accessible. Aside from retail investors, Kwok acknowledges a degree of "friction" between corporates and regulatory bodies, as the financial industry figures out how best to implement sustainability reporting, some of which are being mandated.

"Things are unclear. Examples [include] reporting standards [and] taxonomies, and we are all trying to figure things out along the way. International standards organisations and authorities are trying to agree on a certain alignment."

"But we can't wait for everything to be settled before starting anything. So, we are in a state where there are certain things that we need to do, while other things [may involve] a lot of moving parts, and also a lot of inefficiency," he continues. "We want to work with the FinTech industry to really look at how we can remove all this friction using technology."

Apart from financial institutions and listed companies, many corporations are already submitting financial reports and non-financial disclosures to regulators. "It is not unimaginable that this will be required."

Today, these expectations for non-financial reports extend beyond the scope of the regulators, says Kwok. "When applying for a loan facility, banks require disclosures as well. If you don't do it or you ignore it, it means that your access to those loans might eventually be more and more limited. We know of European countries that are setting requirements for procurement, saying: 'If you want to be a vendor of mine, you have to make disclosures to me.'"

He also cites former **BlackRock** head of sustainability investing Tariq Fancy, who has urged governments to pick up the mantle of climate action through a top-down approach. Formerly one of the sector's top evangelists, Fancy himself had — on Aug 20 — published three essays criticising the financial industry for overstating the impact of sustainable investing.

"I suspected that every time people read the latest such headline about guarding against climate change-related risks in the financial system, they mistakenly believed that these efforts were helpful in the fight against climate change itself," writes Fancy on publishing platform *Medium*.

Fancy now says that financial institutions are simply pushing ESG products for their higher fees, when real change can only come from the political sphere. "Unfortunately, protecting an investment portfolio from the disastrous effects of climate change is not the same thing as preventing those disastrous effects from occurring in the first place," adds Fancy.

"[Fancy] has been quite vocal that what we need are systemic solutions at the government policy level, beginning with carbon pricing and more aggressive regulations, to put a stop to high-carbon emission industries and businesses," says Kwok.

More regulations will encourage errant companies to adopt ESG practices, says Kwok. Those regulations — like carbon pricing — need to be implemented gradually to ensure a smooth transition, without causing a sudden collapse of industries.

Such regulations can only be effective if they are implemented consistently across all jurisdictions, he adds. "How much we use policy as a market corrector or deterrence and how much we deliver it to the market forces is a complex question that cannot be answered today on this forum." E

THE EDGE SINGAPORE BILLION DOLLAR CLUB 2021

Of SPACs and sweat equity

ALBERT CHUA/THE EDGE SINGAPORE

Thus far this year, there have been just three IPOs here. Can the new SPAC framework spur a wave of new listings?

Dear readers,

Just last week, *The Edge Singapore* celebrated our 1,000th issue, marking nearly 20 years of diligent coverage of the Singapore market and business scene. As we dug through our own archives to put together the commemorative issue, we are reminded that when companies stumble, we don't shy away trying to find what went wrong. And when companies do well, we are happy for the management and their shareholders too. One way we hope to give them their due recognition is by organising this annual Billion Dollar Club awards.

Over the last couple of years, headlines in the financial and business media have focused on how the pandemic has affected economies and companies.

Quite a few of the standout winners for this year's Billion Dollar Club as well as the accompanying Centurion Club for those with a market value below $1 billion, are companies from industries that have turned the pandemic into a growth opportunity.

This year's overall Billion Dollar Club winner, the Company of The Year, goes to **Top Glove Corporation**, which as the world's largest glove maker, has seen demand for its products surge. **Riverstone Holdings**, another leading glove maker, and **Medtecs International**, which makes medical consumables, figured in the awards as well.

Among the overall winners, two companies are worth a special mention: **AEM Holdings** and **iFast Corp**. At last year's Billion Dollar Club, we predicted that both of these companies, who were both named winners in the Centurion Club, might just join the big league this year given the growth momentum they were enjoying.

As it turned out, our predictions have come true. iFast has been named overall sector winner for the financial services industry category. AEM, meanwhile, swept all four awards in the industry category for technology equipment and telecommunication services.

The exciting prospect of SPACS

Financial journalists love to observe and report about the ebb and flow of different industries. And it is satisfying for us to write about the fledgling companies of today that might just develop into market darlings a few years later.

In short, what excites the markets makes us sit up as well. And here's an interesting recent development. With effect from Sept 3, SGX has put in place a new framework for Special Purpose Acquisition Companies, or SPACs, as an alternative route to attract a pipeline of companies to list here and to make this market more vibrant.

As Carolyn Lim, vice-president, media communications of SGX RegCo, puts it: "A lot of sweat equity went into the SGX RegCo SPAC listing framework that has just been announced, not to mention sleepless nights, long days and you can imagine the rest."

In finalising the new SPAC listing requirements, SGX's public consultation exercise received around 80 responses — the largest number for any recent consultation exercise for such regulatory initiatives. Major financial institutions, accounting and legal firms, and even several individuals commenting in their private capacity weighed in.

In an unusually proactive move, the Securities Investors Association (Singapore) will appoint research firms from a panel to analyse and evaluate the proposed acquisitions by the SPACs and help retail investors make informed investment decisions.

Some naysayers may say SGX has missed the boat as super app Grab is already heading for the US to complete its SPAC deal with **Altimeter Growth Corp** by end of the year. Grab raised the possibility of Singapore secondary listing at a later date but we know at best this is a consolation prize.

However, the headline grabbers of today won't necessarily be the same the next day. The start-ups of today, desperately seeking any kind of media coverage and attention, might just grow up to become an entity that journalists trip over one another to cover. Such is what makes the market more interesting than just banks, developers and REITs.

Last October, **Nanofilm Technologies International** made its debut as a hotly-anticipated tech unicorn that was never seen before on the SGX. Its share price more than doubled from IPO in eight months before a lower-than-expected earnings surprise sent it down by a third.

Unfortunately, the pandemic is still raging on and new variants of the virus infecting even those already vaccinated, dampening sentiment.

Thus far this year, the market's trading volume was still decent but there were just three IPOs, not including **Sri Trang Gloves**' secondary listing. Widely-anticipated big issues such as the beer business of **Thai Beverage** has been postponed.

So, will the SPACs framework change that? Perhaps. Loke Wai San, chairman of AEM Holdings, one of the top winners in this year's Billion Dollar Club, has another job managing private equity firm Novo Tellus, which has invested in a string of tech companies. As Loke told *The Edge Singapore* last week, he is keen to put together a SPAC deal and will "be working on it as soon as we can".

Besides Novo Tellus, Vertex Holdings, a Temasek subsidiary, and Turmeric Capital, an investment firm led by former L Catterton Asia head Ravi Thakran, are reportedly mulling SPAC listings too.

This burst of interest in SPACs listings is good for SGX as it may even jumpstart the IPO market or spur the secondary fundraising market. If this happens, everyone will profit. E

Chan Chao Peh
Editor, The Edge Singapore

About the Billion Dollar Club

The Edge Singapore Billion Dollar Club recognises excellence in companies listed on the **Singapore Exchange** (SGX), with at least S$1 billion in market capitalisation. The billion-dollar cut-off serves as an aspirational target for dynamic smaller companies, which we are also recognising with the creation of the Centurion Club awards, which rates companies with market values of between S$100 million and below S$1 billion.

The Edge Singapore organised our first Billion Dollar Club in 2016 while *The Edge Malaysia*, our sister publication that is part of The Edge Media Group, first organised the Billion Ringgit Club back in 2010 to similarly recognise Bursa-listed companies.

Unlike other corporate awards determined by a judging panel, both the Billion Dollar Club and the BRC take a quantitative approach, drawing on the companies' financial performance data from their annual reports, tabulated by financial advisery website *absolutelystocks.com* and then, applying a set of formulae according to the methodology to arrive at the eventual results.

This year's Billion Dollar Club is also the third time sustainability scores provided by SGX are taken into consideration.

There are 88 companies included in this year's Billion Dollar Club, from 82 last year. The Centurion Club, on the other hand, has 162 members this year, versus 157 last year. E

Booster shot by the ecosystem, for the ecosystem

BY LOH BOON CHYE

The year 2021 has been another year of navigating change and uncertainty caused by the Covid-19 pandemic, and it is encouraging to see how Singapore-listed companies have remained resilient and agile, responding effectively to new challenges.

In Singapore, even though border controls and safety measures have extended well beyond what was previously expected, our collective resolve has put us on track for a gradual return to normalcy. Our economy grew 7.7% in the first half of this year and as vaccinations gain pace, we are optimistic that as a country, we will remain competitive in an environment where Covid-19 becomes endemic.

Against this backdrop, we are pleased that *The Edge Singapore*'s Billion Dollar Club and Centurion Club awards continue to highlight the achievements of home-grown and regional champions listed in Singapore.

Highlighting successes

The winners of the Billion Dollar Club awards exemplify what it means to thrive in the face of adversity. It is important that we recognise the efforts and resolve of Singapore-listed companies, particularly those who have excelled in these trying times. This year, we saw businesses harness opportunities and make the most of the current climate to strengthen their position as market leaders. The awards highlighted companies that retained or improved their standing, and also welcomed newcomers in various categories.

Last year's winner of the Centurion Club "Overall Company of the Year" award, **AEM Holdings**, made its way into the Billion Dollar Club this year after record-breaking earnings for the first half of this year. Notably, AEM Holdings made a clean sweep of its industry sector for the BDC awards.

Similarly, **iFAST** climbed up the BDC ranks this year, securing three awards in its industry sector along the way. This move was on the back of surging sales, a growing B2B business and an expansion of its Malaysian stockbroking service.

Those companies whose sectors align with the needs brought upon by the pandemic continued to see successes this year, with **Medtecs International**, **Riverstone Holdings** and **Top Glove** all enjoying outsized earnings. Top Glove, a leading manufacturer of disposable rubber gloves, achieved significant profits and was recognised as the Overall Winner of the Billion Dollar Club category.

The awards also saw some familiar names in the mix — **Genting Singapore**, **Keppel DC REIT**, **Sheng Siong**, **ST Engineering** and **ValueMax** all maintained their standing as top listed companies on the Singapore Exchange (SGX).

Silverlake Axis was a regular winner in previous years except for 2020. This year, it bounced back to pick up both the highest ROE and overall sector winner for the Software & IT Services; Technology Equipment industry category.

Among the many companies who have made headway in terms of overall market capitalisation, profitability and revenue growth, **Union Gas**, **Kimly** and **APAC** Realty have overcome a challenging landscape to clinch awards in their respective categories.

A focus on sustainability

This year marks the third time that *The Edge Singapore* is using sustainability scores as one of the criteria to assess companies, and SGX is glad to play its part in driving the use and adoption of ESG data.

Climate action is undoubtedly one of the most pressing issues of our time. It has gained increased interest from market participants, with climate resilience and decarbonisation at the forefront. Investors increasingly using ESG-related factors to assess risks and opportunities.

Sustainable investments have reached US$35.3 trillion, or more than a third of all assets in five of the world's biggest markets. According to a recent MSCI 2021 Global Institutional Investor survey, around 50% of investors in Asia-Pacific countries, excluding Australia, New Zealand and Japan, consider climate change metrics for decision-making,

Directing capital towards building a climate-resilient and low-carbon future requires access to quality data for informed investment decisions. The limitations thus far in ESG data and disclosure have been long-standing hurdles, and hence this is an area of key priority for SGX as we believe what is disclosed by companies must be relevant for, and accessible to, investors.

The complex nature of sustainability presents new challenges for companies and investors. We recognise that companies are at different stages of their sustainability journey. SGX is thus embarking on various capacity-building efforts to lay the foundations of understanding so that we can equip the ecosystem with the necessary skills.

As part of our efforts to future-proof companies, SGX RegCo has released a consultation paper that proposed a progressive roadmap to encourage climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), as well as to promote board diversity.

Providing support by way of tools, guidance and regulatory measures, we want to help companies disclose material information and data that is relevant for investors. We are also developing an ESG reporting tool to allow data to be easily collected from companies and shared with end-users.

A trusted and vibrant marketplace

All these efforts go towards building a trusted and vibrant marketplace that is positioned for the future.

Since the pandemic started, we have seen a resurgence in investor participation in our stock market. In our past financial year ended June 30, daily average trading value amounted to $1.35 billion, the highest in eight years. There was robust trading in companies beyond the large-cap stocks, reflecting broader interest in our market. Participation from retail investors increased almost 40% during the year, with the market seeing more diverse participants including those who trade our equity derivatives.

In today's volatile markets and low-interest rate environment, SGX continues to introduce more products for investors which capitalise on the strengths of our cash equity and equity derivatives businesses. Singapore remains the REITs growth capital of Asia, attracting both global institutional and retail investors looking for steady returns. Since the first REIT listing on SGX almost 20 years ago, we have established a strong REIT ecosystem with increasing investor interest, deep liquidity and active issuer participation. We now offer a comprehensive product suite — ranging from stocks, REIT ETFs to REIT futures — solidifying Singapore's position as the most international REIT hub in the world.

We have also positioned ourselves as one of Asia's largest international trading venues for Chinese fixed income ETFs. The world's largest pure Chinese government bond ETF listed on SGX has reached a fund size of $2 billion and continues to grow. With our latest maiden SGD money market ETF in Southeast Asia, dual-fund class ETF and the China tech-focused ETF, we have seen record growth in ETF assets under management to $10 billion.

As an international listing platform, SGX supports companies in their efforts to tap global capital at every stage of their growth. In FY2021, companies successfully raised $18 billion on our primary and secondary markets. To provide more fundraising avenues, we recently launched our much-anticipated Special Purpose Acquisition Companies (SPACs) framework, making SGX the first exchange in Asia to do so. Our SPACs framework has generated significant interest from prospective sponsors and the investor community. We hope it would not only support fast-growing enterprises but also provide investors with more choices and opportunities.

As global economies turn the corner, we are optimistic that Singapore-listed companies will continue to attract the attention of astute investors who appreciate the long-term value and resiliency of our stock market. We encourage all companies to persist in innovating and upholding strong governance and stakeholder communication. Everyone in the ecosystem, working hand in hand towards joint success, will provide the booster shot that is needed to spur greater growth and vibrancy for our markets. E

Loh Boon Chye is CEO of Singapore Exchange

THE EDGE SINGAPORE BILLION DOLLAR CLUB 2021

2021 Honours List

Billion Dollar Club Winners

COMPANY OF THE YEAR (ranked across all sectors)

Stock	Stock Sector (stock exchange classification)	Market Cap as at March 31 ($m)	Shareholder Returns CAGR 25%	PAT CAGR 25%	Weighted ROE 25%	ESG Score 25%	Company of the year 100%
iFast Corporation	Banking & Investment Services	1,671.9	25.0	12.5	14.0	13.8	65.3
Genting Singapore	Cyclical Consumer Services	11,099.6	–	–	4.2	16.3	20.5
Sheng Siong Group	Food & Drug Retailing	2,315.5	9.2	13.4	25.0	15.1	62.6
Top Glove	Healthcare Services	12,162.5	20.2	25.0	25.0	16.8	87.0
ST Engineering	Industrial Goods	12,117.6	1.4	1.0	19.8	19.3	41.5
Yanlord Land Group	Real Estate	2,395.1	–	–	9.3	12.8	22.0
Keppel DC REIT	Real Estate	4,410.4	12.0	18.7	6.4	16.5	53.7
AEM Holdings	Technology Equipment	1,140.8	16.9	15.6	25.0	15.9	73.4
Singapore Post	Transportation	1,574.7	–	9.4	4.0	14.6	28.0

Winners of The Edge Singapore Billion Dollar Club 2021

Sector	Returns to Shareholders over 3 years	Growth in PAT over 3 years	Weighted ROE over 3 years	Overall Sector Winner
Banking & Investment Services; Insurance	iFast Corporation	UOB-Kay Hian Holdings	iFast Corporation	iFast Corporation
Cyclical Consumer Services	–	–	Genting Singapore	Genting Singapore
Food & Beverages; Food & Drug Retailing	Japfa	Japfa	Sheng Siong Group	Sheng Siong Group
Healthcare Services & Pharmaceuticals	Top Glove	Top Glove	Riverstone Holdings	Top Glove
Automobiles & Auto Parts; Industrial Conglomerates; Industrial Goods; Minerals; Utilities	Sri Trang Agro	Straits Trading Co	ST Engineering	ST Engineering
Real Estate Companies	First Sponsor Group	First Sponsor Group	Yanlord Land Group	Yanlord Land Group
REITs	Keppel DC REIT	Keppel DC REIT	Mapletree Industrial Trust	Keppel DC REIT
Technology Equipment; Telecommunications Services	AEM Holdings	AEM Holdings	AEM Holdings	AEM Holdings
Transportation	–	Singapore Post	SATS	Singapore Post

Highest ROE of each industry sector

Stock	Stock Sector (stock exchange classification)	Market Cap as at March 31	Weighted ROE
iFast Corporation	Banking & Investment Services	1,671.9	16.8
Genting Singapore	Cyclical Consumer Services	11,099.6	5.0
Sheng Siong Group	Food & Drug Retailing	2,315.5	32.8
Riverstone Holdings	Healthcare Services	1,823.1	39.2
ST Engineering	Industrial Goods	12,117.6	23.7
Yanlord Land Group	Real Estate	2,395.1	11.1
Mapletree Industrial Trust	REITs	6,440.9	8.0
AEM Holdings	Technology Equipment	1,140.8	51.5
SATS	Transportation	4,868.2	12.9

Highest PAT growth of each industry sector

Stock	Stock Sector (stock exchange classification)	Market Cap as at March 31	PAT CAGR %
UOB-Kay Hian Holdings	Banking & Investment Services	1,372.6	12.5
Japfa	Food & Beverages	1,853.7	15.0
Top Glove	Healthcare Services	12,162.5	24.0
Straits Trading Co	Mineral Resources	1,151.5	1.4
First Sponsor Group	Real Estate	1,278.6	3.2
Keppel DC REIT	REITs	4,410.4	18.0
AEM Holdings	Technology Equipment	1,140.8	15.0
Singapore Post	Transportation	1,574.7	9.0

Highest Shareholders Returns of each industry sector

Stock	Stock Sector (stock exchange classification)	Market Cap as at March 31	SH Returns CAGR%
iFast Corporation	Banking & Investment Services	1,671.9	90.1
Japfa	Food & Beverages	1,853.7	26.9
Top Glove	Healthcare Services	12,162.5	40.5
Sri Trang Agro	Automobiles & Auto Parts	3,072.0	60.9
First Sponsor Group	Real Estate	1,278.6	3.5
Keppel DC REIT	REITs	4,410.4	24.0
AEM Holdings	Technology Equipment	1,140.8	33.9

Centurion Winners

COMPANY OF THE YEAR (ranked across all sectors)

Stock	Stock Sector (stock exchange classification)	Market Cap as at March 31 ($m)	Shareholder Returns CAGR 30%	PAT CAGR 40%	Weighted ROE 30%	Company of the year 100%
ValueMax Group	Banking & Investment Services	211.0	5.3	26.0	13.2	44.5
The Place Holdings	Cyclical Consumer Services	729.2	30.0	–	0.8	30.8
Sinostar Pec Holdings	Energy – Fossil Fuels	103.7	–	27.8	15.2	43.0
Cortina Holdings	Retailers	367.6	23.1	27.8	16.4	67.3
Medtecs International	Healthcare Services	511.0	30.0	18.5	30.0	78.5
Union Gas Holdings	Utilities	178.6	26.0	18.5	30.0	74.5
Sing Holdings	Real Estate	166.4	–	14.8	8.5	23.4
IREIT Global	Real Estate	600.9	–	1.4	7.5	8.9
Silverlake Axis	Software & IT Services	632.1	–	–	30.0	30.0
SBS Transit	Transportation	979.3	4.3	23.2	15.2	42.7

Winners of The Edge Singapore Centurion Club 2021

Sector	Returns to Shareholders over 3 years	Growth in PAT over 3 years	Weighted ROE over 3 years	Overall Sector Winner
Banking & Investment Services; Collective Investments; Insurance	ValueMax Group	ValueMax Group	Maxi-Cash Financial Services Corp	ValueMax Group
Cyclical Consumer Products; Cyclical Consumer Services; Personal & Household Products & Services	The Place Holdings	BRC Asia	Kimly	The Place Holdings
Applied Resources; Energy – Fossil Fuels; Mineral Resources	Shen Yao Holdings	Sinostar Pec Holdings	United Global	Sinostar Pec Holdings
Food & Beverages; Retailers	Cortina Holdings	Food Empire Holdings	Challenger Technologies	Cortina Holdings
Healthcare Services & Pharmaceuticals	Medtecs International Corporation	Medtecs International Corporation	Medtecs International Corporation	Medtecs International Corporation
Chemicals; Holding Companies; Industrial & Commercial Services; Industrial Goods; Utilities	ISDN Holdings	China Ever-bright Water	Union Gas Holdings	Union Gas Holdings
Real Estate Companies	Alset International	Sing Holdings & Aspial Corporation	APAC Realty	Sing Holdings
REITs	–	IREIT Global	IREIT Global	IREIT Global
Software & IT Services; Technology Equipment	Innotek	Multi-Chem	Silverlake Axis	Silverlake Axis
Automobiles & Auto Parts; Transportation	Penguin International	SBS Transit	SBS Transit	SBS Transit

Highest ROE of each industry sector

Stock	Stock Sector (stock exchange classification)	Market Cap as at March 31	Weighted ROE
Maxi-Cash Financial Services Corp	Banking & Investment Services	187.4	14.9
Kimly	Cyclical Consumer Services	362.5	25.3
United Global	Energy – Fossil Fuels	139.1	34.6
Challenger Technologies	Retailers	198.5	20.2
Medtecs International Corporation	Healthcare Services	511.0	52.1
Union Gas Holdings	Utilities	178.6	33.9
APAC Realty	Real Estate	168.7	11.9
IREIT Global	REITs	600.9	7.5
Silverlake Axis	Software & IT Services	632.1	30.1
SBS Transit	Transportation	979.3	15.2

Highest PAT growth of each industry sector

Stock	Stock Sector (stock exchange classification)	Market Cap as at March 31	PAT CAGR %
ValueMax Group	Banking & Investment Services	211.0	21.1
BRC Asia	Cyclical Consumer Products	338.3	12.0
Sinostar Pec Holdings	Energy – Fossil Fuels	103.7	22.5
Food Empire Holdings	Food & Beverages	504.4	23.7
Medtecs International Corp	Healthcare Services	511.0	15.0
China Everbright Water	Utilities	700.9	32.4
Sing Holdings & Aspial Corp	Real Estate	166.4 for Sing Holdings, 234.5 for Aspial Corp	12.0 for both
IREIT Global	REITs	600.9	1.1
Multi-Chem	Technology Equipment	124.3	7.9
SBS Transit	Transportation	979.3	18.8

Highest Shareholders Returns of each industry sector

Stock	Stock Sector (stock exchange classification)	Market Cap as at March 31	SH Returns CAGR %
ValueMax Group	Banking & Investment Services	211.0	8.8
The Place Holdings	Cyclical Consumer Services	729.2	52.4
Shen Yao Holdings	Mineral Resources	161.0	71.0
Cortina Holdings	Retailers	367.6	38.5
Medtecs International Corporation	Healthcare Services	511.0	174.4
ISDN Holdings	Industrial Goods	263.4	43.4
Alset International	Real Estate	109.8	7.4
Innotek	Technology Equipment	169.7	20.4
Penguin International	Transportation	143.1	25.4

AUTOMOBILES & AUTO PARTS; INDUSTRIAL CONGLOMERATES; INDUSTRIAL GOODS; MINERALS; UTILITIES

ST Engineering restructures to capture new growth; Sri Trang Agro and Straits Trading take one win each

Regular winner at the Billion Dollar Club **ST Engineering** just can't get a break. The engineering conglomerate has come out tops for the weighted ROE category, with a weighted ROE of 23.75 times over the three years measurement taken into consideration.

The company is also the overall sector winner among its peers in the industry classification of Automobiles & Auto Parts; Industrial Conglomerates; Industrial Goods; Minerals; Utilities.

Under CEO Vincent Chong, ST Engineering late last year announced a restructuring plan to better capture new growth opportunities ahead. For years, the company was organised in the land, sea, air and electronics sector-based structure that has defined the company for decades. Since early this year, ST Engineering has been reorganised into two big clusters: Commercial, defence and public security.

The company says the new organisation structure is designed to enable better execution of its global growth strategy of strengthening its core businesses, and pursuing growth in smart city and international defence businesses.

"In the last three years, we were focused on delivering results by executing our strategy of strengthening our core businesses, and pursuing growth in smart city and international defence businesses," says Chong.

"The environment today is one where technological advancements and shifting customer demands are catalysing disruptive business models and rapidly transforming the competitive landscape. The time is now right for us to create a sharper and more agile organisation that will be highly attuned and responsive to our customers' needs in the new world," he adds.

Under the new structure, the commercial cluster takes care of potentially fast-growing business in commercial aerospace, urban solutions and satellite communications. The other cluster, defence and public security, will focus on customers from those sectors both local and overseas.

Sri Trang Agro-Industry, meanwhile, came out tops for returns to shareholders. Over the three years, its share price grew at a CAGR of 69%. The company, which is one of the larger integrated rubber companies around, is listed on both the Stock Exchange of Thailand and the **Singapore Exchange**.

Over the past couple of years, Sri Trang has benefited from the pandemic which sparked demand for medical gloves. It owns around 7,200 hectares of rubber plantations, 34 processing facilities and glove-making facilities with an annual output of 33 billion pieces a year. Its glove-making subsidiary, **Sri Trang Gloves**, was listed on the Singapore Exchange earlier this year.

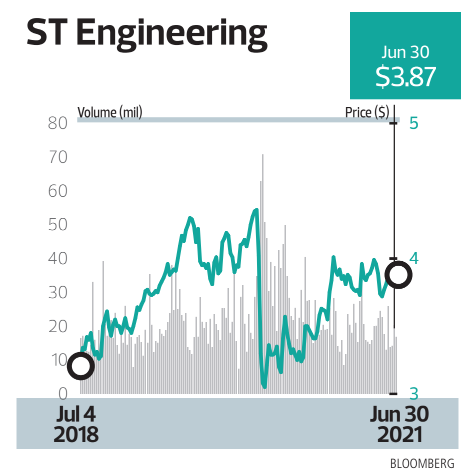
Straits Trading, one of the oldest and most famous Singaporean companies, has been named the company for returning the most earnings growth for this sector, with a CAGR of

ALBERT CHUA/THE EDGE SINGAPORE

Under CEO Vincent Chong, ST Engineering has announced a restructuring plan to better capture new growth opportunities ahead

growth of 3.5%. The company can trace its roots back to 1887 in tin mining but over the years, it has diversified into property, hospitality and investments.

Tin miner **Malaysia Smelting Corporation**, a separately listed company controlled



BLOOMBERG

by Straits Trading, recently reported it is profitable thanks to rising prices of the commodity. Straits Trading, separately, is enjoying the fruits of its other investments too, specifically, its 18.97% stake in ARA Asset Management, which is to be acquired by **ESR Cayman** for US$5.4 billion ($7.2 billion).

Straits Trading will receive US$845.3 million in a combination of cash, ESR shares and so on when the deal is done. Straits Trading paid $294.4 million back in 2013 for its stake. E

COMPANY NAME	3-year Shareholder Returns score	3-year Growth in Profit After Tax score	3-year Return on Equity score	ESG / CR score	Overall score
ST ENGINEERING	1.36	0.98	19.79	19.32	41.45
SRI TRANG AGRO	25.00	0.00	0.00	16.07	41.07
STRAITS TRADING CO LTD	3.97	1.46	3.63	14.51	23.57
SEMBCORP INDUSTRIES	2.75	0.00	0.00	20.04	22.79
JARDINE CYCLE & CARRIAGE	0.00	0.00	7.75	13.72	21.47

CENTURION CLUB

Union Gas overall winner, transits to Mainboard; ISDN Holdings and China Everbright Water snare respective wins

With a score of 33.94 times, **Union Gas Holdings** has achieved the best weighted ROE among its peers. It has been named overall sector winner as well. On July 19, the company — one of the largest local suppliers of liquefied petroleum gas (LPG) — transferred its listing from Catalist to the mainboard, marking yet another chapter in its history where it has been growing from strength to strength.

With a fleet of more than 200 delivery vehicles, Union Gas sells and distributes bottled LPG to more than 200,000 households and commercial entities such as food stalls and coffee shops, Union Gas also sells and distributes diesel to retail customers at its Cnergy branded fuel station.

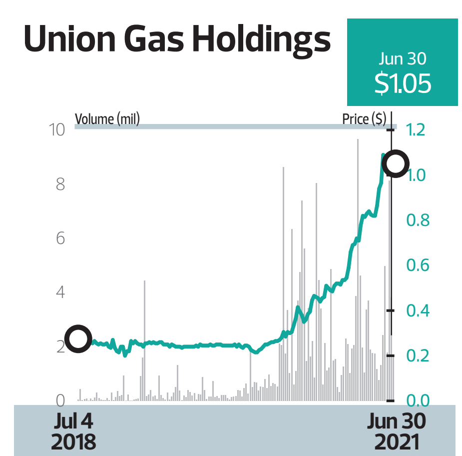
On March 3, the company announced an exclusive collaboration study with Surbana Jurong Group to evaluate the potential redevelopment of the existing fuel station at 50 Old Toh Tuck Road into Singapore's first multi-fuels and energy facility, to include facilities where it can supply also cleaner energy options such as solar and micro-wind as well as charging points for electric vehicles.

The company with the best returns to shareholders is **ISDN Holdings**, with a 43.4% in CAGR growth over the three years. Actively making a mark in providing components needed in industrial automation, ISDN has recently diversified into an adjacent business of providing so-called "super wi-fi" services. By helping clients deploy these long-range wi-fi networks, their equipment can all be connected wirelessly and run more effectively.

China Everbright Water, meanwhile, posted the strongest growth in profit after tax in the three years under consideration, with a CAGR of 25.9%. The company, whose controlling shareholder is **China Everbright Environment Group**, is listed on both the Singapore and Hong Kong exchanges. It is involved in practically the entire water industry chain from raw water protection to the supply and treatment of water and wastewater. E

UNION GAS HOLDINGS

Union Gas distributes bottled LPG cylinders and sells LPG-related accessories in Singapore



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COMPANY NAME	3-year Shareholder Returns score	3-year Growth in Profit After Tax score	3-year Return on Equity score	Overall score
UNION GAS HOLDINGS	25.99	18.54	30.00	74.53
CHINA EVERBRIGHT WATER	0.00	40.00	9.98	49.98
FRENCKEN GROUP	21.30	6.22	13.65	41.16
ISDN HOLDINGS	26.06	6.25	7.68	39.99
FU YU CORPORATION	9.87	18.54	8.80	37.21

REAL ESTATE COMPANIES

Yanlord Land tops sector; First Sponsor wins for earnings growth and shareholders' returns

Yanlord Land Group, which won the best ROE in the real estate sector at last year's Billion Dollar Club, has kept this award this year. For the three financial years taken into consideration for judging this year's winner, Yanlord managed to generate a weighted ROE of 11.1 times. In addition, Yanlord — led by executive chairman Zhong Shengjian — has also been named the overall sector winner.

The company was founded in 1993 and listed on the **Singapore Exchange** in 2006. Over the years, it has kept its strong focus on the high-end market in the top tier cities of China. Right now, the company has an established presence in 18 key high-growth cities within the six major economic regions of China. One of which is the Yangtze River Delta region, which encompasses key cities such as Shanghai, Nanjing, Suzhou, Hangzhou, Nantong, Taicang and Yancheng. The company is active in other cities across China ranging from Tianjin to Shenzhen; from Haikou to Chengdu and Wuhan.

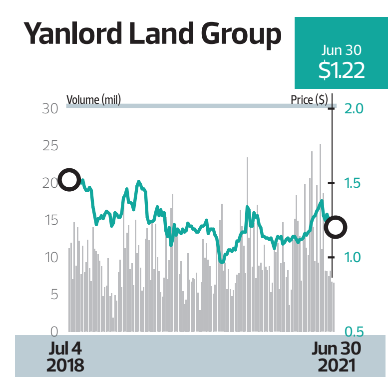
Besides developing residential properties, Yanlord has also been developing various commercial and integrated properties, which are kept for longer-term investments that help to generate a steady stream of recurring income.

They include the Yanlord Landmark, a premium commercial development comprising an upmarket retail mall, an office building, a 360-room serviced apartment building operating under the name of InterContinental Residences in Chengdu. This development has a gross floor area of some 165,800 sqm. There is also the Yanlord Riverside Plaza, whose GFA of 159,800 sqm covers a retail mall, an office building and a commercial street in Tianjin. As for the Yanlord Marina Centre, it consists of a retail mall, office suites and a 324-room five-star hotel operating under the name of InterContinental Zhuhai. It has a GFA of 103,400 sqm.

In recent years, Yanlord started making its presence felt more strongly in Singapore. It acquired United Engineers, gaining control over its portfolio of office properties. In addition, Yanlord now has two residential projects under development in Singapore, namely Leedon Green and Dairy Farm Residences.

First Sponsor Group, meanwhile, was named the winner for best returns to shareholders, as well as growth in profit after tax. The company was listed back in July 2014 and is described as a mixed property developer in the Netherlands and China, owning a portfolio of commercial properties (including hotels), and providing property financing services in the Netherlands, Germany and China.

What makes First Sponsor interesting is that its key controlling shareholder is the Hong Leong Group, which is also the controlling shareholder of property giant **City Developments**. Its other key shareholder is privately-owned Tai Tak Estates. ■



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Executive chairman Zhong Shengjian of Yanlord

COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	ESG / CR score	Overall score
YANLORD LAND GROUP	0.00	0.00	9.25	12.80	22.05
CAPITALAND	0.87	0.00	0.00	20.72	21.59
GUOCOLAND	0.00	0.00	4.84	15.64	20.48
HO BEE LAND	0.13	0.00	5.43	14.39	19.95
UOL GROUP	0.00	0.00	2.00	16.27	18.27

CENTURION CLUB

Sing Holdings is sector winner; APAC Realty, Aspial and Alset ace their respective categories

In a rare occurrence, **Sing Holdings** and **Aspial Corporation** were tied as joint winners for the best earnings growth category for real estate firms in the Centurion Club. However, Sing Holdings did better elsewhere and has been named overall sector winner.

Aspial Corp managed a CAGR of 54.2% in the three financial years in which this year's awards were taken into consideration. Sing Holdings, on the other hand, achieved a CAGR of 71.1% in the same period. However, based on our methodology, we have input a multiplier effect to even the big spikes from year to year seen in certain companies of certain industries — and the real estate sector is one of them. As such, both Aspial Corp and Sing Holdings end up with a score of 15 points each for the joint winning tie.

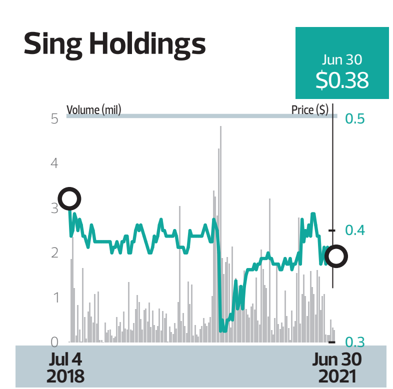
Aspial Corp, besides its property development interests, is equally known for its jewellery retail business as well. For Sing Holdings, it is more of a pure-play property firm. The company was founded in 1964 and listed on the **Singapore Exchange** in 2007. Over the years, under chairman Lee Sze Leong and managing director and CEO Lee Sze Hao, the company has undertaken a whole string of projects of different types ranging from landed houses, condominiums to commercial and industrial buildings. Some of its residential projects include Robin Residences at Robin Drive, Waterwoods in Punggol and The Laurels at Cairnhill Road. It developed the Ocean Towers in Shanghai as well.

Alset International, which has interests in housing projects in the US, has been named the company delivering the best returns to shareholders in the real estate sector this year. Recently, Alset announced that it is partnering with notable electric vehicle maker **Tesla** to install photovoltaic solar panels, Powerwall battery systems and EV chargers to the homes Alset is developing.

Finally, **APAC Realty**, one of the largest real estate agencies in Singapore, has been named the company that has delivered the most weighted return on equity. Better known for its ERA branding, APAC Realty's growing number of real estate agents has helped the company generate its fair share of commission income brokering transactions across all property types. It has also won over the mandate from developers to help market their newly-launched projects. ■

SAMUEL ISAAC CHUA/THE EDGE SINGAPORE

CEO and MD of Sing Holdings Lee Sze Hao



BLOOMBERG

COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	Overall score
SING HOLDINGS	0.00	14.83	8.53	23.36
ASPIAL CORPORATION	0.00	14.83	5.76	20.60
ASPEN (GROUP) HOLDINGS	1.36	0.00	11.31	12.67
APAC REALTY	0.00	0.00	11.90	11.90
CENTURION CORP	0.00	0.00	10.16	10.16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CYCLICAL CONSUMER SERVICES

Sector winner Genting Singapore tops weighted ROE

Genting Singapore is the sole winner in the cyclical consumer services sector. It tops for weighted ROE over the three-year period taken into consideration for this year's Billion Dollar Club.

For FY2018, Genting Singapore's ROE was 9.92%; for FY2019, it was 8.7% and for FY2020, it was 0.87%, giving the integrated resort operator a weighted ROE of 5%, which is higher than its sector peers.

As there were no winners within the cyclical consumer services industry sector for both growth in profit after tax and growth in shareholders' returns, Genting Singapore took home the overall sector winner by default.

As the stark difference between the company's FY2019 and FY2020 ROE has shown, the latter year was a challenging one. Even for casual observers, there should be no surprise given how the pandemic has hurt the global aviation and hospitality industries.

For FY2020 ended last December, Genting Singapore's revenue dropped by more than half to just over $1 billion from $2.48 billion generated in FY2019. Earnings in the same period shrunk to $69.2 million from $688.6 million.

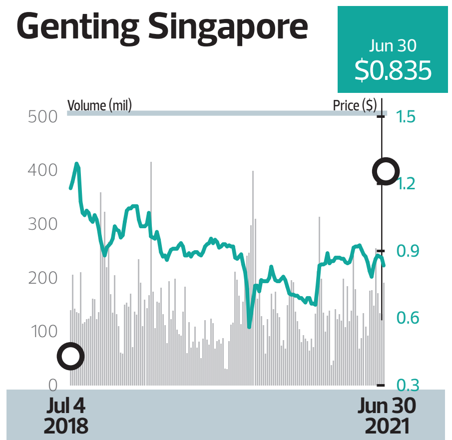
Genting Singapore, in its earnings commentary, notes that the travel and tourism industry was severely battered in 2020 by the global outbreak of Covid-19. "Resorts World Sentosa (RWS) being an integrated resort destination built with the vision to predominantly attract international visitors was severely affected especially when travel borders were progressively closed. RWS experienced a very significant dip in international and regional visitor arrivals," the company states.

Even with vaccinations becoming available, Genting Singapore is bracing for the possibility that international travel is unlikely to return to pre-Covid levels anytime soon. "The group remains cautious of the travel and tourism sector's recovery and we are closely monitoring pandemic updates, travel restrictions and vaccination progress globally as well as in Asia."

Meanwhile, Genting Singapore will continue to pursue its growth strategy with the $4.5 billion mega expansion of RWS.

SAMUEL ISAAC CHUA/THE EDGE SINGAPORE

Genting Singapore's Resorts World Sentosa saw a very big dip in global and regional visitor arrivals



BLOOMBERG

COMPANY NAME	3-year Shareholder Returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	ESG / CR score	Overall score
GENTING SINGAPORE	0.00	0.00	4.19	16.30	20.49
SINGAPORE PRESS HOLDINGS	0.00	0.00	0.00	16.89	16.89
MANDARIN ORIENTAL INTERNATIONAL	0.00	0.00	0.00	13.30	13.30

CENTURION CLUB

The Place Holdings is sector winner; BRC Asia and Kimly top earnings growth and ROE respectively

The three companies that won in this industry sector are a rather diversified bunch. **The Place Holdings** came out tops for the returns to shareholders category as well as the overall sector winner. Led by CEO Fan Xianyong, the company operates via three business "pillars": property development and property management activities; cultural tourism with "new retail" business concept and last but not least, integrated media-related businesses with management & operation rights.

In FY2020 ended last December, revenue came in solely from its integrated media-related business unit, which was affected by the Covid-19 pandemic as there were fewer marketing activities and branding events by customers. However, its gross profit margin increased by 7 percentage points to 95% in FY2020 as the provision of management services segment commanded a higher profit margin. As such, it reported earnings of $684,000 in FY2020, from a restated number of $80,000 for FY2019.

Nevertheless, some investors are already betting on the company's growth prospects. In the three-year period taken into consideration, The Place Holdings' share price grew at a compounded annual growth rate of 52.4%, earning it the top spot in this particular industry sector.

BLOOMBERG

Order visibility

BRC Asia, which was one of the winners in the BDC last year, is back again. This time around, the steel player was named tops for growth in profit after tax category in this sector. Between FY2016 and FY2019, the company's earnings jumped from $2.1 million to $20.4 million, which translates into a compounded annual growth rate of 112.6%. This growth pace makes it the winner of this category of this sector.

For the nine months ended June 30 2021, BRC Asia's earnings were up 46% y-o-y. It has an outstanding order book of $1.1 billion as of June 30. The company is careful to warn that the resource and labour crunch, because of the pandemic, has brought new challenges for the local construction sector and recovery may not be seen in the short run. "In the longer run, this pandemic may also have seeded certain substantial structural changes to how the sector operates," says CEO Seah Kiin Peng.

On Aug 28, **Hong Leong Asia** (HLA) announced plans to invest $68.1 million to bring its total interest in BRC Asia to 20%. HLA's concrete and BRC's steel will have synergy in so-called Prefabricated Prefinished Volumetric Construction (PPVC) building technology.

SAMUEL ISAAC CHUA/THE EDGE SINGAPORE

CEO Fan Xianyong leads The Place Holdings whose business interest include property, tourism and media

The acquisition will be in two parts. First, HLA will subscribe for 31.015 million new BRC Asia placement shares at $1.48 each, for a total of $45.9 million. HLA will also pay five existing BRC shareholders $22.2 million for their 15 million shares, also at $1.48 each. "We strongly believe that HLA's support will enhance the growth of our group, particularly in our quest to expand internationally," says Seah.

Meanwhile, coffee shop chain operator **Kimly** is featured among the BDC winners for the first time. It has been named top in weighted ROE for this industry sector. For FY2017, FY2018 and FY2019, its ROE for the year was 27.83%, 23.39% and 25.47%, giving it an overall 25.32% weighted ROE for the three-year-period under consideration for this year's BDC.

With most of its outlets in the housing estates, Kimly is a beneficiary of the work-from-home trend after the pandemic reared its ugly head. For the half year ended March 31, the company's total revenue increased by 14.2% y-o-y to $122.7 million. Yet, earnings in the same period surged by 106.2% y-o-y to hit $21.7 million.

"The strategic locations of the group's food outlets in the HDB heartlands that span across Singapore, provides the group with a competitive advantage to serve an increased footfall arising from the people working from home and dining-in at the F&B establishments," notes the company in its earnings commentary.

The company is also actively acquiring new businesses that will help diversify its overall revenue stream, which includes taking up stakes in existing established brands. As of May, Kimly operates 83 food outlets, up 29.7% since its IPO in 2017.

COMPANY NAME	3-year Shareholder Returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	Overall score
THE PLACE HOLDINGS	30.00	0.00	0.81	30.81
KIMLY	0.00	4.14	25.32	29.46
BRC ASIA	1.60	14.83	8.81	25.24
OVERSEAS EDUCATION	0.00	11.24	6.35	17.59
STAMFORD LAND CORPORATION	0.00	0.00	7.50	7.50

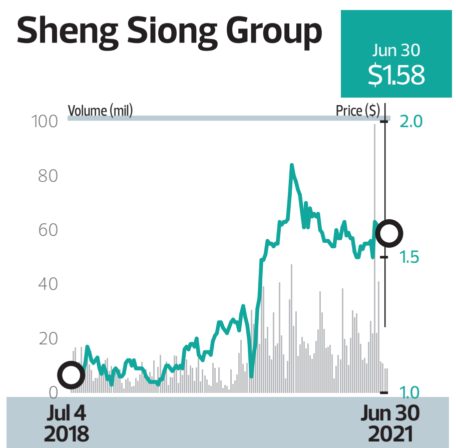
FOOD & BEVERAGES; FOOD & DRUG RETAILING

Sheng Siong is winner once again; Japfa tops earnings and share price growth

Supermarket chain operator **Sheng Siong Group**, a regular winner at the Billion Dollar Club, is back yet again. This year, Sheng Siong is named winner in the weighted ROE category. It has been named overall sector winner as well.

With around 60 outlets, Sheng Siong is one of the largest supermarket chains in Singapore. Instead of taking up anchor tenant positions in fancy malls, Sheng Siong prefers to be deep in the heartlands instead.

It carries a wide range of items ranging from live, fresh and chilled produce, such as seafood, meat and vegetables, in addition to processed, packaged and preserved food products as well as general merchandise such as toiletries and other household essentials.



BLOOMBERG

ALBERT CHUA/THE EDGE SINGAPORE

Sheng Siong is one of the largest supermarket chains in Singapore with around 60 outlets

In FY2020 ended last December, the company benefited from a surge in demand. Large swathes of the populace thronged supermarkets like Sheng Siong to stock up on food and household items just when the pandemic started, over supply disruption concerns.

For the three financial years where the winners of this year's awards were taken into consideration, Sheng Siong's weighted return on equity was 32.8 times.

In its most recent 1HFY2021 earnings commentary on July 29, the company says that with the gradual easing of Covid-19 restrictions and increased vaccination, demand will likely "taper down" in the current 2HFY2021.

The company also notes that because of the pandemic, the government has tightened the number of new shops for use as supermarkets. So far this year, just two tenders have been put out and the outcome will be announced later. This means is that Sheng Siong might not be able to grow as quickly as it wants, particularly in estates where the group has no presence. Sheng Siong also warns that competition from bricks-and-mortar and online supermarkets is expected to remain keen.

Japfa, which describes itself as a leading vertically integrated agri-food company, is the other key winner of this industry sector. For the three years leading to FY2020 ended last December, Japfa grew its earnings at a compounded annual growth rate of 524.6%, which made it the winner in the earnings growth category.

In the three years under consideration, Japfa's share price grew at a compounded annual growth rate of 26.9%, making it the company that generated the best returns to shareholders, as well.

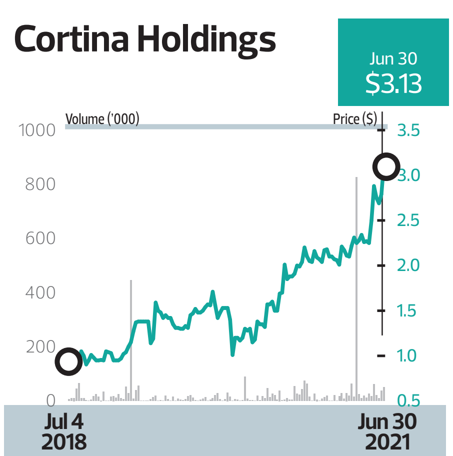
The company was listed in 2014 but can trace its roots to 1971. From rearing chickens in Indonesia in the early years, Japfa has expanded into the business of producing other proteins such as beef, pork and milk. It is active in China, India, Myanmar and Vietnam.

In its 1HFY2021 earnings commentary on July 29, Japfa notes: "Against this backdrop, the group is confident that its core competencies in large-scale farming and food production as well as its strategy of diversification across multiple proteins and geographies, together with its track record in replicating its industrialised and scalable business across the region, will continue to sustain its growth in the medium to long-term," it says. E

COMPANY NAME	3-year Shareholder Returns Score	3-year Growth in Profit After Tax Score	3-year Return on Equity Score	ESG / CR Score	Overall Score
SHENG SIONG GROUP	9.15	13.39	25.00	15.05	62.60
JAPFA	13.45	15.63	17.55	14.95	61.57
WILMAR INTERNATIONAL	9.73	6.77	6.73	14.62	37.85
THAI BEVERAGE	0.00	0.00	14.64	20.07	34.71
DAIRY FARM INTERNATIONAL HOLDINGS	0.00	0.00	16.98	13.72	30.70

CENTURION CLUB

Cortina dominates sector awards; Challenger Technologies and Food Empire hold their own



BLOOMBERG

Luxury watch retailer **Cortina Holdings** has emerged as the overall winner for the companies in the F&B and retailers sector of this year's Centurion Club. With a compounded annual growth rate of 38.5% of its share price over the three financial years taken into consideration for this year's awards, Cortina took home the best returns to shareholders category too.

Founded in 1972 by chairman and CEO Anthony Lim, Cortina has established itself as a brand synonymous with impeccable, high-quality timepieces, renowned amongst discerning individuals. Over the years, Cortina steadily expanded its network of retail outlets, seeking opportunities in countries and cities with high growth potential, while augmenting and strengthening its presence in Singapore, Malaysia, Thailand, Indonesia, Hong Kong and Taiwan. It now has 24 boutiques located in the major cities in these markets.

Another household name, homegrown retailer **Challenger Technologies**, won the best weighted ROE category this year. As one of the largest retailers of IT and consumer electronics products, Challenger is the go-to place for many gadget fans. It was founded in 1982 by executive director and CEO Loo Leong Thye, Challenger has expanded to some 40 different stores across the whole of Singapore.

Finally, **Food Empire**, which is known for supplying coffee and other beverage products, has been named the winner for having the fastest earnings growth in the three years under consideration for this year's awards. The company, led by executive chairman Tan Wang Cheow, has built a global business. From its seven manufacturing facilities in Malaysia, India, Vietnam, Russia and Ukraine, Food Empire exports to more than 50 different markets, such as Russia, Vietnam, Ukraine, Kazakhstan, Central Asia, the Middle East, China, Mongolia and North America.

THE EDGE SINGAPORE

Cortina, under chairman Anthony Lim (centre), has expanded from one outlet to 24 boutiques in the region

Besides the MacCoffee brand of instant coffee it is known for, Food Empire offers other beverages such as fruit-flavoured tea, hot chocolate and breakfast cereal beverages. In addition, it sells frozen finger food and confectionery too, including shrimp dumplings, chicken gyoza and yakitori sticks. E

COMPANY NAME	3-year Shareholder Returns Score	3-year Growth in Profit After Tax Score	3-year Return on Equity Score	Overall Score
CORTINA HOLDINGS	23.12	27.81	16.36	67.29
FOOD EMPIRE HOLDINGS	7.17	29.34	12.50	49.00
HOUR GLASS	7.80	19.88	12.50	40.18
CHALLENGER TECHNOLOGIES	3.50	16.39	20.23	40.12
MEWAH INTERNATIONAL INC	6.90	22.25	8.88	38.02

BANKING & INVESTMENT SERVICES; INSURANCE

iFast vaults from Centurion to Billion Dollar Club and dominates sector

When the pandemic struck and large parts of the economy came to a standstill, many sectors — including the financial services industry — suffered from a knee-jerk reaction and investors braced for the worst.

While there were some worries over bad debts and soured loans, the sector eventually sailed through nicely. Within the broader sector, the brokerage and investment-related segments posted much better earnings growth than expected, as investors seized on the market correction to pile in and trade even more heavily.

As such, **UOB Kay Hian** — one of the largest and most established brokerages — was able to report the most growth in earnings over the previous period, topping this category within the BDC's Banking and Investment Services and the Insurance industry sector.

UOB Kay Hian is one of Asia's largest brokerage firms, with more than 80 branches worldwide, helping clients trade across various major kinds of asset classes.

As its earnings report has shown, the brokerage enjoyed a handsome FY2020 ended December 2020. The steep market correction triggered by the pandemic in March sparked off a huge jump in trading volume instead, as markets rebound thanks first to strong liquidity support from central banks and then further fuelled by optimism about the economic recovery.

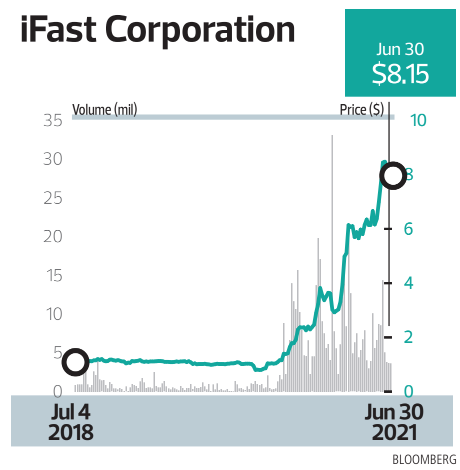
ALBERT CHUA/THE EDGE SINGAPORE

iFast Corporation is led by founder, chairman and CEO Lim Chung Chun

UOB Kay Hian's commission income grew significantly across all its regional operations, except Indonesia which saw a small revenue decrease. For FY2020, operating revenue was up by 57.6% to $587.6 million, versus FY2019's $372.7 million.

In the same period, earnings grew by a much bigger magnitude of 132% to $160.7 million from FY2019's $69.3 million, which it says is a reflection of its efficient operating leverage. For FY2018, it reported earnings of $74.8 million, giving it a three-year compounded annual growth rate of 12.5%, which beats its peers in the same industry sector.

UOB Kay Hian's FY2020 earnings were also given an additional boost from the DBS remisier business in Singapore acquired in 4QFY2019 and also the Malaysian wealth management business acquired in 2QFY2020. "We shall continue to explore sensible M&A opportunities to complement and build on value-added financial services," the company states in its annual report.



The big winner, however, is **iFast Corporation**. Led by founder, chairman and CEO Lim Chung Chun, the company has been named the winner for delivering the best returns to shareholders; it gave the best weighted return on equity and it has also been named the overall sector winner for the companies in the Banking and Investment Services; Insurance industries.

What makes iFast's win even more remarkable was that in the preceding edition of the Billion Dollar Club, the company was still competing in the Centurion category for companies below $1 billion in market value, where it was honoured for giving the best returns to shareholders.

It has been a remarkable year for the firm, whose earnings surged as it hit a sweet spot in the economies of scale that came with a growing asset under administration base that crossed $14.45 billion in FY2020 ended last December, up 44.5% from the preceding year.

Due to better efficiencies, every extra dollar iFast collected in fees were able to translate to higher-margin earnings. While revenue increased by 35.5% y-o-y to $170 million for FY2020, earnings jumped by 122.3% in the same period to $21.2 million, showing "the positive operating leverage and scalability of the group's business model."

"iFast believes that the robust growth seen by the group this year has resulted from its past investments in building up a strong integrated digital wealth management platform. iFast will continue to work hard on various initiatives in all existing markets that the group operates in to ensure that its medium to long term growth prospects will remain strong," notes the company in its FY2020 earnings commentary. "Barring unforeseen circumstances, the group expects further growth in its business performance and targets to improve its operating margin in 2021."

Some savvy investors seem to have caught wind of iFast's growth. The markets, in general, suffered big sell-downs in the early months of the pandemic. iFast was no exception. Yet, when other stocks recovered, iFast rocketed from barely above $1 at the start of 2020 to flirting with the $10 mark barely 18 months later. E

COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	ESG / CR score	Overall score
IFAST CORPORATION	25.00	12.50	13.97	13.82	65.29
UOB-KAY HIAN HOLDINGS	2.83	13.06	6.28	13.46	35.64
DBS GROUP HOLDINGS	0.77	2.71	8.85	20.95	33.27
UNITED OVERSEAS BANK	0.00	0.00	7.62	16.76	24.38
OVERSEA-CHINESE BANKING CORP	0.00	0.00	7.75	15.32	23.07

CENTURION CLUB

ValueMax is overall sector winner; Maxi-Cash Financial Services wins for best ROE

Regular Billion Dollar Club winner **ValueMax Group** has gone from strength to strength. This year, the pawnbroking chain won for best earnings growth, best returns to shareholders and overall sector winner.

ValueMax's first outlet opened in 1988 and has since expanded to 40 pawnbroking and retail outlets at strategic locations throughout Singapore and has one other pawnshop operated by an associated company. Across the Causeway, the group runs another 14 outlets via its associated companies.

SAMUEL ISAAC CHUA/THE EDGE SINGAPORE

ValueMax has 40 pawnbroking and retail outlets in Singapore

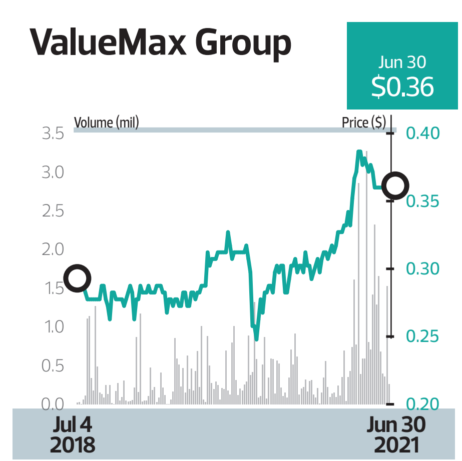
ValueMax also provides secured money lending services, as well as the retail and trading of jewellery and gold. ValueMax was the first pawnbroking chain to be listed on the **Singapore Exchange**'s Mainboard in 2013. Over the past three years, its weighted ROE was 13.2%; its CAGR earnings growth was 21.1% and CAGR shareholder returns were 8.8%.

For the company's FY2020 ended last December, revenue increased by 17% y-o-y to reach $276.1 million. Yet, earnings increased by a bigger magnitude of 33% y-o-y to $33.9 million. The company explains that higher gold prices — which started the year at around US$1,500 ($2,013) per ounce and hit as high as US$2,000 — helped lift revenue. "The group will continue to explore acquisition opportunities and suitable locations to grow our network of pawnshops and retail outlets, and grow our money lending business," notes ValueMax in its earnings commentary.

ValueMax is the third pawnbroker to list in Singapore after **Maxi-Cash Financial Services** and **MoneyMax Financial Services**. In 2012, Maxi-Cash Financial Services became the first listed pawnbroker in Singapore. From its first outlet in Ang Mo Kio in 2009, it has grown to a total of 45 outlets and now claims to have the largest network in Singapore.

With a weighted ROE of 14.85 over the three years taken into consideration, the company won this year's best weighted ROE, preventing ValueMax from making a clean sweep of the awards in this industry sector. E

COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	Overall score
VALUEMAX GROUP	5.28	26.03	13.16	44.47
MAXI-CASH FINANCIAL SERVICES CORP	2.52	16.68	14.85	34.05
HOTUNG INVESTMENT HOLDINGS	0.00	10.92	6.62	17.54
UNITED OVERSEAS INSURANCE	0.00	0.00	7.16	7.16
SING INVESTMENTS & FINANCE	0.00	0.00	5.58	5.58



HEALTHCARE SERVICES & PHARMACEUTICALS

Top Glove comes up tops; Riverstone scores for ROE

Top Glove, the largest glove maker in the world, is coming out tops in more ways than one. Within the healthcare services and pharmaceuticals sector, it has generated the best returns to shareholders and the highest growth in profit after tax, making it the overall sector winner. And with an overall score of 87%, Top Glove, led by founder and executive chairman Lim Wee Chai, is also overall Company of the Year for this year's Billion Dollar Club.

The Malaysian company began in 1991 with just one production line but has grown rapidly over the years to operate a total of 812 lines in 37 glove factories with a combined production capacity of 100 billion pieces per year.

Top Glove has become the world market leader with a 26% market share. Besides Malaysia, Top Glove operates manufacturing facilities in Thailand, Vietnam and China. It also has marketing offices in these countries as well as the US, Germany and Brazil, and exports to over 2,000 customers in 195 countries worldwide.

The company, with a headcount of around 22,000, was listed on **Bursa Malaysia** and **Singapore Exchange** in 2001 and 2016 respectively. Over the past two decades, Top Glove's CAGR for its revenue and earnings was 28% and 38% respectively.

With the pandemic, demand for Top Glove's products shot through the roof, the company was able to generate a CAGR earnings growth of 74.4% for the three years taken into consideration for this year's awards. Similarly, it generated a weighted ROE of 31.96 times over the same period to make it the winner of this category as well.

For the most recent 9MFY2021 ended May 31, the company recorded earnings of RM7.3 billion ($2.3 billion) versus earnings of RM575 million in the year-earlier nine months. Revenue in the same period was RM14.3 billion, versus RM4.1 billion. "As we continue to work harder, smarter and faster, we also believe we will be well-positioned to conclude our financial year 2021 on a healthy and positive note, and continue creating value for all our stakeholders," says Lee in his earnings commentary on June 9.

Top Glove is not the only glove maker garnering awards. **Riverstone Holdings**, another leading glove maker from Malaysia but listed in Singapore, has delivered the best weighted return on equity of 39.23 times for its shareholders over the three-year period this year's BDC is measured.

The company, which was founded in 1989, has over the years set up manufacturing facilities in Thailand and China as well.

For 1HFY2021 ended June 30, Top Glove's revenue increased more than trebled to nearly RM2.1 billion from a year ago. Earnings in the same period rose more than sevenfold to RM1.04 billion, as better economies of scale and margins kicked in.

Top Glove is maintaining its earlier announced plans to install additional production capacity of up to 1.5 billion pieces per year by end of 2021. By then, Riverstone's total production capacity would hit 12 billion pieces a year. Despite the bullish prospects, the company is sounding a note of caution. "Macroeconomic headwinds such as US dollar fluctuations, volatile raw material prices and increase in overall production costs continue to remain challenging for the group. Covid-19 and movement control restrictions in Malaysia could also pose an additional challenge to the group," the company notes. E

BLOOMBERG

Top Glove is led by founder and executive chairman Lim Wee Chai

BLOOMBERG

COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	ESG / CR score	Overall score
TOP GLOVE	20.24	25.00	25.00	16.77	87.00
RIVERSTONE HOLDINGS	16.83	15.63	25.00	15.80	73.26
RAFFLES MEDICAL GROUP.	0.00	0.00	6.54	15.84	22.37
HAW PAR CORPORATION	0.85	0.00	4.14	12.95	17.95
IHH HEALTHCARE	0.00	0.00	1.64	0.00	1.64

CENTURION CLUB

Medtecs is big winner in this pandemic year

Medtecs International Corporation achieved a rare feat of making a clean sweep of all four awards categories for this sector. The Taiwan-based but Singapore-listed company specialises in providing personal protective equipment (PPE) for the healthcare industry. These ranged from masks to disposable gowns.

Demand for the company's products has seen a supranormal surge when the pandemic hit and hospitals and clinics around the world requiring personal protective equipment (PPE) to keep their healthcare workers safe.

In the three years taken into consideration for this year's awards, Medtecs' share price grew at a CAGR of 174.4%; its earnings surged by a CAGR of 430.3% and it delivered a weighted ROE of 52.09 times.

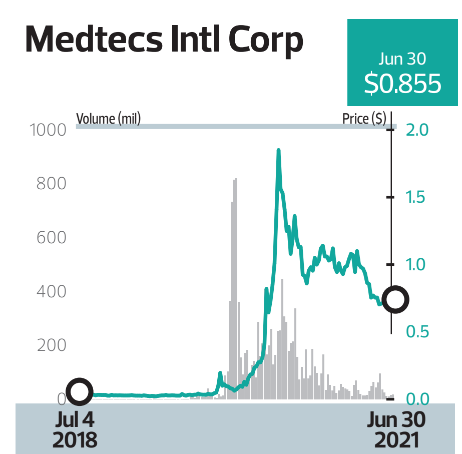
In its earnings commentary for the FY2020 ended last December, Medtecs notes that the pandemic has shown little signs of abating this year. This means PPE and healthcare products will continue to be in high demand. Citing unnamed studies, the company notes that the global PPE market is seen to grow at a CAGR of between 6% to 12% between 2020 and 2025.

To meet the sustained increase in demand, Medtecs expanded its production capacity in Cambodia and the Philippines for key products such as face masks and isolation gowns last year. It plans to take this opportunity to broaden its product offerings and expand its market share.

One way to achieve this regional drive is to make use of e-commerce platforms to buy from suppliers and sell directly to customers, including products to be sold under Medtecs' own branding. By doing so, the company can reduce its reliance on contract manufacturing orders while growing its overall business. E

MEDTECS

Medtecs has expanded its production capacity in Cambodia (above) and the Philippines to meet demand



BLOOMBERG

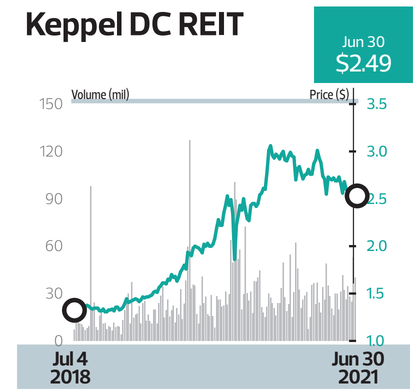
COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	Overall score
MEDTECS INTERNATIONAL CORPORATION	30.00	18.54	30.00	78.54
UG HEALTHCARE CORPORATION	30.00	14.83	18.15	62.98
VICPLAS INTERNATIONAL	18.84	9.79	7.44	36.06
TALKMED GROUP	0.00	0.00	30.00	30.00
TIANJIN ZHONGXIN PHRMCTL GP CP	0.00	17.92	11.92	29.84

REITS

Keppel DC REIT and Mapletree Industrial Trust ride on hot data centre market to come up tops

KEPPEL DC REIT

Keppel DC Singapore data centre is one of the assets in Keppel DC REIT's portfolio



BLOOMBERG

Keppel DC REIT has kept its crown as the overall sector winner among all REITs in the Billion Dollar Club. At last year's Billion Dollar Club, Keppel DC REIT, the first pure-play data centre REIT listed in both Asia and Singapore, was named the REIT with the best returns and overall sector winner. This year, Keppel DC REIT held on to these two wins and added fastest earnings growth as well.

Keppel DC REIT ticks two very big boxes for investors: It is plugged into a fast-growing and massive industry where digitalisation requires ever larger storage capacity that data centres provide. And as a REIT, it is generally favoured by investors here for the steady income distribution.

Over the three years taken into consideration, Keppel DC REIT chalked up a CAGR of 24% for both returns to shareholders, and earnings growth.

Keppel DC REIT was listed in December 2014, with an initial portfolio worth $1 billion, with eight assets in six countries. Since then, it has steadily expanded, adding assets in markets ranging from Ireland and Germany to Australia and Singapore.

On July 26, Keppel DC REIT announced that it is paying $132 million for Guangdong Data Centre, a fully-fitted data centre in Jiangmen, Guangdong province in China, marking its expansion into China.

Situated within the Bluesea Intelligence Valley Mega Data Centre Campus, the facility is the first of six data centre buildings to be completed. As part of this agreement, Keppel DC REIT will have the right of first refusal to acquire the remaining five data centres within the campus.

Keppel DC REIT bought the data centre from Guangdong Bluesea Data Development Co (Bluesea) and its parent company, Guangdong Bluesea Mobile Development Co.

The data centre will be fully leased back to Bluesea on a triple net basis for 15 years. With a gross floor area of some 221,700 sq ft, the seven-storey data centre is designed in accordance with the highest standards in China for data centre construction.

With the acquisition of Guangdong Data Centre, Keppel DC REIT will have a portfolio of 20 quality data centres across Asia Pacific and Europe, worth around $3 billion.

Investors' affinity for data centres, in a way, can be seen in **Mapletree Industrial Trust** (MIT) as well. One of the four listed REITs under Mapletree, MIT's portfolio has a rapidly growing component of data centres, among its other industrial properties. This year, with an ROE of 8.3 times, it won this category.

As at June 30, MIT's total assets under management was worth $6.7 billion. The portfolio comprises 86 properties in Singapore and 28 properties in North America — including 13 data centres held through the joint venture with Mapletree Investments. The range of properties in the portfolio ranges from data centres to high-tech buildings, business park buildings, flatted factories, stack-up/ramp-up buildings and light industrial buildings.

The most recent significant acquisition was in July when MIT spent some US$1.34 billion ($1.7 billion) to acquire a portfolio of 29 data centres in the US.

"The strategic addition of the portfolio of 29 data centres in key data centre markets in the United States will help strengthen MIT's resilience with the increased freehold land component and long leases with annual rental escalations," says Tham Kuo Wei, CEO of the manager.

"Our large and diversified tenant base as well as proactive portfolio rebalancing efforts will put MIT in a good stead to weather the uncertainties ahead," he adds. E

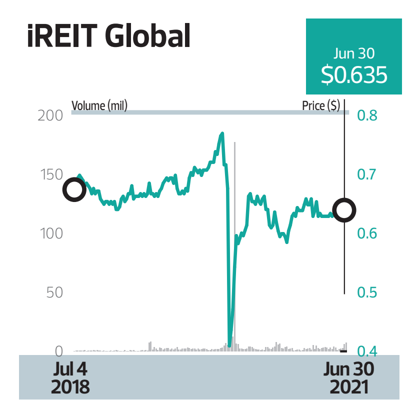
COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	ESG / CR score	Overall score
KEPPEL DC REIT	12.02	18.74	6.40	16.52	53.68
MAPLETREE LOGISTICS TRUST	8.11	18.21	5.21	13.53	45.05
FRASERS LOGISTICS & COMMERCIAL TRUST	5.13	10.17	5.75	17.64	38.70
MAPLETREE INDUSTRIAL TRUST	5.26	9.36	6.69	15.01	36.32
ASCENDAS INDIA TRUST	6.79	7.57	6.04	14.34	34.75

CENTURION CLUB

IREIT Global makes big leap forward with Decathlon portfolio acquisition

IREIT GLOBAL

Decathlon, the world's largest sporting goods retailer, sold 27 retail properties in France to IREIT for EUR110.5 million before leasing them back



BLOOMBERG

IREIT Global, a relatively low-profile REIT, emerged tops in the Centurion awards among its peers. However, one of its backers needs no introduction: local property giant **City Developments**, whose partner in this REIT is Tikehau Capital from France.

IREIT Global achieved 1.8% CAGR in earnings over the three years taken into consideration, thus snaring the top spot in this category. Its weighted ROE over the three years was 7.49 times, which puts it at the pole position for yet another year. And of course, IREIT Global is the overall sector winner as well.

IREIT Global was listed in August 2014 and is the first Singapore-listed REIT with the investment strategy of principally investing, directly or indirectly, in a portfolio of income-producing real estate in Europe which is used primarily for office, retail and industrial (including logistics) purposes, as well as real estate-related assets.

Its portfolio now consists of five freehold office properties in Germany, four freehold office properties in Spain and 27 freehold retail properties in France. The portfolio has a total lettable area of about 369,000 sqm, an overall occupancy rate of approximately 97% and a portfolio valuation of EUR833.5 million ($1.3 billion).

Its most significant development was the acquisition of 27 retail properties in France belonging to the world's largest sporting goods retailer Decathlon for EUR110.5 million. The properties will be leased back to Decathlon for 10 years.

COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	Overall score
IREIT GLOBAL	0.00	1.36	7.49	8.86
EC WORLD REAL ESTATE INVESTMENT TRUST	0.00	0.10	6.90	7.00
AIMS APAC REIT	0.00	0.00	6.73	6.73

Louis d'Estienne d'Orves, CEO of the REIT manager, describes this deal as moving IRET into a new asset class. "This Decathlon portfolio is complementary to our existing properties, and this acquisition is in line with our strategy of increasing our presence within Europe and beyond the office sector. This portfolio is yield accretive and aligned with our objective of delivering long term steady returns to unitholders." E

TECHNOLOGY EQUIPMENT; TELECOMMUNICATIONS SERVICES

With strong growth momentum, AEM 'graduates' from Centurion to Billion Dollar Club

One of the hottest stocks in recent years, **AEM Holdings** has made a rare clean sweep of all four awards up for grabs in the technology equipment; telecommunication services industry sector. It won for best returns to shareholders, fastest growth earnings, best weighted ROE, and naturally, it has been named the overall sector winner as well.

At last year's Billion Dollar Club, AEM Holdings (AEM) was still competing in the Centurion awards — its market then was below $1 billion.

It is worth noting that AEM Holdings was the overall Centurion winner last year. Back then, the company's growth momentum was already immensely palpable and with the kind of trajectory no matter how one slices and dices it, there is no surprise that AEM Holdings has entered the Billion Dollar Club. What was unexpected was that its growth was so strong that it scooped up all four awards.

Furthermore, with an overall score of 73.4%, AEM was the second-highest scoring company among all Billion Dollar Club winners. **Top Glove**, the world's largest glove maker, led the entire pack with a total score of 87% — thanks to the supranormal earnings growth as the world's healthcare and medical professionals turn to rubber gloves as an essential kit of their personal protection equipment.

In FY2020 ended last December, as the demand for semiconductors surged, AEM — which provides testing services to its key client **Intel Corp** — pleasantly surprised investors with multiple rounds of upward revision of its revenue guidance.

In the three years taken into consideration, AEM grew its earnings by a CAGR of 44.7%. Its return to shareholders was 33.9% CARG; and its weighted ROE was a whopping 51.46 times, higher than any other company in the Billion Dollar Club. Glove maker **Riverstone Holdings**, which was enjoying outsized gains of its own, had the second most ROE at 39.23 times.

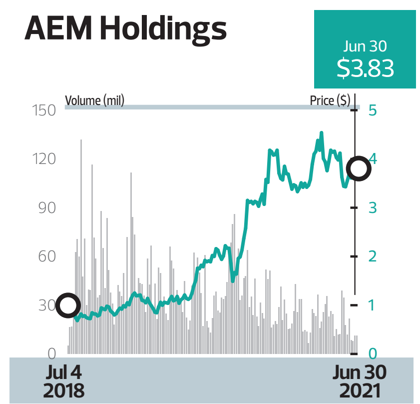
The company's sterling performance can be attributed to its strong position providing a vital service, testing, to the fast-growing semiconductor industry.

AEM's fortunes stand in stark contrast to less than a decade ago when chairman Loke Wai San, who runs a private equity firm, took a controlling stake in the then floundering company.

He promptly set the ship straight and invested and helped bring about the capabilities to build the base for the strong growth AEM is now experiencing.

Its most recent earnings for 1HFY2021 ended June might have been weaker than some analysts were expecting, given the high-base effect from a trailblazing 2020. Before investors could digest and cast negative views on the stock, AEM announced that Temasek Holdings will become its single-largest shareholder by taking up a placement of shares worth more than $100 million.

With this addition to its war chest, AEM can then speed up its bid to acquire additional new capabilities and capture a growing share of the market. ■



BLOOMBERG

ALBERT CHUA/THE EDGE SINGAPORE

AEM's recent performance stands in stark contrast to less than a decade ago when chairman Loke Wai San took a controlling stake in the then floundering company

COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	ESG / CR score	Overall score
AEM HOLDINGS	16.94	15.63	25.00	15.88	73.45
STARHUB.	0.00	0.00	25.00	15.43	40.43
VENTURE CORPORATION	0.00	0.00	11.35	15.84	27.19
SINGAPORE TELECOMMUNICATIONS	0.00	0.00	7.33	18.39	25.71
NETLINK NBN TRUST	2.53	0.00	0.00	13.53	16.05

CENTURION CLUB: SOFTWARE & IT SERVICES; TECHNOLOGY EQUIPMENT

Silverlake Axis shines with overall and ROE win; Innotek and Multi-Chem win as well

ALBERT CHUA/THE EDGE SINGAPORE

Andrew Tan, managing director of Silverlake Axis, aims to grow a bigger stream of recurring income

Software company **Silverlake Axis**, a regular at the Billion Dollar Club, is back as the winner delivering the most weighted ROE for this industry category. It was named overall sector winner as well.

The company, with three decades of history, is famous for providing software and related IT services to various financial institutions here, including so-called "core banking" systems without which the big lenders won't be able to keep proper track of the money flows in and out.

With new managing director Andrew Tan at the helm, Silverlake Axis is actively repositioning itself for the new market environment. It is actively refining its products and offerings too. Rather than rely on project work, Silverlake Axis has been growing a steady stream of recurring income by offering maintenance and enhancement services to its growing and established pool of customers.

Tan wants to assure its stakeholders the company — given its track record — is here for the long haul. "We've been here [in this space] solidly for 30 years", in contrast to competitors that have come and gone, he says. "We're here for the long game."

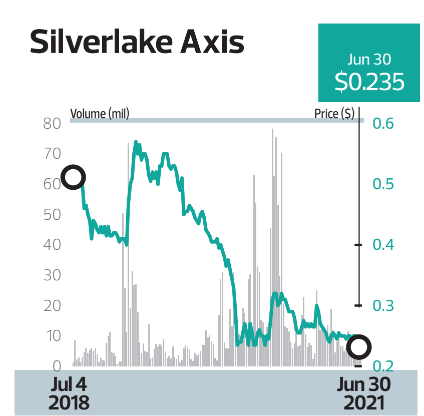
Manufacturer **InnoTek** has been named the company that has given the best returns to shareholders for this industry category this year, with a CAGR of 20.4% over the three years taken into consideration.

The company focuses on making precision metal components and its customers are in industries ranging from consumer electronics, office automation and mobility devices. Under CEO Lou Yiliang, the company was able to achieve five straight years of profitability.

Finally, **Multi-Chem** won for the fastest earnings growth over the three years taken into consideration, with a CAGR of 17.5%. The company has been listed on the **Singapore Exchange** since 2000 and has maintained a relatively low profile.

Multi-Chem started as a distributor of speciality chemicals and materials to printed circuit board manufacturers. In May 2002, the company diversified into the business of IT distribution, carrying names such as **Check Point**, **CyberArk**, Imperva, **McAfee**, **Proofpoint**, Riverbed, RSA, **Solarwinds**, Symantec (now known as **NortonLifeLock**) and **Trend Micro**.

In 1HFY2021 ended June 30, Multi-Chem reported earnings of $11.6 million, up 58% y-o-y. Revenue in the same period was up 32% to $298.5 million. Clearly, the company is enjoying good growth momentum. ■



BLOOMBERG

COMPANY NAME	3-year Shareholder Returns score	3-year Growth in Profit After Tax score	3-year Return on Equity score	Overall score
SILVERLAKE AXIS	0.00	0.00	30.00	30.00
INNOTEK	12.22	5.93	10.17	28.32
MULTI-CHEM	6.80	9.71	11.57	28.09
VALUETRONICS HOLDINGS	0.00	5.06	16.97	22.02
UMS HOLDINGS	2.62	0.00	15.53	18.14

TRANSPORTATION

SingPost aims to deliver the 'Future of Post'; SATS seeks out new growth areas

A household name with over 160 years of history, **Singapore Post** has been named the company with the fastest growth in profit after tax for this industry sector. In the three years taken into consideration, SingPost, as it is better known, recorded a CAGR earnings growth of 39.7%, with a big lift coming from its FY2018 ended March 2018 results.

Coupled with good scores in other categories, SingPost emerged as the overall sector winner for the transportation industry sector as well.

Apart from providing postal services, SingPost has also reinvented itself as a pioneer and leader in e-commerce and logistics. The range of services offered includes front end web management, warehousing and fulfilment, last-mile delivery and international freight forwarding.

In the company's most recent earnings announcement, SingPost notes that the pandemic continues to create disruptions across the global economy. As such, it is actively adapting measures to navigate the current environment, including seeking new e-commerce growth opportunities in Singapore, Australia and the Asia Pacific region.

SingPost also warns that with the ongoing Covid-19 pandemic, its performance in certain business segments will continue to be affected by factors beyond its control, including the impact of border closures and higher international conveyance costs out of Changi Airport. It is constantly looking at new means to improve its businesses, such as the international post and parcel segment.

THE EDGE SINGAPORE

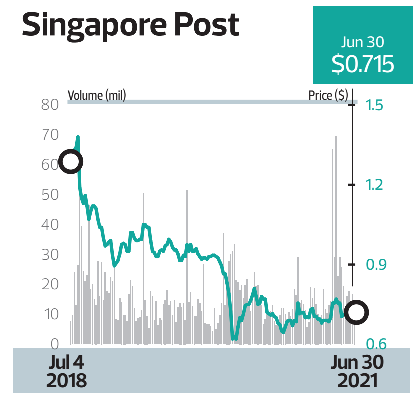
SingPost is actively adapting measures to navigate the current environment, including seeking new e-commerce growth opportunities in Singapore, Australia and the Asia Pacific region

Within Singapore, SingPost is implementing the so-called "Future of Post" initiative, which it claims will "redefine the Postal business to capture the broader growing opportunities for smart urban logistics."

For example, public trials for a key component of this ecosystem — PostPal, the world's first-ever "Smart Letterbox" — was introduced in Clementi last December.

SATS, the ground-handling and in-flight catering service provider at Changi Airport, has been named the company with the best weighted ROE. The Billion Dollar Club regular scored 12.92 times in this metric.

While the pandemic has decimated air travel, SATS diversified its revenue base: Its catering arm serves not just the airlines but also army camps, hospitals and other large organisations while its wholly-owned subsidiary Country Foods also distributes the Impossible Foods' meat-alternative brand in Singapore.



BLOOMBERG

When the company reported its 1QFY2021 ended June 30 results, it says that the ongoing mass vaccination exercise and discovery of Covid-19 variants have created "uncertainty" on the lifting of air travel restrictions. The company is thus adapting by "reshaping" its cost base and building new capabilities like food production to support future growth. E

COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	ESG / CR score	Overall score
SINGAPORE POST	0.00	9.38	3.99	14.64	28.00
SATS	0.00	0.00	10.77	16.92	27.69
SIA ENGINEERING COMPANY	0.00	0.00	9.84	16.18	26.03
COMFORTDELGRO CORPORATION	0.00	0.00	5.47	16.43	21.89
SINGAPORE AIRLINES	0.00	0.00	0.00	17.37	17.37

CENTURION CLUB: AUTOMOBILES & AUTO PARTS/ TRANSPORTATION

SBS Transit rolls on with overall sector win; Penguin International leads in shareholders' returns

Leading transport operator **SBS Transit**, which runs not just buses but also trains, has been named the overall sector of this Centurion industry category. In addition, SBS Transit won for the fastest earnings growth and for the best weighted ROE as well. Meanwhile, **Penguin International**, which operates ferry services and builds vessels, took the best returns to shareholders win.

SBS Transit was formed in 1973 through the merger of three private bus companies and the combined entity listed in 1978 as the Singapore Bus Service. The company was renamed DelGro Corporation in 1997 and a subsidiary, Singapore Bus Services Limited, listed separately on the **Singapore Exchange**.

The company's name was changed to SBS Transit in November 2001, to reflect the expansion of its business from not just buses but also trains. Today, SBS Transit is a subsidiary of land transport giant **ComfortDelGro**. SBS Transit now runs a fleet of 3,000 buses plying more than 200 routes. It also operates the North-East MRT Line, the Downtown Line and the Light Rail System serving Punggol and Sengkang new towns.

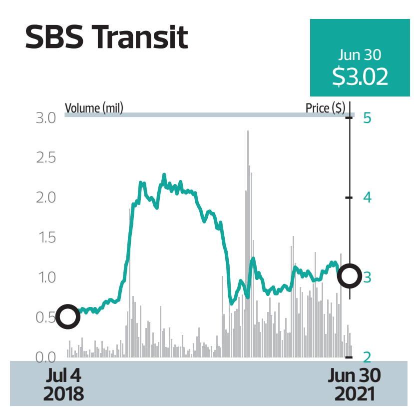
The company's ridership was affected by the pandemic that forced work-from-home arrangements on most companies. Even so, in

ALBERT CHUA/THE EDGE SINGAPORE

SBS Transit runs a fleet of 3,000 buses. It also operates the North-East MRT Line, the Downtown Line and the Light Rail System serving Punggol and Sengkang new towns

FY2020 ended last December, it posted with earnings of $79 million, down just 2.8% from $81.3 million in the preceding year, thanks to wage subsidies from the government and other related support.

Through a group of wholly-owned, integrated subsidiaries, mainboard-listed local company Penguin International — which builds and operates aluminium high-speed crafts — operates a fleet of crew boats and passenger ferries, as well as shipyards in Singapore and Batam, Indonesia.



BLOOMBERG

Before the pandemic, Penguin International was gaining popularity among the investment community, thanks to its growing business of building vessels used as fast transports.

The company enjoyed several consecutive years of improvements in its numbers. However, its earnings took a dip when the pandemic struck and for FY2020 ended Dec 31, 2020, Penguin International's revenue was down 12.4% to $119.4 million, and earnings dropped by 32% y-o-y to $13.2 million, which itself was partly due to government support and other one-off items. If those were excluded, Penguin International's earnings would have dropped to $6.5 million.

While casting a wary eye over the market conditions, Penguin International was still able to make steady sales of its vessels. E

COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	Overall score
SBS TRANSIT	4.31	23.20	15.23	42.74
PENGUIN INTERNATIONAL	15.21	14.83	9.35	39.40
YHI INTERNATIONAL.	1.53	18.44	6.23	26.20
GKE CORPORATION	9.66	0.00	0.00	9.66
GALLANT VENTURE.	3.39	0.00	0.00	3.39

CENTURION CLUB: APPLIED RESOURCES; ENERGY – FOSSIL FUELS; MINERAL RESOURCES

Sinostar PEC enjoying better margins; Shen Yao and United Global make up the other winners

China-based oil player **Sinostar PEC Holdings** emerged as the overall sector winner for this year's Centurion awards. With an earnings growth at a CAGR of 32.5% over the three years in consideration, the company has been named the winner of this category as well.

In FY2020 ended last December, Sinostar PEC reported that revenue fell 13.1% y-o-y to RMB3.2 billion ($665.2 million) due to lower average selling prices. However, earnings increased 40% y-o-y to RMB158.6 million as it received additional government grants and gains from the sale of consumables. The bottom line was also aided by a drop in finance and administrative costs. In contrast, for FY2016, the company reported earnings of RM68.2 million.

Going forward, the company is betting that the expanded capacity from a new plant will help it capture orders when the economy recovers, which typically drives higher demand for energy and chemical products. With the improved bottom line, the company has resumed paying dividends.

In the most recent 1QFY2021, Sinostar PEC reported 22.5% y-o-y higher revenue of RM960.4 million but earnings surged by 7,307.9% to hit RM59.3 million in the same period due to better margins. "We will continue to focus on operational efficiency, optimise production and explore international export for our products," says executive chairman and CEO Li Xiang Ping.

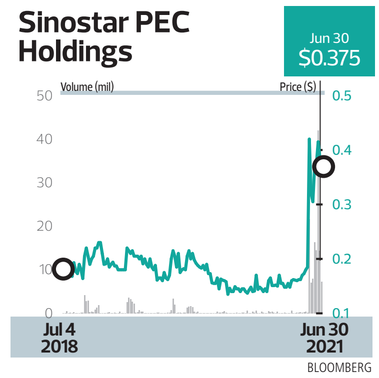
Shen Yao Holdings, which has interests in gold mines, has been named the Centurion company for delivering the most shareholders' returns, with a CAGR of 71% over the three years taken into consideration.

Shen Yao, which used to be called LionGold, came under new controlling shareholders and management in 2019. Yao Liang, the company's group executive chairman and executive director, took on his role in Nov 2019 and assumed responsibility as the group CEO last May. According to the company, Yao had previously held leadership positions in various financial institutions in Singapore and China, with two decades of experience in corporate finance, real estate and fund management.

Shen Yao's fully-owned subsidiary in Australia Golden Point Group produced 42,697 ounces of gold for the fiscal year ended June 30 last year and generated revenues of some $93.0 million. Besides the gold mining interests, Shen Yao has diversified into fund management and other forms of financial investment.

This year, lubricant trader and manufacturer **United Global** lost its overall sector winner title to Sinostar PEC. However, it has retained its win for ROE. The Catalist-listed company describes itself as an independent lubricant manufacturer with a wide range of high quality, well-engineered products under its in-house brand "United Oil", as well as a host of third-party brands. It is also engaged in the trading of base oils, additives and lubricants.

In addition, via its 60% owned United Oil Company, a joint venture between itself and Madrid-listed oil major **Repsol**, the United Global manufactures a wide range of lubricants and speciality fluids for the automotive, industrial and marine industries, which are distributed throughout its extensive network covering more than 30 countries. The company operates two blending facilities in Singapore and Indonesia with a combined capacity of 140,000 metric tonnes. With an eye on capturing emerging new market segments, United Global is looking at renewables as well. E



COMPANY NAME	3-year shareholder returns score	3-year growth in Profit After Tax score	3-year Return on Equity score	Overall score
SINOSTAR PEC HOLDINGS	0.00	27.81	15.22	43.03
AVARGA	6.16	16.68	18.21	41.05
HANWELL HOLDINGS	12.23	14.50	5.62	32.35
UNITED GLOBAL	0.46	0.00	30.00	30.46
REX INTERNATIONAL HOLDING	30.00	0.00	0.00	30.00

Top Glove tops for earnings and share price growth; strong focus on ESG helps generate well-rounded score

BY **JOVI HO**
jovi.ho@bizedge.com

Even as Top Glove ramps up production of rubber gloves to meet global demand, the Malaysian company is pushing ahead with its sustainability efforts, having declared 2021 as Top Glove's "Year of ESG".

The plan outlines a commitment to environmental, social and governance (ESG) principles. "We are committed to strategically integrate sustainability into our operations and business plans to create long-term positive impacts to our stakeholders and the environment. This includes the area of environmental stewardship and societal commitments, as well as integrity and accountability," says the company, which is the world's largest glove maker.

To be sure, Top Glove is doing exceptionally well as a business. At last year's 2020 Billion Dollar Club awards, Top Glove was named the company offering the most returns to shareholders within the healthcare services and pharmaceuticals industry category.

This year, Top Glove has achieved a string of new accolades. It has been named winner for offering the most returns to shareholders, the best earnings growth, as well as overall sector winner for companies within the healthcare services and pharmaceuticals industry sector category. And to top it off, Top Glove has been named the overall winner for this year as well — beating 90 other companies that are in the Billion Dollar Club this year.

For its 3QFY2021 ended May, Top Glove posted earnings of RM2.03 billion ($651.6 million), 5.9 times higher y-o-y. On a fully-diluted basis, this translated to earnings per share (EPS) of 25.42 sen for the 3QFY2021, compared to 4.16 sen the previous year.

"We wouldn't have achieved today's results without the contribution and commitment of our employees. During this challenging period, our loyal employees have stood by us and worked alongside us to overcome many hurdles. We would like to express our sincere and heartfelt appreciation to all our dedicated employees," the company tells *The Edge Singapore*.

Scores on ESG

Unlike many other business awards where a judging panel weighs both qualitative and quantitative factors, winners in the Billion Dollar Club are assessed via quantifiable metrics; namely, earnings growth, return to shareholders and return on equity.

Over the last two years, given how sustainability is now top on the agenda, the Billion Dollar Club has incorporated a fourth component to derive the winners: ESG scores provided by the Singapore Exchange (SGX).

For Top Glove, its ESG score was 16.8 points out of a maximum of 25. This score does not put it right at the top for this metric, but that is already 16th place out of the 91 companies eligible for the Billion Dollar Club, and speaks volumes of the company's well-rounded performance and top placement.

There is a good reason for this too. As part of its ESG efforts, Top Glove is constantly looking for ways to improve its sustainability practices. At the start of the year, Top Glove engaged stakeholders for a materiality assessment to identify the most pressing ESG areas the glove manufacturer should focus on.

PHOTOS: TOP GLOVE

As a way of giving back to society, Top Glove Foundation donated plants to green the surroundings of Tapak Semaian Majlis Perbandaran Klang (Klang Municipal Council Nursery)

During the pandemic, Top Glove contributed personal protective equipment worth RM190 million to those affected in the form of gloves, face masks and bottles of hand sanitisers.

In addition, Top Glove has pledged to achieve zero carbon emissions at its water treatment plant by FY2022, which will extend to all office premises and warehouses by FY2025.

In response to worker issues that arose when the pandemic broke out last year, Top Glove has strengthened its social compliance practices according to international standards, says the company. "In April 2021, we resolved all 11 International Labour Organization (ILO) indicators of forced labour as verified by independent international UK consultant Impactt."

As the employer of 22,000 staff, Top Glove is also working to improve its workers' accommodations. "We are investing RM200 million in building workers' hostels, which can house some 14,200 workers. The accommodation is targeted to be completed between end-2021 to mid-2022," it says.

In the fight against Covid-19, Top Glove worked with Malaysian authorities to speed up vaccination programmes among its employees. "We have accelerated our employees' vaccination rate through the vaccination programme Pikas (*Program Imunisasi Industri Covid-19 Kerjasama Awam Swasta*). To date, about 92% of employees, or more over 20,000 workers and staff, have been vaccinated with at least one dose."

In the spirit of robust corporate governance, Top Glove has conducted an independent evaluation to assess the effectiveness of its board.

Top Glove is also putting its money where its mouth is. The company has introduced a requirement that links 40% of remuneration payments to ESG metrics in five focus areas: product quality and safety, occupational health and safety, talent retention, human rights and labour practices, and carbon emissions.

These are measured by customer complaint rate, occupational accident rate, top-performing employee turnover, social ethical audit scoring and the success of reducing Scope 1 and 2 emissions.

According to the Greenhouse Gas (GHG) Protocol Corporate Standard, Scope 1 emissions are direct emissions from owned or controlled sources, while Scope 2 emissions are indirect emissions from the generation of purchased energy.

Expansion plans

Even as the company pays so much attention to ESG, it is putting in place ambitious plans to further grow the business. Currently, Top Glove has 812 production lines with a total production capacity of 100 billion pieces of gloves per annum and close to 50 factories.

"We are optimistic that prospects for the glove industry will remain promising [and] demand for gloves as an essential item in healthcare will continue to grow," says the company.

According to Top Glove, demand for disposable rubber gloves was already growing at a level of about 8% to 10% each year before the outbreak, and it believes demand will not return to pre-pandemic levels. "With the increased levels of hygiene awareness and standards, demand is expected to remain elevated even after the pandemic recedes, with annual growth estimated to be 15% per annum."

However, like any business, there will be periods where supply exceeds demand. Already, the average selling price (ASP) of gloves is moderating from its peak last year, as more manufacturers emerge to satisfy global demand. "Expansion by other players may lead to oversupply, but even if oversupply happens, it is temporary," notes Top Glove.

"For the past 30 years, the industry has gone through several such cycles and we have always prepared for it. We believe that with our comprehensive product range, we are well-positioned to mitigate the impact of an oversupply situation," it adds.

What is next for the world's largest glove manufacturer? Top Glove aims to grow production capacity through a combination of organic and inorganic expansion, as well as through strategic investments.

By the end of 2025, Top Glove is projected to have a total of 60 factories comprising 47 glove factories and 13 other factories, 1,506 glove production lines and a glove production capacity of 204 billion gloves per annum, roughly double its output today.

As Top Glove works to meet a global surge in demand, it is also widening its horizons.

Last year, Top Glove mentioned a corporate target that will put it on the global map: to become a Fortune Global 500 company by 2035. This year, Top Glove has revised this goal. It now aims to become both a Forbes and Fortune Global 500 company, and achieve this by 2030.

With last year's explosive growth, Top Glove also made its debut on the Forbes Global 2000 list. "We made our debut at the 1,448th position and will work towards improving our ranking going forward," it says.

The new long-term goal of becoming both a Forbes and Fortune Global 500 company is a shared vision, and it is everyone's goal and target, says Top Glove. "The company, along with every departmental and individual, is set in alignment with this target, which we are confident of attaining with our continuous investment in R&D, technology and innovation, as well as artificial and human intelligence, supported by quality global talents," says the company.

"We are grateful for the support of our business partners, particularly our customers and suppliers, who have enabled business continuity in our organisation," it adds. E

In a move towards sustainability, Top Glove has been investing in solar power systems since 2019. The company aims to reduce carbon emission intensity by 23% by FY2024 against the base year of FY2019

Enhancing long-term value via sustainability

BY ANDRE TOH

The 2020 EY Climate Change and Sustainability Services (CCaSS) fifth global institutional investor survey found that an overwhelming 98% of investors surveyed evaluate non-financial performance based on corporate disclosures. Among them, 72% said they conduct a structured, methodical evaluation.

Yet, it appears that ESG considerations have not been adequately addressed. Investor dissatisfaction with ESG risk disclosures has risen since 2018 and 86% of investors dissatisfied with environmental risk information received said it is critical for disclosures in this area to improve.

With the growing importance of sustainability in business, corporate executives are hard-pressed to embrace a paradigm shift away from the sole purpose of generating profits for shareholders toward advocating sustainable development and long-term value creation in their organisations.

Integrate ESG considerations for growth, cost efficiencies

The Business and Sustainable Development Commission estimates that the achievement of the UN Sustainable Development Goals could result in at least US$12 trillion ($16.1 trillion) worth of market opportunities a year for the private sector by 2030. This represents about 10% of the global GDP forecast for that year. Corporate executives who succeed in integrating ESG considerations as a core driver of their corporate strategy and differentiating their organisations within the global sustainability ecosystem will be well-positioned to capitalise on these opportunities and generate new revenue streams for their businesses.

The increasing influence of environmental and social factors on consumers' purchasing decisions has also allowed sustainable companies to charge higher price premiums on their products and services, commanding a greater share of the wallet of existing customers.

At the same time, integrating ESG considerations as part of company decision-making often leads to operational and process efficiencies within the business, thereby helping to improve profitability. This can typically be achieved through better resource management policies to reduce and eliminate wastage, sustainable supply chain management practices to reduce the environmental impact across the value chain and costs, and the cultivation of an innovative culture to reinvent existing processes.

This is corroborated by an EY analysis, which measured the profitability of the top sustainable corporations in the world based on Corporate Knights' 2020 Global 100 ranking against that of their respective industry medians. Sustainable companies in the ranking outperformed their industry peers on gross profit, ebitda, ebit and net profit metrics. These companies recorded higher ebitda and net profits than their peers for 73% and 61% of the industries analysed respectively, with the extent of outperformance ranging from 3.1 to 6.3 percentage points.

Sustainability commitment and lower financing costs

Another factor linking sustainability to value creation is the impact of corporate sustainability on a firm's cost of capital. Companies that focus on corporate sustainability tend to be less vulnerable to systematic risks. This, in turn, results in higher risk-adjusted returns for investors.

For example, a company that considers ESG-related metrics in its operations would be cushioned from the impact of increasing regulations due to heightened government scrutiny of the environmental impact of economic activities. Corporate executives in such a company would already have measures in place to mitigate the impact of operations on the environment, thereby reducing the burden of new legislation on the business.

According to *Bloomberg*, global ESG assets are on track to exceed US$53 trillion by 2025, accounting for more than a third of projected total assets under management for that year. Most institutional investors incorporate ESG considerations in their investment framework and apply negative or positive screening techniques to integrate ESG elements with traditional financial analysis. Against this backdrop, companies that demonstrate a strong commitment to sustainability will be viewed more favourably by these providers of capital, and therefore have access to more sources of financing at a lower cost. Investments in ESG-related initiatives undertaken by companies may also be valued at an "ESG-specific multiple" that is at a premium compared with the rest of the business.

Operationalise the sustainability agenda

Embarking on the sustainability journey entails an end-to-end, iterative process. This starts from board-level conversations of an organisation's raison d'être, cascades down to the management decisions on their portfolio strategy and capital allocation, and ultimately influences day-to-day activities.

The Long Term Value Framework, conceptualised by the Embankment Project for Inclusive Capitalism, offers a path forward for companies that are keen to articulate a compelling and actionable sustainable value-creation story to stakeholders. Importantly, this would involve the identification, monitoring and reporting of relevant metrics to communicate the organisation's progress toward its desired long-run outcomes for stakeholders. It would also involve the corresponding augmentation of related IT infrastructure, data collection and analytics capabilities to support such initiatives.

Stakeholders increasingly hold corporate executives accountable for their organisation's role in sustainable development. Rather than advocating fringe programmes with the sole intent of assuaging stakeholders, companies should drive a comprehensive approach to integrate the tenets of sustainability into the firm's activities to help maximise long-term business value. E

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iFast emerges as best performing stock, eyes 'truly global' FinTech business

BY **JOVI HO**
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With its share price more than quadrupling over the past year, **iFast Corporation**'s stellar performance on the Mainboard of the **Singapore Exchange** is plain for all to see. From a 52-week low of $2.03 in September 2020, iFast reached a high of $9.65 just before its 2QFY2021 results in late July.

Hence, it comes as no surprise that the wealth management FinTech company has been named best performing stock in the banking and investment services sector at this year's Billion Dollar Club awards, organised by *The Edge Singapore*. In addition, it has been named the company in this sector with the best weighted return on equity and the overall sector winner.

Last year, iFast was recognised for achieving the best returns to shareholders in the financial sector at the Centurion Club awards, also by *The Edge Singapore*. Held together with the Billion Dollar Club, the Centurion Club recognises companies with a market value of below $1 billion. In short, iFast has not only moved into the big league but the company has also romped past many other existing large caps.

iFast's growth is more remarkable given how most other companies are struggling with the ongoing pandemic. Still, co-founder, chairman and CEO Lim Chung Chun believes digital businesses like iFast will see even greater growth and be valued even higher.

"The stellar performance of our share price shows that some of our shareholders are recognising the potential of iFast to embrace digital changes and benefit from these changes, which is expected to continue at an accelerated pace in the next five to 10 years," says Lim to *The Edge Singapore*.

Lim believes that iFast's meteoric rise is no flash in the pan. Pointing to global digital brands like **Netflix** and **Spotify**, he believes that the FinTech sector still has a long way to go — and grow.

"If we take a closer look at the financial sector, that has not happened in a big way. In fact, we are still in the early stages of leveraging the power of the internet to reach out to people within the same country and across borders," adds Lim, who was head of research at ING Barings Securities in the 1990s.

Lim started the company in 2000 after being bitten by the entrepreneurial bug and sensing that an online platform to distribute financial products is the way to upend the comfortable incumbents back then.

Despite the growth chalked up over some two decades, Lim thinks that iFast — with a market capitalisation of some $2.44 billion — is still in its "start-up" phase. "If we look at this from the perspective of an emerging business model, whereby a company is based in one country and can increasingly tap into potential [growth] from across the world, iFast is perhaps just at the start-up phase of a truly global business."

With a price-to-earnings ratio of some 87 times, iFast's shareholders are clearly optimistic and for good reason, says Lim. "We believe some investors are increasingly recognising our potential and as a result, we are seeing a more premium valuation for iFast."

Granted, the financial industry is understandably cautious about rapid changes, but Lim believes even the most staunchly conservative quarters of the financial services industry will soon embrace digitalisation. "The highly regulated nature of the financial industry has resulted in traditional financial institutions not being able to operate a truly global business model."

A FinTech company that can take advantage of the internet could chart a growth trajectory wildly different from "the way things are looked at historically", argues Lim.

iFast's most recent set of results, while eye-watering by all means, marked a relatively measured quarter for the company. The company posted its fifth consecutive quarter of record assets under administration (AUA), with net profit increasing 94.0% y-o-y in 1HFY2021 ended June. However, the company's management acknowledged that trading activity was "subdued" that quarter.

Nevertheless, Lim is unfazed. "We see this as fluctuation that is likely to happen from time to time, especially when comparing quarter-to-quarter results due to volatility in the financial market," he says to *The Edge Singapore*. "Markets and investor sentiment do not keep going up in one straight line."

Lim notes that the quarter follows a "very solid" 1QFY2021. "Year on year, the 2QFY2021 results are still far more robust across key metrics of revenues and profits. It is also important to highlight that the company's AUA, as well as the recurring net revenue, still grew to a record high in 2QFY2021, supported by strong net inflows from investors across different products."

The company's AUA is indeed impressive, registering a growth of 57.3% y-o-y and 21.4% year-to-date to reach a record high of $17.54 billion as at June 30. Supported by increasing AUA, the company's recurring net revenue increased 39.2% y-o-y in 2QFY2021 and 34.3% y-o-y in 1HFY2021.

"What is key to us is that the overall long-term growth that we are striving to build does not get diminished," Lim adds. "If investors were to look at how things are going to change for the group in the longer term, we believe that will bring about a very different perspective on how to look at our performance."

Since starting here with the launch of Fundsupermart.com to provide self-directed investors access to unit trust investments, iFast has expanded to Hong Kong, Malaysia, China and India. Fundsupermart.com has since been renamed FSMOne.com to reflect the wide range of investment products on its platform.

iFast was first to disrupt the stockbroking industry's commission structure by offering stocks and ETFs at 0.12% upon its stockbroking launch in 2016, before further slashing the commission fee to 0.08% in 2018. Today, Singapore investors can enjoy a flat $8.80 commission rate on SGX-listed stocks and ETFs.

"Singapore is sometimes seen as a saturated market," says Lim, "but there are areas in the wealth management industry where we see tremendous opportunities across all the key products of funds, stocks, ETFs, bonds and managed portfolios."

iFast also has ambitious plans overseas. On July 31, iFast announced that it had finalised and signed the prime subcontractor contract for the pension project in Hong Kong, which aims to standardise, streamline and automate processes while lowering fees and going paperless.

According to Lim, this deal in Hong Kong is going to have "a very material financial impact" for his company's Hong Kong business starting from FY2023, when the project is deployed and up and running. "We aim to, by the end of the year, provide some guidance on the potential growth of our group's overall Hong Kong business for 2023/2024 and beyond."

In addition, iFast has led a consortium to apply for a digital bank licence in Malaysia, with a reported 40 applicants vying for up to five licences, to be issued by 1Q2022.

The consortium's Malaysian partners include Koperasi Angkatan Tentera Malaysia, one of the largest co-operatives in Malaysia; THZ Alliance, a private investment holding company founded by YM Tengku Dato Dr Hishammudin Zaizi, the first cousin of the Sultan of Selangor; and Lee Thiam Wah, founder and major shareholder of 99 Speed Mart, a homegrown grocery chain with 1,900 retail outlets.

The other non-domestic partner of the consortium is Yillion Fintech, which provides core banking technology and capabilities for Yillion Bank, one of the four digital banks in China. If successful, iFast will own a 40% stake in the digital bank.

"We see banking as the core layer of financial services, where having a bank account is always the first prerequisite for a customer to gain access to any form of financial services," says Lim. "By having the ability to open bank accounts for customers, iFast can be involved right from the first step of the customer journey."

Although just 8% of Malaysia's population remains unbanked, Lim believes financial inclusion means more than just owning a bank account. "In terms of demographics, Malaysia has a much larger population and there is a sizeable proportion living in rural areas. We think digital banking is even more crucial for such customers."

Hence, iFast is targeting the Bottom 40% (B40) of Malaysia's population by household income, who are "underserved by the incumbent banks". "We aim to offer solutions that will provide immediate benefits to the B40 segment, such as free life insurance, interest-free loans for daily necessities, and micro-investments and insurance."

As iFast crosses 21 years in business, Lim is confident in the road ahead. "Given the way the business world is transforming and the potential for the FinTech industry, we feel that we still have a very long runway ahead."

Lim hopes iFast's shareholders share his vision. "See our business in the context of not just the quarterly results in the short term, but where we can be in the next 10 years and beyond. iFast's top management team is firmly committed to seeing through the exciting long-term potential, and has interests that are very well-aligned with shareholders." E

ALBERT CHUA/THE EDGE SINGAPORE

Lim: We believe some investors are increasingly recognising our potential and as a result, we are seeing a more premium valuation for iFast

As both earnings and share price double, APAC Realty sets bigger goals

BY JOVI HO
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ALBERT CHUA/THE EDGE SINGAPORE

Chu: I hope to provide evolutionary solutions and services to clients while evoking positive changes in the industry

After 25 years in the real estate business, Marcus Chu is still thrilled to witness transformation in the sector.

On July 1, the 55-year-old was promoted to chief executive of **APAC Realty**, which runs the ERA real estate advisery franchise across the region. Formerly its chief operating officer, Chu succeeds Jack Chua who remains as the executive chairman of the group.

"I am excited to be taking over the baton at a time when digital transformation is rapidly shaping the industry," says Chu to *The Edge Singapore*.

The top job comes amid a period of euphoria for the property sector in Singapore. With lockdowns and safe-distancing restrictions in play, trusted real estate advisers have had to be creative in their methods.

Chu is getting creative too. He highlights strategic partnerships as a hallmark of his new direction for the company. Within a month of his appointment, ERA managed to work out two memorandums of understanding (MOU) with Redbrick Mortgage Advisory and *EdgeProp*, the sister company of *The Edge Singapore*, providing their respective customers first-hand access to RealtyWatch by ERA and iERA Robo Advisor, two of ERA's proprietary tools used by its network of more than 8,100 trusted advisers.

Under Marcus' leadership, ERA recently launched the mobile app version of its RealtyWatch by ERA — an award-winning 24/7 property transaction monitoring platform released during its annual conference in March this year. Not only can users receive the latest neighbourhood property transactions notifications via the one-stop property "superapp", consumers can also gain access to tech tools previously reserved for ERA trusted advisers.

Among the perks of the app is instant estimated valuations of properties, derived from fair values distilled from property portal *EdgeProp*; as well real-time information on the latest interest rates and home financing packages by Redbrick.

"I hope to provide evolutionary solutions and services to clients while evoking positive changes in the industry," says Chu. "I believe in creating value in the things I do and it is no different this time around."

That chase for value can also be seen on APAC Realty's ticker on the **Singapore Exchange** (SGX). Despite the impact of Covid-19, the company's salesforce managed to close a much bigger volume of transactions, generating a higher commission income for themselves, APAC Realty, and as returns for its shareholders. At the start of the year, APAC Realty shares were trading at 44 cents. It has since doubled.

"In one way or another, a company's share price reflects the health of that company," says Chu. "But also, it depends on the mood of the market."

However, the company did not only start shining this year. It has earned a place in the latest Centurion Club, which gauges company performances over the last three financial years. Within the real estate sector, APAC Realty has been named the company for delivering the best-weighted return on equity of 11.9 times for the period under consideration.

Record numbers

If the company's 1HFY2021 ended June 30 earnings are to be seen as an indicator, APAC Realty is riding strong on the growth momentum chalked up from the last three financial years — putting it in good stead for an even better year.

For the six months ended June 30, both its earnings and revenue doubled, thanks to better showings in both the new sale and resale market segments. Revenue and earnings more than doubled to $358.4 million and just over $17 million respectively.

According to the Urban Redevelopment Authority, developers sold 7,601 private residential units in 1H2021, up 68.1% y-o-y. In tandem, APAC Realty is gaining a larger piece of the pie, with its market share in the new homes market growing to 32.1%, from 27.9% this time last year.

To reward shareholders, APAC Realty has declared an interim dividend of 3.5 cents per share, plus a special dividend of 3 cents, for a total of 6.5 cents. The interim dividend represents a payout ratio of 73% based on 1H2021 net profit. This time last year, the company's interim dividend was 0.75 cents.

APAC Realty is also putting in place a dividend policy of distributing between 50–80% of its earnings every half year — a sign that it is confident about its prospects and therefore can give a clearer commitment to return value to shareholders.

"Congratulations to the shareholders of APAC Realty; some may have made more than double their initial investment if they had entered around the time when the pandemic hit," adds Chu.

Based on historical data, the stock still has plenty of headroom. Since listing on the SGX Mainboard on Sept 26, 2017, shares in APAC Realty traded at an all-time high of $1.27 in March 2018.

Chu shares the market's optimism. "We will continue to add value to the consumer. If we can provide that superior transaction experience to consumers, they will continue to choose ERA. For that, there's no reason why the share price shouldn't be moving up."

Birth of a salesman

Chu's real estate journey began only after he had assessed the market in the mid-1990s. "After attending seminars with different agencies, I chose to join ERA because I was impressed with ERA's professional training and international branding."

In fact, ERA is the first and only real estate agency in Singapore to own a building: the ERA APAC Centre in Toa Payoh. Since the early-1990s, ERA has dared to experiment with innovative marketing strategies, such as deploying pop-ups at MRT stations for maximum touch points. It was also one of the earliest companies to adopt an intranet.

Today, trusted advisers and clients of ERA Singapore hardly bat an eyelid when viewing 3D showrooms on their mobile phones, but when Chu started as a realtor in May 1996, his primary tools were a phone card and a public payphone.

"I was a pioneer of telemarketing in the industry. I used to cold call homeowners using public phones and knock on doors in search of prospects," he says.

Eventually, Chu upgraded to a brick-sized Motorola mobile phone. "Today, mobile phone subscriptions for the whole family cost just $200 or $300 in total. Back then, my phone bill could be as high as $1,000 a month."

While the market was buoyant then, Chu's debut "wasn't the best timing", he says, as the government had just introduced anti-speculation curbs that same month.

His love for people and the thrill of transactions, however, kept his mind on a singular goal: to become the top agent in ERA — globally.

"I employed assistants for administrative work so that I could have more time to focus on my clients and closing deals," he says. In turn, Chu managed to clinch ERA's Top New Achiever in 1997 and the 2nd Top Achiever in 1997 and 1998.

With Chu's voracious work ethic, the accolade to come was his to lose. In 1999, Chu achieved his longtime goal, securing 1st Overall Top Achiever across ERA International.

Team building

From 2000 to 2005, Chu focused on recruitment and team building at other agencies. "Having recruited 2,000 agents under me, I progressed quickly to become the top manager and team leader. Additionally, I played the role of the agency department head at these other agencies."

These experiences shaped his leadership style, and when Chu returned to ERA in 2005, he stepped into corporate management roles. "My career transformation; from being an agent, a sales team leader, to getting appointed as SVP in 2005, COO in 2013 and now CEO; has taught me invaluable lessons and I am enriched by what I have learnt," Chu adds.

The work culture at ERA is very "agent-centric", says Chu, who was attracted to ERA for its core value of putting agents first. He even likens it to the calibre of Singapore's flagship airline. "The standard of service from an ERA admin staff is comparable to the award-winning Singapore Airlines. Every agent is treated equally, whether they are new to the company or have been with us for a while."

As he embarks on a new leg of his career 25 years in, Chu has a new goal: to groom the next generation of leaders within the company. His former role as COO of agency business has been filled by Thomas Tan, former president of the Singapore Estate Agents Association.

The senior management team also includes Doris Ong, COO of project marketing. Under her leadership, ERA Singapore has executed over 300 international and local residential projects, including Singapore's largest virtual property gallery, Project 360, and the largest virtual real estate consumer shows: *ERA Property Mega Show 2021*.

Together, the core leadership team is examining current appointments, incentives and programmes, says Chu. At the release of APAC Realty's stellar 1HFY2021 results last month, the company announced a special one-month bonus for all its employees.

"ERA has always instilled a strong sharing and caring culture, where we encourage each other to be the best version of ourselves. Everyone is given an equal opportunity to grow and be given recognition while we provide trusted and professional real estate advisers to clients. These are the reasons why I have stayed so long and returned to ERA. My immediate task is to affirm the organisation's vision and mission; ensuring everyone is aligned with a common direction and belief," says Chu.

From the company's top brass to ERA's thousands of realtors, it seems APAC Realty is in good shape to ride out the remainder of the pandemic. "Covid-19 has indefinitely changed the way we live and work. It has certainly accelerated the use of digital tools for the things we normally do face-to-face, such as property viewings, meetings, conferences, training and counter services. I feel the change has greatly increased the efficiency of trusted advisers and agency work," says Chu.

"Despite the challenges presented during this pandemic, ERA Singapore managed to find opportunities in this time of crisis and exceed expectations," he adds. "I think it's crucial to think big, set goals, stay focused and not be distracted by what others are doing. Most importantly, be innovative and do the same thing in different ways." E

Union Gas moves to expand hold on Singapore LPG market with $75 mil acquisition

BY **LIM HUI JIE**
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With a customer base of more than 200,000 households, along with hundreds of coffeeshops and hawker centres, Union Gas' logo is a familiar sight here in Singapore. Besides supplying the liquefied petroleum gas (LPG) that these customers need to do their cooking, the company supplies another thing: great returns for its shareholders.

In this year's Centurion Club awards, Union Gas is named the company that generated the highest return on equity (ROE) in the utilities sector. Over the three years taken into consideration, the company delivered a weighted ROE of 33.94%, beating the other companies in this category by a huge margin. The second place delivered 9.98%.

Since FY2018, Union Gas has always delivered ROE above 28%, even reaching a high of 38.95% in FY2020. Its full-year earnings for FY2020 ended Dec 31, 2020, jumped 64.7% y-o-y to a record $13.86 million from $8.41 million. Its topline also grew by 9.4% to a record $86.19 million.

Shareholders have also taken notice of the company's stellar performance, investing and increasing its share price from 25 cents at IPO to a high of $1.21 on July 29. As at Sept 7, the company's share price stood at 95 cents, valuing it at $217.6 million. As a clear indication of how the company has grown, it recently upgraded its original Catalist listing to the Mainboard.

How did Union Gas do it? In the words of its CEO Teo Hark Piang, it boils down to just one word: trust. Union Gas is a household name trusted by generations. "Whatever we promise to deliver, we must deliver. It's not just our goods, but also for things like our after-sales support to our clients, that is very important," says Teo in an interview with *The Edge Singapore*.

This attribute, held true throughout the years, has helped Union Gas build a wide network and gain brand recognition. "If you serve a customer well, he spreads the word to 10 others, and 10 then spreads to a 100," Teo reasons.

Despite its position as one of the market leaders, the company is constantly finding ways and means to build a sustainable business that can grow even as the wider environment changes.

On Aug 25, Union Gas announced a $75 million proposed acquisition of Sembas (Asia) Trading, Semgas Supply, and Summit Gas Systems from Union Energy Corp (UEC), which were privately held by Teo's family.

These companies are involved in the business of supplying and distributing LPG to customers such as hotels, food establishments and factories. They also supply bottled LPG cylinders and are involved in the storage of LPG. Once approved by shareholders at an upcoming extraordinary general meeting to be convened, the transaction is expected to be completed by February 2022.

The acquisition will give Union Gas better control over the "upstream" business. For example, says Teo, Union Gas will have better cost control, and also enjoy better economies of scale, and leading to overall improvement in competitiveness.

The acquisition will also give Union Gas a bigger addressable market. For example, it can expand its distribution of bottled LPG cylinders to the wholesale space, as well as providing, bottling and refilling of LPG cylinders to other dealers and wholesalers.

ALBERT CHUA/THE EDGE SINGAPORE

Teo's goal for the company is for "stable and sustainable growth" by diversifying into other revenue streams and controlling its upstream segments

Being the first LPG bottling plant to be built in Singapore in about 40 years, the new bottling plant at 43 Jalan Buroh is equipped with enhanced safety features, such as the concrete bunker that holds its LPG tanks

With the acquisition, the listed company gains assets including two bottling plants and support infrastructure such as five LPG storage depots, 71 delivery vehicles and an entire LPG sales team. One of the bottling plants located at 43 Jalan Buroh, is newly rebuilt and which according to Teo, is "the first LPG bottling plant to be rebuilt in Singapore in 40 years".

The new bottling plant features modern technologies and has enhanced safety features, making it a valuable asset for the Group.

Some processes, such as the filling of cylinders which used to be manually done, will be automated. The plant features a central control room which will house a plant monitoring system that will replace manual checks on pressure and roto gauges, and provides an overview of the operations, thereby allowing for early intervention and assistance when needed.

The facility is well protected by water sprinklers, water monitors, a robust alarm and emergency shut off system, and gas detectors are installed throughout the plant.

Its three pressurised LPG storage tanks are mounded and buried in compacted sand, as well as encased in a layer of concrete, much like a bunker. This is to eliminate a BLEVE (or Boiling Liquid Expansion Vapour Explosion). According to Teo, this is the only LPG bottling plant in Singapore which employs this method of protection.

New revenue streams

Besides supplying just LPG, Union Gas is exploring new revenue streams. For example, it has expanded into supplying piped natural gas to customers from the packaging, food production, hospitality and waste management industries.

The company is also conducting studies with certain commercial customers to supply LNG to their production plants.

Separately, the company is also involved in the sale and distribution of compressed natural gas (CNG) and diesel fuel at its 24-hour fuel station at 50 Old Toh Tuck Road under the Cnergy brand and to its commercial and industrial customers.

But with Singapore's push to eliminate all internal combustion engine vehicles on the road by 2030, Teo reveals that the Group has partnered with Surbana Jurong to study the feasibility of making this station a "multi-fuel" station, complete with electric vehicle (EV) charging stations and hydrogen refuelling stations.

And that's not all. Teo wants to take this a step further by making the fuelling station entirely self-powered through a combination of solar power and gas-generated power drawn from the natural gas transmission line that it sits atop. The electricity generated can also help in the formation of hydrogen, allowing the station to also refuel hydrogen fuel cells. He notes that most multi-fuelling stations need to draw power from the national electricity grid in order to operate — including providing the power to recharge EVs.

Overseas ventures

Even as the company enjoys brand recognition and strong sales in Singapore, Teo is hungry for more. "Singapore is only this big. We need to look beyond our shores in order to grow." he says.

As such, in a bid to bring its business to the next level, Union Gas announced in March that it had signed a non-binding letter of intent with logistics company Worldbridge Industrial Developments (WBID), a part of Cambodia's Worldbridge International Group. The two intend to form a joint venture to supply and distribute LPG in Cambodia.

Under the proposed joint venture, Union Gas will hold a 55% stake while WBID will hold the remaining 45%, and will provide access to its substantial local business network and connections in Cambodia.

This is important, Teo says. "It's our first overseas venture," he explains, "and we need a solid, reliable partner that understands the local regulations and practices so that we can enter the market successfully. We cannot simply go it alone because we are not as familiar as they are."

Of all the countries in Southeast Asia, why Cambodia? Teo observes that Cambodia is now at the stage where Singapore was about 40 years ago, when the city-state was developing and demand growth for LPG was high. It was at that point in time that Union Gas saw its fastest growth, and he hopes to replicate this in Cambodia if the JV is successful.

Worldbridge Group has investments in areas including logistics, banking, and e-commerce. It is this vast business portfolio that the joint venture strives to tap on and grow its market presence.

Teo says the company used to go aggressively after "every opportunity", but with these major new projects underway, its focus will shift towards execution – and making sure they work. Teo said, "I want to make sure that the company achieves stable and sustainable growth, continue to build on its trusted Singapore brand, diversify into new growth areas and add an overseas wing," he says. E

Silverlake Axis keeps focus on both returns and innovation

BY LIM HUI JIE
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SILVERLAKE AXIS

Tan: In recent years, before this volatility in the market...we've been keeping a very firm eye first and foremost on protecting and growing our recurring revenue segment

Economies go through cycles, and most companies inadvertently ride along with the ups and downs. Not many can claim what digital economy solutions provider Silverlake Axis has achieved. "We have been profitable for every year of our operations. Of course, some years, profits are up and profits are down, but we have never made a loss," says group managing director Andrew Tan, in an interview with *The Edge Singapore*.

For the 3QYF2021 ended March 31, the group reported a 7% y-o-y drop in revenue from RM151.7 million ($50.0 million) to RM140.9 million. However, earnings jumped by 51% y-o-y from RM25.6 million to RM38.7 million, thanks to lower cost and better margins.

According to its FY2020 Annual Report, Silverlake Axis did not record a return on equity (ROE) below 40% from FY2016 to FY2019, barring a 26% figure in FY2018. In FY2020, despite the fallout from the Covid-19 pandemic, the group still managed to deliver an ROE figure of 25%.

With this track record of achieving a weighted ROE of 30% over the last three years, Silverlake Axis was named winner for the ROE category, among its peers in the industry category Software & IT Services; Technology Equipment, at this year's Centurion Club awards.

Tan believes the group's clear vision on how the business should be run, thereby winning this accolade, is something to be proud of. "In recent years, before this volatility in the market, we have been very focused — we've been keeping a very firm eye first and foremost on protecting and growing our recurring revenue segments," he says.

The group's recurring revenue segments comprise 75% of its revenue, and comprises maintenance and enhancement services, as well as Software-as-a-Service (SaaS) segments.

Tan highlights that these segments are a "very key part of our business", adding that these are the most valuable and profitable segment of Silverlake Axis.

Furthermore, it is this recurrent revenue that gives the group the organic resources and confidence to help fund its investments into new growth areas, where returns are not immediate. With this steady base, Silverlake Axis is less susceptible to demand-side fluctuations.

The market is constantly changing, but Tan is confident that the group can maintain this momentum to continue growing its earnings. He highlights that its net profit margin has been averaging about 30%, as compared to its peers, which record about 20% or less.

Tan points out that many technology companies today are more obsessed with achieving higher share prices. They do so by growing the topline aggressively, even if along the way, they lose money for every dollar of revenue generated, selling the belief, or hope, that profits will come later. He believes this is not a sustainable way of running a business: "Our philosophy has always been to consistently demonstrate that we have a solid profit model."

Core businesses

Tan also has an optimistic view of the group heading forward. Most of Silverlake Axis' clients are banks and FinTech providers, and Tan observes that the pandemic has made them realise that they have to "rapidly transform".

He says the banks need to be "digitally-enabled" to respond to new ways of providing banking services – customers no longer want to walk into a physical branch and line up to speak to a teller. "It is quite widely known in the banks [today] that doing nothing is no longer an option," he adds.

As such, banks are looking into modernising their core banking systems to enable them to remain competitive and are moving toward a more digitalised form of banking. To this end, the rapidly growing FinTech ecosystem is helping to move things along. Tan calls this emerging industry the "integration or meeting points of new technology and finance".

The goal of this industry is to enable "frictionless and seamless interaction…between the customer and the providers," Tan says. An example of such an interaction is eKYC, or using electronic means to do a Know-Your-Customer process, which is vital in preventing fraud and money laundering for banks and financial institutions.

These processes often involve transactions handling millions, or sometimes hundreds of millions of dollars, which points to a need to be robust, secure and "very, very, resilient", says Tan. This is because while the processes have been simplified, the strict standards of bank regulations, compliance and reporting still remain. And this is where Silverlake Axis comes in. Its solutions have been providing banks with the opportunity to grow in their digital transformation journey.

These core banking solutions have been the backbone of Silverlake Axis, and have been used by 40% of the top 20 largest banks in Asean, with a 100% success track record when implementing projects for customers.

MÖBIUS

Even with this significant market share providing a stable base of maintenance contracts generating recurring income, Silverlake Axis is not resting on its laurels. It has recently pivoted its strategy of simply replacing core banking systems for banks to a SaaS revenue model.

In an earlier interview with *The Edge Singapore*, Tan explains that Silverlake Axis' revenues declined because core system replacement is no longer top of the agenda for most banks. Given a more conservative capex, banks are prioritising digital transformation to cut capex spend, rather than the risky and expensive process of core banking replacement.

As such, Silverlake Axis' SaaS model allows firms to upgrade their banking core gradually instead of rebuilding from scratch, which will cost a lot and carries the risk of cost and schedule overruns.

The group launched its "next-generation banking solution", called MÖBIUS, in 2018 as an end-to-end banking platform, comprising customer experience, process orchestrations and core banking system of record, on one platform over a public and private cloud.

Tan highlights a paper published by market research firm IDC in July 2020, which analysed core banking platform architectures by setting out a definition of the attributes of a so-called "next-gen" banking platform. Tan says that MÖBIUS has fulfilled all 25 definitions set out in the paper, making MÖBIUS a truly next-gen banking platform.

"It is cloud-native, has a fully digital core banking processing component, is platform-agnostic, and can deliver out of the box what we call microservices, that contain all the functionalities of digital banking offerings," he explains.

MÖBIUS is now implemented in four bank sites, and Tan says the solution is creating substantial interest, not only among the group's customers but also financial services players.

Moving forward

With a rapidly digitalising world and the group poised to take advantage of it, what's next for Silverlake Axis?

A key aspect, of course, is to make sure the group's offerings are up-to-date, are relevant, and continue to suit the market demand.

To that end, Tan reveals that Silverlake Axis invests in internal product development as well as scours the technology landscape for anything that might be suitable for its client requirements.

Tan says that the key competency that the group holds since its founding some three decades ago is product manufacturing and product creation. This is enabled by not only recruiting but also keeping strong talent within the group.

This allows Silverlake Axis to "continue to develop world-class products and solutions", he says, adding that the group will not shy away from investing in building relevant solutions for its customers and the marketplace.

Unlike property developers or mall owners, the group has hardly any tangible assets. Rather, what really makes the group valuable are its people, who are there "to innovate, to build relevant products, who can sell these products, install, and support these products for our clients", says Tan.

To this end, Tan is placing a strong emphasis on retaining Silverlake Axis' employees with the relevant skill sets in this fast-changing tech landscape. For one, they spend about a full day every fortnight in training and development programmes to update their skills.

Furthermore, Tan says Silverlake Axis has cultivated a very strong culture that allows "people who want to be at the cutting edge of technology can come and grow with us". In short, it is about "investing in talented people," he adds.

He points at the group's retention numbers, explaining that the overall attrition rate is in the single digits per year. This, Tan thinks, speaks for itself, adding: "This is a strong testament as to how we motivate and retain our key people."

Moving forward, Silverlake Axis' key strategy will be centred around its MÖBIUS platform for its clients, and Tan explains that this will be the future in terms of how the group positions upgrade paths for its current customers and their products.

In a message to shareholders, Tan pointed to the group's track record — "we've been here [in this space] solidly for 30 years", in contrast to competitors that have come and gone, he says, adding: "We're here for the long game." E

Barramundi's Oslo listing affords better growth ahead of potential SGX listing

BY **JEFFREY TAN**
jeffrey.tan@bizedge.com

Barramundi Group, which operates the biggest barramundi or sea bass farms in Singapore and Australia, could have gone for an IPO on the **Singapore Exchange** (SGX).

But a listing here may not be the most ideal platform for its growth ahead. Hence, the Singapore-incorporated company chose to undertake the IPO on Oslo Stock Exchange (OSE), particularly the Euronext Growth Oslo.

On Aug 12, the stock made its debut at NOK14.75 ($2.29), marginally higher than its IPO price of NOK14.70. It closed at NOK14.70 on Sept 6, giving it a market cap of NOK593.4 million.

Barramundi Group raised about NOK130.8 million from the private placement prior to listing. Of this, NOK119.1 million is from the issuance of new shares. The proceeds will be used for the company's growth plans ahead.

Andreas von Scholten, CEO of Barramundi Group, admits that the company had considered a listing on SGX, and even on the London Stock Exchange and **Australian Securities Exchange**. But in the end, the company settled for Oslo because the market there was more conducive for its growth.

For one thing, a Norway-listing would provide better visibility for Barramundi Group to market its products in Europe. von Scholten notes that the company's Kühlbarra and Fassler brands are already well known in Asia and the US whereas Europe is the "last frontier", he says.

"So, we kind of thought it would be good to use the listing in Europe to create more awareness, more exposure of our company, to really highlight that that is one of the places that we are looking to grow into in the future," von Scholten tells *The Edge Singapore* in a recent interview.

Secondly, the Norwegian exchange is a top listing destination for aquaculture companies, just like how Nasdaq is for technology companies and SGX is for REITs. According to von Scholten, 80% of the world's aquaculture companies are listed in Oslo.

"Because of that, a lot of the investors know about the space. And we've seen, it's not just mature companies listing, it's also growing companies like ours that are really becoming big companies," he says.

And with that, the profile of investors in Oslo can also fetch a better valuation for Barramundi Group given the company's loss-making status. For 1HFY2021 ended June 30, the company registered a net loss of $6.4 million on the back of $17.1 million in revenue. The 1H loss accounted for 73% of its FY2020 loss of $8.8 million.

According to von Scholten, Singapore investors tend to perceive companies that are loss-making as non-attractive investments. "But in Norway, it's very normal because it's all about investment into the future. We have [received] very little [queries] on why we are not profitable. Because that is the case for most of the new companies that have arrived in Norway," he says.

That said, Barramundi Group has some notable Singapore investors following the IPO. Temasek Life Sciences Laboratory (TLSL) is the fifth-largest shareholder with a 5.1% stake in the company. TLSL is a beneficiary of Temasek Trust. It is affiliated with the National University of Singapore and the Nanyang Technological University.

Then, there is Far East Ventures, which owns a 4.9% stake in the company, making it the sixth-largest shareholder. Fast East Ventures is the venture capital arm of property developer Far East Organization.

ALBERT CHUA/THE EDGE SINGAPORE

Von Scholten: In Norway, it's very normal because it's all about investment into the future. We have [received] very little [queries] on why we are not profitable. Because that is the case for most of the new companies that have arrived in Norway

Southern Capital Management is the seventh-largest shareholder with a 4.8% stake in the company. Southern Capital Management is a private equity firm with offices in Singapore and Kuala Lumpur.

Barramundi Group's top shareholder is Warif Holdings with a 10.8% stake in the company. Warif is an entity owned by the Bruneian government.

'Salmon of the tropics'

No doubt, Barramundi Group's Oslo listing is a loss for the local stock market. Had it been listed here, Barramundi Group would be the second listed fish farm company apart from ornamental fish breeder and seller **Qian Hu Corp**.

Still, Barramundi Group could eventually undertake a dual listing on SGX. von Scholten explains that OSE and SGX have an agreement that allows companies listed on the Mainboard of either exchange to easily pursue a second listing on the other. Of course, the company would have to transition to the Mainboard of OSE first, before initiating the dual listing.

"At that point, when you're on the Mainboard, that is when the dual listing is applicable," he says. "I would say it might not be too long before we could look at that."

For now, von Scholten says Barramundi Group is focused on growth ahead. The company plans to increase its annual production of fish to 7,000 tonnes by 2026 from 2,000 tonnes currently.

The higher production will be driven by a new fish farm recently established in Brunei. von Scholten says it will take two years of gestation before the fish are ready to be sold. The expansion of the existing farms in Singapore and Australia should also help increase production. Beyond that, the company is looking to add a fourth fish farm that could likely be in Southeast Asia.

When asked how soon Barramundi Group can achieve profitability, von Scholten believes the company's Singapore operations will be in the black first, followed by its Australian operations. "We're investing millions and millions of dollars in something that will pay off five years from now," he says.

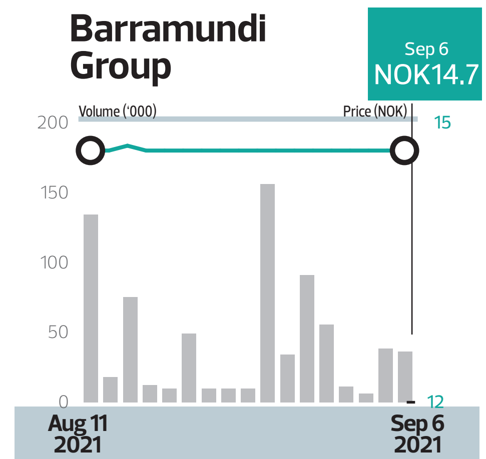
Irrespective of when the company achieves profitability, von Scholten believes the prospects are bright for Barramundi. He believes the scaly, premium white fish – a native of Australia – has the potential to become the "salmon of the tropics". As the global population continues to increase in tandem with a growing middle-income segment, there is going to be an exponential demand for protein, he says. This is especially the case for Asia.

"A lot of that growth in the middle class will come from Asia and that puts us really in the epicentre of that expected growth," says von Scholten. "I mean, this is the Asia century, right? So, this is already happening, but will be further accelerated in the future."

In addition, von Scholten believes Barramundi tastes better than other species of fish. "There are some other fish that are not really high in quality and can taste muddy," he says. "But Barramundi grown in the sea has a really nice taste."

Barramundi Group currently supplies its products to over 1,600 restaurants, hotels, retailers and others across Southeast Asia, North Asia, Australia and the US. In Singapore, these include Marina Bay Sands, **Singapore Airlines** and Thomson Medical. The company's products can also be found in NTUC FairPrice outlets under the brands Fassler and Kühlbarra.

BLOOMBERG



'They vaccinate fish?'

Barramundi Group was founded in 2008 by two former executives of **Mowi**, formerly known as Marine Harvest, the world's largest producer of salmon. One of them was Johannes den Bieman, who is now chairman of Barramundi Group.

According to von Scholten, the decision to establish Barramundi Group here was largely driven by the strong support provided by Singapore. He says he was surprised at how the Singapore government had been thinking seriously about food security even before the Singapore Food Agency had targeted the city-state to produce 30% of its own food supply by 2030 under the 30 by 30 goal. "Attracting these kinds of companies to Singapore was deemed very important," he says.

As for von Scholten, he had worked in multiple industries before joining Barramundi Group. Originally from Denmark, von Scholten moved to Asia 12 years ago. He was an M&A consultant at Deloitte for more than seven years. In 2010, he joined medical equipment supplier Coloplast, holding various leadership roles in Beijing, Shanghai and Hong Kong during his time there.

In 2015, von Scholten joined animal vaccine producer Pharmaq, which had been acquired by private equity firm Permira. von Scholten says he made the career switch after discovering how lucrative the animal vaccine market was, especially for fish.

"In Hong Kong, I was called up by this lady who worked with a private equity firm that said I should join [Pharmaq since it] was doing vaccines for fish. And my first reaction was: they vaccinate fish? I didn't know that was a thing," he says.

"But then she told me: '[Pharmaq is] a world leader in vaccines for fish, but predominantly salmon. Asia has 90% of the world's aquaculture production, but 0% is vaccinated. That's your opportunity.' So, I said this was something very exciting and I joined the company," he adds.

While at Pharmaq, von Scholten came across Uvaxx, a wholly-owned subsidiary of Barramundi Group. Uvaxx develops and supplies proprietary autogenous vaccines for Barramundi Group and third-party farm operators. It has created seven proprietary vaccines and has been granted an additional 13 active licences of vaccines for use.

One thing led to another, and he was subsequently offered a job at Barramundi Group, says von Scholten. The company, he adds, was in line with his values and he saw tremendous potential in it. "And so when I met the top leadership of Barramundi Group and discovered their vision, I said: 'Yes, I'll be happy to lead the company'," he says. E

CHEW ON THIS

Investing culture: A tale of two cities

BY CHEW SUTAT

Q: Why can't I make money in the Singapore market?
A: Well, you can also lose money in 2021 punting **GameStop**, Chinese techs and even **Tesla**.

Every so often, our local media features success stories of some unnamed investor making quick bucks in the US, Hong Kong, or from some kind of sexy foreign investment. These articles typically wax lyrical about how local investors have lost tons of money with no end in sight from perilous illiquidity in Singapore. Both jaded pundits and bright-eyed cub journalists alike parrot these comments as the gospel truth.

Of course, a spectacular fall from grace, or sob story, is a lot more sensational when juxtaposed with the shiny new toy — be it the latest crypto, high-margin products pushed by the financial institutions, or even nickel scams offering hope that springs eternal — in glistering distant shores.

In so doing, have we dug ourselves into a hole where through collective misery, some quit and go elsewhere, perpetuating a vicious cycle?

Where are the pots of gold that have enabled legions of educated, silent investors to quietly live off passive income, or profit from the market for holidays and early retirement? Is our Singaporean culture of being champion complainers irreversible?

This is the first of a three-part column on this topic examining the ingredients that make up this toxic self-flagellating cocktail, under an acronym that will be familiar to investors and finance professionals alike — CKA. (Just to be sure, the actual CKA stands for Customer Knowledge Assessment, which is required to be performed by financial institutions on their clients who disclaim their rights away.)

This week, we look at: *Culture*: A tale of two cities. This will be followed by *Knowledge:* Lies, damned lies and statistics; then *Assessment*: Who's fault is it anyway?!

Market darlings — Love them, but leave them before they leave you

In early 2015, everyone I met in a week-long trip to Hong Kong — institutional and retail brokers, corporate finance bankers, analysts, proprietary traders, hedge fund managers, down to retail investors in the *cha can tang's* on Wellington Street in Central — were talking only about one stock: 566.HK — Hanergy Thin Film Power Group.

In Cantonese, the stock code (retail punters in North Asia only recall the code and not the stock name or even what they do, when they speculate) sounds like "never ever go down". Indeed, it never did (almost) on a two-year run that saw it reach a market capitalisation of HK$300 billion ($60 billion). In March 2015, following a 75% surge in its share price in just three days, its founder Li Hejun was crowned China's richest person.

Starting from early 2015, the *Financial Times* did a series of exposé, including one that hit the front page. Among others, FT questioned the "breakneck" growth reported by the company, and looked at how Hanergy tapped funding from China's then-notorious shadow banking system, and how it claimed to make net margins of 50% even when other Chinese solar panel makers were mired in the red. On May 20, 2015, the stock blew up. It plunged 47% in just 24 minutes.

BLOOMBERG

Hong Kong's Exchange Square complex, which houses the stock exchange. In Hong Kong, investors and punters only talk about the winner and never about the one that got away

As the elevator went down, the HK$300 billion mirage disappeared. Its price collapsed so swiftly, leaving no escape hatches for even the dim sum trolley ladies of Mongkok. The stock was suspended for five years, and the Securities and Futures Commission of Hong Kong launched a probe. It was eventually delisted in 2020.

Interestingly, this cautionary tale of pump and dump has largely been forgotten.

Hanergy TFP's HK$300 billion, or $60 billion, in vapourised market value is 7.5 times that of the $8 billion in paper market capitalisation wiped out in the October 2013 rout of three Singapore penny stocks: **Blumont Group**, Asiasons Capital and LionGold Corp (collectively dubbed the BAL shares). The long-running trial of the two masterminds started in March 2019 and ended on June 30, and the verdict is being awaited. A third co-accused has pleaded guilty and testified on behalf of the prosecution.

Relatively speaking, even at their overvalued peaks, the BAL shares can only be rightly described as small-caps or at best, mid-caps. In contrast, Hanergy TFP was going to be a key constituent of North Asian indices, where passive fund managers will be forced to buy as it was a big cap worthy of FT's front page.

Culture shock

Back in Hong Kong, in July 2015, I attended a dinner with many market actors who were caught in the Hanergy debacle, willingly or otherwise. A memorable part of the dinner conversation was descriptions of a lavish, all-expense-paid party, whose highlight was playing polo in Mongolia. The attendees were supposedly analysts and bankers persuaded to help the street gain confidence.

Even if they did not attend that party, everyone in the room had exposure. They had either extended margin lending to punters of Hanergy, or had borrowed to invest in the stock. As

BUSINESS INSIDER

Hanergy's energetic leap

a naive *sang ka por zai* (Singaporean young man), I asked the stupid question: "How's everyone with the blow-up?"

The lesson I received was worth reflecting on. "That's the problem with you lot in Singapore," I was told. In stock investing, there are booms and there are busts. There are gains and there are losses. Whether the market is developed or emerging, if you get 5/10 correct, you are already a hero. Even more so if you can let your winners run a bit longer and cut your losses a bit earlier.

In Hong Kong, you *only* talk about your winners. You can be the one owning the bungalows at the top of Victoria Peak, or you can be a mere punter trading via the small bucket tail of 500-plus retail brokerages. Either way, you never talk about the one that got away. Punters and investors look for the next story and opportunity.

Sure, some people get carried out, but that's the market — it moves on. There is vibrancy, even as protests on Lehman Mini Bonds at the HSBC building in Central continued on in its own corner for years after 2008. Hanergy's HK$300 billion wipeout has become a footnote in history. The market has moved on and when it was delisted eventually in 2020, there was hardly a mention in the news.

Here in Singapore, the winners keep quiet and we hardly talk about them. However, the dead horses are flogged continuously as a salubrious tale — whether as calls to improve investors' education, lamenting about corporate governance, calling for more regulation, or for self-rationalisation as to why there is less interest and liquidity in local stocks (as it appears to some). As my Hong Kong counterparts have correctly pointed out, we get stuck in a groove by talking the market down ourselves.

Earlier in August, the Hong Kong markets had yet another period of rock and roll. Year to date, the Straits Times Index (STI) had outperformed the Hang Seng Index, the Hang Seng China Enterprises Index and Hang Seng TECH Index — with less volatility to boot.

Yet, there was a steady parade of editorials, articles, blogs, tweets and retweets from experts and pundits bemoaning the same old themes: serial underperformance of the STI (no matter the irony); "I lost a lot of money on SGX"; who is to blame for selling Hyflux's perpetual securities; ramifications of the 2013 BAL saga, and so on.

Or, resurfacing the S-chips debacle from the last decade — which came off its "peak" after 2008 — when the tide of the Global Financial Crisis carried everything out.

Fortunately, the Clob (Central Limit Order Book) episode of 1998 is not fashionable talk anymore.

Quo vadis?

Hanergy is not unique. Just look at Hong Kong's infamous "Enigma Network" — dozens of small caps with cross-holdings which suffered huge, sudden losses of around 90% in June 2017. Such is the mystery of manipulation that is inflicting many small caps. You don't have to look at the Pink Sheet OTC markets in the US, or as far back as 2001's Enron. Just look at **Luckin Coffee**, **Wirecard** (whose troubles surfaced last year), the debut of **Didi Global** in June this year, the meme stock phenomenon earlier this year, and more recently, the China tech meltdowns.

True, every retail investor who loses money matters. It is someone's savings after all. However, let's have some context: the $8 billion market cap lost from BAL is less than 1% of Singapore's total market capitalisation then. Around 180 trading accounts were involved — and most of which were beneficially held by the same individuals who are now pointing fingers at one another. Yes, quite a few remisiers and trading representatives were carried out in the wake of the crash, but the wider damage in terms of actual money lost was relatively contained.

But how do we move on as a marketplace if the power of the Fourth Estate, supercharged with social media, refuses to forget? Do we send our investors and capital to support other markets, or rediscover our mojo here? On a per capital income and wealth measure, we rank right up there!

How do our SMEs get equity financing at IPO or post-listing liquidity to grow to become regional champions and global unicorns, if we, as investors, are promiscuous? We need to mature as individuals and as a marketplace.

We need to take responsibility for our own choices if they go wrong. Do some homework, for a start. For example, read the *Small Change* investment books written by retired journalist Goh Eng Yeow. As David Gerald, founder, president and CEO of Securities Investors Association of Singapore, quips, SIAS actually stands for "Smart Investors Always Succeed".

Perhaps put your money to work here first, before moaning about liquidity the next time a journalist calls. After all, are you trading or investing $5,000 or $5 million per stock? If it is the "k" and not the "m", let's just get on with it. E

Chew Sutat retired from Singapore Exchange (SGX) in July this year as senior managing director, and had been a member of SGX's executive management team for 14 years. He serves on the board of ADDX and chairs its listing committee. Chew was awarded FOW Asia Capital Markets Lifetime Achievement Award this year

TONG'S PORTFOLIO 32 | FUNDS & ETFs 34 | CHINA VIEW 36
INSIDER MOVES 37 | RIGHT TIMING 38 | BROKERS' DIGEST 38

CAPITAL

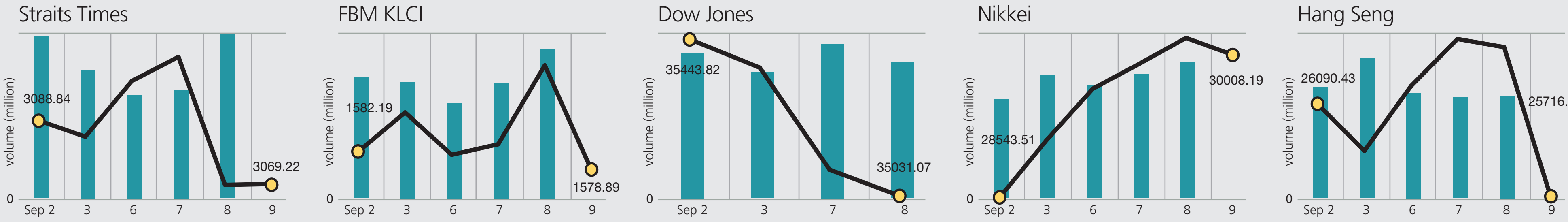
Income stocks that wow JP Morgan

See Page 34

Stocks held by JP Morgan Global Income Fund include Swiss multinational healthcare company Roche

BLOOMBERG

HIGHS & LOWS



TONG'S PORTFOLIO

Covid-19 is a highly emotive subject — read, think before jumping to conclusions

BY ASIA ANALYTICA

Misinformation on Covid-19 vaccines really is prevalent! We read, over the weekend, an analysis by one Dr Joseph Mercola, claiming that vaccines do not work because in the UK and Israel, the majority of those currently hospitalised are fully vaccinated. He very cleverly argues his case using carefully curated data, including from reliable sources such as Public Health England (see Chart 1). This is the chart that is being shared widely on social media. It is frightening, isn't it, that vaccines are apparently failing to protect people?

As we have written before, Covid-19 is a very emotional subject for most. We think this is why even very intelligent people looking at this chart are quick to jump to conclusions and believe in the worst, without taking pause to think it through.

The New York Times calls Mercola, "The Most Influential Spreader of Coronavirus Misinformation Online". Why are we writing about this? The report is definitely crafted to mislead, yes, but we are compelled to rebut the claims because they are extremely dangerous — he is actively trying to convince people to say no to any and all future vaccine shots, thus endangering both lives and livelihoods.

We are not going to dispute the accuracy of the figures in Chart 1. On the contrary, this very result is a mathematical certainty. And we will prove this to you with simple mathematics (see Table 1). Furthermore, we will corroborate this with actual real-world data. We must, again, emphasise that statistics need to be looked at in totality, not by being selective. Data can very easily be manipulated and managed to suit the agenda.

Let us assume a hypothetical country with a population of one million. In scenario A, Covid-19 was introduced into a wholly unvaccinated population. At an infectivity rate of 1%, there will be 10,000 positive cases. Obviously, 100% of these 10,000 people must be unvaccinated; in other words, 0% of the infected are vaccinated (since no one is vaccinated).

In scenario B, 20% of the population have now been vaccinated. Assuming a breakthrough rate of 20%, the total number of cases = (800,000 unvaccinated people x 1% infectivity rate) + (200,000 vaccinated people x 20% breakthrough rate x 1% infectivity rate) or equivalent to 8,400. The percentage of cases who are vaccinated = 400/8,400 or 5%. Note that this percentage is higher than in scenario A (which is zero).

In scenarios C and D, more of the people are vaccinated, 50% and 80% respectively. Using the same formula, vaccinated people now account for an even higher 17% and 44% respectively of the total case numbers.

Finally, in scenario E, 100% of the population are fully vaccinated. Anyone who is subsequently infected MUST be vaccinated simply because no one remains unvaccinated. Mathematically, 100% of the infected must therefore be fully vaccinated.

In short, the higher the percentage of the population vaccinated, the higher the percentage of vaccinated people who will make up the total cases. This is statistical truism. The point is, the aim of misdirecting attention to just one figure — the percentage of cases/hospitalised/deaths who

Global Portfolio

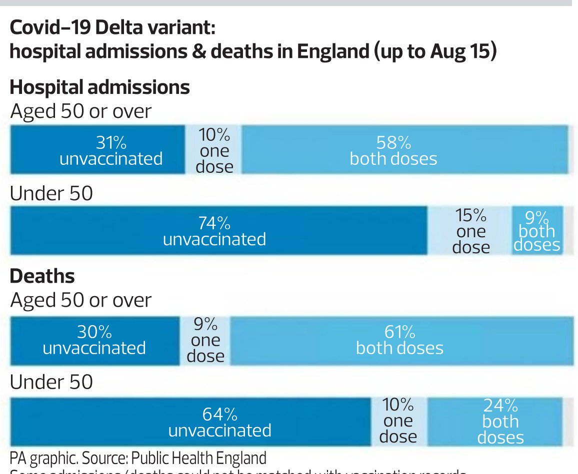
	QUANTITY	AVERAGE COST (US$)	COST OF INVESTMENT (US$)	CURRENT PRICE (US$)	CURRENT VALUE (US$)	GAIN/(LOSS) (US$)	GAIN/(LOSS) (%)
SHARES HELD							
Adobe	40	297.5	11,898.3	663.2	26,528.8	14,630.5	123.0
Alibaba Group Holding	1,200	31.0	37,220.8	22.0	26,373.8	(10,847.0)	(29.1)
Alphabet-Cl A	22	1100.8	24,218.3	2,873.8	63,224.0	39,005.7	161.1
Amazon.com	13	3248.9	42,235.6	3,525.5	45,831.5	3,595.9	8.5
Apple	300	132.4	39,709.1	155.1	46,533.0	6,823.9	17.2
Bank of America	1,900	25.6	48,667.7	40.8	77,482.0	28,814.3	59.2
Builders FirstSource	750	24.5	18,402.9	54.1	40,597.5	22,194.6	120.6
General Motors Co	700	60.0	42,010.8	49.0	34,279.0	(7,731.8)	(18.4)
Home Depot	130	216.5	28,142.4	331.6	43,105.4	14,963.0	53.2
Johnson & Johnson	175	136.8	23,948.6	171.9	30,082.5	6,134.0	25.6
Microsoft	270	186.6	50,380.9	300.2	81,056.7	30,675.9	60.9
ServiceNow	95	263.9	25,067.4	653.8	62,111.0	37,043.6	147.8
Singapore Airlines	17,500	2.8	48,522.6	3.7	64,366.9	15,844.3	32.7
Taiwan Semiconductor-ADR	500	79.6	39,810.2	121.9	60,945.0	21,134.8	53.1
The Walt Disney Co	430	174.7	75,130.0	185.2	79,614.5	4,484.5	6.0
Total shares held			**555,365.5**		**782,131.7**	**226,766.2**	**40.8**
Cash balance (as a % of portfolio)					46,942.6		5.7
Realised profits/(losses)					102,396.4		
Week's change							
Portfolio							0.2
MSCI World Net Return USD							-0.1
Portfolio returns since inception			**500,000.0**		**829,074.2**	**329,074.2**	**65.8**
Portfolio returns (annualised)							**17.7**
Portfolio beta							**1.14**
Risk-adjusted returns since inception							**58.0**

PERFORMANCE COMPARISON	AT PORTFOLIO START	CURRENT	CHANGE	RELATIVE PORTFOLIO OUTPERFORMANCE
MSCI World Net Return Index	5,927.2	9,466.2	59.7%	6.1%

Footnote:
Current price is as at Sept 8, 2021 or last close
Portfolio started on Dec 18, 2017 with US$500,000
All returns and stock prices are reflected in equivalent US dollar terms
MSCI World Net Return Index is as at Sept 8, 2021 (GMT+ 8) or last close
Data sourced from Bloomberg

Chart 1

Should we all be very afraid?



PA graphic. Source: Public Health England
Some admissions/deaths could not be matched with vaccination records

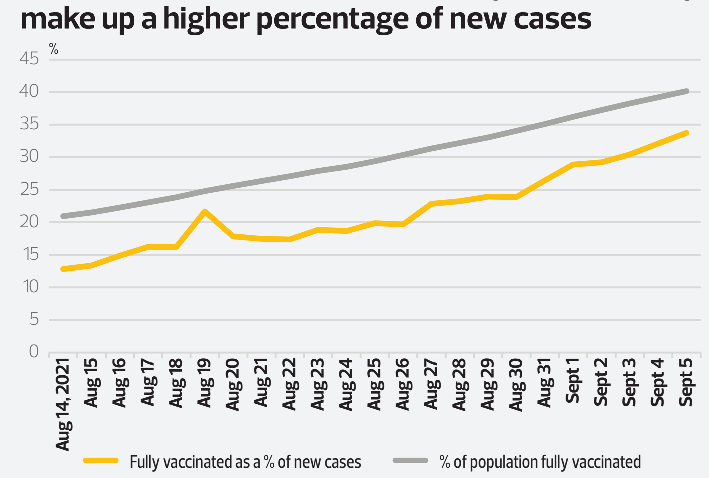
Table 1

Absolutely not — and we prove this with simple mathematics

Total population	1,000,000				
Infectivity rate	1%				
Breakthrough rate	20%				
Scenario	**A**	**B**	**C**	**D**	**E**
Population unvaccinated	100%	80%	50%	20%	0%
Population vaccinated	0%	20%	50%	80%	100%
Total positive cases	10,000	8,400	6,000	3,600	2,000
- cases who are unvaccinated	10,000	8,000	5,000	2,000	-
- cases who are vaccinated	-	400	1,000	1,600	2,000
% of cases who are unvaccinated	100%	95%	83%	56%	0%
% of cases who are vaccinated	0%	5%	17%	44%	100%

Chart 2

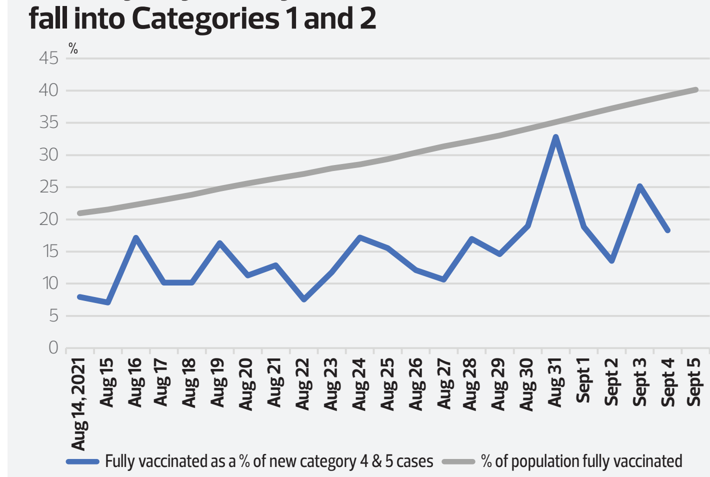
As more people are vaccinated, they will inevitably make up a higher percentage of new cases



MOH

Chart 3

The majority of fully vaccinated fall into Categories 1 and 2



MOH

are fully vaccinated — is to distract you from seeing the whole picture. The most important data is the falling total number of cases, hospital admissions and deaths — naturally, not shown in the report — as the vaccination rate rises. We will most certainly show this a little later in the article.

There will still be positive cases because breakthroughs happen. No vaccine is ever, or claims to be, 100% effective, especially with the highly contagious Delta variant. But clearly, scenario E (100% population vaccinated) with only 2,000 cases is far, far better than scenario A (100% unvaccinated), where 10,000 people are infected.

Let us look at real-world numbers in Malaysia. Fully vaccinated people (defined as 14 days after second dose) accounted for 12.8% of total new cases on Aug 14, when only 20.9% of the total population had been fully vaccinated. Since then, Malaysia has ramped up its vaccination rate. As at Sept 5, some 40.1% of the total population were fully vaccinated. Accordingly, the percentage of those fully vaccinated making up total cases also rose in tandem, to 33.7% (see Chart 2).

But this higher percentage is nothing to fear. As we said, it is mathematically inevitable, as more and more people are inoculated. Notably, of the 20,396 confirmed positive cases (on Sept 5), 98.4% fell into Category 1 (no symptoms) and Category 2 (mild symptoms). Put another way, the percentage of those fully vaccinated falling into Categories 3 to 5 was disproportionately lower (see Chart 3).

The results are the same in Sarawak, which reported a record high of 3,747 cases on Sept 5, of which 99.7% were in Categories 1 and 2. Only 10 of the 3,747 cases were in Categories 3 to 5. Sarawak is one of the highest vaccinated states in Malaysia — 63.6% of the total population (87.7% of adults) have received two doses.

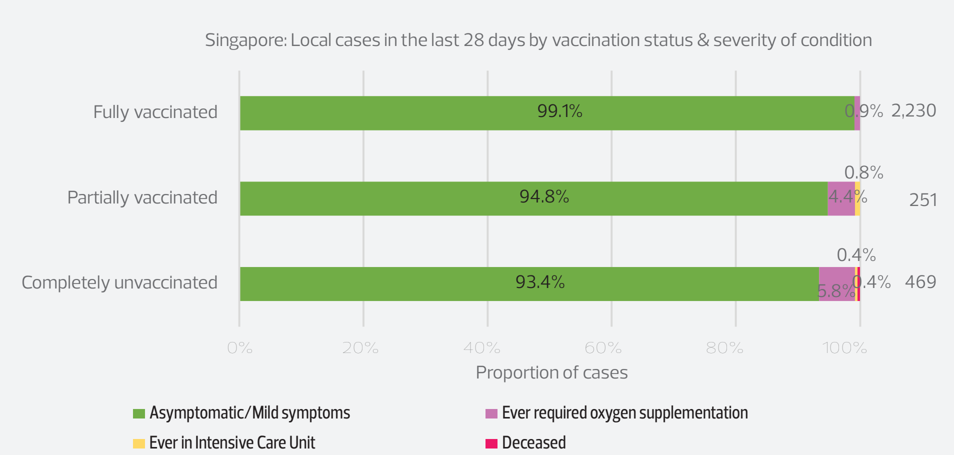
Similarly, in Singapore, fully vaccinated people accounted for 76% of total new cases in the past 28 days (see Chart 4). But the percentage of these people falling severely ill is far lower than for the unvaccinated, at only 0.9%.

The UK (where 72.3% of the population have at least one dose) and Israel (66.4%) are among the world's most vaccinated nations. Hence, it is not at all surprising that a higher percentage of the infected are also fully vaccinated (as argued in the report). The most critical goal of vaccines is to protect against severe illness and deaths. Charts 5 to 8 prove just that — despite rising infections, cases and, more importantly, deaths in both the UK and Israel remain well below previous peaks.

Mobility for the UK and Israel has returned to pre-pandemic levels. Israel lifted almost all Covid-19 restrictions on June 1 while the UK ended all restrictions including mask mandates on July 19. Increased social and economic interactions among the people will translate into higher case numbers.

Chart 4

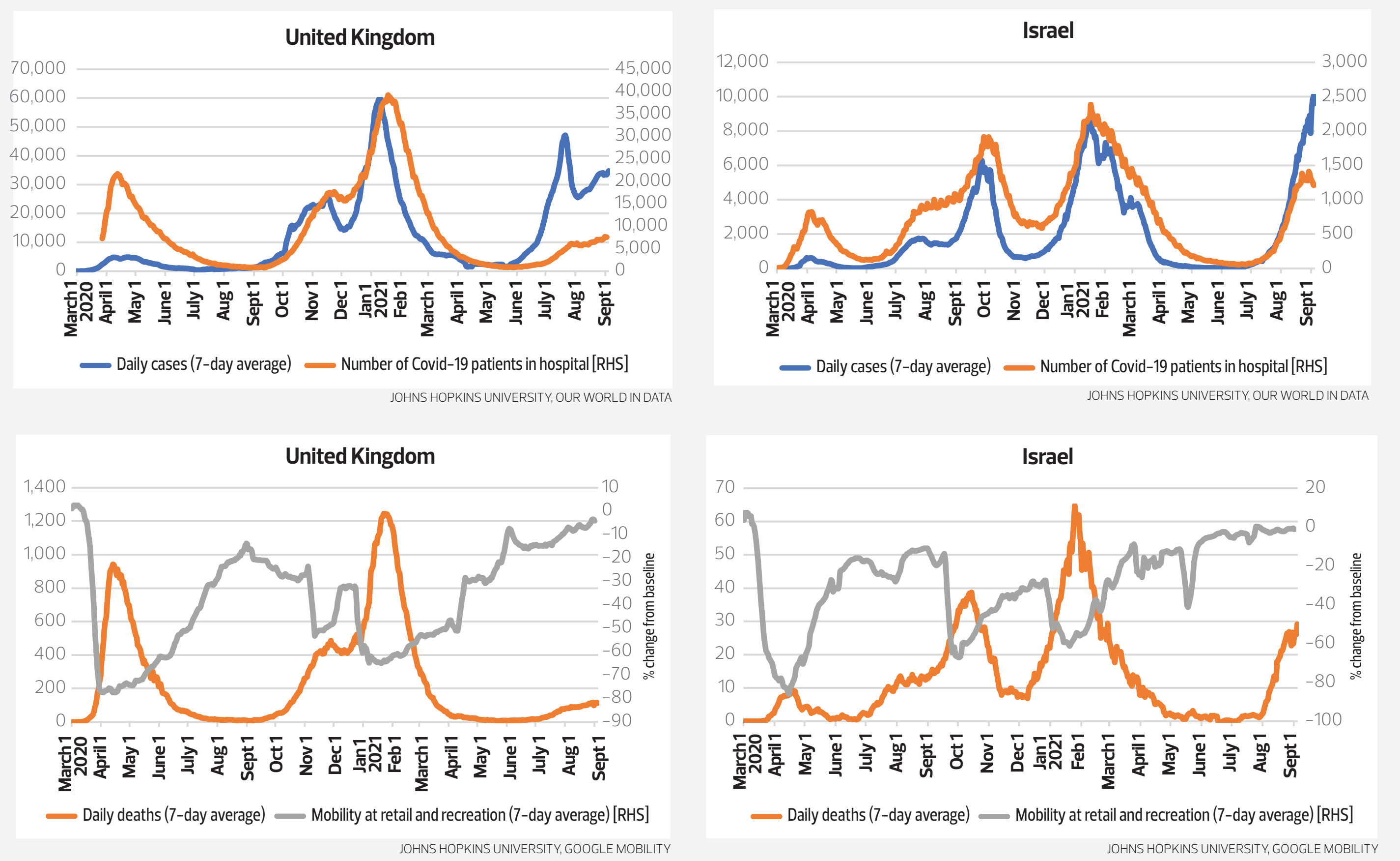
In Singapore, vaccinated people accounted for 76% of new cases



SOURCE: MINISTRY OF HEALTH SINGAPORE

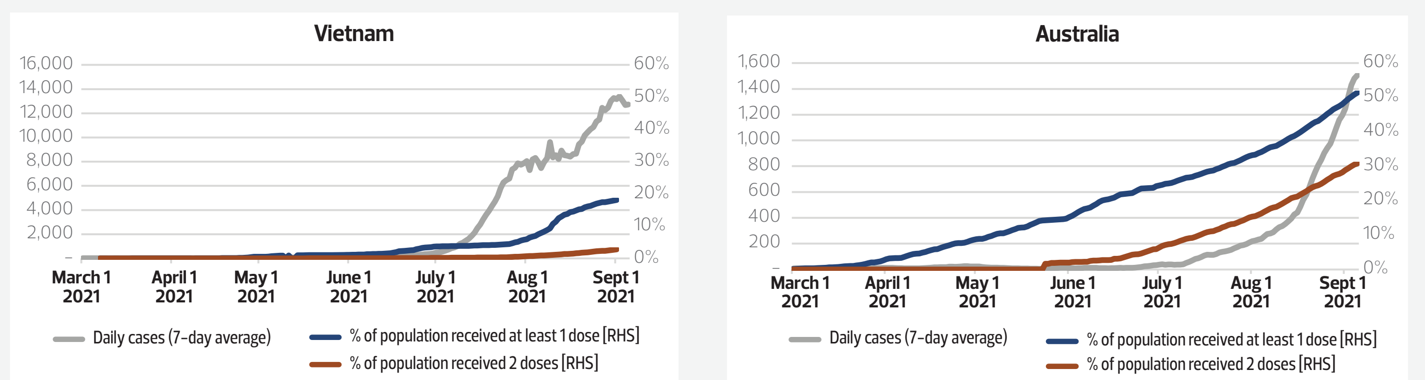
Charts 5 to 8

Infections would surge with rise in mobility — if vaccines don't work



Charts 9 and 10

Delta-driven surge in cases in countries with low vaccination rates



The fact that cases are NOT exponentially higher now (with no restrictions) than at previous peaks (when there were stringent movement restrictions), and given the highly contagious Delta variant, is evidence that vaccines work! Importantly, hospitalisations and deaths in both countries remain well below previous peaks.

The proof is even starker when compared against countries with low vaccination rates that are now seeing a Delta-driven surge in cases, across Asean and including countries that had very successfully contained the outbreak earlier such as Vietnam and Australia (see Charts 9 and 10).

That said, the outbreak in Israel does appear to be worsening compared with the UK. The higher level of breakthrough cases is attributed to the waning efficacy of the Pfizer vaccine (according to its government's data). Israel was one of the first countries to very quickly ramp up vaccination, faster than the UK. It is currently giving a third booster shot to all those who have received their second dose, with a five-month gap.

We still do not fully understand the virus, which is constantly evolving. But it seems quite clear now that the Covid-19 pandemic will not end anytime soon. Facing Covid-19 as an endemic disease (that we have to live with) will require a change in mindset for people. We need to be self-disciplined and vigilant in following the standard operating procedures (for the foreseeable future), including mandatory face masking, personal hygiene and regular self-testing. But at the same time, we must also break away from the crisis mode, the pervasive fear and anxiety that we have been in for the past 19 months. Life must move forward and all social and economic activities must resume, as closely as possible, to the way they were.

We must accept the fact that everyone will most likely be infected (and reinfected) at some point in their lives. The key is that those vaccinated will probably be asymptomatic or have mild symptoms. It will be similar to catching the flu, in which case you stay home until it blows over. This will not tax the healthcare system. Some rare cases may require hospitalisation and in very, very rare instances, they may be fatal. It is not a sign that vaccines do not work — as all the above evidence shows, vaccines remain highly protective against severe illness. The option of continued lockdowns for extended periods of time is not without costs, including to lives, not just livelihoods. This is the reality of life's choices.

The Global Portfolio gained 0.2% for the week ended Sept 8. **Alibaba Group Holding** (+3.5%), **Home Depot** (+2.5%) and **Apple** (+1.7%) were the top gainers while the notable losers include **Singapore Airlines** (-2.3%), **Johnson & Johnson** (-1.1%) and **Alphabet** (-1%). Last week's gains lifted total portfolio returns to 65.8% since inception. The portfolio is still outperforming the MSCI World Net Return Index, which is up 59.7% over the same period. E

Disclaimer: This is a personal portfolio for information purposes only and does not constitute a recommendation or solicitation or expression of views to influence readers to buy/sell stocks, including the particular stocks mentioned herein. It does not take into account an individual investor's particular financial situation, investment objectives, investment horizon, risk profile and/or risk preference. Our shareholders, directors and employees may have positions in or may be materially interested in any of the stocks. We may also have or have had dealings with or may provide or have provided content services to the companies mentioned in the reports.

FUNDS & ETFs

Capturing opportunities in attractively valued income-generating assets

BY **KHAIRANI AFIFI NOORDIN**
khairani.noordin@bizedge.com

After an eventful 2020, investors are now seeing bright spots starting to emerge. One such bright spot that has taken place is a powerful economic rebound, which is expected to deliver annualised global real GDP growth exceeding 8% in the middle two quarters of this year, according to JPMorgan Global Income Fund portfolio manager Eric Bernbaum.

Partially driven by the gradual easing of pandemic impact concerns and the expedition of global mass vaccinations, Bernbaum says the strong economic rebound has yet to be fully priced by the market, resulting in historically cheap dividend-paying stocks.

"Dividend stocks are more underpriced relative to growth stocks than they have been in a quarter century. This is despite the fact that dividends have been quite resilient in 2020, more so than in previous recessions. In fact, 70% of companies in the S&P 500 and 40% of companies in Europe have maintained or increased dividends in 2020 and are forecasting strong future dividend growth," says Bernbaum.

In a recent interview with *The Edge Singapore*, Bernbaum says historically — especially at periods of time when such valuation dispersion existed — a strong total return and relative returns over the next 12 to 24 months can be observed. This, however, is not guaranteed.

He adds: "Last year, when we started to see more fundamental improvement in terms of economic growth and earnings data, we started to increase the fund's equity exposure quite meaningfully [after a de-risking exercise]. While this was done across a diversified basket of regions of both developed and emerging markets, most of the increase occurred in Europe, which was the highest dividend-paying region and also a market we felt was very well positioned to benefit from the global recovery."

JPMORGAN GLOBAL INCOME FUND

Bernbaum expects global growth to remain strong in the second half of 2021 and into 2022, but the spread of the Covid-19 delta variant could potentially slow down the full reopening of economies

JP Morgan Global Income Fund is a US$28 billion ($37.7 billion) fund investing primarily in a portfolio of global income-generating securities through the use of derivatives. It aims to provide investors with a consistent and potentially attractive income with a traditional balanced risk profile by balancing yield, risk and return.

Over the past one year period, the fund was able to generate total returns close to 18.4% as at end-June. Meanwhile, the sub-fund JPM A (mth) US dollar share class delivered an average yield of 4.2% as at end-August.

Bernbaum expects global growth to remain strong in the second half of 2021 and into 2022. However, the spread of the Covid-19 delta variant remains a potential concern, given how it is believed to be more infectious, as it could potentially slow down the full reopening of economies.

"The European vaccination programme has ramped up significantly — catching up with the US and the UK — and starting valuations for 'reopening' stocks look more attractive than in other regions. While the delta variant does pose a risk to European growth, we feel that the strength of Europe's vaccination programs should support the reopening theme in the medium-term," he says.

He acknowledges that there are some risks moving forward, such as corporate earnings failing to come through, unjustified policy tightening and new vaccine-resistant strains of the virus. Consumer and corporate spending booms also present topside risks, which could possibly be followed by an inflationary episode.

Positioning in a volatile market

"Despite all this, our core case remains above-trend growth well into 2022, driving further upside to global stocks and, eventually, to global yields. We also believe that the recent underperformance of Asia and China, due to worries over policy tightening and vaccine progress, is temporary and that the structural case for Asia remains intact," Bernbaum continues.

The market last year was volatile, affecting various asset classes. Bernbaum says it has impacted how the JPMorgan Global Income Fund was positioned at the onset, during the drawdown and subsequently, in the recovery period.

During the sell-off In March, the firm quickly de-risked the portfolio, which was able to reduce the magnitude of the drawdown. In this exercise, the fund's cash holdings were raised to about 10% to preserve capital and build dry power for buying opportunities.

"What's important to note here is that we were not raising cash because we had to, from an outflow perspective, we were doing it in anticipation that we might experience outflows. We were able to raise the cash from the more liquid areas in the portfolio and avoid the need to be a forced seller of some of the credit markets," he adds.

"By avoiding locking in those losses, we were then able to fully participate in the re-raising of those asset classes. From a return contribution perspective, high yield corporate bonds actually ended up being the largest contributor to the fund's performance in 2020," Bernbaum adds.

New strategy

Last year, the firm also started implementing a covered call strategy using equity-linked notes to take advantage of the high level of volatility in the market. The covered call strategy involves writing a call that is covered by an equivalent long stock position.

The income received from the call option sold provides a small hedge on the stock, allowing investors to earn premium income in exchange for temporarily surrendering some of the stock's upside potential.

The strategy allowed JPMorgan to express a positive view of US small cap equity, a category not typically represented in the income-oriented strategy due to its low-yielding nature. "Due to the high volatility, we were able to generate a very attractive coupon and at the same time maintain potential for upside return capture. This is an area we viewed as very attractive because it had less stretched valuations relative to US large caps and was well positioned to benefit from the economic recovery, on top of adding diversification to our existing equity holdings," says Bernbaum.

While the firm did enter into different equity-linked notes at different points of time, it was able to generally achieve a yield of 5.5% to 6.5%, while having the ability to participate in over 10% upside.

Although volatility has since receded, the team still continues to take advantage of the strategy when there are spikes in volatility. As at July 31, equity-linked notes represent 6% of the fund's asset allocation.

Portfolio resilience

Citing above-trend economic growth, continuing corporate earnings upside and doveish policymakers, Bernbaum says the fund will maintain a higher allocation to stocks, favouring equity exposures that are geared to the continued recovery.

This includes European equities, which continue to benefit from cyclical improvement and which are trading at less demanding valuations versus US stocks.

On the flip side, Bernbaum says he will be more cautious on emerging markets equities, due to recent volatility in part caused by the uptick in Covid-19 transmission rates. "We are also cautious on China, which is obviously a very large representation in broad emerging markets due to the regulatory crackdown on certain sectors like technology and education," he adds.

Bernbaum also notes that the team is also finding interesting opportunities within global infrastructure equities, such as utilities, telecommunications and energy. This is an area that could provide a very attractive risk-adjusted yield of about 4.5%, with underlying securities consisting of real assets that are supported by stable and growing cash flow generation, benefiting from increased infrastructure spending.

According to its July fund fact sheet, JPMorgan Global Income Fund's equity holdings include global equity at 17.4% and European equity at 7.5%. Meanwhile, its top 10 holdings include foundry market leader **Taiwan Semiconductor Manufacturing Company** (0.5%), Swiss multinational healthcare company **Roche** (0.5%) and South Korean multinational manufacturing conglomerate **Samsung Electronics** (0.5%).

The fund also has a notable 5.9% allocation in global REITs, which the firm views as part of its equity exposure. Roughly 65% of its REIT allocations are in the US, while the remaining 35% are spread across developed markets such as Europe, Japan, Australia and Singapore.

"About half is allocated to what the portfolio manager terms as structurally advantaged, those that tend to benefit from long-term secular trends such as industrials, logistics, residential and healthcare. At the same time, there are also allocations into alternatives including cell towers, data centres and warehouses," Bernbaum explains.

The fund is also highly invested in fixed income, including US high yield bonds at 26.3% and European high yield bonds at 7.5%. he says within fixed income, the firm continues to reflect a pro-risk view, with tilts towards US high yield, which continues to be an attractive risk-adjusted yield opportunity.

As the firm expects more volatility over the coming months in the equity markets and fixed income markets, Bernbaum says he believes an allocation to non-traditional asset classes like preferred equities and non-agency securities could help increase portfolio resilience. E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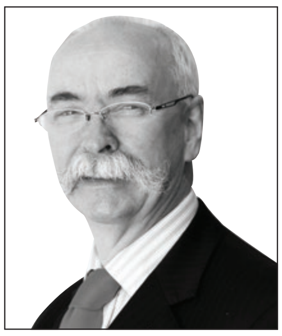
CHINA VIEW

Borderless markets and Beijing's new board

BY **DARYL GUPPY**



A new stock exchange has been announced for Beijing.

Really? Why would you bother to do this?

Does it have anything to do with China moving towards redistributing wealth from the nation's super-rich in order to strive for common prosperity?

Probably not.

If you are thinking remains moored in the 20th century, then you could say the Beijing stock exchange is well situated geographically to serve service-based innovative companies in the Beijing, Tianjin and Hebei areas.

Chinese capital Beijing has the highest level of digital economy penetration in China. The digital giants — **Meituan**, **DiDi**, Bytedance and **JD** — are all also headquartered in Beijing.

This announcement comes as more digital companies are moving to the domestic stock exchanges for listing opportunities.

Some of the private companies will welcome a mixed-ownership structure with local state assets. It is said this makes Beijing an ideal place for listings because it is the centre of government.

But what does it mean in reality for markets and for investors?

Not much: An investor or trader based in Singapore has instant access to the Singaporean market. On the same trading screen, I also have access to Shanghai and Shenzhen exchanges, as well as the Hong Kong, Australian and Malaysian stock exchanges. I also have direct access to the Nasdaq, the New York and the London stock exchanges.

In a digital market, the physical location of the exchange floor is pretty much irrelevant. My buy or sell mouse-click instruction flows just as quickly to the Singapore matching and settlement board as it does to the Nasdaq exchange platform.

With the right choice of broker, all of these exchanges are instantly available and trades can be executed just as quickly on any chosen exchange be it domestic or international.

So, from this perspective a new stock exchange in Beijing is not particularly important. As long as it is linked with trading platforms in the same way as other Chinese and international exchanges then for all intents and purposes it is just a single global market.

To be sure, there are individual irritations in trade settlement procedures and account certification but none of these interrupt the ability to instantly execute orders on these exchanges.

The creation of a third stock exchange has more than symbolic value if the listing requirements are different to those on the Shanghai and Shenzhen exchanges. This is often the case with tech boards, with STAR and GEM boards which have less demanding listing rules in terms of capital and performance. That is why the Nasdaq became the home to internet start-ups.

In this sense, a new Beijing board may deliver some significant differences in the types of listings, including a 30% intra day limit cap and the potential for intra-day and short trading.

The general discussion suggests the Beijing board will favour SMEs but the detail around listing requirements remains unclear.

The danger, as with all of these start-up boards, is that after the initial surge of capital and interest, the boards sink into illiquid markets and from there into irrelevance.

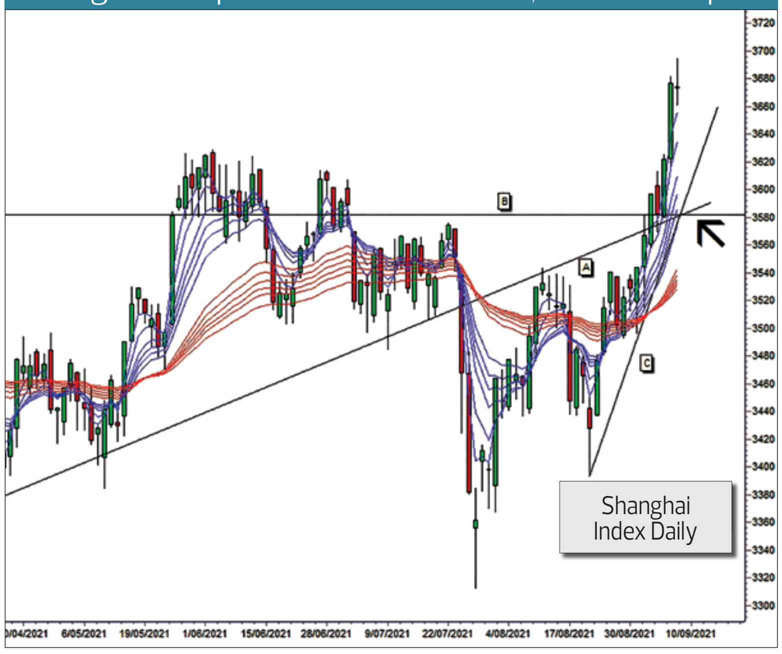
Maintaining liquidity will be the challenge for the new Beijing board. For investors, the Beijing board offers just one more avenue for trade execution.

BLOOMBERG

On Sept 2, China's President Xi Jinping said the country would set up a new stock exchange in its capital Beijing to serve SMEs. China's two major stock exchanges are in the Shanghai financial hub and Shenzhen, which borders Hong Kong

BLOOMBERG

Shanghai Composite Index closed at 3,675.19 on Sept 8



Technical outlook for the Shanghai market

The Shanghai index breakout rally has rocketed above two resistance features. The immediate upside target is near 3,710. This is calculated by projecting the width of the upper section of the long-term trading band. Projecting the full width of the trading band gives a target near 3,830.

What makes this breakout particularly important is the confluence of support and resistance features shown by the arrow. This is unusual.

First is the breakout above the long-term uptrend line A. This acted as a support feature from March until July. Then, it acted as a resistance feature. The breakout above this resistance feature on Sept 2 is bullish.

The second feature is the breakout above the horizontal resistance level shown as line B. The breakout is even more bullish because it was also a breakout above the upper edge of the trading band near 3,580. This trading band had defined trading activity since March.

The third feature is the new uptrend line C. This defines the rally up move and traders will watch for this to act as the first support level when the market retreats.

The unusual feature is the way trend line B and C intersect at the same point with resistance line B. This confluence of chart factors potentially signals a significant change in the trend and a re-set of market behaviour.

It provides three powerful support features for any market retracement. The first is the value of trendline C, followed by the value of trend line A. The final support feature is the resistance level near 3,580 which now has a support function.

The trading band projections of breakout targets are a guide to how future index activity may develop. Trend lines A and C will be used to manage the trend development as the index moves towards this potential target.

Analysis using the Guppy Multiple Moving Average (GMMA) indicator confirms the rally breakout is quickly attracting support from longer-term investors.

The long-term group of GMMA averages has quickly compressed and turned upwards. A fast expansion of this group will indicate strong investor support for the breakout and confirm a sustainable uptrend.

Fast rally breakouts inevitably lose momentum and develop a retreat. It is the nature of the retreat that provides information about the sustainability of the emerging uptrend.

The cluster of support features suggest any retreat will be minor and potentially confirm the validity of trend line C. Traders are alert for consolidation around the first upside target near 3,710.

The monthly chart shows the next historical resistance level is near 4600 and this is a long-term upside target. E

Daryl Guppy is an international financial technical analysis expert and special consultant to Axicorp. He has provided weekly Shanghai Index analysis for mainland Chinese media for two decades. Guppy appears regularly on CNBC Asia and is known as "The Chart Man". He is a national board member of the Australia China Business Council. The writer owns China stock and index ETFs

SGX ETFs

BLOOMBERG

Top 5 gainers over the week

NAME	ASSET CLASS	GEOGRAPHIC FOCUS	TRADING CURRENCY	PRICE	TOTAL ASSETS ($ MIL)	RETURNS (%)					EXPENSE RATIO (%)
						1W	YTD	1Y	3Y	5Y	
Xtrackers MSCI China UCITS ETF	Equity	China	USD	22.12	2,530	3.1	20.1	–1.5	8.8	10.0	0.65
Lyxor China Enterprise HSCEI UCITS ETF	Equity	China	USD	14.98	558	2.1	–10.3	–4.1	–1.9	0.9	0.65
United SSE 50 China ETF	Equity	China	SGD	2.8	26	1.1	11.6	2.9	10.8	7.1	2.28
Lyxor MSCI India UCITS ETF	Equity	India	USD	27.35	1,490	0.8	44.8	48.8	11.8	10.5	0.85
Lyxor MSCI AC Asia Pacific Ex Japan UCITS ETF	Equity	Asian Pacific Region ex Japan	USD	8.02	1,157	0.7	27.9	19.0	9.9	9.8	0.60

Top 5 losers over the week

NAME	ASSET CLASS	GEOGRAPHIC FOCUS	TRADING CURRENCY	PRICE	TOTAL ASSETS ($ MIL)	RETURNS (%)					EXPENSE RATIO (%)
						1W	YTD	1Y	3Y	5Y	
Xtrackers MSCI Indonesia Swap UCITS ETF	Equity	Indonesia	USD	13.33	123	–1.6	–15.0	3.0	–0.7	–1.8	0.65
Phillip SGX APAC Dividend Leaders REIT ETF	Equity	Asian Pacific Region ex Japan	SGD	1.434	24	–1.5	19.3	18.9	5.1	N.A.	0.65
Phillip SGX APAC Dividend Leaders REIT ETF	Equity	Asian Pacific Region ex Japan	USD	1.065	24	–1.4	19.8	18.8	4.9	N.A.	0.91
SPDR Dow Jones Industrial Average ETF Trust	Equity	U.S.	USD	349.87	41,196	–1.3	54.9	24.5	11.8	15.9	0.17
iShares USD Asia High Yield Bond Index ETF	Fixed Income	Asian Pacific Region	SGD	12.96	524	–1.1	10.9	–3.1	3.9	3.4	0.50

Notes: data sourced from Bloomberg; Returns as at September 8 and in Singapore dollar terms; Total Assets based on latest available data; three- and five-year returns are annualised

INSIDER MOVES

Controlling shareholders of Megachem and RE & S top up respective stakes

BY THE EDGE SINGAPORE

Sidney Chew Choon Tee, managing director of chemicals distributor **Megachem**, on Sept 3 acquired 35,000 shares of the company for 42 cents each. With the purchase, Chew raised his direct stake to around 46.8 million or 35.093%, from 35.067% previously. In addition, Chew's wife, Liau Bin Bin, holds her own stake of 444,296 shares or 0.333%, which counts as Chew's deemed stake.

With that, he has a total interest of 47.2 million shares or 35.426%. Before the latest transaction, Chew had on June 9 and April 12 acquired 2,000 shares for 42 cents each and 18,000 shares for 40 cents each respectively.

MEGACHEM

Megachem's MD Chew has a total stake of 35.43% in the company

Megachem distributes over 1,000 different types of speciality chemicals to over 2,000 different customers. In addition, it manufactures chemicals according to customers' specifications too.

For its 1HFY2021 ended June 30, the company reported earnings of $3.8 million, up 34% y-o-y to $2.8 million. Revenue in the same period was up 26.7% y-o-y to $65.9 million. The company plans to pay an interim dividend of 0.8 cent per share.

In the earnings commentary, Megachem notes that its industry is closely tied to the global economy. "As business sentiments improve, the chemical industry is also seeing an uptick in industry activities along with firmer chemical prices, although current supply shortage and high freight cost may cap its growth," it adds.

In response to questions from shareholders on the impact of disrupted supply chains, Megachem notes that so far, "demand has outstripped supply". "We have been trying to pass the higher cost to our customers. This is evident in the fairly stable gross profit margin during the first half of this year as well as in the past," the company says.

Megachem adds that one of the key elements of its strategy is diversification in terms of customer base as well as supply sources, which gives it more "agility" to react to changes in the market. "With diversified sources of supply, we are able to switch from high-cost to lower-cost supply in response to the soaring freight rates," the company adds.

F&B to normalise gradually

Tatara Hiroshi, who founded **RE & S Holdings** back in 1988, steadily increased his stake in the operator of Japanese-themed F&B business. Tatara, who holds the title of president and executive director, most recently on Sept 3 acquired 5,000 RE & S shares for $1,000 or an average of 20 cents.

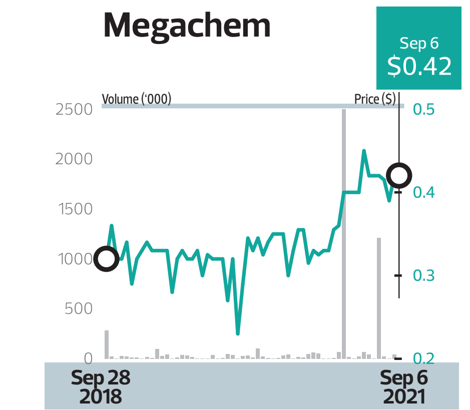
With that purchase, Tatara's interest in the company, which runs brands such as Kuriya, Shimbashi Soba, Kuishin Bo and Ichiban Boshi, increased further to nearly 220.3 million shares, or 62.23%.

On Sept 1 and Sept 2, he acquired 50,000 shares for 20.7 cents each and 25,000 shares for 21 cents each. Between Aug 26 and Aug 30, Tatara also acquired 1.05 million shares for a total of $193,535.10 or 18.4 cents each.

On Aug 25, the company reported earnings of $9.5 million for the FY2021 ended June 30, reversing from a loss of $5.4 million in FY2020. Revenue in the same period was up 12% to $124 million as the company generated more online sales. RE&S plans to pay a final dividend of 0.85 cent, which, coming on top of the interim dividend of 0.85 cent, will bring the full-year payout to 1.7 cents equivalent to a payout ratio of 60%.

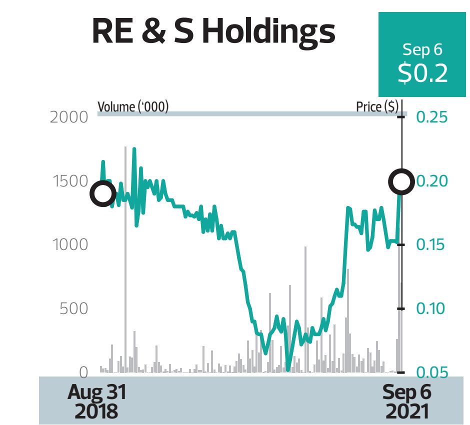
In its earnings commentary, the company notes that the F&B industry has been "severely impacted" by the growing number of infections. "However, with the successful roll-out of national vaccination programmes and the significant rise in the vaccination rate in Singapore, the market is expected to normalise gradually. Recently, the government has permitted dining-in to resume for fully vaccinated people, bringing positive light to the F&B industry," the company adds. E

Megachem



Market cap	Sept 6	$56 mil
52-week high	April 16	45 cents
52-week low	Oct 21, 2020	30 cents
P/E		9.03 times
Gross dividend yield		4.29%
Earnings	1HFY2021 ended June	$3.8 mil
Earnings	1HFY2020 ended June, 2020	$2.8 mil

RE & S Holdings



Market cap	Sept 6	$70.8 mil
52-week high	Sept 1	21.5 cents
52-week low	Nov 18, 2020	6.86 cents
P/E		7.47 times
Gross dividend yield		2.5%
Earnings	FY2021 ended June	$9.5 mil
Losses	FY2020 ended June, 2020	$5.4 mil

CHARTS & TABLES: BLOOMBERG

Singapore one-month insider & shareholder activity, buys

SECURITY	MARKET VALUE (SGD)	SHARES	% OF OUTSTANDING SHARES	AVERAGE PRICE
YANLORD LAND GROUP	8.17MLN	6,991,400	0.36	1.17
KEPPEL DC REIT	4.30MLN	1,694,400	0.1	2.54
NANOFILM TECHNOLOGIES INTERN	3.05MLN	764,100	0.12	3.99
JARDINE MATHESON HLDGS	2.02MLN	26,800	0	75.42
GHY CULTURE & MEDIA HOLDING	1.79MLN	2,861,600	0.27	0.63
METECH INTERNATIONAL	1.38MLN	6,924,300	6.92	0.2
FIRST SPONSOR GROUP	1.26MLN	871,400	0.09	1.44
GSH CORP	895,348.69	5,337,600	0.27	0.17
TAI SIN ELECTRIC	876,107.39	2,312,600	0.5	0.38
MERCURIUS CAPITAL INVESTMENT	669,252.35	16,913,200	1.28	0.04
CREDIT BUREAU ASIA	541,453.33	419,700	0.18	1.29
ALSET INTERNATIONAL	525,808.44	10,297,300	0.32	0.05
GSS ENERGY	350,026.07	5,000,000	1.01	0.07
MEDTECS INTERNATIONAL CORP	285,021.23	500,000	0.09	0.57
RE&S HOLDINGS	208,696.99	1,125,000	0.32	0.19
AZTECH GLOBAL	126,009.39	150,000	0.02	0.84
HO BEE LAND	111,168.28	39,700	0.01	2.8
MULTI-CHEM	99,444.55	55,300	0.06	1.8
ENVIRO-HUB HOLDINGS	77,394.24	1,005,000	0.08	0.08
BONVESTS HOLDINGS	75,625.63	79,600	0.02	0.95
NTEGRATOR INTERNATIONAL	75,215.60	7,378,400	0.59	0.01
ENGRO CORP	65,364.87	46,500	0.04	1.41
SERIAL SYSTEM	63,004.69	450,000	0.05	0.14
BROADWAY INDUSTRIAL GRP	62,218.63	415,100	0.09	0.15
INDOFOOD AGRI RESOURCES	61,384.57	204,600	0.01	0.3
LENDLEASE GLOBAL COMMERCIAL	57,204.26	65,000	0.01	0.88
COLEX HOLDINGS	48,807.64	232,400	0.18	0.21
SING INVESTMENTS & FINANCE	44,403.31	30,000	0.02	1.48
ALPHA DX GROUP	35,782.67	100,000	0.04	0.36
UNI-ASIA GROUP	31,502.35	30,000	0.04	1.05
TYE SOON	24,342.81	62,800	0.07	0.39
HAFARY HOLDINGS	21,662.21	130,000	0.03	0.17
A-SONIC AEROSPACE	19,531.45	31,000	0.04	0.63
KIM HENG	16,801.25	200,000	0.03	0.08
GOODLAND GROUP	14,197.06	105,000	0.03	0.14
FOOD EMPIRE HOLDINGS	13,564.95	16,200	0	0.84
GLOBAL INVESTMENTS	10,500.78	70,000	0	0.15
SECOND CHANCE PROPERTIES	5,936.44	21,200	0	0.28
ACCRELIST	5,150.38	67,500	0.02	0.08
HUATIONG GLOBAL	3,000.22	30,000	0.02	0.1

As at Sept 6 close

Singapore one-month insider & shareholder activity, sells

SECURITY	MARKET VALUE (SGD)	SHARES	% OF OUTSTANDING SHARES	AVERAGE PRICE
NANOFILM TECHNOLOGIES	20.25MLN	5,069,400	0.77	3.99
OIO HOLDINGS	2.35MLN	3,207,300	1.79	0.73
PARKWAYLIFE REAL ESTATE	1.80MLN	373,200	0.06	4.83
DELFI	1.24MLN	1,533,700	0.25	0.81
CAPITALAND	1.02MLN	250,000	0	4.09
MERCURIUS CAPITAL INVESTMENT	764,113.82	19,100,000	1.44	0.04
MAPLETREE COMMERCIAL TRUST	246,778.76	115,300	0	2.14
SARINE TECHNOLOGIES	244,857.47	300,000	0.09	0.82
METECH INTERNATIONAL	237,611.89	10,183,300	10.18	0.02
STARHUB	122,176.20	100,000	0.01	1.22
CHINA SUNSINE CHEMICAL HLDGS	104,015.49	200,000	0.02	0.52
UNION GAS HOLDINGS	6.12	34	0	0.18

As at Sept 6 close

RIGHT TIMING

Jardine stable starts attracting investor interest

BY THE EDGE SINGAPORE

Jardine Cycle & Carriage

Dairy Farm International Holdings

Jardine Cycle & Carriage, which is 75% owned by **Jardine Matheson Holdings**, is getting less and less coverage from analysts. Most recently, JP Morgan has dropped analyst coverage of Jardine C&C. Yet, the stock remains one of four Jardine-owned companies in the Straits Times Index. And, following the announcement of **Hongkong Land**'s share buyback, Jardine C&C's share price is up around 5%. Hence, market watchers are wondering if Jardine C&C is the next company in the Jardine stable to experience corporate action.

For instance, a voluntary general offer for **Cycle & Carriage Bintang** closed on June 4, 2021, with Jardine C&C lifting its stake in the Malaysian entity to 88% from 59.1%.

Technically, too, Jardine C&C looks ready for a rebound. During the May-September 2021 downtrend, smoothed RSI flat-lined, causing a significant amount of positive divergences between price and indicator. During this phase, volume continuously receded. Low volume, and small price movements on the downside are usually signs of a bottom.

Positive divergences are not sufficient for a stock to rise. For an upmove, any movement needs to be accompanied by an expansion in volume, and a break above a supply or resistance level.

Immediate resistance for Jardine C&C is at $20.35, just about at its current level. The next resistance is at $21.60, a level which represents the breakdown from a minor top formation back in July this year. The stock's net asset value is US$17.5, or $23.62 based on an exchange rate of $1.65 to the dollar.

Jardine C&C's underlying profit attributable to shareholders more than doubled from US$138 million to US$346 million in 1HFY2021, for the six months to June 30 this year. However, after accounting for unrealised losses arising from the revaluation of its equity investments and a gain on disposal of Astra's investment in Permata Bank in 2020, net profit was 25% lower at US$226 million. Cash flow generation continues to be strong. Free cash flow stayed above US$1 billion for the second consecutive year.

Dairy Farm International Holdings, which is more than 77% held by Jardine Matheson, also had good cash flow generation in 1HFY2021 for the six months to June 30, with free cash flow of around US$359 million, despite an 85% y-o-y decline in net profit to just US$17 million.

Dairy Farm blamed the poor earnings on continued movement control in the geographies where it operates. Whatever the case, its brands are household names in the various countries they are in — Cold Storage and Guardian Pharmacy in Singapore and Malaysia; Wellcome, Oliver's, Mannings and Maxim's in Hong Kong; Hero in Indonesia, and so on.

Dairy Farm's share price is up some 6% from a one-year low of US$3.39 on Aug 19. Prices broke down from a top formation in early July, with the neckline at US$4.19. Hence, although prices are up 6% from the low, they could rise further, towards the breakdown level translating into a 16% upside from current levels.

Elsewhere, **Mandarin Oriental International**'s share price has been creeping up steadily, and a break above US$2.08 indicates an upside of US$2.25. At this level, the stock would still be trading at a discount to its NAV of US$2.63, and its adjusted NAV of US$3.95. The adjusted NAV takes into account the fair value of its development property, and market value of its investment properties. E

BROKERS' DIGEST

Airtel and Telkomsel to be key earnings driver

RHB Group Research continues to rate Singapore Telecommunications (Singtel) "buy" with an unchanged target price of $3.00.

In a Sept 7 report, the RHB research team says: "We expect Singtel to subscribe to its portion of Airtel's right shares with a manageable uptick in net debt/ebitda. The recent disposal of towers by Telkomsel is value accretive. Overall, the green shoots of recovery in the group's mobile business remain the key investment thesis with core earnings set to rebound in FY2022 after four years of decline."

Singtel's Indian associate Airtel has recently announced plans to raise up to INR210 billion ($3.9 billion) via a 1-for-14 rights issue priced at INR535. Similar to its 2019 cash call which raised US$3.6 billion ($4.8 billion), the promoters (Bharti Telecom and Singtel), which hold a combined 55.8% stake, will collectively subscribe to their entitlements.

In approving the latest cash call, Airtel's board conducted a comprehensive review of the business environment, industry scenario, and financial/business strategy.

"We believe the exercise is timely to beef up its balance sheet ahead of the 5G network rollout and to meet financial obligations including the paring down of debt. The terms of payment for the rights shares will see 25% payable upon application, with the balance spread over 36 months, subject to requirements," says RHB.

However, Singtel's stake may see a marginal dilution following the rights issue.

"As before, we expect Singtel to subscribe to its portion of the rights entitlement with a long-term view held on its investment in India. This would entail a total outlay of $529 million or about $132 million (25% initial outlay) with projected net debt/ebitda set to increase slightly from 2.1 to 2.2 times which we consider as manageable and in light of the ongoing strategic business review," says RHB, who expects Singtel's effective shareholding in Airtel to decrease marginally to 31.1% from 31.7%.

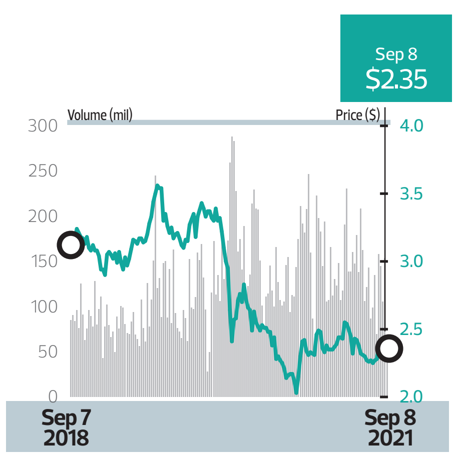
To that end, the research house expects Airtel to remain a key driver of the group's associate earnings, with the Bharti Group having turned profitable.

Meanwhile, Singtel's 35% Indonesian associate Telkomsel has also announced the disposal of an additional 4,000 towers to PT Dayamitra Telekomunikasi (Mitratel), the towerco subsidiary of its parent, Telkom Indonesia for US$580 million or about US$145,000 per tower. As part of the transaction, Telkomsel entered into a 10-year lease agreement with Mitratel for site rental.

"We view the sale as overall positive and value accretive for Telkomsel to further unlock the value of its passive infrastructure with proceeds channelled towards network expansion. Telkomsel had earlier sold some 6,000 towers to Mitratel with another 7,000 remaining in its books after the latest deal," says RHB. — *Samantha Chiew*

Singtel

Price target:
RHB "buy" $3



BLOOMBERG

Aztech Global's current share price is 'opportunity' to enter, says CGS-CIMB

CGS-CIMB Research analyst William Tng has kept "add" on Aztech Global with an unchanged target price of $1.82.

Tng's target price is based on an unchanged P/E of 15 times FY2022 earnings per share (EPS), which is an average for the Singapore technology sector.

To him, the group's current price of $1.07 as at Sept 3 is an "opportunity" for investors to accumulate.

The counter's share price has fallen 16.4% from its IPO price of $1.28. It is also a 15.7% drop from its closing price of $1.27 since it announced its results for the 1HFY2021 ended June.

"We believe the current Covid-19-led component shortage concerns are priced in," writes Tng in a Sept 3 report.

During the pandemic, the company has so far kept its production output in check despite the high number of cases in Malaysia.

Aztech has been managing the situation by ramping up its production capacity in China to make up for any shortfall in its Malaysian factory.

"Aztech's performance has so far been in line with our expectations," he adds.

The group has posted revenues of $115.9 million and $133.8 million for its 1QFY2021 and 2QFY2021 respectively.

However, a disruption in its supply chain due to component shortages and logistical constraints could affect its earnings for the 2HFY2021, notes Tng.

"We also believe that in the worst case scenario, Aztech will not lose any orders but see some orders being pushed into 1HFY2022," he says.

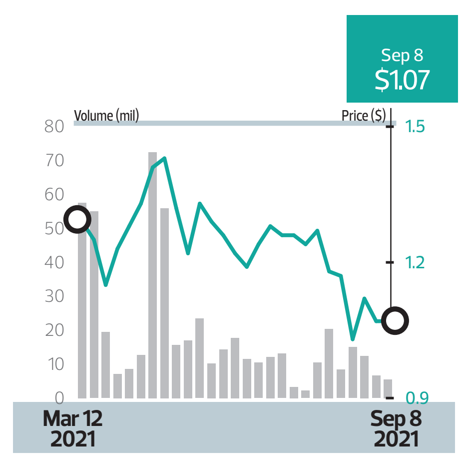
To this end, Tng has identified share buybacks as a re-rating factor for the counter.

"Share buybacks could help lend support to its share price and we believe Aztech is aiming to obtain its share buyback mandate via an EGM before end-2021," he writes.

"Downside risks to our call are component shortages and Covid-19 related supply chain disruptions. New customer wins and stronger earnings could re-rate the stock."— *Felicia Tan*

Aztech Global

Price target:
CGS-CIMB "add" $1.82

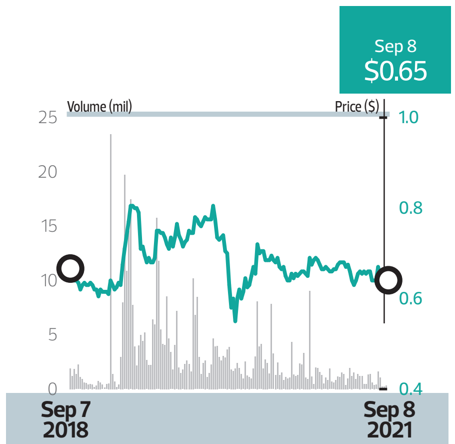


BLOOMBERG

BROKERS' DIGEST

Koufu

Price target:
PhillipCapital "neutral" 64 cents
SAC Capital "buy" 77.5 cents



BLOOMBERG

A more positive outlook seen

PhillipCapital analyst Terence Chua says he sees a "more positive outlook" on food court operator Koufu as Singapore moves to an endemic state with the Covid-19 virus.

In a report dated Sept 6, Chua says he expects Koufu to report an improved footfall at its outlets as more measures look set to be lifted in a calibrated manner, including a further relaxation on dining-in limits.

Working from home may also no longer be the default arrangement, which could contribute to Koufu's revenue.

In FY2022, Chua adds that he expects to see cost synergies in the group as Koufu's supply chain and logistics will be strengthened together with a broadening and expansion of its production capabilities at its new integrated facility.

ALBERT CHUA/THE EDGE SINGAPORE

Koufu opened one new food court and six F&B kiosk during the 1HFY2021

In April, the group obtained its temporary occupation permit (TOP) for its integrated facility, which is expected to commence operations progressively.

As this is expected to lead to higher productivity and product margins, Chua has raised his patmi estimates for FY2022 by 1% to account for some of these cost-savings.

In the 1HFY2021 ended June, Koufu reported earnings of $9.9 million, nearly four times the $2.5 million reported in the corresponding period the year before.

Net profit stood 35% higher h-o-h as increased takeaway and delivery sales mitigated the lower footfall during Singapore's move into Phase Two (Heightened Alert) from May 16 to June 13.

Despite the positives, Chua has maintained his "neutral" call and target price of 64 cents, which is still based on 18.5 times FY2021 earnings.

"We remain cautious on the re-opening roadmap due to a resurgence of Covid-19 in Singapore and China. The stock could potentially be re-rated if there is further relaxation of dine-in measures and an increase in foreign travellers to Singapore," he says.

SAC Capital, in an Aug 17 report, has maintained "buy" on Koufu with a target price of 77.5 cents.

"Our discounted cash flow (DCF)-derived target price translates into a FY2021/FY2022 P/E of 19.5 times and 15.8 times," write the analysts.

"We maintained our FY2021/FY2022 topline estimates, with adjustments to bottomline (–7.6%/–7.9%) due to higher rental expenses and staff costs with the new businesses, and higher staff incentives in 1H; slightly offset by the lower depreciation expense."

"We expect further h-o-h improvements in 2HFY2021, with new outlet contributions, and as Singapore moves towards an endemic state with more relaxation of limits and measures," they add.

Koufu's revenue for the 1HFY2021 at $105.7 million stood at 47.0% of SAC Capital analysts Tracy Lim and Lam Wang Kwan's forecast for the FY2021.

The slightly lower showing was attributable to the Phase Two (Heightened Alert) measures and low footfall at tertiary institutions and tourist-dependent outlets during the period.

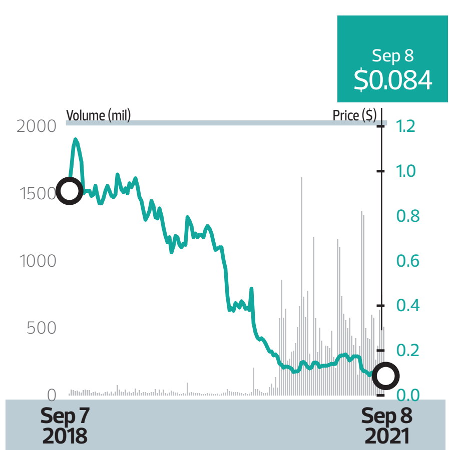
As Singapore moves towards an endemic state, Lim and Lam are optimistic that the group will see higher footfall in its outlets.

"With the pandemic fatigue kicking in, we expect overall F&B dine-in to pick up. Furthermore, as Singapore looks to reopen its borders gradually to some countries with its travel corridor plans, we see this boding well for outlets catered towards tourists," they write.

During the 1HFY2021, Koufu opened one new food court and six F&B kiosks. On this, the SAC analysts estimate that the group had locked in leases at lower rental rates, lowering expenses until they get renewed. — *Felicia Tan*

SembMarine

Price target:
UOB Kay Hian "buy" 11 cents



BLOOMBERG

Negatives already 'priced in'

UOB Kay Hian analyst Adrian Loh has upgraded Sembcorp Marine (SembMarine) to "buy" as he deems that much of the negatives have already been priced in.

That said, Loh has lowered his target price to 11 cents from 12.4 cents as he has pegged it to a target multiple of 0.74 times FY2022. The target multiple is a 30% discount to SembMarine's past five-year average price-to-book (P/B) of 1.07 times.

"We believe this discount is a reasonable reflection of the industry risks that SembMarine faces in at least the next 12 months," Loh writes in a report dated Sept 6.

Even so, Loh's target price represents a 28% upside to the counter's last-closed price of 8.6 cents.

"We have assumed that the company's rights issue successfully raises $1.5 billion, which results in a FY2022 estimated book value per share of 14 cents," he writes.

"[Following] its $1.5 billion rights issue, SembMarine should be in better shape to weather market conditions over the next 12–18 months and hopefully enable it to garner new order flow," he adds.

During SembMarine's EGM on Aug 23, the majority of the group's shareholders indicated that they were in favour of the rights issue.

Temasek Holdings, which owns 43% of SembMarine, had pledged to subscribe for the latter's pro-rata entitlement as well as excess rights. This means the former will take up as much as 67% — or $1 billion — of the rights issue.

DBS Group Holdings had undertaken to underwrite the remaining 33%.

While a mandatory general offer will be triggered, Temasek had indicated that SembMarine will remain a listed company.

To Loh, the rights price, which closed at 0.2 cents on Sept 3, is worth it, to investors.

However, investors buying into SembMarine's rights issue should "exercise a considerable amount of patience" as the timing of the upturn in the offshore renewables and marine industry remains uncertain.

That said, there has been good news from one of SembMarine's largest debtors, Borr Drilling, which secured some medium-term work for its jackup rigs. Borr's results for the 2QFY2021 ended June also "appeared decent" with a 13% q-o-q increase in operating revenue to US$55 million ($73.7 million).

For the FY2021, Loh has kept his earnings estimates unchanged, although he has lowered his earnings estimates for the FY2022. "Our loss expectations [are] now at $133 million vs a loss of $66 million previously, as we forecast the industry upturn to be longer than expected," he says.

Potential downsides for SembMarine include a more prolonged trough cycle for the offshore marine industry on the back of the oversupply of rigs, which could continue to depress utilisation rates and day rates.

Other downside factors include "a persistent lack of demand for drilling rigs if oil companies continue to hold off on offshore capex spending, and a prolonged Covid-19 endemic which continues to crimp supply of labour for SembMarine's shipyards", says Loh. — *Felicia Tan*