RECOGNISING MALAYSIA'S BIGGEST & BEST PERFORMING COMPANIES

THE EDGE

BILLION RINGGIT Club 2013

BILLION RINGGIT Club

RECOGNISING THE BEST OF CORPORATE MALAYSIA

Welcome to this special supplement published to celebrate *The Edge* Billion Ringgit Club (BRC) 2013 awards and gala dinner on Sept 2.

This is the fourth year of the BRC awards, and was made special by the attendance of Prime Minister Datuk Seri Najib Razak and Datin Seri Rosmah Mansor, both of whom were there with us at our first BRC awards dinner in 2010.

This year, 144 companies qualified as BRC members, the same as in 2012. They had a combined market capitalisation of RM1.32 trillion as at March 31, 2013, up from RM1.2 trillion in 2012. Their market capitalisation added up to 90% of Bursa Malaysia's total market capitalisation.

Their combined revenue was RM645 billion, up almost 10% from 2012's RM588 billion.

And they made a collective pre-tax profit of RM118 billion compared with RM101 billion in 2012.

BRC members paid corporate taxes of about RM30 billion, which was some 25% of the RM125 billion revenue collected by the Inland Revenue Board in 2012.

This year, 22 companies won awards and there were three multiple winners.

DiGi.Com Bhd won the coveted Company of the Year award as well as the Best Performing Stock (companies with RM10 billion market capitalisation and above) and Most Profitable Company (trading/services) awards.

Gamuda Bhd won two awards in the construction category for Highest Profit Growth and Best Performing Stock.

The third multiple winner was KLCC Property Holdings Bhd, which took home the awards for Most Profitable Company and Best Performing Stock in the property and REIT category.

As in past years, we also acknowledged two outstanding CEOs for their track record in creating value for shareholders.

Datuk Seri Abdul Wahid Omar was honoured for his leadership during his time as CEO of Renong Bhd (2001 to 2004), Telekom Malaysia Bhd (2004 to 2008) and Malayan Banking Bhd (2008 to 2013).

Another recipient was Tan Sri Liew Kee Sin for his outstanding leadership in turning S P Setia Bhd from a small construction outfit into a property powerhouse in less than two decades.

Congratulations to all the winners.

The BRC awards and dinner were made possible by our valued partners — main sponsor OCBC Bank (Malaysia), official car partner BMW Malaysia and supporting sponsor Audemars Piguet.

Thank you for your continuous support.

We would also like to acknowledge the panel of judges for the corporate social responsibility component, our auditor Deloitte Malaysia and Canali for the men's fashion show and prizes for the outstanding CEOs.

To our readers and the investing public, we hope you will find all the information provided in this supplement a useful guide to the performance of our leading public-listed companies.

Ho Kay Tat
Publisher & group CEO

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The Edge Billion Ringgit Club winners with Prime Minister Datuk Seri Najib Razak, his wife Datin Seri Rosmah Mansor and The Edge Media Group executive chairman Datuk Tong Kooi Ong (front row, second from left)

GROWING DOMINANCE

BY CINDY YEAP

Malaysia's largest listed companies grew in size and profitability last year as the nation's economy expanded at a faster pace of 5.6% in 2012 compared with 5.2% in 2011. A stronger ringgit and easy credit continued to aid Malaysian companies' expansion abroad last year as the FBM KLCI finally overtook its pre-global financial crisis high in early 2008.

Even more eye-catching was Malaysia's dominance in the global IPO market last year, having hosted three of the world's biggest listings amid a dearth of listings elsewhere.

The three billion-ringgit listings — Felda Global Ventures Holdings Bhd, IHH Healthcare Bhd and Astro Malaysia Holdings Bhd — are among the 14 new members of the fourth instalment of *The Edge* Billion Ringgit Club (BRC) this year. Including these three companies, seven new BRC members were from new listings. Three "old members" made the cut again after a hiatus last year. Together, the 17 replace 17 of last year's BRC members that did not make the cut, putting this year's membership at 144 companies, the same as last year. [The 144 companies include Tradewinds (M) Bhd and Tradewinds Plantations Bhd, which were delisted in April and May 2013, just after the end-March membership cut-off date.]

MEMBERSHIP

	2013	2012	2011	2010
No of BRC companies	144 (15% of listed companies)	144 (15% of listed companies)	185 (19% of listed companies)	163
BRC combined market cap as at end-March (bil)	RM1,320.444	RM1,197.413	RM1,165.216	RM916.576
	10.3% y-o-y	2.8% y-o-y	25.2% y-o-y	
BRC Combined Market Representation (as at end-March)	90.6% total market cap of Bursa-listed companies	88% total market cap of Bursa-listed companies	89% total market cap of Bursa-listed companies	

Whilst the number of BRC members did not grow year-on-year, this year's 144 BRC members command a whopping RM1.32 trillion in market capitalisation or 90.6% of the combined market capitalisation of all Bursa Malaysia-listed companies as at end-March 2012. That's up from 88% (RM1.2 trillion) in BRC2012 and 89% (RM1.17 trillion) in BRC2011.

Helped by the mega IPOs, there were 33 BRC members with at least RM10 billion market capitalisation this year, up from 27 last year. The 33 companies command RM970.5 billion or two-thirds of the total market capitalisation of all Bursa-listed companies as at end-March, up from RM828.5 billion or 61.8% previously.

The BRC members' combined revenue was up 9% y-o-y to RM641.5 billion from RM588.7 billion in 2011. To put that into perspective, the combined revenue was 68% of Malaysia's 2012 nominal GDP of RM941.24 billion.

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KENNY YAP/THE EDGE

COMPANIES MUST HELP BUILD A SUSTAINABLE SOCIO-ECONOMIC MODEL

This is an abridged version of Prime Minister Datuk Seri Najib Razak's speech at *The Edge* Billion Ringgit Club Awards night on Sept 2

Members of *The Edge* Billion Ringgit Club (BRC) made their billions during Malaysia's economic modernisation, a period of great change. Over the past decades, our economy shifted from extraction to industrialisation, from export of raw commodities to manufacturing and services.

Our post-independence economic success has rested on a simple formula: a close partnership between capital and labour, with the government as an enabler.

The state set a clear direction for the economy, using a mix of central planning and market economics to drive Malaysia's development.

It also spent heavily to create the conditions in which businesses can flourish, investing in infrastructure, people, subsidies and incentives. And since the Asian financial crisis, the government has been the main engine of growth.

These structural shifts have been accompanied by significant benefits: per capita gross domestic product has increased rapidly and we are on track to reach developed nation status. But there are limits to how long the government can continue to be the main engine of growth and how far public consumption should be pushed, given the current levels of household debts.

In the longer term, excessive household debt can become a national problem, reducing disposable income as interest payments soak up a greater share of the people's salaries. And although our underlying position is strong — with good growth, record foreign reserves, a growing proportion of domestically financed debt and clear deficit reduction targets — we want to ensure that our public finances remain in order.

This is part of a wider conversation about Malaysia's economic future. As we head towards high income nation status, it is time to ask ourselves not just "where next?" but also "how will we get there?" As we open up our economy and prepare our businesses to compete in a more interdependent global marketplace, it is worth looking again at our recipe for success and asking ourselves what kind of economy we want to build next.

The Economic Transformation Programme gives us a glimpse of Malaysia's immediate future: liberalisation, divestment and competition will change the structure of our economy, reducing the role of the state and allowing the private sector to assume greater responsibility for growth.

This recalibration will complete our economic modernisation and it will bring significant opportunities. Businesses, including many represented here today, will play a lead role in the entry point projects and provide the bulk of the capital across the national key economic areas. Private investment will continue to pull ahead of public investment and policy reforms will continue to open up new opportunities. With these opportunities, however, come new responsibilities.

Economists are asking whether the business model that puts shareholder value above all else

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SHARIN YAHYA/FZ.COM

CORPORATE PROFITS MUST BE SHARED EQUITABLY WITH SOCIETY

This is an abridged version of the welcome address by The Edge Media Group executive chairman Datuk Tong Kooi Ong at the BRC Awards

The inspiration behind *The Edge* Billion Ringgit Club (BRC) is to recognise successful Malaysian companies and encourage businesses to become more competitive, efficient and transparent. Our methodology and assessments are fully transparent and audited and are based on universally accepted financial measurements.

We hope this event and the merit-based awards to be presented can, in a small way, contribute towards helping our prime minister's Economic Transformation Programme for the nation.

This year, 144 companies qualified to be BRC members, the same as in 2012. They have a combined market capitalisation of RM1.32 trillion, up from RM1.2 trillion in 2012.

Their market capitalisation adds up to 90% of Bursa Malaysia's total market capitalisation. Their combined revenue is RM645 billion, up almost 10% from 2012's revenue of RM588 billion.

And they made a collective pre-tax profit of RM118 billion against RM101 billion in 2012. Members of BRC paid taxes of around RM30 billion, which is about 25% of the total RM125 billion revenue collected by the Inland Revenue Board in 2012.

As the country's leading business publication, *The Edge* is indeed happy to see our BRC members doing so well. But as a member of the media, we are aware that a society's well-being and prosperity are not just about financial successes and profits. That is why, for this year's awards, we chose the theme 'Beyond Profits'.

This would appear to be at odds with this gathering of highly profitable companies. Yet, all of us know that economic development, strong gross domestic product growth and having highly profitable companies cannot by themselves be meaningful if the people of the country as a whole are not benefiting from a higher standard of living, with more disposable income and a healthier life.

This statement is a tautological truth from a sociological and humanistic point of view. I would think this is also true for entrepreneurs,

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'ENSURE THAT NO ONE IS LEFT BEHIND'

FROM PAGE 5

is truly sustainable, not just for companies but also for whole economies. In the US, for example, the relationship between corporate profits and business investment appears to have broken down; profits are at record highs but investment is not keeping pace. It appears that the focus on short-term results rather than the long-term health of the economy is warping the investment landscape: one study found that privately listed companies invest almost twice as much as publicly listed companies.

The common thread here is corporate responsibility, of accountability, not just to the immediate bottom line but also to the society which enables transactions to take place.

One of the primary lessons from the 2008 financial crisis was that short-term business decisions can fatally undermine the health of not just companies but also whole economies. It is incumbent on policymakers to guard against them, and on corporate leaders to avow them. In laying the foundation for high income status, we must all be careful not to encourage unsustainable growth.

From the government side, we will honour our commitment to secure the public finances, with fiscal reforms to secure Malaysia's position. We will further rationalise subsidies, broaden the revenue base and manage spending through the infrastructure pipeline. We will stick to both our debt ceiling and deficit reduction target.

However, the government alone cannot ensure sustainable growth. It is also up to you, Malaysia's corporate leaders, to continue to show leadership. It is the cumulative effect of your individual business, investment and ethics decisions that will set the tone.

I ask that you remain committed not just to maximising your returns on investment and equity but also to building a more sustainable economy for Malaysia, investing in people as well as projects, and taking business decisions befitting our long-term ambitions, not just short-term aims.

As we raise our sights to look beyond developed nation status, I ask that you join us to ensure that no one is left behind. One of Malaysia's great strengths is our diversity; we should make it one of the strengths of our economy, too, by giving all Malaysians a share in our future. An economy founded on growth with equity and inclusiveness will deliver better outcomes: with economic and social dividends more widely shared among the people and a brighter outlook for the nation as a whole. E

GREATER INCLUSIVENESS TO BE ENCOURAGED

FROM PAGE 5

especially one who is a libertarian.

From the days of John Stuart Mills in the 19th century, the concept of homo economicus is that human beings are self-interested and we maximise utility as a consumer and economic profit as a producer. Yet, modern-day empirical evidence suggests otherwise, that human beings are primarily motivated by the desire to be cooperative and to improve the environment.

Our daily life is littered with such examples. For example, online merchandising stores are rated by past users on quality and reliability. While it helps future buyers, it has no direct benefit to those who are doing the ratings.

Similarly, when you drive along the highway and see a police speed trap, you tend to flash your headlights to warn oncoming motorists from getting caught speeding. I believe most of us are naturally driven to be cooperative and want to help others.

In the book *Why Nations Fail*, Acemoglu and Robinson studied the economic history of the world over the past 600 years. They provided convincing evidence that nations will succeed if they have inclusive economic and political institutions that facilitate broader sections of society to generate and share in wealth creation.

In short, all the profits that companies make today cannot be sustained if they do not trickle down to the rest of society in an equitable way. In this regard, *The Edge* and BRC will work harder to promote and encourage greater inclusiveness and a fairer share of the nation's prosperity for everyone. E

TOP COMPANIES SCORE BETTER IN CSR INITIATIVES

FROM PAGE 4

Earnings grew with the higher top line. The members' combined pre-tax profit rose 16.8% y-o-y to RM118.4 billion while the combined net profit jumped 22% y-o-y to RM85.7 billion from RM70.2 billion the year before.

Malayan Banking Bhd (Maybank) remained Malaysia's largest listed company with a market capitalisation of RM78.92 billion as at end-March 2013, up 16.5% y-o-y from RM67.76 billion as at end-March 2012.

Maybank and Genting Bhd continued to rank the top two in terms of pre-tax profit, the same as last year, while Sime Darby Bhd remained the member with the highest revenue base.

Going forward, as domestic consumption shows some sign of fatigue and the overall economy expected to grow at a slower pace of between 4.5% and 5% this year, it will be interesting to see how well the BRC members fare financially. From its new all-time high of 1,826.22 points intra-day on May 6, the FBM KLCI declined to 1,717.56 points on Sept 2. The domestic liquidity that helped made Malaysia an IPO haven last year was not as prominent, eight months into 2013.

Adding to the challenge ahead for companies seeking growth abroad is the strengthening of the US dollar against the Malaysian ringgit as funds are pulled from emerging markets, including Malaysia, on expectation the US Federal Reserve will begin tapering off its mega bond-buying programme as early as this month.

The winding down of quantitative easing is also expected to spell tighter credit policies and higher borrowing costs — a factor that may just separate the wheat from the chaff during tougher times. After all, it is when the tide goes out that we know who has been skinny dipping.

Beyond profits, it is heartening to note that the top BRC members scored better in terms of corporate social responsibility initiatives — a factor that could help sustain growth in the longer term while playing a role in catalysing equitable wealth distribution. E

HIGHLIGHTS

- 144 members in 2013 (including two that have since been delisted), same as last year.
- The 144 command RM1.32 trillion market capitalisation or 90.6% of combined market capitalisation of all Bursa Malaysia-listed companies, up from 88% (RM1.2 trillion) in BRC2012 and 89% (RM1.17 trillion) in BRC2011.
- Combined revenue of RM641.5 billion, up 9% y-o-y from RM588.7 billion in BRC2012. The combined revenue of RM641.5 billion is 68% of Malaysia's 2012 nominal GDP of RM941.237 billion.
- Combined pre-tax profit of RM118.4 billion, up 16.8% y-o-y from RM101.4 billion in BRC2012.
- Combined net profit of RM85.7 billion, up 22% y-o-y from RM70.2 billion in BRC2012.
- BRC members paid taxes of around RM30 billion, which is 25% of the total RM125 billion tax revenue collected by the Inland Revenue Board last year.
- 14 new BRC members, including seven from sizeable IPOs (six in 2012 and one in February 2013).
- Three "old BRC members" back after hiatus last year; while 17 BRC2012 members did not make the cut this year (of which 11 were delisted before end-March).
- Top CSR companies scored higher points y-o-y in three out of four key responsibility areas (namely improvements on community, environment and workplace, but marketplace slid).
- Excellence breeds excellence: there are 33 BRC2013 members with more than RM10 billion in market capitalisation, up from 27 last year.
- Growing dominance: total market capitalisation of the BRC2013 "Big 33" is RM970.5 billion or 66.6% of total market capitalisation of all Bursa-listed companies as at end-March 2013. Last year, the "Big 27" commanded RM828.3 billion or 61.8% of the total market capitalisation of all Bursa-listed companies.
- BRC members make up 15% of all listed companies this year and last year. This year, members with more than RM10 billion in market capitalisation are 3.52% of all listed companies, compared with 2.88% last year.

TO BREAK THE RULES,
YOU MUST FIRST MASTER
THEM.

CLASSICAL PURITY IS THE DEFINING AESTHETIC OF THE JULES AUDEMARS COLLECTION. FOR CENTURIES THE ARTISAN HAS KNOWN THAT IT IS EASIER TO ADD THAN TO SUBTRACT. HERE HOWEVER THE MASTERY OF THE ESSENTIAL HAS PRODUCED A WATCH OF RARE PRESENCE AND UNDERSTATED INNER CONFIDENCE.

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THE MAJOR AWARD WINNERS

VALUE CREATORS: OUTSTANDING CEOs OF MALAYSIA

Najib and Abdul Wahid (second from right) flanked by The Edge Media Group executive chairman Datuk Tong Kooi Ong (left) and OCBC Bank (M) Bhd CEO Jeffrey Chew

Najib with Liew, Tong and Ong

Apart from giving awards to companies based on their financial performances, *The Edge* Billion Ringgit Club also recognises corporate figures who have shown exemplary leadership in building businesses and creating value for their stakeholders at a gala dinner each year.

In addition, the company that has performed best in terms of profitability, returns to shareholders, corporate social responsibility initiatives and other qualitative components determined by our panel of judges is also honoured.

Previous recipients of the BRC CEO and Value Creator awards were Tan Sri Azman Hashim, Tan Sri Teh Hong Piow, Tan Sri Tony Fernandes and Datuk Seri Nazir Razak.

This year, the awards went to two men in diverse fields — former Malayan Banking Bhd president and CEO Datuk Seri Abdul Wahid Omar and S P Setia Bhd president and CEO Tan Sri Liew Kee Sin.

Abdul Wahid's life changed when he received a phone call telling him to take up the top position in Renong-UEM group on Sept 15, 2001.

In the next three years, he restructured the group and listed PLUS Expressways Bhd, which was the key to rescuing Renong-UEM from its financial woes. A banker at heart, Abdul Wahid moved on to Telekom Malaysia in 2004 and, in 2008, took up the top post in Maybank.

During his five-year tenure, Maybank shareholders would have enjoyed total returns of 90%.

Liew started his career in a bank but found it boring and paid too little. He went into property development at the age of 29 with a project in Ampang, followed by another in Puchong.

Both projects did very well and, in 1996, he used his company to do a reverse takeover of what is today called S P Setia Bhd. Today, the company is regarded by many as probably the most successful property story of the last 20 years. Investors who bought S P Setia shares in July 1998 when they were 73 sen each would be sitting on a return of 18.7 times today.

The coveted Company of the Year award went to DiGi.Com Bhd whose CEO, Henrik Clausen, was present to accept it. DiGi's phenomenal share price rise in recent years is a testament to its success in surprising the market with its dividend-paying capability.

The amount of cash that DiGi has been able to return to shareholders in the last five years has caught many seasoned investors and analysts by surprise. What's more, DiGi has returned more than 100% of its earnings to shareholders since FY2007 without relying on borrowings. E

COMPANY OF THE YEAR AWARD

Clausen with the coveted award

BEHIND THE SCENES

From left: Mazmi, Teo, Neo and audit assistant Jensen Lee

Once is chance, twice is coincidence and the third time is a tradition, says The Edge Media Group executive chairman Datuk Tong Kooi Ong of *The Edge* Billion Ringgit Club (BRC) that he conceptualised in 2010 as a way to recognise excellence and spur Corporate Malaysia to greater heights.

Tong and *The Edge*'s former editor-in-chief Kevin Khoo further tightened the methodology of the corporate awards, in their fourth instalment this year, to better reward companies that show consistent earnings growth through operational improvements rather than acquisitions or paper gains.

The Edge Communications deputy managing director Lim Shiew Yuin, who brought the corporate awards to fruition with Khoo in 2010, headed this year's team with *The Edge* managing editor (companies and capital markets) M Shanmugam and assistant editor Cindy Yeap.

Like before, the process started with the determination of this year's BRC members before the company accounts were analysed and adjusted for exceptional items. This was done by Yeap with assistance from writer Esther Lee and former writer Ho Ching Ling.

Khoo, Lim and Linda Koh, a licensed investment adviser with Asia Analytica Sdn Bhd who pioneered the process in the first year, were consulted on the process.

Research manager (news library) Tan Wellyoung collated the CSR information packs for the four CSR judges — Bursa Malaysia chief regulatory officer Selvarany Rasiah, OCBC Bank (M) Bhd head of business banking Ong Eng Bin, World Vision International board member Philip Koh Tong Ngee and The Edge Education Foundation CEO Dorothy Teoh — who meticulously evaluated the merits of the CSR initiatives.

This year's statistics, calculations, paperwork and results were then audited by Deloitte Malaysia to ensure accuracy and transparency. Partner Stanley Teo led the audit team with assistance from senior manager Mazmi Mohammad and assistant manager Neo Kim Suan.

Here we express our deepest appreciation to the CSR judges and auditors, as well as many unnamed members of *The Edge*'s editorial, production, marketing and corporate communication team who helped make this year's event a success.

WINNERS OF *THE EDGE* BILLION RINGGIT CLUB CORPORATE AWARDS 2013

VALUE CREATOR

MALAYSIA'S OUTSTANDING CEOs

Datuk Seri Abdul Wahid Omar
Former President & Chief Executive Officer of Malayan Banking Bhd

Tan Sri Liew Kee Sin
President & CEO, S P Setia Bhd

COMPANY OF THE YEAR

DiGi.Com Bhd

COMPANIES WITH MORE THAN RM10 BILLION MARKET CAPITALISATION

MOST PROFITABLE COMPANY
Highest return on equity over three years
British American Tobacco Malaysia Bhd

HIGHEST PROFIT GROWTH COMPANY
Highest growth in profit before tax over three years
Malayan Banking Bhd

BEST PERFORMING STOCK
Highest returns to shareholders over three years
DiGi.Com Bhd

CONSTRUCTION SECTOR

MOST PROFITABLE COMPANY
Highest return on equity over three years
Mudajaya Group Bhd

HIGHEST PROFIT GROWTH COMPANY
Highest growth in profit before tax over three years
Gamuda Bhd

BEST PERFORMING STOCK
Highest returns to shareholders over three years
Gamuda Bhd

CONSUMER PRODUCTS SECTOR

MOST PROFITABLE COMPANY
Highest return on equity over three years
British American Tobacco Malaysia Bhd

HIGHEST PROFIT GROWTH COMPANY
Highest growth in profit before tax over three years
UMW Holdings Bhd

BEST PERFORMING STOCK
Highest returns to shareholders over three years
Dutch Lady Milk Industries Bhd

FINANCE SECTOR

MOST PROFITABLE COMPANY
Highest return on equity over three years
Public Bank Bhd

HIGHEST PROFIT GROWTH COMPANY
Highest growth in profit before tax over three years
Malaysia Building Society Bhd

BEST PERFORMING STOCK
Highest returns to shareholders over three years
Syarikat Takaful Malaysia

INDUSTRIAL PRODUCTS SECTOR

MOST PROFITABLE COMPANY
Highest return on equity over three years
Hartalega Holdings Bhd

HIGHEST PROFIT GROWTH COMPANY
Highest growth in profit before tax over three years
Cahya Mata Sarawak Bhd

BEST PERFORMING STOCK
Highest returns to shareholders over three years
Tasek Corporation Bhd

PLANTATION SECTOR

MOST PROFITABLE COMPANY
Highest return on equity over three years
Kuala Lumpur Kepong Bhd

HIGHEST PROFIT GROWTH COMPANY
Highest growth in profit before tax over three years
Batu Kawan Bhd

BEST PERFORMING STOCK
Highest returns to shareholders over three years
TSH Resources Bhd

PROPERTY AND REIT SECTORS

MOST PROFITABLE COMPANY
Highest return on equity over three years
KLCC Property Holdings Bhd

HIGHEST PROFIT GROWTH COMPANY
Highest growth in profit before tax over three years
Mah Sing Group Bhd

BEST PERFORMING STOCK
Highest returns to shareholders over three years
KLCC Property Holdings Bhd

TRADING/SERVICES, HOTELS, IPC AND TECHNOLOGY SECTORS

MOST PROFITABLE COMPANY
Highest return on equity over three years
DiGi.Com Bhd

HIGHEST PROFIT GROWTH COMPANY
Highest growth in profit before tax over three years
Hap Seng Consolidated Bhd

BEST PERFORMING STOCK
Highest returns to shareholders over three years
SEG International Bhd

BEST CSR INITIATIVES

FIRST PLACE
CIMB Group Holdings Bhd

SECOND PLACE
Nestlé (Malaysia) Bhd

THIRD PLACE
United Plantations Bhd

METHODOLOGY

We've further tightened the criteria for *The Edge* Billion Ringgit Club (BRC) Corporate Awards 2013 to better recognise consistency in the delivery of profits and sustainability of earnings growth.

To do this, we have introduced a simplified risk-weight adjustment factor on the profit before tax (PBT) growth component, where companies that show consistent earnings growth every year throughout the evaluation period will be rewarded.

In addition, we have set a cap to revaluation gains to differentiate earnings growth generated through "paper gains" rather than operational profits that improve cash flow. Given the rise in asset prices, the change — consistent with our gradual tightening in criteria — will reward companies that grew operational profits over those whose earnings jump came largely from asset revaluation gains.

Membership in this elite group is automatic and complimentary for all companies listed on Bursa Malaysia as at March 29, 2013, with at least RM1 billion market capitalisation. There are 144 members in the club this year, including two companies that were delisted after end-March this year.

As recognition is the best reward for accomplishments, it is *The Edge*'s hope that the awards will continue to encourage more companies to strive even harder for excellence.

THE AWARDS

The awards given are:

- Company of the Year award;
- Value Creator(s): Outstanding CEO(s) of Malaysia award(s) [optional];
- Three Best Corporate Social Responsibility Initiatives awards; and
- 24 sectoral corporate awards — three categories for seven Bursa Malaysia-designated sectors and one for large companies with more than RM10 billion in market capitalisation.

The sectoral awards are:
***The Edge* BRC Best Performing Stock** — for the highest returns to shareholders;
***The Edge* BRC Highest Profit Growth Company** — for the highest growth in profit before tax; and
***The Edge* BRC Most Profitable Company** — for the highest return on equity

The eight sectors are:

- Big cap companies — those with more than RM10 billion in market capitalisation;
- Construction;
- Consumer products;
- Finance;
- Industrial products;
- Plantation;
- Property and REITs; and
- Trading and services, hotel, IPC and technology

SECTORAL CORPORATE AWARDS

To be eligible for the corporate awards, a member of *The Edge* BRC must have been listed at least four calendar years before the end-March cut-off date in the current year, as companies are evaluated for their financial performance over a three-year period. Put it another way, an eligible BRC member must essentially be the same entity over four calendar years and be profitable every year throughout the evaluation period. For this year, the evaluation period is between FY2009 and FY2012.

The methodology for the corporate awards is both stringent and transparent, with the results audited by Deloitte Malaysia. The data used in determining the companies that qualify for *The Edge* BRC membership and winners of *The Edge* BRC Corporate Awards is provided by Interactive Data Systems Sdn Bhd (IDS).

The Highest Profit Growth award is presented to the BRC member with the highest compound growth over three years while the Most Profitable Company award is presented to the BRC member with the highest weighted return on equity (ROE) over three years. Exceptional items that are material — cumulative amount equal or exceed 10% of PBT — and deemed unrelated to normal operations are adjusted. Winners must not have suffered a loss throughout the evaluation period.

As part of gradual tightening of criteria, we have introduced a risk-weight adjustment on returns to better reward members that show consistency in the delivery of profits through operational improvements and growth. This adds on to the multiplier introduced last year to recognise that it is harder for larger companies to grow due to the bigger base effect.

Winners of the Best Performing Stock award, meanwhile, are judged purely based on share price gains and dividends over a three-year period — between March 31, 2009 and March 29, 2012. This award is presented to BRC members with the highest compound returns to shareholders, comprising growth in share price and dividends received over the past three years, adjusted for any rights/bonus issues, distribution of treasury shares, dividend in specie and capital repayment.

BEST CSR INITIATIVES AWARD

Eligible companies are judged by a panel of judges on their CSR initiatives over a four-year period. The Best CSR Initiatives award is presented to companies with the top three average scores.

The CSR initiatives are judged by a panel selected by *The Edge* and evaluated based on the four focal areas according to Bursa Malaysia's CSR Framework for Public Listed Companies, namely community, environment, marketplace and workplace. CSR scores account for 30% of evaluation for *The Edge* BRC Company of the Year award.

COMPANY OF THE YEAR AWARD

The Company of the Year award recognises the year's best company based on the following factors:

Evaluation component	Weightage to overall score
QUANTITATIVE	
Returns to shareholders over three years	20%
Growth in PBT over three years	30%
ROE over three years	20%
QUALITATIVE	
CSR initiatives	30%

The final decision on the Company of the Year award takes into account other qualitative elements as determined by *The Edge*.

VALUE CREATOR: OUTSTANDING CEO OF MALAYSIA

The winner(s) of this award is determined by *The Edge* based on an assessment of the person's contribution to value creation for his/her company. Here, value creation is reflected in the company's market valuation, return to shareholders and stakeholders, revenue and profit growth as well as employment creation. To be chosen, the CEO must have achieved outstanding success in all these areas. Assessment starts from when the person became CEO of the company. *The Edge* has absolute discretion on this exclusive award and can choose not to name a winner — as was the case in 2011.

In 2010, the award went to Tan Sri Teh Hong Piow and Datuk Seri Nazir Razak for their outstanding contribution to their respective banking groups, Public Bank Bhd and CIMB Group Holdings Bhd. Last year, the award went to AmBank Group founder and chairman Tan Sri Azman Hashim and AirAsia Bhd co-founder and group CEO Tan Sri Tony Fernandes. Azman, who is 74 this year, remains a financier for all seasons while Fernandes won for his role in transforming Asia's aviation industry.

MOVING BEYOND PHILANTHROPY IN CSR

BY CINDY YEAP

Judges for the corporate social responsibility (CSR) portion of *The Edge* Billion Ringgit Club (BRC) corporate awards this year were heartened to see broad improvements in CSR initiatives among the members, as demonstrated by the higher marks scored by the better companies. In fact, the top-ranked Malaysian companies helped put Malaysia ahead of many of their Asian peers.

Malaysian companies rank No 4 among the 10 Asian markets covered by Sustainalytics Company ESG Research, which evaluates over 4,000 listed companies globally and 45 in Malaysia on corporate responsibility. With an average score of 52, Malaysia is behind Japan (56.3), South Korea (56.1) and India (52.4), but ahead of Taiwan (52), Thailand (51.9), Indonesia (51.9) and Singapore (51.5).

"There are a number of standout Malaysian companies that score highly compared with their global peers, namely British American Tobacco Malaysia (75.6), Bumi Armada (71.6), and DiGi (70.4)," its spokesman tells *The Edge*. Companies are scored on their policies, programmes and performances on industry-specific, environmental, social and corporate governance indicators, with the maximum possible score at 100.

Nonetheless, there is still a wide gap between companies who do well and those who do not, the BRC CSR judges say. In short, our four BRC CSR judges feel there is a need for corporations to give more thought to being responsible companies by incorporating corporate responsibility into the way they do business rather than treating CSR as mere philanthropy or a checklist to fulfil.

They observe that companies that do well have largely been those with foreign linkages where corporate responsibility is implemented on a group-wide basis and adopted here at its Malaysian unit.

For the most part, the judges note that there is largely no linkage between the companies' CSR efforts and their business strategy — something that needs to change as the awareness stage is over. "It is time to drive home the point," the judges say.

For instance, planting trees are good for the environment but the judges say they would rank higher corporations that take a step further by rethinking procurement practices by sourcing only from "green" suppliers.

A fast food company, for instance, can be a more responsible corporation by making a stand in areas such as responsible poultry or livestock farming by setting up procurement practices. Their insistence that livestock farmers adhere to proper hygiene amd use quality feed would show they care for their employees and their customers' health and well-being as well as the environment.

Sending a message out that the company cares for the customers' well-being would boost the company's brand and, in turn, lift its profile.

Less wastage also means more profits, so CSR doesn't need to be separate from the business but should be very much a part of it. This can occur if corporations put more thought into making it happen.

This is not to say there is no place for philanthropy. But rather than measuring how much a corporation is giving versus the size of its bottom line, the judges feel that there should be more thought given to measuring the impact of the amount spent on pertinent areas such as the quality of children's education, healthcare or general well-being.

"For instance, if you're funding an orphanage, questions corporations can ask themselves is whether the effort can be aligned with the company's focus on education or talent building, or raising awareness in areas such as proper nutrition or hygiene," the judges note.

Businesses can also think about becoming a better corporate citizen in areas their employees care about. One Malaysian planter, for instance, took the trouble of setting up a school to train its workers' children in their mother tongue in an effort to preserve cultural heritage. Happier employees are better motivated to help boost the bottom line.

Separately, the judges recommend the introduction of a category for smaller or mid-sized companies that do well in CSR to acknowledge and encourage them.

The judges note that government-linked corporations (GLCs) are doing well in terms of CSR, proof that Khazanah Nasional Bhd's silver book guidelines introduced in 2006 is being put into practice.

They also recommend that a director and team be made responsible for tracking the effectiveness of CSR initiatives as "what gets measured, gets done".

Judges for the CSR portion this year were Bursa Malaysia chief regulatory officer Selvarany Rasiah; OCBC Bank (M) Bhd head of business banking Ong Eng Bin; The Edge Education Foundation CEO Dorothy Teoh and World Vision International board member Philip Koh Tong Ngee. Koh, who is a senior partner at Mah-Kamariyah & Philip Koh, was formerly chairman of World Vision Malaysia.

CSR constitutes 30% of the score when ranking *The Edge* BRC members, which comprise Bursa Malaysia-listed companies with a market capitalisation of at least RM1 billion as at end-March. E

(From left) The Edge Media Group publisher and group CEO Ho Kay Tat, Koh, Teoh, Selvarany and Ong

DONATIONS ARE NOT SUSTAINABLE FOR CSR

Savvy investors and stakeholders depend not only on financial information but also non-financial information to make informed decisions. They expect sound sustainability practices relating to the social, commercial and environmental aspects of business activities.

Bursa Malaysia mandates all companies to report on their CSR activities, which come under four categories: marketplace, workplace, environment and community. Bursa Malaysia launched the Business Sustainability Programme for Corporate Malaysia to drive greater integration of sustainable practices among companies. The multi-pronged, comprehensive and progressive programme comprises a sustainability guide for directors (Powering Business Sustainability — A Guide for Directors), a sustainability knowledge portal on Bursa Malaysia's website, and a series of thought leadership and advocacy sessions on the subject matter.

There has to be a change in mindset where sustainability practices are concerned. The starting point for any company is to align its sustainability initiatives with its business strategies. Good sustainability strategies are part of sound risk management practices as they help companies maintain credibility and manage stakeholder expectations. These strategies, with specific focus areas, have to be developed by the board as part of its risk management oversight, which will enhance value creation.

The role of senior management is to implement the strategies for each focus area, with clear targets and matrices to measure achievements. Sustainability reporting should refer to year-on-year targets and achievements and should highlight gaps and the measures that will be taken to address those gaps. When companies do not demonstrate this, their initiatives appear as ad hoc projects.

Plantation, oil and gas, mining and manufacturing companies may undertake more environmental sustainability practices, but a common mistake is that companies in other industries do not believe that their activities have an impact on the environment. They focus instead on planting a few trees, recycling paper, consuming less water, using energy-saving bulbs and turning off unnecessary electrical equipment. While these are useful steps, companies should explore more environmental-friendly options, such as reducing its environmental footprint by purchasing more environmentally friendly company vehicles, reducing noise pollution or replacing car and petrol allowances with other benefits, environmentally friendly waste management, building environmentally sound stores and facilities, and purchasing raw materials locally.

There is clear evidence of companies practising CSR by giving donations to the less fortunate. The drawback is that most of these companies have not demonstrated the sustainability of these initiatives or how these are linked to their business strategies. This leads to the perception that they are carried out partly to fulfil reporting requirements as well as to create goodwill.

Community initiatives should cover longer-term community investments. Creating an education fund, purchasing raw materials from local farmers, supporting extra-curricular activities in local schools, such as financial institutions providing financial literacy programmes to secondary school students or manufacturing companies running environmental safety competitions, are some community initiatives that can be linked to the company's business strategies. These initiatives should be developed into long-term programmes with clear measurable outcomes to benefit the local community.

Companies currently tend to focus more on environmental and community initiatives, while marketplace and workplace initiatives are somewhat neglected. Where workplace initiatives are concerned, social gatherings involving employees, while laudable, are not considered material or sustainable unless they are part of company's sustainability policies, which have defined targets and outcomes. They have to ask themselves whether these gatherings contribute to employee quality, satisfaction and retention, which add to value creation, or whether other initiatives are required to achieve these outcomes.

Some good initiatives are employee education programmes or flexible hours, which may help retain female employees who need to take care of their families. Studies show that high employee satisfaction results in better customer satisfaction ratings and greater profitability. In other words, keeping employees satisfied is one way of keeping the customers satisfied. Research indicates that it is six times more difficult to attract a new customer than to retain current customers, who may yield as high as 20% profit per customer. It is beneficial for companies to develop policies that look after all their stakeholders, namely employees and suppliers, and not just their customers.

Marketplace initiatives should focus more on the company's customer service targets and how it manages its suppliers and service providers. Some companies have implemented a voluntary supplier scorecard, which encourages suppliers and service providers to disclose how they have measured efforts to reduce greenhouse gases, water and energy, and whether their use of labour has been fair, especially in less developed countries.

In the light of increasing interest from Socially Responsible Investment funds, amounting to about US$7 trillion, companies that implement sound sustainability practices will be able to attract a different category of investors. At the very least, sustainability practices should be implemented as part of the risk management exercise to ensure that companies maintain their reputation and goodwill.

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SETTING THE PACE

BY DOROTHY TEOH

In July last year, The Edge Education Foundation (TEEF) launched the Programme for After Class Enrichment (PACE) in collaboration with *The Edge* Billion Ringgit Club (BRC).

PACE is a tuition-cum-mentoring programme to help students who are at risk of dropping out or failing, remain in school and maximise their potential.

BRC member Kuala Lumpur Kepong Bhd, which won the Most Profitable Company award in the plantation sector at this year's BRC awards night, was the first to come on board as a sponsor.

In April this year, TEEF, working with two partners — Taylor's University and Ernst & Young — launched a pilot project involving two schools in the Sentul area. Forty-three Form 1 students from the two schools, SMK (L) Methodist Sentul and SMK Convent Sentul, are involved. These students were selected by the schools based on two main criteria — failure to meet minimum competency requirements (that is, a "C" grade) in English, Bahasa Malaysia and Mathematics at UPSR level and a household income of RM3,000 and below.

PACE has three main components — academic support in the form of tuition in the three core subjects of English, Bahasa Malaysia and Mathematics; social support in the form of mentoring and positive role-model influence to impart the importance of completing education; and imparting life skills, in particular financial literacy and basic entrepreneurial skills.

Teachers or retired teachers selected by the schools are paid to run the tuition classes, while students from Taylor's Business School who are enrolled in the compulsory Community Service Module which the school introduced in April this year run a one-hour activity-based programme twice a week after the English and Mathematics tuition classes.

Ernst & Young volunteers provide mentoring and career guidance and will also teach financial literacy and basic entrepreneurial skills to PACE students.

PACE has been running for four months now and next week, the second batch of Taylor's Business School students will start the activity-based programme in the two schools.

Hands-on experience: A student trying to lift a fresh fruit bunch during PACE's visit to KLK's Tuan Mee Estate in Sungai Buloh

In terms of grades, it will take some time for the results to show as PACE works with academically low-performing students. Mid-year examination results show that many are still not meeting the minimum competency requirement of a "D" in the three subjects.

Pace
PROGRAMME FOR AFTER CLASS ENRICHMENT
Enabling every child to succeed

Some people have asked why we are focusing on English, Bahasa Malaysia and Mathematics. Why not Science? The answer is that literacy and numeracy skills are among the most basic foundation skills. In its *Education For All Global Monitoring Report 2012* released last October, Unesco noted that "to be prepared for employment, all young people need foundation skills acquired through education that continues at least as far as lower secondary school". It also noted that foundation skills are "a pre-requisite for continuing in education and training, and for acquiring transferable and technical and vocational skills that enhance the prospects of getting good jobs".

The same report also noted some sobering statistics: about one in eight people aged 15 to 24 are unemployed, and young people are about three times as likely as adults to be unemployed. "With youth unemployment threatening to rise higher, many young people face the prospect of remaining without secure work for years to come," added the report.

A growing pool of unemployed, unemployable and under-employed young people will have social, economic and political ramifications. The double whammy of poor education and poor prospects makes these youngsters vulnerable targets for gangs. In fact, the first time I came across the number "21" and learnt that it referred to a gang was at a secondary school in Kuala Lumpur where I saw it scribbled in red on the walls.

Taylor's University undergraduates and lecturer Juliana French (standing in the background) with SMK Convent Sentul students

Ernst & Young volunteers during a mentoring session with students at SMK (L) Methodist Sentul

If they do manage to elude the gangs, poorly educated students who drop out or leave school without the skills needed to enable them to earn a decent living will be trapped in a cycle of poverty.

Ministry of Education statistics for 2012 show a national attrition rate of about 17,000 at lower secondary level and 28,000 at upper secondary level. The figures encompass dropouts and those who have switched to private and religious schools. That still leaves a sizeable number who face bleak prospects.

A poorly educated workforce also means the nation loses out in terms of human capital. It would also undermine our drive to achieve high-income status — Unesco and World Bank data shows that average years of education is directly and positively correlated to GDP per capita.

Beyond inspiring the students to stay in school, we want to instil in them the value of education. We also aim to raise the students' aspirations, and here is where mentoring and listening to speakers who can both inspire and challenge them, come in. (On Aug 30, 28 students from both Convent Sentul and MBS Sentul had the opportunity to see and hear Nick Vujicic speak at Kuala Lumpur Performing Arts Centre in Sentul, courtesy of BRC member YTL Corp Bhd and FrogAsia.)

Young as they are, we also want to expose our PACE students to the world of work. A visit to Ernst & Young's offices in Kuala Lumpur in April for PACE students, their parents and several teachers from the two schools showed them what a corporate office looks like.

On Sept 5, the students visited PACE sponsor KLK's Tuan Mee Estate in Sungai Buloh and learnt about palm oil and the operations of an oil palm estate.

It is our hope that the combination of academic support, mentoring and activities like field trips will help "switch on the light" for our PACE students as to why education matters, and inspire them to stay in school and work harder.

While there will be challenges ahead, in particular ensuring sustained attendance at both school and PACE, I believe we are making progress.

PACE is also making an impact on other stakeholders. Feedback from our partners in this pilot project — Ernst & Young and Taylor's University — is that their young executives and undergraduates are benefitting from being part of the project. As Mridula Krishnan, an associate with Ernst & Young Advisory Services says, "When my mentees ask me when they are going to see me next, it really feels like we're making a difference just by being there for them, and that's very satisfying. It genuinely feels like our involvement in this programme is benefiting them in the sense that they have someone who takes an interest in their accomplishments, both academically and otherwise, and encourages them to work on those areas that they are lacking, for example, skills and confidence."

To make a difference in many more lives, TEEF looks forward to working with other corporations — in particular BRC members — to roll out PACE in more schools. E

Dorothy Teoh is CEO of The Edge Education Foundation. The foundation would like to thank KLK, Taylor's University, Ernst & Young, SkyBus and Boston Consulting Group for their support for PACE.

Congratulations to the trailblazers of
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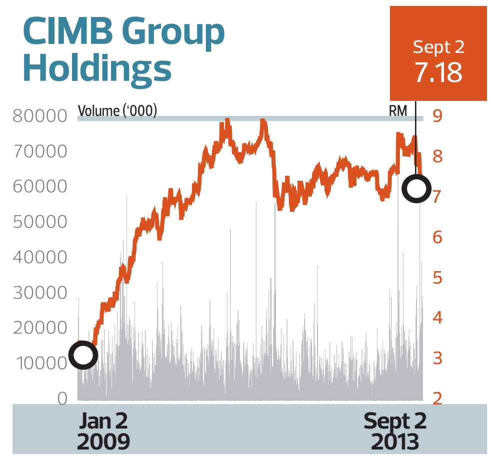
BEST CSR INITIATIVES (FIRST PLACE)

TOP 3 WINNERS FOR BEST CSR INITIATIVES

CIMB GROUP HOLDINGS

Touching the lives of three million people



BY MADIHA FUAD

Since 2007, the CIMB Group Holdings Bhd has implemented more than 700 over projects as part of its corporate social responsibilities, underlining its seriousness in building a better society.

"When we support people in our communities, workplace, marketplace and environment, we help to build social sustainability and create long term value," says group chief executive Datuk Seri Nazir Razak.

According to Nazir, under these conditions, the group is able to grow its own businesses and work towards its vision to be the leading Asean company.

Last year, the group was involved in 214 projects that touched the lives of some 161,000 people and since 2007 its 771 projects are estimated to have had an impact on more than three million people.

Particular successes of 2012 have been in the group's youth projects, which include sports development programmes — squash, golf and football.

Under the CIMB Foundation, the group has sponsored several Pintar schools and courses to improve English and ICT capacity among rural children across the region.

The scholarship is also available for post-graduate studies at the world's top universities in fields, which are important for the development of the region.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	19,639.55	12,122.03	11,878.20	10,483.15
Profit Before Tax	5,677.89	5,203.14	4,626.72	3,811.88
Net Profit Attributable to Shareholders	4,344.78	4,030.80	3,500.80	2,806.82
Return on Equity	15.20%	15.34%	14.94%	13.66%

In 2012, the group invited qualified candidates to apply for scholarships in the fields of Nutrition and Genetics. It received applications from all 10 Asean countries in which five scholarships were awarded.

The disbursed value of the scholarships stands at RM913,740 for 2012 whilst the total value of the scholarships disbursed since 2010 is RM1,799,368.

The group also embarked on two new initiatives related to education segment in 2012.

One was to equip the libraries of Sekolah Integriti and Sekolah Henry Gurney across the country. Sekolah Integriti are schools meant for underaged prisoners who are detained at correctional facilities across the country.

There are 10 Sekolah Integriti and Sekolah Henry Gurney in the country and it plans to equip the libraries of all the schools.

The second initiative is the CIMB Young Leaders Asean Summit, where students were invited from Asean to step into the shoes of policy makers for two days and come up with a solution on specific issues regarding Asean.

In 2012, a highlight of its workplace initiatives was the reach-out programmes to Malaysian secondary schools where over 40 staff made 24 visits to schools and gave career talks to over 3,800 students.

In market-place initiatives, 151 NGOs signed up for their online donation portal, CIMB Cares, which offers a secure payment channel for donations and gives lower bank charges and higher deposit rates to the NGOs involved.

Environment initiatives included the EcoSave Green Kitchen Challenge by CIMB Islamic, which focused on simple ways to reduce solid waste and promote long-term sustainable benefits to the environment.

Back in 2007, shortly after CIMB Group started its transformation into a regional universal bank, it launched CIMB Foundation to implement the community-focused projects of its corporate social responsibility initiatives.

Its' foundation works on initiatives that are aimed at empowering communities in a transparent, measurable and accountable way.

Community Link is the flagship CR programme of CIMB Group. Implemented initially as a partnership between the Group's consumer banking franchises in Malaysia — CIMB Bank and CIMB Islamic.

ABOUT THE COMPANY

The group's business activities are primarily in the areas of consumer banking, wholesale banking — comprising investment banking and corporate banking — treasury and markets, and group strategy and strategic investments, with its core markets being Malaysia, Indonesia, Singapore and Thailand. The group operates under several corporate entities, which include CIMB Investment Bank, CIMB Bank, CIMB Islamic, CIMB Niaga, CIMB Securities International and CIMB Thai.

It leverages on the nationwide reach and coverage of their consumer banking branch network to deliver benefits to the community and social welfare, which are funded by CIMB Foundation.

Between 2011 and 2012, the group implemented 183 projects spending RM5.2 million for Community Link programmes in five countries. E

BEST CSR INITIATIVES (THIRD PLACE)

TOP 3 WINNERS FOR BEST CSR INITIATIVES

UNITED PLANTATIONS

Continuing century-old practice

BY JENNY NG

Long before the term "corporate social responsibility" (CSR) was coined, taking care of its employees, community and environment has been a way of doing business at United Plantations Bhd.

A frequent winner, United Plantations Bhd is no stranger to *The Edge* Billion Ringgit Club. This year, it is being recognised, for the second time, for its efforts in CSR.

"Many people today talk about CSR, but this is a trendy new word that has surfaced over the last 10 years. UP has been doing socially responsible work/welfare and committed ourselves to such a course for more than 100 years now," says Datuk Carl Bek-Nielsen, CEO and vice-chairman of UP, in emailed responses.

He explains that UP started such activities just after World War I and has continued to do so since.

"It is not about taking one big leap ahead over the last few years. We have done this on a continued basis in the early 1920s and right up to now. These values and principles have simply become an interwoven part of the company's fabric today whether it is here or in Indonesia," he adds.

Since UP was established 107 years ago, its founding fathers, Aage Westenholz and Commander William Lennart Grut, were already very much aware of the need to ensure that the employees are looked after properly. Right from the start, they wanted to set up the highest standards within the plantation sector, in terms of housing, healthcare, education and even places of worship.

Bek-Nielsen says that guided by one of Westenholz's principles to set the highest possible welfare standards for the workforce within the conventions of the day, he built the first Hindu temple in 1916. "It is still here and still very beautiful," says Bek-Nielsen.

Grut continued Westenholz's vision and built the group's first hospital in 1926.

"The key driver has been the principles and values set down by our founding fathers which

BEST CSR INITIATIVES (SECOND PLACE)

TOP 3 WINNERS FOR BEST CSR INITIATIVES

NESTLÉ (M)

Creating shared values

BY CHARLOTTE CHONG

The world's leading food, nutrition, health and wellness company Nestlé was founded with the goal of combating the problem of mortality due to malnutrition. Today, the company carries on its legacy by being committed to building a business based on sound human values and principles.

Nestlé has emerged among the top three winners of the Best Corporate Social Responsibility (CSR) Initiatives award for the second time.

"2012 was a milestone year as we celebrated our 100th anniversary in Malaysia. In conjunction with that, not only did we execute celebratory events, but also embarked on several key initiatives aligned with our three Creating Shared Value (CSV) pillars — nutrition, water and rural development," says managing director Alois Hofbauer.

CSV reflects the joint benefits for shareholders as well as society and the communities in which Nestlé operates. The company's desire is to create prosperity and help improve the quality of life for society and its consumers in an inclusive manner.

"It is how we run our business. So, as society benefits, so does Nestlé. The key is not short-term profit, but to build it over the long term in a sustainable and mutually beneficial manner," Hofbauer adds.

"It is an honour to receive the award for CSR Initiatives. Nourishing Malaysians since 1912, Nestlé has earned the trust of Malaysian consumers, not only for our quality brands and products, but also our commitment to improving the livelihood of the local community through our CSV initiatives in the areas of nutrition, water and environment, and rural development."

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	4,556.42	4,700.99	4,026.32	3,744.23
Profit Before Tax	637.67	558.81	465.74	440.26
Net Profit Attributable to Shareholders	505.35	427.13	391.40	351.79
Return on Equity	67.27%	65.44%	63.81%	62.03%

In February, Nestlé started a new initiative — the Nestlé Paddy Club (NPC) — to help minimise water usage in rice farming, reduce the environmental footprint and provide Nestlé with fully traceable and high quality rice for its cereal production.

Launched in Kedah, the initiative also helped to increase the farmers' income through yield improvement and pesticide cost reduction. Since the launch, NPC has grown tremendously and within 10 months, reached a total of 289 farmers, covering 784ha with a harvested yield of 6.8 million tonnes per hectare, which is 50% higher than the previous harvest.

Nestlé Project RiLeaf — a Nestlé initiative on conservation and reforestation — was launched with the aim of creating an environment where people, nature and agriculture (palm oil) can harmoniously co-exist in their need for water.

"We have surpassed our goal for 2012, of planting a minimum of 100,000 trees along the 150km stretch of the lower Kinabatangan River in Sabah. 2013 will see an acceleration of the tree planting combined with incremental support for palm oil smallholders," says Hofbauer.

In 2012, Nestlé Malaysia launched its Program Cara Hidup Sihat, a longitudinal intervention programme, to improve the knowledge and practice of healthy lifestyles among secondary school students from 100 boarding schools.

ABOUT THE COMPANY

Nestlé started operations in Malaysia in 1912 as the Anglo-Swiss condensed milk company in Penang and later moved to Kuala Lumpur in 1939. Nestlé Malaysia now manufactures its products in seven factories and operates from its head office in Mutiara Damansara. Its eighth factory is slated to be completed next year with the aim of doubling its production capacity for its ready-to-drink segment in Malaysia. The company was listed on the Kuala Lumpur Stock Exchange on Dec 13, 1989.

The initiative is carried out in collaboration with the Ministry of Education (MOE) and Universiti Putra Malaysia (UPM). Nestlé has also continued its Nestlé Healthy Kids programme in cooperation with the Nutrition Society of Malaysia, which is a three-year intervention programme to improve knowledge, attitude and practices on nutrition and healthy lifestyles among primary schoolchildren. E

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	1,183.39	1,398.39	969.16	816.67
Profit Before Tax	454.24	491.54	349.46	372.80
Net Profit Attributable to Shareholders	342.24	373.95	264.31	281.48
Return on Equity	15.91%	18.73%	14.92%	17.18%

have been nurtured and improved upon by people who came after them such as my late father (Tan Sri Børge Bek-Nielsen) and now under the current management," says Bek-Nielsen.

Today, aside from housing facilities, crèches and community halls, UP properties boast 26 temples, five mosques, two churches, two group hospitals, eight primary schools, nine kindergartens, a home for senior citizens and a Danish bakery.

"I dare say they are second to none within this industry today," he adds.

UP was among the top 10 CSR companies in BRC 2011. In the inaugural BRC 2010 awards, UP was recognised for having the highest return on equity among plantation companies.

It is worth noting that an important part of UP's CSR policy is its commitment to the Roundtable of Sustainable Palm Oil (RSPO). The world's first RSPO certificate was awarded to UP in 2008.

"This could never have been done had we started from scratch in 2000," says Bek-Nielsen.

He reveals that UP had long ago undertaken commitments on the environmental front through its biogas and biomass plants and railway tracks that helped reduce the company's greenhouse gas (GHG) emissions.

UP conducted the world's first life-cycle analysis on palm oil production back in 2006. Once the weak links were identified, UP reduced its GHG emission footprint by more than 40% since 2006 on a per tonne of oil produced basis.

Bek-Nielsen says it is always easier to implement CSR policies once employees see that the management takes a genuine interest in their welfare.

"Of course, we demand standards in the plantation and the operational units, such as the mills are in tip-top condition, but then again you can do this only if the employees feel they are part of the big picture," he explains.

"Again this is about the culture, commitment and determination of the board and its directors who cascade down these values. If people down the line can see that we mean business, then they will follow suit." E

ABOUT THE COMPANY

United Plantations Bhd has a total planted landbank of 45,628ha in Malaysia and Indonesia. In Malaysia, the company operates six mills and the Unitata refinery on a joint-venture basis with AarhusKarishamn AB, a leader in the global specialty fats sector. The company's history dates back to the early 20th century when Danish engineer Aage Westenholz founded the Jendarata Rubber Estates on 809ha of land in Teluk Intan, Perak, in 1906. The Jendarata Rubber Co then merged with Corner, Raja Una and Westenholz Brothers Coconut Estates to become United Plantations Ltd in 1917. In 1966, United Plantations Ltd and Bernam Oil Palms Ltd were amalgamated into United Plantations Bhd.

VALUE CREATOR: OUTSTANDING CEO OF MALAYSIA

DATUK SERI ABDUL WAHID OMAR

The man whose life changed forever in September 2001

BY M SHANMUGAM

On Sept 11, 2001, a terrorist attack on the World Trade Center in New York forced changes in security systems and aviation travel all over the world.

In Malaysia, a telephone call from Tan Sri Nor Mohamed Yakcop four days after the terrorist attack changed Datuk Seri Abdul Wahid Omar's life forever.

Barely 37 years old at the time, Abdul Wahid was chief financial officer at Telekom Malaysia Bhd (TM) and was settling in at the job he had taken up six months earlier. But Nor Mohamed, then economic adviser to then prime minister Tun Dr Mahathir Mohamad, told him that he was needed to lead the Renong-UEM group. Renong-UEM was Malaysia's most influential and connected company with interests in many aspects of the economy, but was bogged down by debts of RM20 billion.

"Wahid did not answer for a good 20 seconds or so ... I called out again to him to ask whether he was still on the line. He replied that he felt the job was too big for him. I told him he can succeed or fail. And if he failed, he can start all over again.

"He took on the job, restructured the company and turned it around. It easily created value of more than RM5 billion," says Nor Mohamed told *The Edge* recently.

Abdul Wahid had known Nor Mohamed since the 1997/98 Asian financial crisis, when Abdul Wahid was chairman of the Association of Discount Houses of Malaysia. The discount houses were crippled by the volatile ringgit and interest rates.

Bank Negara Malaysia had wanted to close down the six discount houses long before the financial crisis. The idea came about even as far back as 1994 when Nor Mohamed was still at the central bank. But he felt that discount houses still had a role to play. Nor Mohamed would resign from Bank Negara later that year.

As fate would have it, Abdul Wahid came to see Nor Mohamed about the fate of the discount houses during the latter's second stint at Bank Negara — this time as an adviser. As chairman of the association, Abdul Wahid managed to get Nor Mohamed's approval to keep the discount houses alive for a few more years.

"I asked Wahid years later on the value that was created by the decision to not close the discount houses. He said it was about RM1 billion," says Nor Mohamed, an economist and career central banker, who had played a key role in advising Dr Mahathir to overcome the currency crisis that Malaysia faced in 1998.

From May 15, 2000, as economic adviser to Dr Mahathir, Nor Mohamed was given the task of nursing Corporate Malaysia back to health. His biggest challenge was to overhaul the Renong-UEM group.

By September that year, Nor Mohamed, through Khazanah Nasional Bhd, had taken over the group from Tan Sri Halim Saad. He then needed a person to manage it, restructure and create value for shareholders.

SUHAIMI YUSUF/THE EDGE

"My head would be on the chopping block if I did not succeed in restructuring and turning around Renong-UEM. By then, we [Abdul Wahid and Nor Mohamed] were running into each other more often and I got to know the man better ... I had faith in him," says Nor Mohamed.

Abdul Wahid spent three years in the group, reducing its debts and listing PLUS Expressways Bhd, which was key to reducing the group's debt and interest repayment of about RM200 million per month.

According to an executive with Renong-UEM, Abdul Wahid's biggest strength was bringing stability to the organisation. "He spends long hours in the office and never shies away from handling big corporate exercises. And he is humble despite the high position," says the executive.

Nor Mohamed says Abdul Wahid's greatest strength is his humility and ability to articulate complicated matters well. "He is humble, respects authorities and comes across as a pleasant person. He is also able to articulate matters well."

Armed with his experience of restructuring Renong-UEM, Abdul Wahid went on to TM in July 2004. It was a different problem at TM, a behemoth telecommunications service provider with fixed line, broadband and cellular services all under one roof.

A plan to demerge the company came about in 2007, and was completed on April 25, 2008. The demerger gave rise to two entities, now known as Telekom Malaysia and Axiata Group Bhd.

Axiata, formerly known as Telekom International, became a regional cellular service provider with interests in Indonesia, Singapore and Sri Lanka. As for TM, Abdul Wahid made it into a fixed line and broadband service provider. The combined market capitalisation of TM and Axiata is now RM76.9 billion.

Even before the demerger was completed in April 2008, Abdul Wahid was already being touted for the top post at Malayan Banking Bhd. At the time, the bank was having a tough time with its acquisition of three regional banks, including the controversial purchase of PT Bank Internasional Indonesia (BII).

Abdul Wahid was only supposed to join Maybank on June 1 but had to assume the hot seat on May 1, a day after he left TM because the previous managing director, Tan Sri Amirsham Abdul Aziz, had already left the bank to join the government.

Abdul Wahid had a challenging first year at Maybank. Apart from the BII acquisition, the bank had acquired a 20% stake in MCB Bank Ltd of Pakistan and 15% equity interest in An Binh Bank in Vietnam. The acquisitions were made when the global economy was going through a financial crisis owing to a liquidity collapse in the US financial system.

On his first day at work, Abdul Wahid was already on the plane to Lahore to sign the agreement for Maybank's purchase of a stake in MCB Bank — without having the benefit of going through the documents earlier; he only had a chance to look at the draft agreement on the flight.

Two weeks later, Abdul Wahid had to convince shareholders to approve the BII acquisition and later re-negotiated the purchase price with Singapore's Fullerton Financial Holdings Pte Ltd, which was a shareholder of BII.

His hardest challenge was to raise RM11 billion in debt and equity during the 2008 global financial crisis. Not many banks in this part of the world had to go through that, but Abdul Wahid, a banker at heart, led Maybank through its toughest time.

But the returns for Maybank shareholders have been handsome. An investment in the banking group made on May 2, 2008, a day after Abdul Wahid took over, would have grown 89.96% by Aug 27 this year — an annual growth of 13.42%. This is based on total shareholder returns where it is assumed that the cash dividends are reinvested.

Abdul Wahid's tour of national duty has now taken him to Putrajaya where he is being watched as the man to help Prime Minister Datuk Seri Najib Razak bring discipline to public finances. E

VALUE CREATOR: OUTSTANDING CEO OF MALAYSIA

TAN SRI LIEW KEE SIN

Perfecting the art of township development

BY M SHANMUGAM

For shareholders who had faith in Tan Sri Liew Kee Sin, then a relatively little-known name in the corporate world, in 1996 when he took over S P Setia Bhd through a reverse takeover exercise, the returns would have paid off many times over.

An investment of 1,000 shares in July 1998 when the share price was 73.5 sen would have multiplied by almost 18.7 times if it was held right up to March last year, when Permodalan Nasional Bhd completed a mandatory general offer of the company at RM3.95 per share, and assuming the shareholder had participated in rights issues.

Beyond delivering returns to shareholders, S P Setia's more meaningful effect on the sector is its groundbreaking standards in the development of townships.

Budding property developers are not shy to cite the examples of S P Setia's Setia Alam and Setia Eco Park projects, built on a sprawling piece of land measuring 4,000 acres that used to be known as the North Hummock Estate in Shah Alam, as a development where there is a vibrant secondary market for its houses.

"It's off from Klang and Kuala Lumpur yet its houses have an active secondary market. This creates value for house buyers," says an agent.

S P Setia acquired the land from the See Hoy Chan group on April Fool's Day in 2002 for almost RM600 million cash or at RM3.49 psf. It took the market by surprise because the economy was nursing itself to health and township development in a place like Shah Alam was viewed negatively because of its high cost incurred upfront before sales can be done.

However, 11 years later, Liew has the last laugh as the project has taken the company to new heights and the gross development value (GDV) of Setia Alam and Setia Eco Park has gone up over the last 10 years from less than RM5 billion to more than RM20 billion.

For instance, Datuk Zarul Ahmad Zulkifli, the chairman of Consortium Zenith BUCG Sdn Bhd, cites the example of Setia Alam as what he can do with a parcel of 110 acres the company would get in return for building infrastructure in Penang, including a third link between the island and mainland, for RM6.2 billion.

"The 110 acres is meaningful if you can replicate what S P Setia has done for its development," he said in a recent interview.

SUHAIMI YUSUF/THE EDGE

REUTERS

S P Setia is leading the redevelopment of a 39-acre tract in in London's Battersea Power Station

The son of a lorry driver and rubber tapper mother, the 54-year-old Liew attributes the success story of S P Setia to his ability to rally the best resources around him to build a strong team to undertake projects.

He was never trained as a property developer but Liew is responsible for transforming a modest construction outfit into a real estate powerhouse within a span of 17 years.

The chief executive officer and founder of Zerin Properties, Previndran Singhe, views Liew's strength in building teams and making full use of meaningful information as his greatest asset. "He is not shy to get the best people and knows how to value good information and work on it," he tells *The Edge*.

Liew learnt very early in his life that a good manager is a person who gets the best person to do the job.

"I learnt very early in my life that I can't depend on myself to get things done. So I learnt to trust and depend on others. That is why I spend 50% of my time on building a strong team," he told *The Edge* in an interview recently.

When he was 29 years old, Liew quit his job in a bank and ventured into property development in a big way. Together with Datuk Voon Tin Yow, who is now S P Setia's group deputy president and COO, Liew's first venture was a 225-acre development in Ampang in 1989.

He managed to obtain a RM54 million financing facility comprising debt and equity from a foreign bank to fund the purchase. A sum of RM30 million was used to fund the acquisition while the balance was set aside as working capital. The development is now known as Bukit Indah Ampang.

In 1996, Liew, together with Voon, ended up with a stake of less than 10% in SKJ, a construction company, through a reverse takeover. They later took control of the company and since then has grown it to become the benchmark for township development.

Generally, township development is done by large property companies with deep pockets because the holding cost and upfront expenditure incurred to build the internal and external infrastructure is high. An example is the development of Subang Jaya by Sime Properties Sdn Bhd.

However, S P Setia proved its critics wrong. It reduced the holding cost of acquiring North Hummock Estate by divesting 605 acres to the Selangor State Development Corporation.

S P Setia also carved out 791 acres to be jointly developed with the Employees Provident Fund (EPF) and Great Eastern Life Assurance (M) Bhd into what is now known as Setia Eco Park, a high-end development.

Over the years, S P Setia has had a large band of faithful house buyers who tend to invest in the group's developments because of the appreciation of the properties over time.

Some followed Liew to London where S P Setia is leading the redevelopment of a 39-acre tract in the Battersea Power Station.

The project, which S P Setia is undertaking with Sime Properties and the EPF, is expected to span the next 10 years and command a GDV of £8 billion.

By the time the project is done, Liew would no longer be at S P Setia as he has already announced his departure from the company in 2015. But he leaves S P Setia on a high.

"It is a great farewell gift for me when I leave S P Setia," says Liew at the Billion Ringgit Club Awards night where he was named as one of the two Value Creators for 2013.

"But the main winner of this award should be the people behind the company who have put in so much effort in what they do." E

BILLION RINGGIT Club

PICTURES BY KENNY YAP, SUHAIMI YUSUF AND SHAHRIN YAHYA/THE EDGE

Atilia

CORPORATE MALAYSIA FÊTED IN STYLE

BY SHALINI KUMAR

The arrival of executives in tuxedos and suits along with ladies glamorously dressed in floor-sweeping gowns heralded the start of *The Edge* Billion Ringgit Club 2013 gala dinner, held in the ballroom of Hilton Kuala Lumpur.

The crème de la crème of Corporate Malaysia were congregating for what was easily the biggest awards night in the corporate calendar.

The annual event, into its fourth year, once again had OCBC Bank Malaysia as its main sponsor, Swiss luxury watchmaker Audemars Piguet as supporting sponsor and German luxury car-

Guest of honour Najib accompanied by Tong as he arrives at the gala dinner

maker BMW as the official car of the event.

Guests began arriving at around 7pm and within half an hour, the cocktail area of the ballroom was filled with corporate bigwigs as the smooth sounds of the Verses string ensemble played in the background. The recently launched BMW Active Hybrid 7L, on display outside the ballroom, was the topic of conversation with guests pausing to admire the car before heading to their tables.

The ballroom was luxuriously decorated with stylish floral table centrepieces and candelabra, creating a cosy atmosphere for guests to enjoy the five-course, wine-paired dinner and the night's entertainment.

At 8.45pm, guest of honour Prime Minister Datuk Seri Najib Razak and his wife Datin Seri Rosmah Mansor arrived at the ballroom, accompanied by The Edge Media Group executive chairman Datuk Tong Kooi Ong, OCBC Bank Malaysia chairman Tan Sri Nasruddin Bahari and The Edge Media Group publisher and group CEO Ho Kay Tat.

In his opening speech, Tong reminded guests that *The Edge* BRC was conceived to recognise successful Malaysian companies and to encourage businesses to become more competitive, efficient and transparent.

"However, as a member of the media, we are aware that a society's well-being and prosperity are not just about financial profits. We all know that economic development, strong GDP growth and highly profitable companies cannot by themselves be meaningful if the people of the country do not benefit from a better standard of living, higher disposal income and a healthier and safer life," he said.

After his speech, models took to the stage to showcase Canali's autumn/winter 2013 collection (picture below) as guests dined on a delicious spread of scallop salad and butternut pumpkin soup for starters, grilled beef tenderloin or roasted cod for mains and a quince strudel with macadamia brittle ice cream to bring things to a sweet end.

R&B and jazz vocalist Atilia performed several numbers, including original songs from her second album *Indah*. She also paid tribute to John Lennon in her opening number, a jazz version of *Imagine*.

In line with the theme of the night, "Beyond Profits", Najib's keynote address stressed that companies should not only focus on maximising their returns on investment and equity, but also on building a more sustainable economy for Malaysia by investing in people as well as projects, along with making business decisions that befit long-term ambitions.

"It appears that the focus on short-term results rather than the long-term health of a company is warping the investment landscape," said Najib, who is also finance minister.

Together with Tong, Najib handed out a total of 27 awards, comprising eight sectoral awards, including recognition for big cap companies and those with the Best CSR Initiatives, of which first place went to CIMB Group Holdings Bhd.

Two notable figures in Corporate Malaysia were honoured with the Value Creator: Malaysia's Outstanding CEO award. They were Senator Datuk Seri Abdul Wahid Omar, the former president and CEO of Malayan Banking Bhd, who is now Minister in the Prime Minister's Department, and Tan Sri Liew Kee Sin, the president and CEO of S P Setia Bhd.

The Company of the Year award went to DiGi.Com Bhd. CEO Henrik Clausen, who was at the event to receive the award, was presented with the exquisite Audemars Piguet Millenary 4101 in pink gold, courtesy of the luxury watch manufacturer.

With all the awards given out and the winners' group photos taken, the night drew to a close, but many guests continued to mingle and congratulate the winners while having coffee, petit fours and pralines. E

A WORK OF ART

BY ANANDHI GOPINATH

Tall and commanding, DiGi.Com Bhd CEO Henrik Clausen has the ideal wrist for Audemars Piguet's Millenary 4101 timepiece, his prize for taking home the CEO of the Year award at *The Edge* Billion Ringgit Club gala dinner. This stunning watch has been the subject of much excitement in the world of haute horology since its release early this year, and was greeted with equal excitement when it was presented to Clausen at the black-tie ceremony.

Audemars Piguet has written a new chapter in its 138-year history with the Millenary 4101 by going against existing design codes and defying the laws of technology to create a timepiece that is a true work of art. By reversing the movement in order to reveal on the dial side that is generally visible on the back, Audemars Piguet's designers have found a unique way to ensure the heart of the watch — the self-winding manufacture Calibre 4101 — is displayed in all its splendour.

This watch features the sleek form of the oval case found in the iconic Millenary collection as well as the signature off-centred dial and imposing Roman numerals. However, its elaborate design is distinguished as much by this unusual three-dimensional appearance as its atypical form. Technical sophistication and supreme aesthetic are equal partners in this watch as its design has granted equal importance to its inner workings and outer good looks.

In reading the hours, minutes and seconds on dials, the gaze is drawn to the subtle intricacies of the mechanism. Each of the five levels that stand out when the watch is viewed in perspective reveals an exceptional quality of execution and finishing. Entirely assembled and decorated by hand, Calibre 4101 features 12 bridges that are snailed, circular-grained and adorned with a Côtes de Genève motif. The mainplate also bears the Côtes de Genève motif as well as circular graining in two different diameters serving to accentuate the overall three-dimensional effect.

The watch that Clausen took home comes in an 18-carat pink gold case, an anthracite and silvered dial with pink gold-applied Roman numerals and hands and a hand-stitched brown crocodile leather strap with large square scales secured by an 18-carat pink gold folding clasp. The Millenary 4101 is also available in a steel version with a black alligator leather strap.

BILLION RINGGIT Club

Oriental Holdings Bhd managing director Datuk Robert Wong (middle) with spouse Datin Loh Ean and Tan Sri Augustine Ong, trustee of The Edge Education Foundation

Mudajaya Group Bhd managing director Anto Joseph and spouse

BMW Group Malaysia president and CEO Gerhard Pils and wife Evelin

Supermax Group founder Tan Sri Stanley Thai (left) and wife Puan Sri Cheryl Tan with OCBC Bank Malaysia CEO Jeffrey Chew

Kuala Lumpur Kepong Bhd CEO Tan Sri Lee Oi Hian and wife Puan Sri Sandra Lee

WHO'S WHO AT THE EDGE BILLION RINGGIT CLUB GALA

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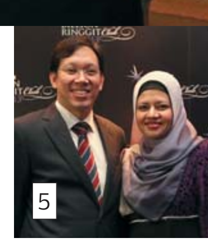

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1. Guest of honour Prime Minister Datuk Seri Najib Razak with The Edge Media Group executive chairman Datuk Tong Kooi Ong
2. Datin Seri Rosmah Mansor making her entrance
3. Najib with BMW Group Malaysia president and CEO Gerhard Pils (left) and The Edge Media Group publisher and CEO Ho Kay Tat
4. From left: OCBC Bank Malaysia chairman Tan Sri Nasruddin Bahari, Minister in the Prime Minister's Department Senator Datuk Seri Abdul Wahid Omar, *The Edge* senior managing editor Azam Aris and OCBC Bank Malaysia CEO Jeffrey Chew
5. Malaysia Airports Holdings Bhd general manager (planning) Muhamad Khair Mirza and spouse
6. Puan Sri How Teng Teng and The Edge Communications managing director Au Foong Yee
7. Team OCBC Bank Malaysia
8. Chooi & Co senior partner Chooi Mun Sou and spouse
9. Tong, Dawn Cheong and Multi-Purpose Holdings Bhd managing director Tan Sri Surin Upatkoon
10. CIMB Group head of corporate resources Hamidah Naziadin with The Edge Communications director Ahmad Abdullah and CIMB Group director Datuk Robert Cheim
11. Deloitte Malaysia partner Stanley Teo, Hartalega Holdings Bhd managing director Kuan Mun Leong and Deloitte Malaysia managing partner Tan Theng Hooi
12. Mah Sing Group Bhd's Lionel and Jane Leong, Yeow Jie Xiang and IGB REIT director Tan Yee Seng
13. Tropicana Corp Bhd vice-chairman Tan Sri Danny Tan with Malayan Banking Bhd president and CEO Datuk Abdul Farid Alias
14. S P Setia Bhd president and CEO Tan Sri Liew Kee Sin with wife Puan Sri How Teng Teng and sons Eco World Development Sdn Bhd director Liew Tian Xiong (left) and Liew Tian Rong
15. OCBC Bank Malaysia head of global treasury Ng Seow Pang and Hap Seng Consolidated Bhd group COO Harald Behrend

BILLION RINGGIT Club

Datuk Seri Abdul Wahid Omar and spouse Datin Seri Kay Roserina Mohd Kassim

Bursa Malaysia chief regulatory officer Selvarany Rasiah (left) and Koh Mei Lee, Golden Screen Cinemas CEO and PPB Group Bhd communications director

Axis REIT CEO Datuk Stewart LaBrooy

DiGi.Com Bhd CEO Henrik Clausen and wife Mette Kjobstead

Pos Malaysia Bhd group CEO Datuk Iskandar Mizal Mahmood and spouse

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MEMBERS OF THE EDGE BILLION RINGGIT CLUB 2013

COMPANY (IN ALPHABETICAL ORDER)	MARKET CAPITALISATION AS AT MARCH 29, 2013 (RM MIL)	REVENUE FY2012 (RM MIL)	PROFIT BEFORE TAX FY2012 (RM MIL)
AEON Co (M) Bhd	4,429.62	3,255.67	299.48
AEON Credit Service (M) Bhd	1,874.88	344.27	128.06
Affin Holdings Bhd	5,096.50	2,971.72	833.74
AirAsia Bhd	7,868.11	4,995.85	2,054.05
Al-Hadharah Boustead REIT	1,159.77	90.50	91.62
Alliance Financial Group Bhd	6,811.67	1,904.63	643.60
Allianz Malaysia Bhd	1,332.08	3,147.60	297.77
AMMB Holdings Bhd	19,742.91	7,998.56	2,081.74
Amway (M) Holdings Bhd	1,857.56	797.52	137.07
Astro Malaysia Holdings Bhd	14,659.21	3,846.68	869.44
Atlan Holdings Bhd	1,230.20	722.04	158.30
Axiata Group Bhd	56,213.64	17,651.62	3,761.79
Axis Real Estate Investment Trust	1,552.16	132.67	103.12
Batu Kawan Bhd	7,890.71	336.54	625.64
Berjaya Corp Bhd	2,254.73	7,055.42	846.64
Berjaya Land Bhd	4,200.28	4,195.64	486.21
Berjaya Sports Toto Bhd	5,566.24	3,607.75	579.15
BIMB Holdings Bhd	3,552.41	2,516.98	714.14
Bintulu Port Holdings Bhd	2,800.00	514.97	178.57
Boustead Holdings Bhd	5,305.33	10,211.10	619.20
British American Tobacco (M) Bhd	17,748.54	4,364.79	1,054.38
Bumi Armada Bhd	11,015.19	1,659.18	468.62
Bursa Malaysia Bhd	3,697.57	388.48	216.03
Cahya Mata Sarawak Bhd	1,005.41	1,203.27	230.79
Capitamalls Malaysia Trust	3,341.59	289.22	250.47
Carlsberg Brewery Malaysia Bhd	4,251.48	1,584.78	245.65
CIMB Group Holdings Bhd	56,712.07	19,639.55	5,677.89
Dayang Enterprise Holdings Bhd	1,540.00	401.22	128.13
Dialog Group Bhd	5,723.06	1,633.81	224.92
DiGi.Com Bhd	35,998.25	6,360.91	1,590.95
Dijaya Corp Bhd (now Tropicana Corp Bhd)	1,237.11	630.06	220.56
DRB-HICOM Bhd	4,891.09	6,878.20	1,521.10
Dutch Lady Milk Industries (M) Bhd	3,046.40	882.18	165.80
Eastern & Oriental Bhd	1,794.28	492.15	171.17
Felda Global Ventures Holdings Bhd	16,781.50	12,886.50	1,126.04
Fraser & Neave Holdings Bhd	6,731.30	3,238.79	230.21
Gamuda Bhd	8,487.36	3,087.00	728.21
Gas Malaysia Bhd	3,697.92	2,125.29	214.05
Genting Bhd	37,269.24	17,258.51	6,931.26
Genting Malaysia Bhd	21,495.72	7,892.87	1,817.23
Genting Plantations Bhd	6,564.03	1,233.42	403.84
Goldis Bhd	1,220.99	356.68	82.76
Guinness Anchor Bhd	5,546.52	1,623.69	276.98
Hap Seng Consolidated Bhd	3,782.41	3,958.90	677.11
Hap Seng Plantations Holdings Bhd	2,184.00	526.50	190.69
Hartalega Holdings Bhd	3,622.54	931.07	258.41
Hong Leong Bank Bhd	27,183.49	6,732.93	2,108.90
Hong Leong Financial Group Bhd	15,728.35	7,125.65	2,222.55
Hong Leong Industries Bhd	1,409.99	2,172.62	212.91
Hwang-DBS (M) Bhd	1,121.87	397.96	99.06
IGB Corporation Bhd	3,353.17	993.85	366.20
IGB Real Estate Investment Trust	4,802.15	115.29	153.29
IHH Healthcare Bhd	30,198.52	6,981.94	997.36
IJM Corporation Bhd	7,535.52	4,517.86	801.59
IJM Land Bhd	3,674.39	1,206.02	281.86
IJM Plantations Bhd	2,405.17	590.43	215.25
IOI Corporation Bhd	30,098.86	15,640.27	2,378.96
Jaya Tiasa Holdings Bhd	1,742.95	1014.59^	192.75^
JCY International Bhd	1,073.55	2,241.29	428.76
JT International Bhd	1,631.97	1,234.33	141.54
Keck Seng (M) Bhd	1,883.30	1,055.90	103.63
Kian Joo Can Factory Bhd	1,057.12	1,162.85	143.72
KLCC Property Holdings Bhd	6,146.21	1,178.31	2,193.50
Kossan Rubber Industries Bhd	1,135.06	1,235.49	140.86
KPJ Healthcare Bhd	3,863.49	2,112.02	195.24
Kuala Lumpur Kepong Bhd	22,332.20	10,570.19	1,560.44
Kulim (M) Bhd	4,680.06	906.82	1,044.55
Lafarge Malayan Cement Bhd	8,462.97	2,740.06	469.75
Lingkaran Trans Kota Holdings Bhd	2,225.13	358.73	119.46
LPI Capital Bhd	3,010.01	1,039.33	214.04
Mah Sing Group Bhd	2,577.22	1,775.26	315.52
Malayan Banking Bhd	78,922.63	27,532.46	7,894.60
Malaysia Airports Holdings Bhd	7,132.14	3,548.07	602.95
Malaysia Building Society Bhd	4,422.75	1,831.56	656.23
Malaysia Marine & Heavy Engineering Holdings Bhd	6,032.00	3,329.77	217.69
Malaysian Airlines System Bhd	2,556.75	13,756.41	-424.80
Malaysian Bulk Carriers Bhd	1,630.00	262.27	66.45
Malaysian Resources Corp Bhd	1,984.57	1,283.20	134.00
Maxis Bhd	48,979.27	8,966.83	2,576.56
MBM Resources Bhd	1,355.51	2,317.01	197.45
Media Chinese International Ltd	1,990.94	1,447.45	260.22
Media Prima Bhd	2,600.31	1,697.85	282.95
MISC Bhd	23,970.57	9,658.75	975.98
MMC Corp Bhd	7,856.25	8,296.66	1,809.36
MSM Malaysia Holdings Bhd	3,451.63	2,301.34	285.16
Mudajaya Group Bhd	1,319.54	1,655.72	284.12
Multi-Purpose Holdings Bhd	5,204.65	3,412.70	413.71
NCB Holdings Bhd	2,163.16	992.81	203.34
Nestle (M) Bhd	14,229.46	4,556.42	637.67
Oriental Holdings Bhd	6,036.43	2,786.79	376.31
OSK Holdings Bhd	1,424.52	907.09	987.65
Padiberas Nasional Bhd	1,735.78	3,632.26	165.01
Padini Holdings Bhd	1,263.19	723.41	130.65
Panasonic Manufacturing Malaysia Bhd	1,323.04	825.83	85.21
Parkson Holdings Bhd	5,141.34	3,444.43	887.66
Pavilion REIT	4,782.44	346.52	630.21
Perisai Petroleum Teknologi Bhd	1,011.87	213.02	93.25
Petronas Chemicals Group Bhd	51,280.00	16,599.00	4,550.00
Petronas Dagangan Bhd	22,948.79	29,514.96	1,165.17
Petronas Gas Bhd	37,595.93	3,576.77	1,844.55
POS Malaysia Bhd	2,276.99	1185.3^	160.16^
PPB Group Bhd	14,984.72	3,017.93	916.81
Public Bank Bhd	57,429.11	14,058.10	5,103.93
QL Resources Bhd	2,512.70	1,946.67	172.28
RHB Capital Bhd	21,076.06	8,022.73	2,384.62
Rimbunan Sawit Bhd	1,027.18	313.88	31.53
Sapurakencana Petroleum Bhd	15,013.10	2,556.40	519.53

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BILLION RINGGIT Club

TOP 20 RANKED BY REVENUE

RANK 2013	2012		COMPANY	REVENUE FY2012 (RM MIL)
1	1	–	Sime Darby Bhd	48,317.60
2	2	–	Tenaga Nasional Bhd	35,848.40
3	3	–	Petronas Dagangan Bhd	29,514.96
4	4	–	Malayan Banking Bhd	27,532.46
5	6	▲	YTL Corporation Bhd	20,195.79
6	7	▲	CIMB Group Holdings Bhd	19,639.55
7	8	▲	Axiata Group Bhd	17,651.62
8	5	▼	Genting Bhd	17,258.51
9	10	▲	Petronas Chemicals Group Bhd	16,599.00
10	13	▼	UMW Holdings Bhd	15,890.23
11	11	–	YTL Power International Bhd	15,870.34
12	9	▼	IOI Corporation Bhd	15,640.27
13	16	▲	Shell Refining Co. (M) Bhd	15,086.43
14	14	–	Public Bank Bhd	14,058.10
15	12	▼	Malaysian Airlines System Bhd	13,756.41
16	–	New	Felda Global Ventures Holdings Bhd	12,886.50
17	17	–	Kuala Lumpur Kepong Bhd	10,570.19
18	23	▲	Boustead Holdings Bhd	10,211.10
19	19	–	Telekom Malaysia Bhd	9,993.54
20	15	▼	MISC Bhd	9,658.75

TOP 20 RANKED BY PROFIT BEFORE TAX

RANK 2013	2012		COMPANY	PROFIT BRFORE TAX FY2012 (RM MIL)
1	1	–	Malayan Banking Bhd	7,894.60
2	2	–	Genting Bhd	6,931.26
3	4	▲	CIMB Group Holdings Bhd	5,677.89
4	3	▼	Sime Darby Bhd	5,665.50
5	47	▲	Tenaga Nasional Bhd	5,537.20
6	6	–	Public Bank Bhd	5,103.93
7	5	▼	Petronas Chemicals Group Bhd	4,550.00
8	7	▼	Axiata Group Bhd	3,761.79
9	8	▼	Maxis Bhd	2,576.56
10	11	▲	YTL Corporation Bhd	2,450.15
11	13	▲	RHB Capital Bhd	2,384.62
12	9	▼	IOI Corporation Bhd	2,378.96
13	10	▼	Hong Leong Financial Group Bhd	2,222.55
14	16	▲	KLCC Property Holdings Bhd	2,193.50
15	20	▲	Hong Leong Bank Bhd	2,108.90
16	17	▲	AMMB Holdings Bhd	2,081.74
17	33	▲	AirAsia Bhd	2,054.05
18	21	▲	UMW Holdings Bhd	2,000.51
19	14	▼	Petronas Gas Bhd	1,844.55
20	15	▼	Genting Malaysia Bhd	1,817.23

TOP 20 RANKED BY MARKET CAPITALISATION

RANK 2013	2012		COMPANY	MARKET CAPITALISATION AS AT MARCH 29, 2013 (RM MIL)
1	1	–	Malayan Banking Bhd	78,922.63
2	5	▲	Public Bank Bhd	57,429.11
3	3	–	CIMB Group Holdings Bhd	56,712.07
4	7	▲	Axiata Group Bhd	56,213.64
5	2	▼	Sime Darby Bhd	55,707.73
6	4	▼	Petronas Chemicals Group Bhd	51,280.00
7	6	▼	Maxis Bhd	48,979.27
8	9	▲	Tenaga Nasional Bhd	40,250.79
9	11	▲	Petronas Gas Bhd	37,595.93
10	8	▼	Genting Bhd	37,269.24
11	12	▲	DiGi.Com Bhd	35,998.25
12	–	New	IHH Healthcare Bhd	30,198.52
13	10	▼	IOI Corp Bhd	30,098.86
14	15	▲	Hong Leong Bank Bhd	27,183.49
15	14	▼	MISC Bhd	23,970.57
16	20	▲	Petronas Dagangan Bhd	22,948.79
17	13	▼	Kuala Lumpur Kepong Bhd	22,332.20
18	16	▼	Genting Malaysia Bhd	21,495.72
19	22	▲	RHB Capital Bhd	21,076.06
20	19	▼	AMMB Holdings Bhd	19,742.91

1) The revenue and profit before tax figures are as at March 31, 2013 and may be audited or unaudited, depending on whether the Annual Report has been released by that date.
2) Where there is a change in financial year-end, the revenue and profit before tax figures are annualised.

FROM PREVIOUS PAGE

COMPANY (IN ALPHABETICAL ORDER)	MARKET CAPITALISATION AS AT MARCH 29, 2013 (RM MIL)	REVENUE FY2012 (RM MIL)	PROFIT BEFORE TAX FY2012 (RM MIL)
Sarawak Oil Palms Bhd	2,418.96	1,307.72	220.08
SEG International Bhd	1,127.71	284.93	68.38
Selangor Properties Bhd	1,254.20	224.47	122.14
Shangri-La Hotels (M) Bhd	2,090.00	469.57	102.39
Shell Refining Co. (M) Bhd	2,595.00	15,086.43	-121.59
Sime Darby Bhd	55,707.73	48,317.60	5,665.50
SP Setia Bhd	8,113.75	2,526.60	567.51
Star Publications (M) Bhd	1,875.95	1,079.91	259.65
Starhill Real Estate Investment Trust	1,430.34	80.86	107.26
Sunway Bhd	3,838.74	3,876.77	728.24
Sunway Real Estate Investment Trust	4,434.40	406.43	420.46
Supermax Corp Bhd	1,237.88	1,048.39	140.17
Syarikat Takaful Malaysia	1,139.72	1,607.53	125.46
Ta Ann Holdings Bhd	1,294.01	797.38	80.38
TA Global Bhd	1,174.70	567.82	113.06
Tan Chong Motor Holdings Bhd	3,440.64	4,086.10	217.60
Tasek Corp Bhd	1,903.77	564.54	119.32
Telekom Malaysia Bhd	19,282.20	9,993.54	1,069.60
Tenaga Nasional Bhd	40,250.79	35,848.40	5,537.20
TH Plantations Bhd	1,537.40	375.85	185.85
TIME dotCom Bhd	2,292.37	419.09	157.02
Top Glove Corp Bhd	3,344.58	2,314.45	240.70
Tradewinds (M) Bhd (delisted April 4, 2013)	2,739.39	8,152.22	493.85

COMPANY (IN ALPHABETICAL ORDER)	MARKET CAPITALISATION AS AT MARCH 29, 2013 (RM MIL)	REVENUE FY2012 (RM MIL)	PROFIT BEFORE TAX FY2012 (RM MIL)
Tradewinds Corp Bhd	1,150.27	514.87	-335.08
Tradewinds Plantation Bhd (delisted May 10, 2013)	2,640.48	2,797.68	246.99
TSH Resources Bhd	1,842.33	983.68	99.55
Tune Ins Holdings Bhd	1,052.46	226.38	58.55
UEM Land Holdings Bhd (now UEM Sunrise Bhd)	11,819.93	1,939.68	535.13
UMW Holdings Bhd	15,585.04	15,890.23	2,000.51
United Malacca Bhd	1,503.10	231.38	108.65
United Plantations Bhd	5,661.25	1,183.39	454.24
UOA Development Bhd	2,605.13	799.16	414.18
Wah Seong Corp Bhd	1,278.56	1,951.55	82.48
WCT Bhd	2,498.95	1,560.35	420.65
YTL Corp Bhd	17,504.46	20,195.79	2,450.15
YTL Power International Bhd	10,713.39	15,870.34	1,391.48
Zhulian Corp Bhd	1,283.40	450.43	141.32

Note: ^ figures annualised

Notes:
1) The revenue and profit before tax figures are as at March 31, 2013 and may be audited or unaudited, depending on whether the Annual Report has been released by that date.
2) Where there is a change in financial year-end, the revenue and profit before tax figures are annualised.

SECTORAL AWARD WINNERS 2013

Big Cap Companies

Companies with more than RM10 bil market capitalisation

HIGHEST PROFIT GROWTH COMPANY

Highest compound growth in profit before tax over 3 years

RANK	COMPANY	COMPOUND GROWTH IN PBT OVER 3 YEARS(%)
1	**Malayan Banking Bhd**	**42.57**
2	UMW Holdings Bhd	41.5
3	Tenaga Nasional Bhd	39.82

MOST PROFITABLE COMPANY

Highest return on equity over 3 years

RANK	COMPANY	ROE OVER 3 YEARS(%)
1	**British American Tobacco Malaysia Bhd**	**206.63**
2	DiGi.Com Bhd	144.75
3	Nestlé (Malaysia) Bhd	69.5

BEST PERFORMING STOCK

Highest returns to shareholders over 3 years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**DiGi.Com Bhd**	**43.77**
2	Petronas Dagangan Bhd	43.05
3	UMW Holdings Bhd	31.04

Construction Sector

HIGHEST PROFIT GROWTH COMPANY

Highest compound growth in profit before tax over 3 years

RANK	COMPANY	COMPOUND GROWTH IN PBT OVER 3 YEARS(%)
1	**Gamuda Bhd**	**37.17**
2	Mudajaya Group Bhd	19.15
3	IJM Corp Bhd	18.6

MOST PROFITABLE COMPANY

Highest return on equity over 3 years

RANK	COMPANY	ROE OVER 3 YEARS(%)
1	**Mudajaya Group Bhd**	**27.66**
2	WCT Bhd	17.1
3	Gamuda Bhd	12.61

BEST PERFORMING STOCK

Highest returns to shareholders over 3 years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Gamuda Bhd**	**14.36**
2	IJM Corp Bhd	5.19
3	WCT Bhd	4.56

Consumer Products Sector

HIGHEST PROFIT GROWTH COMPANY

Highest compound growth in profit before tax over 3 years

RANK	COMPANY	COMPOUND GROWTH IN PBT OVER 3 YEARS (%)
1	**UMW Holdings Bhd**	**41.5**
2	Carlsberg Brewery Malaysia Bhd	33.8
3	Hong Leong Industries Bhd	23.41

MOST PROFITABLE COMPANY

Highest return on equity over 3 years

RANK	COMPANY	ROE OVER 3 YEARS(%)
1	**British American Tobacco Malaysia Bhd**	**206.63**
2	Nestlé (Malaysia) Bhd	69.5
3	Carlsberg Brewery Malaysia Bhd	49.18

BEST PERFORMING STOCK

Highest returns to shareholders over 3 years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Dutch Lady Milk Industries (M) Bhd**	**61.25**
2	Carlsberg Brewery Malaysia Bhd	44
3	Guinness Anchor Bhd	43.2

Finance Sector

HIGHEST PROFIT GROWTH COMPANY

Highest compound growth in profit before tax over 3 years

RANK	COMPANY	COMPOUND GROWTH IN PBT OVER 3 YEARS (%)
1	**Malaysia Building Society Bhd**	**76.06**
2	Malayan Banking Bhd	42.57
3	BIMB Holdings Bhd	33.65

MOST PROFITABLE COMPANY

Highest return on equity over 3 years

RANK	COMPANY	ROE OVER 3 YEARS(%)
1	**Public Bank Bhd**	**30.31**
2	Malaysia Building Society Bhd	27.13
3	OSK Holdings Bhd	27

BEST PERFORMING STOCK

Highest returns to shareholders over 3 years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Syarikat Takaful Malaysia**	**77.14**
2	Malaysia Building Society Bhd	65.63
3	AEON Credit (M) Bhd	61.03

Industrial Products Sector

HIGHEST PROFIT GROWTH COMPANY

Highest compound growth in profit before tax over 3 years

RANK	COMPANY	COMPOUND GROWTH IN PBT OVER 3 YEARS (%)
1	**Cahya Mata Sarawak Bhd**	**31.61**
2	Hartalega Holdings Bhd	29.52
3	DRB-Hicom Bhd	18.91

MOST PROFITABLE COMPANY

Highest return on equity over 3 years

RANK	COMPANY	ROE OVER 3 YEARS (%)
1	**Hartalega Holdings Bhd**	**40.93**
2	DRB-Hicom Bhd	20.91
3	Petronas Gas Bhd	19.36

BEST PERFORMING STOCK

Highest returns to shareholders over 3 years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS(%)
1	**Tasek Corp Bhd**	**34.84**
2	Perisai Petroleum Teknologi Bhd	32.91
3	DRB-Hicom Bhd	31.37

Plantation Sector

HIGHEST PROFIT GROWTH COMPANY

Highest compound growth in profit before tax over 3 years

RANK	COMPANY	COMPOUND GROWTH IN PBT OVER 3 YEARS (%)
1	**Batu Kawan Bhd**	**21.12**
2	Kuala Lumpur Kepong Bhd	20.7
3	IOI Corp Bhd	15.35

MOST PROFITABLE COMPANY

Highest return on equity over 3 years

RANK	COMPANY	ROE OVER 3 YEARS(%)
1	**Kuala Lumpur Kepong Bhd**	**24.03**
2	IOI Corp Bhd	21.72
3	Batu Kawan Bhd	18.83

BEST PERFORMING STOCK

Highest returns to shareholders over 3 years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**TSH Resources Bhd**	**29.41**
2	Rimbunan Sawit Bhd	28.11
3	United Plantations Bhd	25.58

Property and REIT Sectors

HIGHEST PROFIT GROWTH COMPANY

Highest compound growth in profit before tax over 3 years

RANK	COMPANY	COMPOUND GROWTH IN PBT OVER 3 YEARS (%)
1	**Mah Sing Group Bhd**	**46.35**
2	SP Setia Bhd	34.91
3	IJM Land Bhd	30.2

MOST PROFITABLE COMPANY

Highest return on equity over 3 years

RANK	COMPANY	ROE OVER 3 YEARS(%)
1	**KLCC Property Holdings Bhd**	**21.09**
2	Mah Sing Group Bhd	17.7
3	Al-Hadharah Boustead REIT	15.7

BEST PERFORMING STOCK

Highest returns to shareholders over 3 years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**KLCC Property Holdings Bhd**	**27.33**
2	UEM Land Holdings Bhd	25.23
3	Axis REIT	23.4

Trading/Services, Hotel, IPC and Technology Sectors

HIGHEST PROFIT GROWTH COMPANY

Highest compound growth in profit before tax over 3 years

RANK	COMPANY	COMPOUND GROWTH IN PBT OVER 3 YEARS (%)
1	**Hap Seng Consolidated Bhd**	**72.98**
2	Tenaga Nasional Bhd	39.82
3	Media Chinese International Bhd	36.98

MOST PROFITABLE COMPANY

Highest return on equity over 3 years

RANK	COMPANY	ROE OVER 3 YEARS(%)
1	**DiGi.Com Bhd**	**144.75**
2	Berjaya Sports Toto Bhd	103.95
3	AirAsia Bhd	38.91

BEST PERFORMING STOCK

Highest returns to shareholders over 3 years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**SEG International Bhd**	**101.55**
2	DiGi.Com Bhd	43.77
3	Petronas Dagangan Bhd	43.05

All profit before tax numbers are adjusted for material exceptional items

COMPANY OF THE YEAR

BEST PERFORMING STOCK

MOST PROFITABLE

COMPANIES WITH MORE THAN RM10 BILLION IN MARKET CAPITALISATION
TRADING/SERVICES, HOTEL, IPC & TECHNOLOGY

DIGI.COM

Passion for delivering value

BY CINDY YEAP

DiGi.Com Bhd is one of those stocks every investor wished in hindsight that they had held in their portfolio. After all, DiGi has returned more than 100% of its earnings to shareholders without relying on borrowings since 2007.

Beyond the numbers, DiGi's corporate social responsibility (CSR) initiatives have won favour with *The Edge*'s panel of judges, making the company a well-rounded recipient of *The Edge* Billion Ringgit Club's Company of the Year award. DiGi also ranked tops among large capitalised stocks for highest return to shareholders over three years.

An investor who paid about RM2.27 apiece for 1,000 DiGi shares at the start of 2008 would today be holding 10,000 DiGi shares worth nearly RM50,000 — 23 times just five years on. In ringgit terms, that RM2,270 had multiplied easily to RM60,000 if you were to include dividends paid over the past five years, and assuming that the money sat in the bank at 2.9% interest, according to Bloomberg data. The returns are even higher at 42 times (about RM70,000) if the dividends were spent buying more DiGi shares.

In absolute share price terms, the stock ran from its five-year low of RM1.67 on Oct 31, 2008, to RM54.79 apiece (10 x RM5.479) at its five-year high on Oct 19, 2012. Simply put, an investor who paid RM1,700 for 1,000 DiGi shares at its five-year low would have netted RM53,000 or a return of at least 31 times over the four years. To be sure, some market watchers reckon DiGi's 1-to-10 stock split in November 2011 helped spur the share price higher.

Whatever the case, there's no denying that the amount of cash DiGi was able to unlock and return to shareholders over the past five years surprised many seasoned investors and analysts who took profit prematurely.

Among the earlier exit points were when the stock went from the RM2 level to the RM4.50 level in mid-2004, and to the RM9 level in mid-2006. But by mid-2007, DiGi's share price had shot past the RM20 level. It reached the RM30 level before the 1-to-10 stock split.

What made DiGi's phenomenal share price accent special relative to peers is perhaps the many capital management ways its leaders and advisers came up with in recent years to unlock more value for shareholders, just when investors thought there couldn't possibly be any more surprises. In the last five years, there have been four special cash payments and two rounds of capital returns on top of the regular interim dividends totalling RM1.53 per share.

Now, investors are wondering again whether DiGi's very good run might have come to an end.

At its RM4.68 close on Sept 2, DiGi's share price had eased 14.6% over 10 months from its all-time high of RM5.48 apiece. This implies a 4.87% yield at the consensus mean dividend of 22.8 sen apiece for FY2013 and 4.9% yield at the 23.1 sen apiece for FY2014, according to Bloomberg data. At the time of writing, 14 analysts had a "neutral" call on the stock, versus 11 "buy" and 10 "sell" recommendations with target prices ranging between RM3.50 and RM6.25 apiece.

Analysts reckon that embracing the business trust model would allow DiGi to pay dividends from its operating cash flow, which is higher than its accounting profit due to depreciation charges. DiGi could increase the yield by two percentage points over the next three years via a business trust, which could allow greater optimisation of its underleveraged balance sheet, writes Citi Investment Research's Arthur Pineda in an Aug 21 note.

DiGi is still studying the feasibility of injecting its assets into a business trust, including regulation and tax considerations, and expects to make an announcement on this by year-end.

"Since it has very limited shareholders' funds to raise its dividend payout to above 100%, a business trust structure is an option. We are hopeful of DiGi announcing this by year-end if that is a viable option. We argue that DiGi's parent, Telenor, could use more cash distribution now that Telenor is rolling out cellular networks in Myanmar," UOB Kay Hian Research's Ong Boon Leong wrote in an Aug 16 note, retaining his "buy" recommendation and RM5.45 target price.

Can DiGi continue to outperform expectations?

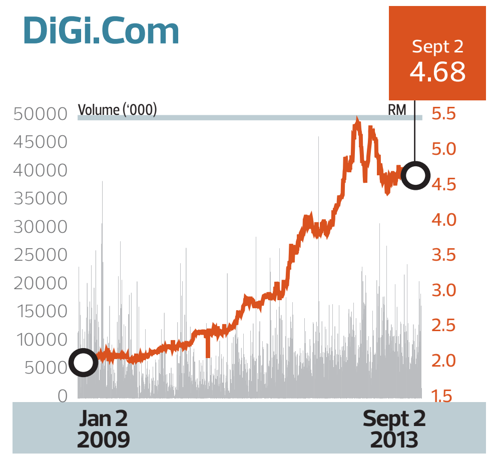
"We certainly continue to have the hunger and ambition to deliver more," says DiGi CEO Henrik Clausen. "DiGi continues to look at opportunities to create value for stakeholders by focusing on our strengths to provide mobile voice and Internet services to customers.

"We believe that data will continue to drive the growth of the company, and that mobile Internet specifically will be a key area in driving Internet penetration to all parts of Malaysia. We are building the right framework and capabilities to ensure that we are well positioned to realise all opportunities within this space."

CIMB Research's Kelvin Goh thinks DiGi will "continue punching above its weight" and gain market share largely by growing its data revenue, calling the operator's rising prepaid data usage "a powerful revenue driver". Nonetheless, Goh points out in an Aug 15 note that DiGi's ability to monetise LTE data will be hampered by its lack of spectrum.

Here, seasoned investors would know that the returns DiGi delivered over the last five years was on top of the dilution its shareholders had to take for the 275 million shares issued to Time dotCom Bhd for its 3G spectrum in mid-2008. Investors will again be well rewarded if DiGi can repeat its feat.

LEE LAY KIN/THE EDGE



AT THE HELM

Henrik Clausen, who succeeded Johan Dennelind as DiGi CEO on May 17, 2010, had served as CEO of Telenor in Denmark from 2005 to 2010. Before that, Clausen was CEO of Danish broadband provider Cybercity. He has an MBA from INSEAD, a master's degree in electrical engineering from the Technical University of Denmark and a degree in foreign trade from Copenhagen Business School. Throughout his career, Clausen, 50, had also worked at IBM, AT Kearney and Accenture, where he was a partner.

4-YEAR FINANCIALS

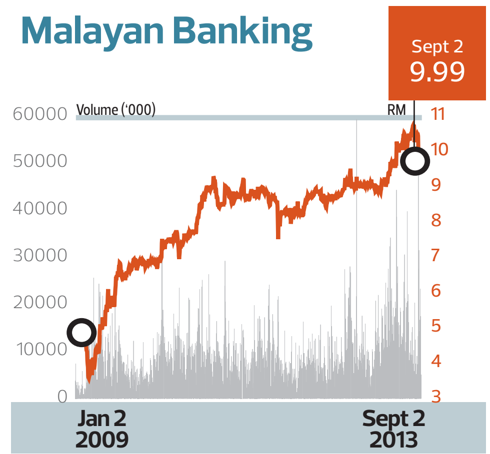
RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	6,360.91	5,963.95	5,406.46	4,909.56
Profit Before Tax	1,590.95	1,560.26	1,597.25	1,366.45
Net Profit Attributable to Shareholders	1,205.72	1,254.38	1,178.00	1,000.47
Return on Equity	461.39%	88.87%	87.48%	65.76%

HIGHEST PROFIT BEFORE TAX

COMPANIES WITH MORE THAN RM10 BILLION IN MARKET CAPITALISATION

MALAYAN BANKING

Five-year transformation pays off



BY ADELINE PAUL RAJ

Malayan Banking Bhd, the country's largest banking group, has in the span of just five years admirably transformed itself into a strong regional banking player.

Despite a string of regional banking acquisitions that it took on to help it grow, including one in Indonesia that was deemed expensive by analysts, and vast changes in the global banking landscape, the group — the fourth largest by assets in Southeast Asia — has managed to sustain its performance.

"The most important factor for sustainability in Maybank's performance is our strong business fundamentals," says its former president and group CEO Datuk Seri Abdul Wahid Omar.

Abdul Wahid left the group in June, after being captain for five years, to take on the role of minister in the Prime Minister's Department in charge of the Economic Planning Unit.

His successor, who came on board last month, is Datuk Abdul Farid Alias, formerly the group's deputy president and head of global banking.

Maybank's transformation journey started in 2008 through its aptly named LEAP 30 programme. This comprised 30 initiatives designed to strengthen its fundamentals, secure its leading position in the Malaysian financial services industry and expand its regional presence.

In 2010, a new group organisation structure termed the "House of Maybank" was put in place to further streamline the organisation.

"These efforts have played a big role in strengthening the fundamentals of the group, enabling sustained high performance with a footprint in all 10 Southeast Asian nations," says Abdul Wahid.

Abdul Farid plans to continue with the group's strategic priorities that were set for this year, and therefore, analysts don't foresee a significant change to the group's strategic and operational directions in the near term.

Last year, Maybank's net profit grew 11% to a record high of RM5.74 billion, even as revenue expanded 21.7% to RM27.53 billion. Despite the softer global economy, growth in its key markets in Southeast Asia — Malaysia, Singapore and Indonesia — was robust and this helped spur loans and deals.

Loans grew 12.2%, while its return on equity — a measure of profitability — came in at 13.6%, lower than the previous year's 15.02%.

It will be challenging to keep up that performance amid many uncertainties in the global economy and competition in the industry never being higher.

PICTURES BY SUHAIMI YUSUF/THE EDGE

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	27,532.46	22,621.33	18,560	17,586
Profit Before Tax	7,894.60	6,555.91	5,370.41	1,674.29
Net Profit Attributable to Shareholders	5,744.70	5,174.10	3,818.17	691.88
Return on Equity	13.60%	15.02%	13.70%	2.78%

Abdul Wahid says innovation in financial services is crucial to remain competitive.

"Innovation has always been in the DNA of Maybank — as proven with Maybank being the first bank to introduce the ATM (automated teller machine) in Malaysia, among many other innovations over the years. We now have a dedicated team focused on the agenda as we seek to drive greater innovation, be it in products, solutions or processes, to constantly deliver differentiated offerings to our customers," he says.

He also speaks of the need for the group to be agile in this age of sweeping "democratisation". He points out, for example, how mobile devices that people carry in pockets and bags have single-handedly revolutionised the media, advertising and postal industries, among others.

"The democratisation revolution has certainly not spared the traditional financial services industry. This is evidenced by the rise of non-bank players like telecommunications companies, e-payment service providers, microfinance co-operatives and crowdfunding organisations, all of which challenge the role and business of a traditional bank. Nevertheless, we continue to remain vigilant on the emergence of these new players," he says.

Meanwhile, its regionalisation agenda continues, even as it aims to have 40% of its profit before tax coming from overseas business by 2015. Last year, it accounted for 30%.

The group is keen to have a commercial banking presence in Thailand. It currently has only investment banking and stockbroking operations there, through Maybank Kim Eng.

Today, the Maybank group, which employs some 47,000 people, has more than 2,200 offices in 20 countries, but it is still mainly Asia-focused. It has set its sights on being the leading financial services group in Southeast Asia by 2015. That top spot today is held by Singapore's DBS Group, which is the largest by assets. E

AT THE HELM

Datuk Seri Abdul Wahid Omar, the former president and group CEO of Maybank, is a seasoned corporate figure with more than 20 years of experience in the banking industry. Prior to joining Maybank in May 2008, he had helmed two other corporate giants, Telekom Malaysia Bhd and UEM Group.

In June, Abdul Wahid was made a senator and appointed minister in the Prime Minister's Department. His successor is Datuk Abdul Farid Alias, formerly the group's deputy president and head of global banking.

THE EDGE BILLION RINGGIT Club 2013

CONGRATULATIONS

THE WINNERS OF THE EDGE BILLION RINGGIT CLUB CORPORATE AWARDS 2013

VALUE CREATOR
(MALAYSIA'S OUTSTANDING CEOs)
Dato' Sri Abdul Wahid Omar
(Former President & Chief Executive Officer of Malayan Banking Bhd)

Tan Sri Dato' Sri Liew Kee Sin
(President & CEO, S P Setia Bhd)

COMPANY OF THE YEAR
DiGi.Com Bhd

BIG CAP COMPANIES
(COMPANIES WITH MORE THAN RM10 BILLION MARKET CAPITALISATION)
MOST PROFITABLE COMPANY | British American Tobacco Malaysia Bhd
HIGHEST PROFIT GROWTH COMPANY | Malayan Banking Bhd
BEST PERFORMING STOCK | DiGi.Com Bhd

CONSTRUCTION SECTOR
MOST PROFITABLE COMPANY | Mudajaya Group Bhd
HIGHEST PROFIT GROWTH COMPANY | Gamuda Bhd
BEST PERFORMING STOCK | Gamuda Bhd

CONSUMER PRODUCTS SECTOR
MOST PROFITABLE COMPANY | British American Tobacco Malaysia Bhd
HIGHEST PROFIT GROWTH COMPANY | UMW Holdings Bhd
BEST PERFORMING STOCK | Dutch Lady Milk Industries Bhd

FINANCE SECTOR
MOST PROFITABLE COMPANY | Public Bank Bhd
HIGHEST PROFIT GROWTH COMPANY | Malaysia Building Society Bhd
BEST PERFORMING STOCK | Syarikat Takaful Malaysia

INDUSTRIAL PRODUCTS SECTOR
MOST PROFITABLE COMPANY | Hartalega Holdings Bhd
HIGHEST PROFIT GROWTH COMPANY | Cahya Mata Sarawak Bhd
BEST PERFORMING STOCK | Tasek Corporation Bhd

PLANTATION SECTOR
MOST PROFITABLE COMPANY | Kuala Lumpur Kepong Bhd
HIGHEST PROFIT GROWTH COMPANY | Batu Kawan Bhd
BEST PERFORMING STOCK | TSH Resources Bhd

PROPERTY AND REIT SECTORS
MOST PROFITABLE COMPANY | KLCC Property Holdings Bhd
HIGHEST PROFIT GROWTH COMPANY | Mah Sing Group Bhd
BEST PERFORMING STOCK | KLCC Property Holdings Bhd

TRADING/SERVICES, HOTEL, IPC AND TECHNOLOGY SECTORS
MOST PROFITABLE COMPANY | DiGi.Com Bhd
HIGHEST PROFIT GROWTH COMPANY | Hap Seng Consolidated Bhd
BEST PERFORMING STOCK | SEG International Bhd

BEST CSR INITIATIVES
FIRST | CIMB Group Holdings Bhd
SECOND | Nestlé (Malaysia) Bhd
THIRD | United Plantations Bhd

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MOST PROFITABLE

FINANCE SECTOR

PUBLIC BANK

Constantly enhancing prudent risk management practices

BY ADELINE PAUL RAJ

Public Bank Bhd has long stood out in the industry as a group that consistently outdoes its local peers in a number of key areas, such as return on equity (ROE), cost efficiency and asset quality.

"It has always been the bank other banks want or want to be," observes a banking analyst.

The country's third largest banking group by assets has managed to have an unbroken track record of profitability for 46 straight years since commencing operations in 1966.

That it has managed this feat despite having faced several economic crises is a testament to its founder and chairman Tan Sri Teh Hong Piow, who has always believed in running the bank prudently.

Last year, Public Bank's net profit grew 5% to RM3.87 billion on the back of a 10.2% increase in revenue to RM14 billion. Its pre-tax profit surpassed the RM5 billion mark for the first time, hitting a record RM5.1 billion.

But the financial landscape is changing and Public Bank, like other banks, is bracing for tougher times as regulations get tighter and competition intensifies.

Teh shares two of what he thinks are the most important challenges for the group to remain competitive — understand customers better and manage risks from external developments.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	14,058.10	12,756.36	11,035.60	9,715.57
Profit Before Tax	5,103.93	4,877.94	4,086.20	3,321.43
Net Profit Attributable to Shareholders	3,869.27	3,684.29	3,048.22	2,517.30
Return on Equity	21.56%	23.43%	23.39%	22.84%

"Consumers are becoming highly sophisticated and more engaged in financial matters — they demand personalised service, more transparency and control. To remain competitive, the Public Bank group will continue to take pre-emptive measures to get a full insight into consumer needs, embrace innovation and provide a broad range of high-quality products and services to meet customer demand," he says.

He notes that with global economic growth expected to remain subdued, banks have to be more cautious.

"The Public Bank group will constantly enhance its prudent risk management practices and continuously develop capabilities to cope with the developments in the external operating environment," he comments.

Last year, Public Bank's net ROE — a measure of profitability — came in at 21.56%, far above the industry average of below 20%. It had the lowest cost-to-income ratio, which at 30.5%, trumped the industry average of 46%.

The group also has the lowest impaired loan ratio in the industry despite consistent double-digit growth in its loan portfolio year after year. Its gross impaired loan ratio improved to 0.7% in 2012 from 0.9% a year earlier, which was significantly better than the industry average of 2%.

Loans grew 11.3% last year while domestic loans increased at a stronger pace of 12.5% compared with the industry's 10.4% growth.

While bigger Malaysian banks have gone on an acquisition spree in the region in recent years, Public Bank has remained on an organic growth path. Besides Malaysia, it has a market presence in Cambodia, Vietnam, Laos, Hong Kong, China and Sri Lanka.

"Having overcome several economic crises, the group's strategy of organic growth has been a tested business model over the years. The group remains focused on pursuing organic growth in its retail operations," Teh says.

It will, however, be vigilant about and adaptive to market changes and plans to tap new opportunities arising at home and abroad. Last year, its overseas operations accounted for 6.4% of group pre-tax profit.

Its capital position is sound with its tier-1 capital ratio and risk-weighted capital ratio standing at 10.8% and 14.1% respectively as at end-2012.

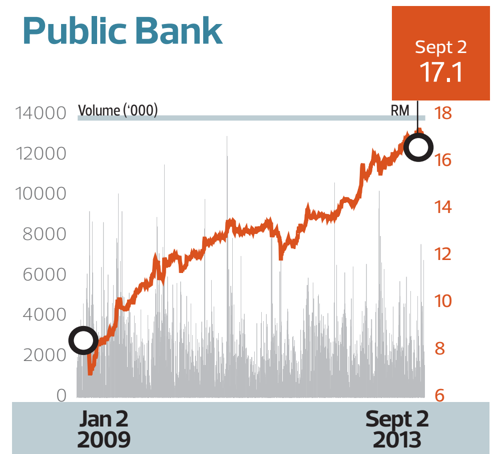
Even as banks everywhere struggle to hire and retain staff amid a talent shortage in the industry, Public Bank had a low staff attrition rate of 8% last year.

According to Teh, a career banker, the group takes pains to create a workforce that seeks a career path and advancement within the group. Staff from within the group filled a high 95% of managerial appointments last year.

Public Bank's annual general meetings are usually interesting affairs with shareholders heaping praise on Teh for delivering consistent returns. This rarely happens in Corporate Malaysia.

Last year, 45.3% of the group's net profit was paid out as dividends. E

Public Bank



AT THE HELM

Public Bank Bhd's success story is inextricably linked with Tan Sri Teh Hong Piow, its founder and chairman. He is still very much the face of the banking group despite having stepped down as CEO in 2002 to take on the group's chairmanship. Singaporean-born Teh, who turns 83 this year, has 63 years of experience in the industry.

MOST PROFITABLE

COMPANIES WITH MORE THAN RM10 BILLION MARKET CAPITALISATION
CONSUMER PRODUCTS

BRITISH AMERICAN TOBACCO

King-sized returns from industry monarch

BY KAMARUL ANWAR

One in two smokers in Malaysia puffs Dunhill. That is the testament of British American Tobacco (M) Bhd's (BAT) market dominance. And lest we forget to include BAT's other brands, Pall Mall, Lucky Strike and Kent, the group certainly has the grip in the tobacco industry.

"Today, BAT is the clear market leader with 62.6% market share and ranks among the top 25 companies on Bursa Malaysia in terms of market capitalisation," says BAT in an email response.

However, sitting on the industry's throne does not mean it is all fine and dandy for BAT.

"Arguably, the biggest challenge to the legal industry is illicit trade and this alone has had a greater impact on our business in recent years than that from the legal industry competitors. Illicit trade in Malaysia is more than 30% of consumption and is freely available and very affordable at RM3 to RM4.80 per pack," says BAT.

Indeed, illicit trade of cigarettes is eating up BAT's market share. According to Kenanga Investment Bank analyst Lawrence Yeo Eng Chien, the illicit white cigarettes' share increased to an all-time high of 23.6% last year.

"It is, therefore, heartening to note that the Health Ministry will be making possession of illegal cigarettes an offence. This, coupled with strict and swift enforcement in the marketplace and heightened penalties for those involved in the supply chain, be it smugglers, middlemen or retailers, will hopefully make an impact on the illegal cigarette trade," says BAT.

British American Tobacco

The group did not just rely on the authorities to curb the illicit trade malady. BAT proverbially rolled up its sleeve and worked harder to increase its profitability.

"Concerted efforts to launch new products

BEST PERFORMING STOCK

CONSUMER PRODUCTS

DUTCH LADY MILK INDUSTRIES

Trailblazer in fast-moving consumer goods business

BY AFIQ ISA

As it celebrates a landmark 50th anniversary this year, Dutch Lady Milk Industries Bhd has retained its position in the ranks of *The Edge* Billion Ringgit Club for another year as it continues to be a trailblazer in the fast-moving consumer goods (FMCG) business.

Dutch Lady is primarily involved in the manufacturing and distribution of a wide range of dairy and dairy-related products such as infant formulas, liquid milk and yogurts.

The company possesses a rich heritage of more than 130 years in the industry as part of Royal FrieslandCampina, one of the largest multinational dairy cooperatives in the world.

With a combination of innovative marketing and top-notch products, Dutch Lady has become a market leader in the Malaysian dairy industry.

The company was a recipient of the *Reader's Digest* Super Brand Gold Awards for 11 consecutive years since 1999 and was heralded as one of the top 30 most valuable brands in Malaysia over the years.

Over the past three years, the company's 'Passion for Blue' initiative has helped strengthen its market position in the fast-changing FMCG business. The results can clearly be seen in the company's impressive growth over the past few years.

As at Aug 26, 2013, Dutch Lady's market capitalisation stands at RM3.014 billion, compared with RM2.192 billion a year ago. This represents a 37% year-on-year increase and marks the first year in which the company had broken the RM3 billion mark in market capitalisation.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	882.18	810.65	696.63	691.85
Profit Before Tax	165.80	141.55	90.10	82.48
Net Profit Attributable to Shareholders	123.38	108.08	63.89	60.40
Return on Equity	57.08%	41.71%	32.35%	33.56%

Under the leadership of CEO Rahul John Culaco, Dutch Lady has successfully kept its growth plans on track as overall revenue improved by 9% to RM882.2 million for the recent full financial year (FY2012) — one year since Culaco's appointment.

In FY2012, the company reported a net profit of RM123.4 million, the highest in its history. According to the company, this was mainly attributed to more impactful marketing campaigns and effective sale strategies in powders and drinks.

As one of the top-performing dividend stocks in the country, Dutch Lady also rewarded its shareholders with a record high of RM166.4 million in net dividends for FY2012, which amounted to RM2.60 per share.

Its share price has performed commendably in spite of challenging economic conditions, gaining 13% year-on-year as at Aug 26. The gain in share price is part of a long-term trend whereby the stock has increased by more than 300% over the past four years.

As a mainstay dairy brand in Malaysia over the past five decades, the company strives to align its corporate mission with fundamental issues of national importance such as the challenges of nutrition, sustainability and dairy self-sufficiency.

Widely cited as one of the most desirable employers in the industry, Dutch Lady offers generous human resource policies to benefit its employees alongside career development on a global level.

Deserving employees are also given cross-functional and cross-geographical opportunities within the Dutch Lady family across the world. With a 600-strong workforce, the company has always stressed the importance of developing and retaining top talent as a critical factor to success.

While the FMCG business is expected to grow in tandem with an increase in the customers' purchasing power, Dutch Lady will have to continue ensuring the high quality of its milk products.

The recent contaminated milk powder scare by an international dairy exporter will continue to worry consumers for some time to come. However, Dutch Lady's management has clarified that its products are safe for consumption and adhere to the highest standards of quality.

Looking forward, the company says it remains a big challenge to ensure stability in the retail prices of its products because of the continued volatility of dairy material prices and the prevailing economic environment.

According to Dutch Lady, business success comes to those who make clear strategic choices and execute them properly. The company says it will continue to focus on innovation in its products and marketing elements. E

AT THE HELM

Rahul John Culaco, 40, has been managing director of Dutch Lady since April last year. Along with 12 years' experience in the fast-moving consumer goods industry, Colaco holds a degree in commerce from Mumbai University, India, and an MBA from the International Institute of Development in Lausanne, Switzerland.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	4,364.79	4,127.25	3,965.45	3,923.42
Profit Before Tax	1,054.38	956.27	959.18	1,005.31
Net Profit Attributable to Shareholders	797.75	719.62	731.11	746.78
Return on Equity	164.52%	166.68%	149.08%	170.00%

such as Dunhill Ice as well as initiatives like the new RELOC seal design and Dunhill Switch reinforcement campaign have helped BAT in capturing a larger market share," says Yeo in a recent note.

Its efforts to combat the illicit trade bore fruit as BAT's return on equity (ROE) increased from 156.07% to 174.06% in financial year ended Dec 31, 2012 (FY2012). In FY2010, its ROE stood at 157.28%.

"We attribute our consistent performance over the years to the focus on our portfolio of strong brands and commitment to our winning organisation," says the group.

BAT's fortuitous run will continue. Judging from the 101 years it has been in Malaysia, the group is neither going anywhere nor will diminish in its brand power.

BAT says it will continue to focus on its brands, delivering value through effective trade marketing and distribution capabilities, improving productivity and consistently investing in talent development.

"We operate solely in the tobacco industry and, therefore, believe the risk profile of our business is well understood by our shareholders. Internally, we believe that to be successful, a company needs an unshakeable commitment and focus on what matters most."

The group attributes its long history in this country to a stable political climate, good infrastructure, available talent pool and consistent trade policies for investments.

"Another key advantage is being a subsidiary of the British American Tobacco plc group. By virtue of scale, the wider group is well placed to navigate some of the emerging international challenges and developments and, more importantly, we can tap into these developments at a lower cost."

With the huge returns it has made for its shareholders over the years, BAT continues to win a well-deserved spot in *The Edge* Billion Ringgit Club. And this is the group's fourth consecutive appearance in this list. E

AT THE HELM

Beginning July 1, Italian-born Stefano Clini took over from Datuk William Toh Ah Wah as BAT's managing director. A graduate in business and economics from Libera Universita Internazionale Degli Studi Sociali in Italy, Clini was president of Global Infant and Nutrition in HJ Heinz. He was also attached to Procter & Gamble where he held various senior leadership positions for 15 years.

HIGHEST PROFIT GROWTH

PROPERTY AND REIT SECTORS

MAH SING GROUP

A fast-turnaround developer

BY SIOW CHEN MING

For years, Mah Sing Group Bhd has been able to maintain its position as Malaysia's second largest property developer by sales value, which in itself is a commendable feat considering that its balance sheet still trails many of its larger rivals in the industry.

By staying true to its "market-driven" approach as well as its root as a fast-turnaround developer, the group has been consistently delivering high growth to its shareholders — making it a regular winner in *The Edge* Billion Ringgit Club (BRC).

Industry players are constantly mesmerised by Mah Sing's aggressive land banking activities as well as its knack for buying in the right location, often ahead of others. One such example is its success in spotting the early potential of Rawang, where other big-name developers had once neglected.

When asked, group managing director Tan Sri Leong Hoy Kum attributes this to Mah Sing's culture of listening intently to its customers.

"Our in-house research shows that the emerging generation of homebuyers don't mind living within a 30 minutes' drive from their workplaces in exchange for a good-sized home located in a secure township with easy access and amenities. From this, we grew the concept of M Residence@ Rawang," says Leong.

The result is the overwhelming response for the group's first township in Rawang, which then led to the development of sister township M Residence 2@Rawang. Other major developers soon followed suit in the now fast-growing area.

Recently, Mah Sing also acquired a piece of land in Sungai Buloh, well ahead of the commencement of development on the Rubber Research Institute land. Beating others, its project could be the first to be linked to the upcoming MRT station in Sungai Buloh when the rail infrastructure is to be completed in early 2017.

To maintain Mah Sing's competitive edge, Leong stresses the importance of continually listening and improving on customer feedback, while at the same time, growing a strong team with diverse talents and abilities.

"To this end, we have put in place structures to enable talent development and succession planning in our effort to train and retain top talent as well as attract top-notch professionals to work with us," he says.

While Leong shares that the group has also set its sights on being among the top property developers in the global arena, the management is sensitive to market conditions and changes that require the team "to think out of the box".

"We constantly innovate our processes or concepts as a means to mitigate and manage risks that we encounter along the way.

"It is good to note that the management is run entrepreneurially within the confines of good corporate governance. Maintaining and fine-tuning this balance enables us to operate in a profitable environment, protecting our shareholders' interests and continuing with our dividend policy of minimum 40% of net profit to shareholders," says Leong.

On its future strategies, the group MD says Mah Sing will stick to what works best for itself. "For Mah Sing, our fast-turnaround business model has served well through the years and will continue to be the platform we operate from. At the same time, we will acquire more large land banks that will provide longer earnings visibility.

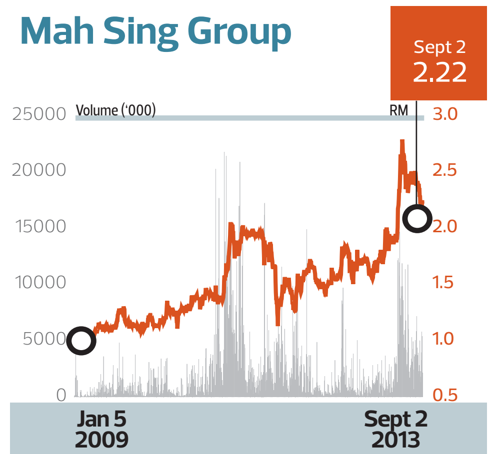
"We are also open to opportunities that can enhance value for our shareholders, for example, we do not rule out having a REIT (real estate investment trust) in the future."

On the challenges relating to government policy changes, Leong believes that it is in the people's and government's best interests to maintain certain industry benchmarks to ensure continued economic performance.

"So far, there have been some regulatory changes that directly and indirectly affect the property development industry this year. However, we see it more as a means of checks and balances that ensure the long-term health of our economy," he says. E

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	1,775.26	1,570.70	1,110.11	701.56
Profit Before Tax	315.52	238.63	177.87	144.24
Net Profit Attributable to Shareholders	230.62	168.56	118.07	94.28
Return on Equity	18.52%	15.71%	12.85%	11.15%



AT THE HELM

Tan Sri Leong Hoy Kum founded the plastics manufacturing division in 1979 and listed Mah Sing Group Bhd on the Kuala Lumpur Stock Exchange in 1992. Leong ventured into property development in 1994.

His vast experience spanning 30 years as well as his entrepreneurial spirit culminated in the group expanding rapidly with projects in Malaysia's main growth corridors, namely Greater KL (Klang Valley and Kuala Lumpur), Johor Baru/Iskandar Malaysia, Penang and Kota Kinabalu, Sabah.

BEST PERFORMING STOCK

MOST PROFITABLE

PROPERTY AND REIT SECTORS

KLCC PROPERTY HOLDINGS

Transforming to deliver more value

BY CINDY YEAP

KLCC Property Holdings Bhd's decision to restructure itself into the country's first stapled real estate investment trust (REIT) last year spurred its stock price to greater heights as investors recognised the new entity's ability to pay out more dividends. KLCC Prop shares, which had hovered at the RM3 level for some time, doubled in the later part of 2012 on news of the restructuring. The stock appreciated further to an all-time high of RM7.75 just before the stapled securities were listed on May 9.

Little wonder then that KLCCP was named *The Edge* Billion Ringgit Club's (BRC) most profitable company and best performing stock in the Property and REIT sectors for having the highest return on equity and highest return to shareholders over three years.

At this year's BRC awards, KLCCP was also the country's 14th largest stock with its RM2.19 billion market capitalisation as at end-March — up from 16th place with a market cap of RM1.89 billion the year before.

However, KLCCP's share price has retraced since May, as concerns over the US Federal Reserve's plan to taper off its mega quantitative easing programme pushed bond yields higher and eroded the relative attractiveness of yields offered by Malaysian REITs. At Sept 3's RM6.50 close, the stock had eased 16% from its peak in just four months.

CIMB Research analyst Faisal Syed Ahmad, who values KLCCP at RM7.30 apiece, says investors should accumulate the stock. "We concede that its current FY2014 dividend yield of 4.7% is not particularly attractive, given that the current 10-year Malaysian government securities rate is around 4%. However, we believe that KLCCP's current share

HIGHEST PROFIT GROWTH

BEST PERFORMING STOCK

CONSTRUCTION

GAMUDA BHD

Niche in rail projects saves the day

BY KAMARUL AZHAR

Being among the few local contractors with expertise in rail and tunnel projects, construction giant Gamuda Bhd has recorded a compounded growth in profit before tax (PBT) of 37.17% to RM565.99 million between FY2010 and FY2012, coming on top among Malaysia's big construction companies.

The group also won the Best Performing Stock award for the construction industry at *The Edge* Billion Ringgit Club Corporate Awards 2013, which was held last Monday.

Between FY2010 and FY2012, the stock gave a 14.36% average annual return to its shareholders, thanks to some large-scale railway and tunnelling jobs awarded by the government.

Gamuda was appointed the main contractor for the RM12.5 billion electrified double tracking project between Ipoh and Padang Besar in 2008. Spanning 329km, the track links Ipoh, Perak, to the northern end of the country at Padang Besar, Perlis, reinforcing the national rail system's ability to provide speedier and more efficient inter-city travel.

Backed by the experience gained in the construction of the Stormwater Management and Road Tunnel in 2003, Gamuda, together with its partner MMC Corp Bhd, won the job to undertake the underground works for the Klang Valley Mass Rapid Transit (KVMRT) project.

The MMC-Gamuda partnership is also the project delivery partner (PDP) for the project.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	3,087.00	2,673.21	2,455.14	2,727.30
Profit Before Tax	728.21	544.52	412.26	282.16
Net Profit Attributable to Shareholders	547.31	425.41	322.92	193.69
Return on Equity	13.52%	11.54%	9.39%	6.13%

The large rail-based infrastructure investments by the federal government have boosted Gamuda's construction profits since its financial year ended July 31, 2010.

This outstanding performance continued this year as its construction business reported a 28.1% growth year-on-year in PBT to RM206 million in the nine months to April 30, 2013.

As at the end of April, Gamuda's construction order book stood at RM3.9 billion, with the bulk of it being the ongoing tunnelling works of the Sungai Buloh-Kajang KVMRT project.

The job is now 14% completed, with the first tunnel boring machine (TBM) being used. Gamuda says two more TBMs will start tunnelling in the next two months.

The group says it is targeting a dual role in the second line of the KVMRT project — as PDP for the elevated portion and the main turnkey contractor for the underground package.

The second line of the KVMRT will link Sungai Buloh to Serdang, covering 56km, while the third line — proposed at 11km — is essentially underground between Batu Kentonmen and Pandan Jaya.

Gamuda expects the Cabinet to approve the second line in the third quarter of this year, with work packages expected to be awarded around mid-2015.

The entire system, together with a circle line, is scheduled for completion by 2020 to ease traffic congestion and make Kuala Lumpur as one of the top 10 most livable cities in the world.

On its property projects, Gamuda is planning to develop 724.29 acres in Rawang, Selangor, into a RM5 billion integrated development.

Towards this end, the group is proposing to acquire land for some RM620 million that will be developed into residential and commercial buildings.

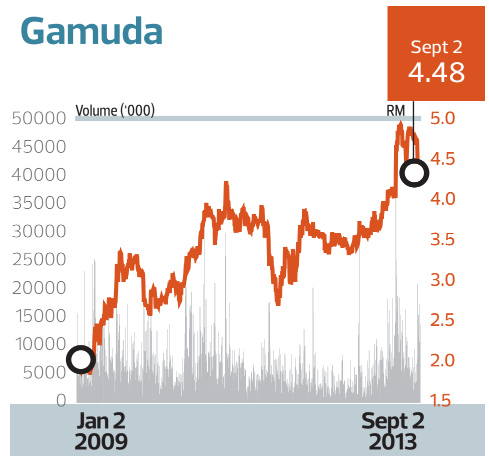
"The sizeable land allows a master plan for an integrated township development comprising residential and commercial properties.

"With Gamuda's successful track record in township developments such as Kota Kemuning, Bandar Botanic and Horizon Hills, this land will be transformed into another prestigious township," says the group.

The land is located in Kampung Sungai Serai, Kuang, which is 11km south of Rawang. The northern corridor of Klang Valley has seen several big property players venturing into the area, mostly to take advantage of its proximity and good connectivity provided by various highways, while commanding relatively lower asking price per sq ft.

Gamuda has 1,833 acres of land bank to be developed in Malaysia, worth a combined RM13.98 billion in gross development value (GDV). The group is forecast to achieve RM1.6 billion in sales for FY2013 ended July 31, driven by strong RM1.03 billion sales in the nine-month period ended April 30, 2013 (9MFY13).

For the next two years, Gamuda will allocate RM1 billion annually for land acquisition purposes to replenish its land bank, according to the group's presentation slides for its 9MFY13. In Vietnam, the group has 630 acres of land bank left, worth RM13.5 billion in GDV. ■



AT THE HELM

Gamuda Bhd is led by Datuk Lin Yun Ling, a civil engineer who has been the group's managing director since 1981. Lin joined Gamuda in 1978 as a senior project manager. He brings to the group 34 years' experience in civil engineering and construction. Over the years under his leadership, Gamuda expanded its business focus from construction to infrastructure and property development. Lin holds a Bachelor of Science (Honours) degree in Civil Engineering from King's College, University of London, UK.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011*	FY2010	FY2009
Revenue	1,178.31	994.53	926.38	881.34
Profit Before Tax	2,193.50	2,131.50	1,120.86	1,291.48
Net Profit Attributable to Shareholders	1,464.10	1,076.07	706.08	647.58
Return on Equity	17.36%	15.09%	11.94%	12.19%
* Figures annualised				

price is a good entry point for exposure to a mix of retail and office properties in one of Kuala Lumpur's prime locations," he writes in a Sept 4 note, adding that KLCCP was on track to pay a dividend per unit (DPU) of 27.4 sen in FY2013.

"From what we gather, we expect earnings to remain resilient despite the current oversupply of office space due to its long-term leases. Its planned development of Menara Dayabumi and Lot-D1 would provide KLCCP with more asset injections in the longer term," Faisal adds.

The value of the group's total assets, which include the iconic Petronas Twin Towers, grew 12.8% to RM15.79 billion as at end-2012. The RM1.38 billion fair value gains from its investment properties last year helped its FY2012 earnings jump 50% year-on-year to RM1.46 billion.

Maybank Investment Bank Research analyst Wong Wei Sum, who has a RM6.70 target price and "hold" recommendation on KLCCP, is not as bullish. In a Sept 4 note, he expressed disappointment that the acquisition of the remaining 40% of Suria KLCC mall — which could add 3 sen to 3.5 sen to FY2014 DPU forecast, assuming 100% debt funding — seems unlikely in the near term.

At the time of writing, Bloomberg data showed six "buy", five "hold" and one "sell" recommendations on KLCCP with target prices between RM6.12 and RM8.55 apiece. Dividends are forecast at 27.7 sen for FY2013 and 31.8 sen for FY2014.

Whatever the case, KLCCP CEO Hashim Wahir reiterates in the company's latest annual report that it will distribute at least 95% of its distributable income in 2013 and 2014. KLCCP chairman Krishnan Menon says the group continues to look for opportunities to achieve sustainable growth and deliver value to all shareholders. The current stapled structure provides the group a platform to unlock the value of the remaining assets, such as Kompleks Dayabumi and the vacant Lot D1 that have yet to be transferred into the REIT, he adds. ■

AT THE HELM

Hashim Wahir, 56, joined Petronas in June 1981 after graduating from Universiti Teknologi Malaysia with a bachelor's degree in mechanical engineering. He also attended the executive development programme at Ashridge Management College, UK and Johnson School of Management, Cornell University, US. Hashim served in various senior positions within the group, including chairman of Petronas' companies in the Republic of Sudan.

BEST PERFORMING STOCK

INDUSTRIAL PRODUCTS

TASEK CORP

Vertical integration drives value in company

BY MADIHA FUAD

Tasek Corp Bhd will continue to make cement manufacturing its core business while leveraging its ready-mix concrete business to provide the group an inroad into the construction sector.

"By vertically integrating the cement and ready-mix concrete business, it will enable the group to capture a greater portion of the cement value chain," says chairman Kwek Leng Peck in its 2012 annual report.

He notes that cement manufacturing is the main contributor to the group's revenue and that the company has sufficient liquidity to support its capital expenditure and operations.

Tasek has achieved Best Performing Stock in the Industrial Products sector by providing the highest return to shareholders over a period of three years. The cement manufacturer's balance sheet remains healthy with shareholders' funds of RM952.8 million and cash reserves of RM465.6 million for FY2012 ended Dec 31.

Tasek was able to achieve this despite recording a lower net profit than the previous year. It posted a net profit of RM91.9 million in FY2012, compared with RM103.2 million in FY2011. Revenue was also lower at RM564.5 million from RM566.2 million previously. Tasek has had an average of RM936.5 million in shareholders' funds for the last five consecutive years.

Kwek notes that domestic demand for cement in Peninsular Malaysia grew more than 5% in 2012 compared with the previous year. He reasons that this was due to the growth in construction activity for the year, driven mainly by the government's infrastructure projects under the Economic Transformation Programme (ETP) and private sector projects.

"The increase in demand was significantly felt in the second half, partly due to the implementation of some of the packages of the Klang Valley Mass Rapid Transit (MRT) system under the ETP and the development of Iskandar Malaysia in Johor," says Kwek, adding that the MRT system and development of Iskandar had benefited the construction sector during the year.

On its outlook, Kwek is of the view that the current financial year will be more challenging than the previous year. "The board is cautiously positive for growth of the construction sector in 2013, as the economic growth of Malaysia may be hindered if the long-running eurozone debt crisis is not resolved, or the US does not emerge from its sluggish recovery, or the slowdown of the emerging economies continues."

However, Kwek also expects more contracts to be inked in 2013 to be spearheaded by projects such as Wawasan Merdeka, the Tun Razak Exchange, the Klang Valley MRT 2 and Circle lines and the planned development of government-initiated land projects.

"We anticipate more rollouts and implementation of other packages for the MRT lines, in addition to other projects under the ETP in 2013, and these will further benefit the country's overall construction sector," he says.

Kwek says that depending on the actual physical implementation of these projects, the group estimates demand for cement to grow by about 5% in 2013. "The board and management are nevertheless cautiously optimistic and will endeavour to position the company to weather any unexpected crisis," he adds, noting that the company is constantly looking for ways to reduce costs and maximise the plant's operating efficiency.

"Maintaining profitability, strengthening the balance sheet, improving cash flow generation and maintaining financial flexibility are critical to the group's future, and the board and management have continued to make good progress on these," Kwek says.

Management's initiatives, which include designing services aimed at grooming the company's distributors and customers as business partners, have helped grow its business. E

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	564.54	566.19	553.04	566.19
Profit Before Tax	119.32	132.29	178.05	87.16
Net Profit Attributable to Shareholders	91.89	103.16	154.19	67.13
Return on Equity	9.64%	10.51%	15.87%	7.39%

AT THE HELM

Ting Sii Tien @ Yao Sik Tien, 58, joined Tasek as a director in June 2005 and was appointed group CEO in July 2011. A chartered accountant by training with over 25 years' experience as a financial controller, Ting is also director and CEO of Hong Leong Asia Ltd and group general manager of Hong Leong Corp Holdings Pte Ltd.

MOST PROFITABLE

INDUSTRIAL PRODUCTS

HARTALEGA HOLDINGS

Always striving to stay ahead of competition

BY CHARLOTTE CHONG

The world's largest nitrile glove producer, Hartalega Holdings Bhd, attributes its strong financial performance over the past several years to its high-capacity glove production lines and manufacturing efficiency.

The glove maker also attributes its strong financial growth to its first mover advantage in the nitrile glove segment, enabling it to maintain a strong focus on product innovation and production technology.

"Over the years, Hartalega has achieved many industry firsts such as the lightweight nitrile glove in 2005 which changed the landscape of the global rubber glove industry and facilitated the switching trend from latex to nitrile that continues to this day," executive chairman Kuan Kam Hon told *The Edge*.

Hartalega is one of several listed companies that can boast of consistent financial performance in the last five years. Its net profit grew from RM69.6 million in the 2008 financial year ended March 31 (FY2008) to RM84.5 million in FY2009, RM143.1 million in FY2010, RM190.1 million in FY2011, RM201.4 million in FY2012 and RM233.6 million in FY2013.

The company takes pride in its in-house production capabilities that have resulted in the fastest production line speeds in the industry, well above the industry average.

Its high level of automation and proprietary technologies in its plants have made it the most efficient glove manufacturer, enabling the company to maintain its competitive edge over its peers.

To ensure its long-term competitive edge,

HIGHEST PROFIT GROWTH

INDUSTRIAL PRODUCTS

CAHYA MATA SARAWAK

Pure exposure to SCORE

BY ISABELLE FRANCIS

Cahya Mata Sarawak Bhd (CMS) has over the years transformed itself from an entity depending largely on banking activities into one that has latched on to opportunities coming out of the multi-billion-ringgit Sarawak Corridor of Renewable Energy (SCORE).

"CMS has sustained its performance by divesting itself of its non-core business, enhancing its processes and people, and focusing on its core business competencies," says group managing director Datuk Richard Curtis.

Curtis says the group will continue to bank on the growth opportunities within its home state of Sarawak, where economic growth is spearheaded by the development of SCORE.

CMS' core business divisions comprise cement, quarrying, pre-mix, township and property development, construction and road maintenance.

It was in 2007 when CMS embarked on its transformation into a company with a pure exposure to SCORE. Before that, it controlled UBG Group Bhd, which in turn controlled RHB banking group.

UBG disposed of its entire stake in RHB to the Employees Provident Fund (EPF) for RM2.25 billion. With the proceeds, UBG made a capital repayment of RM1.37 billion, leaving it with RM821.7 million and without a core business.

With the rest of the proceeds, UBG acquired a 49.21% stake in construction outfit Putrajaya Perdana Bhd (PPB) and a 37.56% stake in Loh&Loh Corp Bhd. CMS eventually divested its interest in these companies by disposing of UBG to Petrosaudi International Seychelles (PSI) in November 2010.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	1,203.27	1,012.61	943.48	874.60
Profit Before Tax	230.79	178.72	118.80	98.53
Net Profit Attributable to Shareholders	138.81	120.02	65.78	40.99
Return on Equity	9.31%	8.48%	5.01%	3.21%

CMS, 42%-controlled by Sarawak Chief Minister Tan Sri Abdul Taib Mahmud's family, had been on the prowl for a core business since the disposal, and one option it had was to set up an aluminium smelter with Australian mining giant Rio Tinto Alcan. Unfortunately, CMS had to withdraw its plan as it could not come up with a favourable power deal for the smelter.

But that didn't stop the company from taking up stakes in companies that had set up operations in SCORE, which drives on cheap electricity from the Bakun Hydroelectric Dam. CMS eventually took up a 20% stake in a RM1.55 billion ferro silicon and manganese alloy smelter with ASX-listed OM Holdings Ltd in 2011.

According to Curtis, CMS will continue to look out for new areas of investment. "We look to invest wisely in game-changing new energy-intensive ones that offer long-term sustainable growth."

Curtis says CMS has a clear vision with a long-term road map going forward linked to expanding SCORE-generated economic activity. "For one, the electrical power for these industries is tied to 20-year power supply agreements. The products made should be sold globally and irreplaceable in their value chain, such is the case with alloys from CMS' JV smelter, without which steel cannot be used."

Curtis says it is unlikely for CMS to change its business model in the next few years, adding that while the group does have plans to diversify, it will only do so within its core business competencies.

"The two dominant core competencies are CMS' involvement in B2B (business to business) intermediate manufacturing of items involving a heat process, such as cement, pre-mix and the smelting of ores, and secondly, construction and related activities, such as property development and road maintenance," he adds.

So far, CMS' strategy to put a greater focus on SCORE has paid off, based on its financial performance the past five years. It has seen a steady climb in return on equity and return on assets since FY2008, except for a dip in FY2009 due to the global financial crisis.

According to its annual report, the company posted an ROE of 7.7% in FY2008, 3.24% in FY2009, 5.08% in FY2010, 8.8% in FY2011 and 9.37% in FY2012, while ROA stood at 4.12% in FY2008, 1.79% in FY2009, 3.11% in FY2010, 5.71% in FY2011 and 6.34% in FY2012.

Analysts say that with an alloy smelting plant coming onstream in 2015, CMS is expected to have an upward growth trajectory. Another game changer for CMS, they say, is the RM474 million integrated township of Bandar Baru Samariang. E

AT THE HELM

Datuk Richard John Alexander Curtis is group managing director of CMS, having been appointed to the board of Cahya Mata Sarawak on Sept 4, 2006. Born in Penang, he spent much of his life in Malaysia although he is a UK national holding Malaysian permanent residency.

Curtis graduated with a Bachelor of Laws (LL.B) (Honours) degree from University of Bristol, UK. He is also a Sloan Fellow of the London Business School. Curtis began his career as a solicitor in Norton Rose before joining Jardine Matheson & Co.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	931.07	734.92	571.89	443.2
Profit Before Tax	258.41	242.83	177.78	95.48
Net Profit Attributable to Shareholders	201.38	190.30	142.91	84.51
Return on Equity	32.51%	38.49%	40.36%	33.22%

the company has recently embarked on its next stage of growth, namely the Next Generation Integrated Glove Manufacturing Complex (NGC), which will quadruple its production capacity from 11 billion pieces of gloves to 43 billion pieces of gloves per annum.

"With our expansion plans firmly under way, we are focused on ensuring that the group remains a healthy and profitable entity in the years to come," Kuan said.

Hartalega is confident global demand for nitrile gloves will grow at a healthy rate of 26% per annum. "This will outpace the industry's current capacity as the switching trend continues," Kuan said, adding that it currently leads the nitrile glove segment in the US and Europe.

"We anticipate that this will continue, particularly given the strategic capacity and productivity enhancements we have in the pipeline."

To mitigate risks and ensure strong returns, Hartalega says its main priority will be to maintain its supremacy in the nitrile glove sector. It intends to achieve this through the construction of the NGC.

Hartalega also has its own way of managing and retaining talent. One such measure is its Human Resource Transformation (HRT) programme, which was established in 2010 to implement optimal performance management systems.

"Our primary goal is to ensure that we have sufficient employees with the skills and capabilities to implement our long-term expansion plans."

Hartalega will also be setting up a dedicated Training and Development Centre at its NGC to create a highly skilled workforce to cater for its long-term talent needs. E

AT THE HELM

Executive chairman Kuan Kam Hon was appointed managing director in May 2007. He appointed his son Mun Leong as managing director in November 2012, but Kuan senior continues to play an integral role in the group as executive chairman.

Kuan is primarily responsible for the overall business, strategic planning and entire operations of the group, including research and development. He began his career in the building and construction sector in 1969 under Kuan Yuen & Sons Co in the 1970s, specialising in high-end residential units in the Klang Valley.

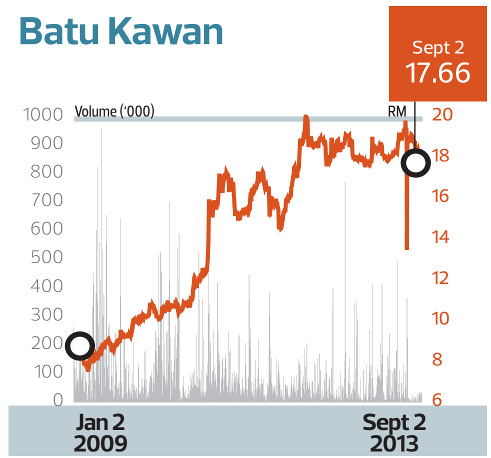
In 1978, he started Timol Weaving Sdn Bhd, one of the pioneers in woven labels and badges. In 1981, he formed Hartalega Sdn Bhd, and under his leadership, the company became a reputable manufacturer of latex gloves.

HIGHEST PROFIT GROWTH

PLANTATION SECTOR

BATU KAWAN

Diversification not crucial to competitiveness



BY JANICE MELISSA THEAN

Batu Kawan Bhd started out in 1965 as Batu Kawan Plantations Ltd and has grown a fair bit since listing on the Main Board of the Kuala Lumpur Stock Exchange six years later.

Despite a bevy of expertise to its name — plantations, chemical manufacturing and property investment — the investment holding company does not believe that diversification is a must to remain competitive in today's market.

"Diversification remains an option but is not a necessity for competitiveness," says Batu Kawan managing director Datuk Lee Hau Hian.

"The company, in principle, is always looking for sensible opportunities to diversify in view of its strong balance sheet for growth purposes. However, we will continue to build on our core competencies in inorganic chemical manufacturing and plantations."

At present, however, Batu Kawan's plantation arm Kuala Lumpur Kepong Bhd (KLK) seems to be taking a bit of a beating amid the soft plantations environment. For its third quarter ended June 30, 2013, Batu Kawan saw its net profit slide 7% to RM110.5 million from RM119.1 million the year before on lower contributions from KLK.

Contributions from the associate fell 18.7% to RM88.2 million from the year before, says BIMB Securities. Similarly, net profit for its nine months ended June 30, 2013 fell 10% to RM358.3 million.

According to BIMB, Batu Kawan's group earnings came in below its expectations. "Incorporating the lower contributions from associates, we revised downward Batu Kawan's net profit by 9.7% for FY13 and 1.7% for FY14," says BIMB analyst Ng Keat Yung in an Aug 21 report.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	336.54	283.14	224.43	238.15
Profit Before Tax	625.64	785.36	572.50	350.72
Net Profit Attributable to Shareholders	605.69	779.47	567.45	337.35
Return on Equity	16.25%	21.24%	18.13%	11.62%

Ng revised downward his target price for Batu Kawan to RM19.60 from RM19.80, but maintained his "buy" call for the stock.

Since the middle of July, prices of Batu Kawan shares ranged from RM18.20 to just above the RM19 mark. Be that as it may, Batu Kawan's chemicals division saw profit before tax rise to RM19.36 million this quarter compared with RM11.79 million in 2012.

Lee attributes one of the key factors of Batu Kawan's continued performance to the "prudent management of our chemical subsidiaries to withstand cyclical fluctuations in the business".

But the sector is not without its challenges. "For our chemical business, the two main areas to remain competitive are to ensure continuing improvements in overall productivity of each operating centre and to manage better our supply chain," he says.

"The need for higher productivity is pushed by the increase in operational costs, particularly energy and labour costs."

He says improvements in the supply chain management will enhance effectiveness and close the gap on customer expectations.

One of the main drivers for this segment is domestic end-user consumption which Lee says is pushed by gross national production growth and new investments.

In the Malaysian context, Lee highlights the need to draw more private and foreign investments that will support and provide room for growth among domestic industries.

"Energy has become a key factor to be competitive regionally. Therefore, the government needs to have forward-looking policies to better regulate and utilise our resources," he says.

Globalisation and the faster pace of change in the last five years also pose a unique set of challenges to businesses. "Therefore, forecasting horizons have become shorter and more uncertain," says Lee. "To deal with such challenges, the management is ensuring that our organisational capabilities become more robust and flexible."

But for Batu Kawan, another challenge lies in recruiting and retaining talent as skilled workers are currently more drawn to the vibrant sectors of the chemical industry, particularly oil and gas.

AT THE HELM

Datuk Lee Hau Hian has been managing director at Batu Kawan since 1993, having served 12 years as senior executive and then company secretary with Kuala Lumpur Kepong Bhd (KLK). He has a BSc Economics from the London School of Economics as well as an MBA from Stanford University. Lee is the younger brother of KLK chief executive Tan Sri Lee Oi Hian. Batu Kawan is an investment holding company dealing in chemical manufacturing, plantations, property investment and transport.

"However, as we are established players, we have accumulated knowledge and goodwill over 37 years with our workforce which is being systematically shared and developed within the organisation. We will continue to invest in our people," Lee says.

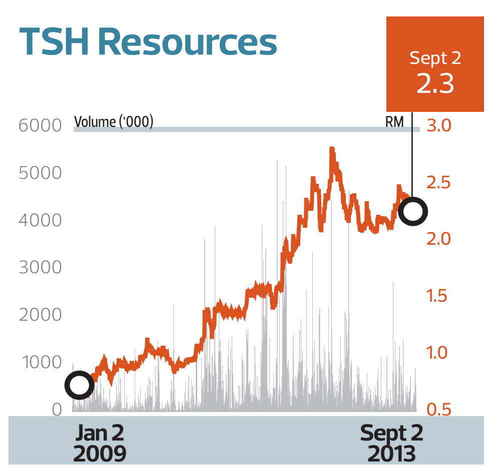
"Retention and skill development are being developed through empowerment and training to engender higher job satisfaction." E

BEST PERFORMING STOCK

PLANTATION SECTOR

TSH RESOURCES

Staying focused and lean



BY SIOW CHEN MING

TSH Resources Bhd attributes its continued growth to its focus on the plantation sector and its financial discipline.

Chairman Datuk Kelvin Tan says the group has been staying focused on the palm oil industry and has grown its business rapidly, especially in the upstream plantation segment, having expanded its oil palm estates from Sabah to Indonesia.

"The upstream plantation segment has proven to be a sustainably profitable investment. We believe in the long-term prospects of this business."

In line with its rapid expansion, he says the group has exercised discipline and commitment to maintain a healthy financial position.

"Debts have been the key funding aspect of our upstream plantation expansion but we have not allowed ourselves to go on over-expansion. We remain committed and shall maintain a healthy gearing level."

On the biggest challenge that the group faces, he says it would be to grow its size.

"We must continue to expand our oil palm plantations. Our total oil palm planted area should exceed 50,000ha by the end of this year. On top of that, we still have about 60% or 65,000ha of land bank that is not cultivated as yet.

"There is still plenty of land for TSH to cultivate over the next five years. It is our long-term plan to continue expanding."

Tan says that over the years, the group has instituted various measures to manage its operational costs.

"We expect that to continue. With our expansion, we should achieve better economies of scale and bring down our unit cost of production."

While the group is striving to bring down cost, it also works tireless to enhance yield

MOST PROFITABLE COMPANY

PLANTATION SECTOR

KUALA LUMPUR KEPONG

Riding buoyant commodity prices

BY JANICE MELISSA THEAN

Kuala Lumpur Kepong Bhd (KLK) has been riding buoyant commodity prices, with the exception of this year, to sustain its performance over the past several years.

The buoyant commodity prices have so far mitigated the increasing pressures of labour and inflation costs within the country.

According to KLK executive director Tan Sri Lee Oi Hian, the company was able to do so because of the collective effort of all parties involved.

"KLK has been blessed with a group of experienced, dedicated, hardworking and loyal people who have enabled us as a company to adapt to the changes and expand our business locally and overseas."

He attributes the success of the company to teamwork. "Hard work and teamwork go hand in hand and, together with the resilient commodity prices, we were able to produce the reasonable results."

KLK was incorporated in 1973 and is currently listed on the Main Market of Bursa Malaysia with a market capitalisation of approximately RM23.5 billion as of September 2012.

It started out as a plantation company and oil and rubber are still its core business. Through various acquisitions and sound management strategies, the group's plantation landbank now stands at more than 250,000ha spread across Malaysia and Indonesia.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	10,570.19	10,743.25	7,490.63	6,658.31
Profit Before Tax	1,560.44	2,066.21	1,382.83	887.36
Net Profit Attributable to Shareholders	1,211.24	1,571.41	1,012.34	612.50
Return on Equity	17.04%	22.22%	16.86%	10.87%

KLK has recorded lower profits so far this year compared with last year due to lower contributions from its plantation and manufacturing segments.

KLK explained in a filing to Bursa Malaysia that the average crude palm oil selling price was RM2,260 per tonne, down from RM3,010 previously.

Nevertheless, investors' confidence in KLK's management is one reason why the share price remains resilient despite the recent weakness in palm oil prices.

"The two major challenges to our industry are the inflationary pressures of cost in the midst of a downturn in prices and the focus on sustainability," says Lee.

When talking about the long-term sustainability of KLK, he says the company must improve its palm oil yield per hectare and increase the productivity of its workers in order to overcome or mitigate the inflationary pressures of cost.

"A consistent replanting policy with clonal palms, elite planting materials, eliminating yield limiting constraints and minimising crop losses in the fields are among a host of actions being taken.

"Plantations are focusing on improving processes all along the route from trees to customers."

With sustainability on his mind, Lee further explains that another important change taking place in the industry is the strong call for products that are produced sustainably that can be fully traced back to where they were grown or produced.

With market demand shifting to customers wanting more supplier sustainability and traceability of all its palm oil products, KLK acknowledges the importance to move with the times and has already obtained full certification by Roundtable Sustainable Palm Oil (RSPO) of its operations in Sabah since 2010.

"KLK is now in various stages to fully certify its operations in Peninsular Malaysia and Indonesia by this year and 2015 respectively. For our oleochemicals division, we've also obtained the RSPO supply chain certification through Palm-Oleo Sdn Bhd."

Looking at the bigger picture, Lee talks about integrity, loyalty, humility, innovation, teamwork and the strive for excellence.

AT THE HELM

Having joined KLK in 1974, Tan Sri Lee Oi Hian is now the executive director and CEO of the company. He was formerly chairman of the Malaysian Palm Oil Council. Lee graduated with a Bachelor of Agricultural Science from Universiti Malaya and did his Master of Business Administration at Harvard Business School. KLK's history stretches back to 1906 in London where it was incepted as The Kuala Lumpur Rubber Company Ltd.

"These positive attributes and culture drive the organisational behaviour and, eventually, employees will be the ones benefiting from it.

"Malaysia is blessed with excellent resources and a stable government. However, there is an urgent need to arrest the deteriorating situation, namely crimes, educational standards, corruption and prudency in fiscal policies."

Failure to arrest these challenges may mean talent migration and subsequent stagnation in growth, he cautions. E

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	983.65	1,134.20	908.43	980.25
Profit Before Tax	99.99	161.92	105.33	85.92
Net Profit Attributable to Shareholders	77.03	118.46	84.28	72.31
Return on Equity	8.67%	13.96%	11.20%	9.93%

at its plantations. Such efforts include developing high-yielding ramet, Wakuba, for its new plantations.

"We aspire to be a competitive regional plantation player."

To retain employees and grow talent, Tan has created the Datuk Kelvin Welfare Fund in 2007, aimed at helping TSH's workers.

According to him, TSH is growing its business and wishes to attract more young talent from the plantation industry.

"We provide a platform for young people to advance their careers with us. This platform is equally important to us."

With the fall in commodity prices globally, the outlook of the palm oil industry will not be as rosy as a few years before, where crude palm oil prices were hitting record highs, but TSH maintains that it will stay its course.

"We do not foresee diversification in the next few years. In our view, it is not necessary," says Tan.

"We see specialisation in the sense of deepening knowledge for our management and employees in palm oil industry. This is helpful for us to excel." E

AT THE HELM

Chairman Datuk Kelvin Tan has more than 20 years' experience in the resource-based industry, which includes extensive working knowledge in international trade practices. Having been appointed a director of TSH since 1986, he was instrumental in transforming the once cocoa-based outfit which his father founded by venturing into the palm oil industry in Sabah, and then expanding to Indonesia.

With his active involvement in the cocoa industry, Tan was made the chairman of the Malaysian Cocoa Board for eight consecutive years from 1997 to 2004. His involvement in the Sabah social and business circle made him the honorary director of Sabah Chinese High School. He also sits on the board of trustees of the Borneo Conservation Trust. As recognition for the many contributions to environmental conservation and forestry, Tan was conferred an honorary Doctor of Philosophy (Agroforestry) by Universiti Malaysia Sabah in 2006.

BILLION RINGGIT *Club*

BEST PERFORMING STOCK

TRADING/SERVICES, HOTELS, IPC AND TECHNOLOGY SECTOR

SEG INTERNATIONAL

Managing challenges despite competitive landscape

BY CYNTHIA BLEMIN

With group managing director Tan Sri Clement Hii Chii Kok at the helm, SEG International Bhd (SEGi) has grown by leaps and bounds into one of the largest players in the private education space.

SEGi has made great strides in furthering the student experience by investing in the upgrading and development of facilities and infrastructure. It has been able to sustain its leadership position in the private education sector and meet the demands of its stakeholders.

It is worth noting that SEGi's revenue more than tripled to RM278.29 million in 2011 from RM86.26 million in 2007, representing a compound annual growth rate of about 26.4%. Meanwhile, net profit soared to RM72.31 million from RM5.16 million in 2007.

SEGi's major shareholder is Navis Capital Partners Ltd with a 41.8% stake, held through its investment firm, Pinnacle Heritage Solutions Sdn Bhd. Hii is the second largest shareholder with a 24.7% stake.

SEGi has played a pivotal role in the nation's roadmap as the champion of two Entry Point Projects (EPP). One of the EPPs is the Early Childhood and Childcare Education (ECCE), under the Ministry of Education, while the other is the SkillsMalaysia International Technical Education and Vocational Training Programme (SkillsMalaysia INVITE), under the Ministry of Human Resources.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	284.93	270.29	217.62	166.37
Profit Before Tax	68.38	88.22	54.31	14.61
Net Profit Attributable to Shareholders	60.34	72.31	43.06	10.02
Return on Equity	22.61%	39.35%	21.25%	5.93%

Last year, SEGi was one of the institutions honoured with the task of supporting the Ministry of Higher Education in the Industry Centre of Excellence (ICoE) initiative to produce a skilled workforce for the Malaysian Retailer-Chains Association (MRCA).

For this year, SEGi has allocated RM24 million in capital expenditure (capex) for SEGi College Kuala Lumpur (SCKL), RM4 million of which will go towards the operation of SCKL's Business and Accounting Centre of Excellence.

SEGi group CEO Hew Moi Lan says the upgrade of SEGi's flagship institution to university college status in 2008 and full university in 2012 led to the launch of high margin programmes in medicine, dentistry, optometry and pharmacy. "SEGi enjoyed an early harvest when it consolidated and strengthened its foundation for growth by focusing on its main campuses in major cities and towns in Malaysia in 2006 and 2007."

The group would see substantial growth and expansion over the next few years through its new college campuses in Perak and Kota Damansara in Petaling Jaya, as well as its international school in Setia Alam in Shah Alam.

Now that SEGi is one of the largest private higher education providers in Malaysia, Hew says the time is ripe for the group to expand and promote its brand and programmes overseas. "We are focused on providing ease of transfer and bridging programmes between the first part of their studies in the source countries before they complete their studies at SEGi in Malaysia."

SEGi is eyeing regional markets, such as China, Indo-China, Indonesia and the Middle East, she adds. Hew notes that SEGi prefers to collaborate with strong and strategic partners overseas that will provide the "campus hardware" for the students' initial studies in their home countries.

As project leader for Skills Malaysia INVITE, SEGi is also looking to further strengthen its focus on technical and vocational skills education, with dual mode offerings that will attract international students, says Hew. E

AT THE HELM

Tan Sri Clement Hii Chii Kok, 54, started his career in journalism and was the first editor-in-chief of *The Borneo Post* in Sarawak. Realising opportunities were limited without a tertiary education, Hii, then 32, enrolled in little-known IBMS college in Kuching. Upon graduation, he convinced the owners to sell the college to him and embarked on expanding the business in 2001.

Later, he merged the institute with Prime College Subang Jaya and together, the two entities launched a reverse takeover of Systematic Education Group Bhd, or what would later be called SEG International (SEGi) Bhd.

In 2009, Hii left SEGi to join Star Publications (M) Bhd as executive deputy chairman. He spent two years there before returning to SEGi in 2011.

HIGHEST PROFIT GROWTH

TRADING/SERVICES, HOTEL, IPC AND TECHNOLOGY SECTORS

HAP SENG CONSOLIDATED

Diversified income stream the key

BY KATHY FONG

Hap Seng Consolidated Bhd, controlled by the family of the late tycoon Tan Sri Lau Gek Poh, has churned out the highest pre-tax profit growth among *The Edge* Billion Ringgit Club members in the trading/services, hotel, IPC and technology category based on results over the past three years.

The diversified group has achieved 72.98% compound pre-tax profit growth in the past three years.

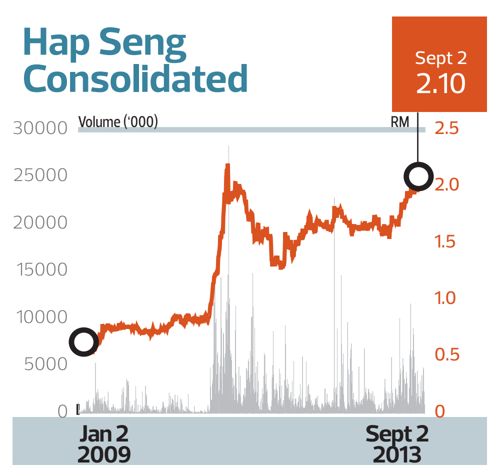
Its pre-tax profit ballooned to RM677.1 million for the financial year ended Dec 31, 2012 (FY2012) from RM172.7 million for FY2009.

Its revenue has climbed to RM3.95 billion for FY2012 from RM2.46 billion for FY2009.

Tenaga Nasional Bhd is the second highest in the category with a growth rate of 39.82%, followed by Media Chinese International Bhd, 36.98%.

Sabah-based Hap Seng has five core businesses in its stable — trading, which includes the distribution of Mercedes-Benz vehicles; financial services; property, quarry and building materi-

HARIS HASSAN/THE EDGE



als; and plantation, which is housed under listed Hap Seng Plantations Holdings Bhd.

It is also a leading producer of fertiliser in Malaysia and Indonesia.

The plantation unit is the key contributor to the group's earnings. However, its diversified

MOST PROFITABLE

CONSTRUCTION

MUDAJAYA GROUP

It's all about being selective in projects

BY BEN SHANE LIM

For the second year running, Mudajaya won *The Edge* Billion Ringgit Club award for the highest three-year return on equity (ROE). Last year, it swept all three categories in the construction sector.

Although it lost out to Gamuda Bhd this year in the other two categories, the group maintained its brisk pace of profit growth, coming in second for the highest compound annual growth rate for pre-tax profits over three years.

Coming from a large earnings base, this growth trajectory is no mean feat, but it certainly cements Anto S F Joseph's position as managing director as he heads into his third year at the helm.

The group's ability to be selective about its bids is one reason that it has been able to maintain its performance. By doing so, the group has ensured that the projects it undertakes have favourable risk factors, cash flows and margins.

At the same time, the group also boasts a strong and clean balance sheet. This strength has helped Mudajaya attract business partners and secure contracts based on competitive pricing.

One of the group's big projects is in Chhattigarh, India, where it is the contractor and 26% owner of a 1,440MW coal-fired power plant. Locally, the group has got a slice of the mega infrastructure pie.

Last year, the group secured the contract to build the viaduct guideway and other associated works for the Dataran Sunway Station to the Section 17 portion of the Mass Rapid Transit Project worth RM816.2 million.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	1,655.72	1,347.06	870.43	719.97
Profit Before Tax	284.12	293.95	278.39	167.96
Net Profit Attributable to Shareholders	237.10	231.03	215.55	119.18
Return on Equity	21.28%	24.42%	29.81%	31.78%

For the first half this year, the flow of contracts has slowed down a little and the group's order book stands at RM2.2 billion. For the second half, however, the group is poised to secure RM500 million to RM1 billion worth of projects. This includes a potential RM300 million contract to build a railway link in Subang.

Analysts, however, are optimistic about the group's ability to tap into the planting-up in the power sector, a niche in which the group is well versed.

In particular, the group is well positioned to secure power-related civil works in Janamanjung, where Tenaga Nasional Bhd is close to securing the deal for a 1,000MW coal-fired power plant.

That said, the group says it would like to see the government phase out the rolling-out of mega infrastructure projects in a planned and staggered manner.

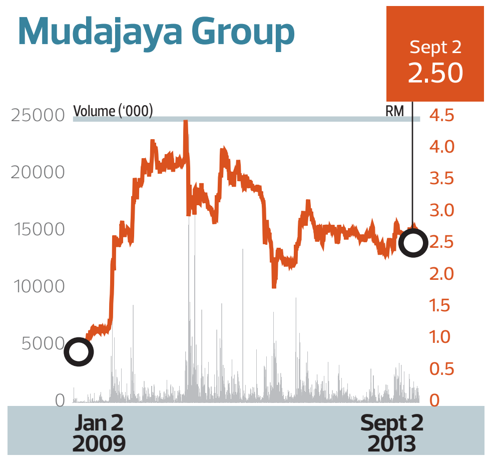
"The unleashing of mega infrastructure projects within a short time frame has created a high demand for scarce resources and huge increases in costs of skilled and unskilled workers, machinery, equipment and construction materials. Controlled and planned rolling-out of mega infrastructure projects will facilitate the construction industry to grow and develop progressively over the long term," says Mudajaya.

The group also acknowledges that political risk is one factor that it has to consider, but says it has managed this risk relatively well and will continue to be cautious and vigilant about the risks faced by the company on projects undertaken.

"The company does not find it challenging to chart out a long-term plan as the current risk management strategies adopted have served us well in the past. We will continue to adapt to suit us accordingly."

Going forward, the group maintains its goal to strategically transform its business model to move up the value chain by acquiring or building its own assets that can generate recurring income over the longer term. This will stabilise the group's overall income stream and smoothen out the cyclical nature of the construction sector.

"In the niche sector of civil construction of power plants, we intend to strengthen and fortify our expertise and resources to capitalise on our position as the leading civil contractor of power plants in the country."



AT THE HELM

With 36 years' professional experience in infrastructure project management under his belt, Anto S F Joseph has been managing director of Mudajaya Group Bhd for the past two years. Anto is a registered professional engineer with a first-class honours Bachelor of Technology (Civil) degree from the Indian Institute of Technology. He began his career at Mudajaya almost 20 years ago. As for Mudajaya, for the third year running, it has retained its place as one of the top construction companies in the Billion Ringgit Club.

One area where Mudajaya seems to have slipped a little is in its share price performance. At the time of writing, Mudajaya's share price had fallen by 9.5% from the previous year to RM2.47. Nonetheless, Hong Leong Investment Bank Bhd maintains a "buy" call on the group with a target price of RM3.25 with the potential catalysts of power plant awards and the fuel supply agreement for the power project in India. E

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	3,958.90	3,628.38	2,789.41	2,464.24
Profit Before Tax	677.11	635.00	504.46	172.76
Net Profit Attributable to Shareholders	422.63	375.60	323.13	100.24
Return on Equity	12.43%	11.40%	12.49%	4.29%

business portfolio has helped mitigate weak crude palm oil prices.

Hap Seng is the second largest quarry operator in Malaysia and has a fairly large presence in the property and credit leasing segments.

"It is not difficult now compared with before when it comes to charting a long-term plan. The key is to constantly review the operating landscape and not stay complacent," says managing director Datuk Edward Lee Ming Foo, who has been with the Hap Seng group for more than 30 years.

To remain competitive, he says, effective talent management and being able to adapt quickly to changes are crucial.

Lee sees human capital as the core growth driver of an organisation. "As such, we must continue to be focused on ensuring that we recruit and retain the best talent for the job throughout our diverse business divisions in order to deliver quality products and services to our customers."

In 2005, after DaimlerChrysler Malaysia took over the distributorship of Mercedes-Benz vehicles, Hap Seng was made the authorised dealer of the marque and Smart vehicles in the Klang Valley — a lucrative market that was dominated by Cycle & Carriage Bintang Bhd for 50 years.

According to Lee, Hap Seng managed to capture one-third of the luxury car market in the peninsula in a short span of five years.

"People did not have much confidence in us when we first started our vehicle distribution and after-sales service in Peninsular Malaysia. We even had difficulties hiring salespeople," Lee had told *The Edge* in an earlier interview.

"Some even mistook us for the biscuit maker, Hup Seng."

Hap Seng sprang a surprise in the property fraternity when it announced the acquisition of 50% ownership of Menara Citibank in Jalan Ampang, Kuala Lumpur, after IOI Group pulled out.

In August 2009, the group bought a 50% stake in Inverfin Sdn Bhd, which owns the prime office block from CapitaLand Ltd (30%) and Amsteel Corp Bhd (20%) for RM303.7 million. E

AT THE HELM

Datuk Edward Lee Ming Foo, 58, was first appointed to the board in November 2000. He became an executive director on March 25, 2002, and assumed his current position in March 2005.

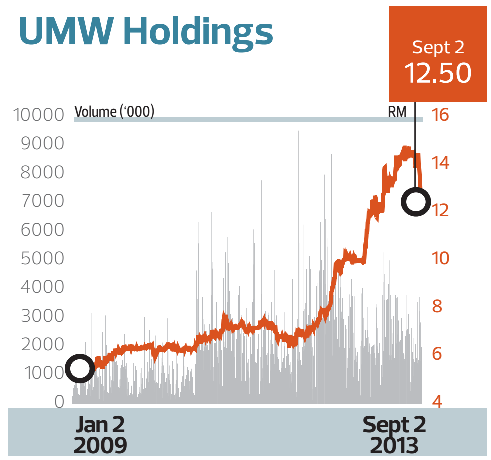
In addition, Lee is the managing director of both Gek Poh (Holdings) Sdn Bhd and Hap Seng Plantations Holdings Bhd. Gek Poh is the holding company of Hap Seng Consolidated.

HIGHEST PROFIT GROWTH

CONSUMER PRODUCTS

UMW HOLDINGS

Innovating to fight competition



BY KAMARUL AZHAR

Automotive and oil and gas conglomerate UMW Holdings Bhd will continue to introduce new products, especially in the motor vehicle sector, to remain competitive in the face of the rapidly changing economic landscape in Malaysia and the region.

The group's automotive business of which is represented mainly by Perusahaan Otomotif Kedua Sdn Bhd (Perodua) and UMW Toyota Motor Sdn Bhd, will offer creative product promotions and services and exciting models to meet customer demand.

"We will endeavour to be inventive in promoting our products and services. Every year, we allocate a substantial amount to expand and enhance our after-sales outlets. Our aim is to provide 100% customer satisfaction," says the group in an email response to *The Edge*'s queries.

UMW Toyota assembles and distributes selected Toyota models and distributes selected Lexus models in the Malaysian market.

The group has tied up with Japanese car company Daihatsu Motor Co Ltd to assemble and distribute the latter's cars under the Perodua badge in Malaysia, Singapore, Brunei, Mauritius, Sri Lanka, the UK, Fiji and Nepal.

With its Myvi, Viva and Alza models, Perodua was the leader in Malaysia's passenger car sector with a 31% share of the market as at July 31, according to Affin Investment Bank's research.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	15,863.62	13,535.75	12,820.2	10,720.9
Profit Before Tax	2,009.69	1,365.25	1,313.22	846.50
Net Profit Attributable to Shareholders	994.30	485.82	526.90	382.40
Return on Equity	19.81%	11.82%	13.08%	10.13%

In the oil and gas sector, UMW is the only Malaysian company that owns and operates drilling rigs. It co-owns and operates the semi-submersible drilling rig NAGA 1, and wholly owns and operates jack-up rigs NAGA 2, NAGA 3 and NAGA 4.

"We have placed an order for another jack-up rig, which is currently under construction and will be delivered in May next year. Despite being relatively new to the industry, we have raised our capabilities as a serious oil and gas player," says UMW. The group recently announced a plan to list its oil and gas division on Bursa Malaysia this year to raise about RM2.36 billion. The aim is to accelerate the growth of the oil and gas business, according to its chairman Tan Sri Asmat Kamaluddin.

After two consecutive years of losses due to decreased drilling activity worldwide, the oil and gas division achieved a profit before tax (PBT) of RM57.7 million in FY2012 on the back of a 40% increase in revenue from FY2011.

The improvement in turnover was due to an increase in the day-rate for NAGA 3, a full-year contribution from semi-submersible rig HAKURYU 5 and additional contribution from the Garraf power plant in Iraq, according to UMW's 2012 annual report.

UMW expects the oil and gas division to record higher revenue this year, driven by higher charter rates and a full-year contribution from NAGA 1. Stabilising oil prices, which have spurred oilfield development in Asean, also bode well for the oil and gas division, it says.

While churning out novel product promotions and marketing and new models in its automotive business, UMW will exercise prudence in cost management to remain competitive.

"As the cost of raw materials and labour continues to increase, we have to be innovative and resourceful to manage it. We are careful in managing our business operations and have implemented various cost-management measures," says UMW.

In 1QFY2013 ended March 31, UMW's net profit stayed flat at RM219.66 million compared with RM220.03 million in the previous corresponding quarter on the back of slightly lower revenue of RM3.36 billion.

AT THE HELM

Datuk Syed Hisham Syed Wazir has been UMW's president and CEO since October 2010. He got his degree in mechanical engineering from Plymouth University, England, in 1979. His management credentials include various senior positions in DRB-Hicom Bhd and prior to joining UMW, he had served as the chief operating officer of Naza Kia Sdn Bhd and Naza Kia Services Sdn Bhd.

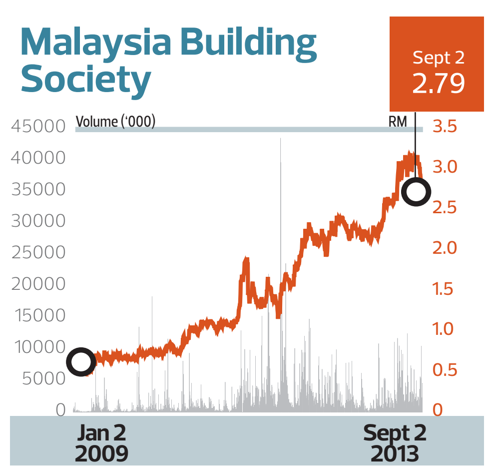
Its net asset value per share was at RM4.34 compared with RM4.15 at the end of last year. Its shares had appreciated 5.86% and closed at RM12.66 on Aug 27, giving it a market capitalisation of RM14.79 billion. E

HIGHEST PROFIT GROWTH

FINANCE

MALAYSIA BUILDING SOCIETY

More than just housing loans



BY ESTHER LEE

Malaysia Building Society Bhd (MBSB) has come a long way, from being just a property financier in the 1950s to becoming a financial provider with a spectrum of services that could rival those offered by full-fledged consumer banks.

The company's growth has scaled new heights, with record profits before tax since 2009. This is an impressive feat, given that the company was drowning in losses from 1998 to 2003. However, it managed to pull through that difficult period and has not looked back since.

For FY2012 ended Dec 31, MBSB's profit before tax was RM644 million, having risen 49.4% from RM431 million in the previous year, which in turn was more than double the pre-tax profit in FY2010.

Over the last four years, MBSB's loan book has grown to RM26.85 billion from RM8.12 billion in 2009. From 2011 to 2012 alone, loans grew 50.8%, from RM17.8 billion. Meanwhile, the company's net impaired loans have significantly from decreased to 4.5% from 19% in 2009.

"All these accomplishments are the result of the company's enhanced business focus on its targeted segments and continuous operational improvements. MBSB has continued to offer only competitive and affordable financing packages to its retail and corporate clientele," it said in its 2012 annual report.

In line with its increasing profits, MBSB has increased its dividend payout over the years. In 2012, the dividend reached 33 sen per share, equivalent to 0.89 times. In 2009, the company paid out four sen per share, or 0.49 times.

Over the years, MBSB has made a name for itself as the preferred financial provider for government servants. Its dominance in this segment is due to the affordability and variety of financing packages that suit different needs. This has provided MBSB with stable income.

Loan repayments from government servants are done via a monthly salary deduction

BEST PERFORMING STOCK

FINANCE

SYARIKAT TAKAFUL MALAYSIA

Coming out tops in a competitive field

BY SYARINA HYZAH ZAKARIA

Insurer Syarikat Takaful Malaysia Bhd functions in a tough environment, but that has not stopped it from being the best performing company with the highest return to shareholders in the finance sector over the last three years.

In FY2012 ended Dec 31, the company recorded a healthy increase in net profit to RM101.25 million on the back of RM1.61 billion in revenue. Net assets per share stood at RM3.07 compared with RM1.88 five years ago.

Group managing director Datuk Mohamed Hassan Kamil attributes Syarikat Takaful Malaysia's success to the transformation programme it launched in 2009, which has seen it develop into an entity with sustainable top and bottom line growth.

"Our strong achievements are centred on across-the-board strategies with the introduction of new competitively priced products, expansion of our distribution capabilities, enhancement of our IT portal initiatives and utilisation of new technology, partnership tie-ups with Islamic banks, implementation of investor relations programmes and aggressive takaful awareness campaign initiatives," he tells *The Edge*.

As a result, the company's group assets stand at RM6.4 billion compared with RM4.05 billion in 2008 and in the past few years, annual growth has exceeded 14% while group profit has grown more than 30% year on year.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	1,607.53	1,345.47	1,152.39	1,049.13
Profit Before Tax	125.46	101.42	65.26	49.72
Net Profit Attributable to Shareholders	101.25	76.79	37.56	39.39
Return on Equity	20.28%	17.04%	9.74%	11.27%

In fact, Syarikat Takaful Malaysia was the leader in the group family takaful business as at the third quarter of last year, capturing some 40% of the segment and 21% of the combined family and general takaful segment.

"Since the start of our transformation programme, we have established a five-year track record for consecutive strong business growth and we hope to maintain this going forward," says Kamil.

Another important factor that has contributed to the company's stellar performance is its unique selling proposition as the first and sole takaful operator to offer customers a 15% no claim rebate (NCR).

Last year, Syarikat Takaful Malaysia paid out a total of RM31 million under its 15% NCR policy, which, it believes, gives the company a competitive advantage over the others in the market.

"The NCR is a privilege to our valued customers, which distinguishes us from our competitors in the market, be it takaful operators or conventional insurance providers," says Kamil.

Moving forward, the company aspires to continue changing the perception that takaful, or more importantly, Islamic insurance, is merely an alternative to conventional insurance.

"This is yet another challenge that we need to address to firmly establish our foothold in the market and remain competitive in the industry. Again, this is a challenge experienced by other takaful players in the local market. It is our belief that as a takaful provider, we must portray an image and create an impression of 'globalness' to be relevant to not only the Muslims, but also the non-Muslims looking for protection," Kamil explains.

In a recent report, RHB Research maintained its "buy" call on the company at RM7.39 and a fair value of RM11. It is bullish on the company's prospects despite some underlying risks and believes a repricing of its rates is in the works.

"Despite having highlighted Syarikat Takaful Malaysia's risks of relying on bancatakaful in the past, we believe the worst-case scenario is unlikely to materialise as this assumes the group will not reprice its rates. However, it may be pressured to reprice its loading factor and wakalah charge to avoid unnecessarily burdening its customers," it says.

The company is also facing opportunity risks and a potential cost upside from the planned separation of its family and general takaful operations to comply with the newly implemented Islamic Financial Services Act 2013, the research house adds.

The counter has been rising over the past year, hitting RM9.49 on Aug 14 compared with an average RM1.33 in 2011. ■

AT THE HELM

After obtaining his MBA, Datuk Mohamed Hassan Kamil spent seven years building a career in the US, rising from actuarial executive at American Life Insurance Co in Wilmington, Delaware, to a full-fledged consultant at Towers Perrin in Philadelphia. Upon returning to Malaysia in 1994, he became deputy general manager of Malaysia National Insurance and held several prominent positions for the next 12 years. He was appointed group managing director of Syarikat Takaful Malaysia on April 1, 2007, after having served as its acting CEO since February 2006.

4-YEAR FINANCIALS

RM MIL	FY2012	FY2011	FY2010	FY2009
Revenue	1,831.56	1,269.44	769.94	537.96
Profit Before Tax	656.23	428.26	207.40	80.32
Net Profit Attributable to Shareholders	446.65	325.43	146.03	57.20
Return on Equity	29.84%	28.80%	38.31%	10.35%

scheme, which has helped minimise MBSB's default risk and ensures that the loans are serviced on time.

However, it could face an uphill battle when the effects of Bank Negara Malaysia's recent personal loan policies kick in. The new rules could potentially curb loan growth and compress net interest margins.

"More than 60% of MBSB's total loan portfolio is made up of personal financing loans. It will definitely feel the heat of Bank Negara's tightening policies. As for its recently announced results, the potential impact from the regulations had not been priced in yet," says an analyst.

Based on the company's 2012 annual report, 66% or RM17.79 billion of its total loan portfolio came from personal financing. Nevertheless, the top officials at MBSB had previously said personal loans only made up a small portion of the total personal finance segment, which includes loans for housing, cars and credit cards. At the time of writing, the company had not responded to questions from *The Edge*.

The central bank's tightening measures introduced in early July include prohibiting pre-approved personal financial products and reducing personal loan tenures to 10 years from 25 years previously. These measures were put into place to curb excessive household indebtedness that had risen to an astounding 83% of GDP recently.

According to analysts, MBSB had in the past relied on the robust refinancing of civil servants' personal loans, where growth was partly driven by the flexibility in financing, with its Islamic personal loan book under long tenures of 10 to 25 years.

Some analysts have taken the view that personal Islamic loans will no longer be the company's growth driver in the future because they see the shortening of the tenure of personal loans will impact customer affordability on repayment and borrowing.

Nevertheless, only time will tell how the company fares down the road. ■

AT THE HELM

Datuk Ahmad Zaini Othman has been MBSB's president and CEO since February 2009. A finance graduate of Southern Illinois University, Ahmad Zaini started his career with Bumiputera Merchant Bankers Bhd. Prior to joining MBSB, Ahmad Zaini was CEO of AmIslamic Bank, where he managed all the group's affairs relating to Islamic banking. He is a member of the Association of Chartered Islamic Finance Professionals (ACIFP) and currently serves as the association's vice-president.

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